

A view from the economists

*The dti process provided for the establishment of a focus group, which included a number of economists who provided input on the IMS. The **Labour Bulletin** elicited the views of some of those who participated in the process.*

All the economists interviewed, some of whom do not wish to be named, believe the document will act as an important catalyst for people to engage. They argue that constructive engagement on the document is after all – critical.

The following are viewed as some of the positive elements of the strategy as highlighted by the economists interviewed.

- The document provides a sober and comprehensive analysis of the problems in the economy.
- It recognises that some of the policy levers fundamental to growth do not necessarily fall under the ambit of the dti – hence the call for a more integrated approach within government.
- The acknowledgement that the manufacturing sector could act as a catalyst for employment growth, whilst at the same time recognising the potential of the service sector.
- The document sees a more active role for government. This could be positive if government's intervention

produces better outcomes.

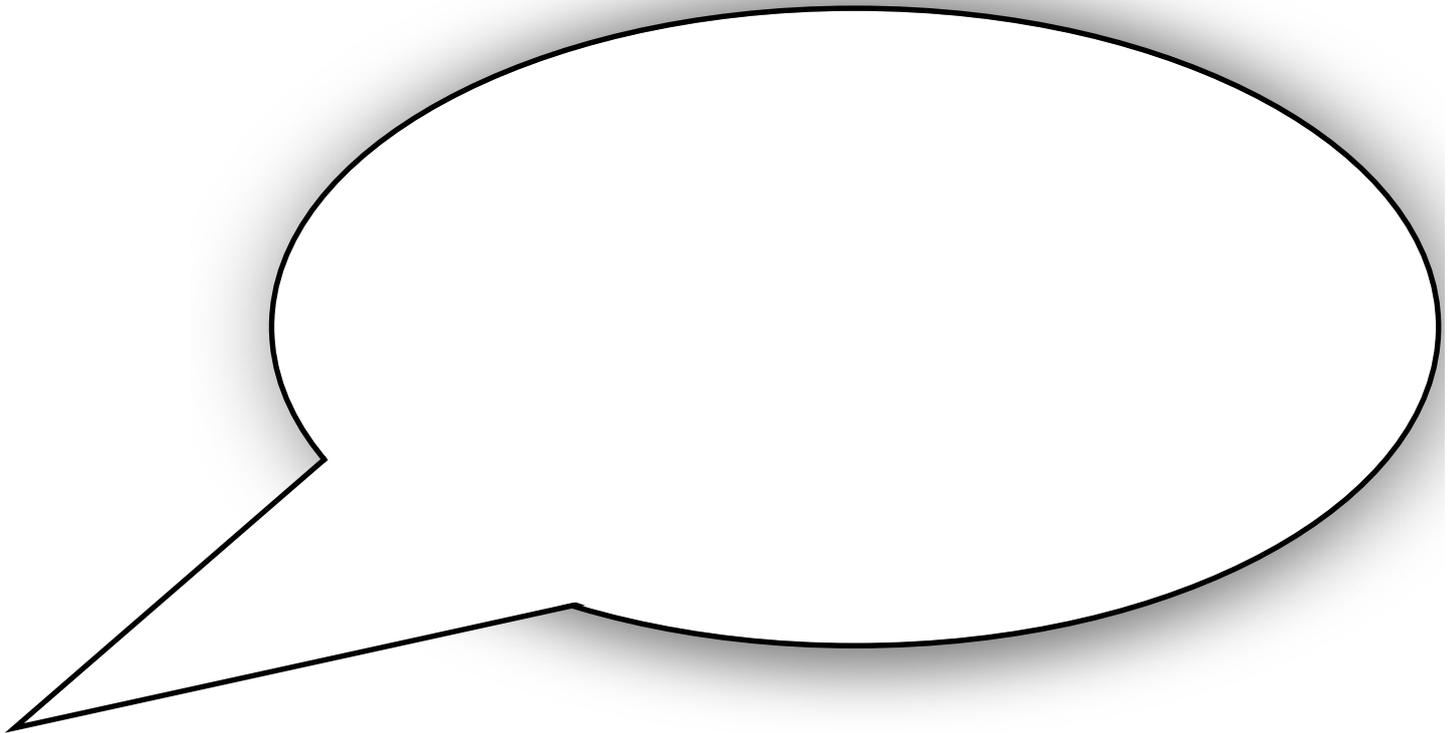
- There is a shift towards the targeting of sectors – although more controversial is the way targeting is done.
- The call for more collective action and engagement between key stakeholders.
- The dti (government) is clear about what it is able to provide, namely, leadership, customised services for different sectors and access to a broad range of products and services.
- A value chain paradigm allows one to identify where in the economy there is a potential to create value.

Some of the concerns amongst the economists relate to the following:

- The document sets out what the plan should be. It aspires to be a strategy but is at best a vision – an RDP for manufacturing.
- In view of the fact that the dti has put forward a broad perspective on the economy (and the focus on sectors falling outside of its ambit)

it is critical to determine whether the department has the political muscle to ensure cooperation from other departments. Who will give the dti this authority to play a leadership role? A case in point is the acknowledgement by the dti of the need to reform the telecommunications sector. It however, seems to lose this battle to the line department.

- The document fails to separate the dti's functions and its vision as to how it will impact on the overall economy. The document should have carried an analysis of its current status and functions and show how these are being met. Thereafter, it could propose extended functions. This is important in order to assess whether the dti is able to deliver on its strategy. There is some concern as to whether the dti is sufficiently resourced. (The production and analysis of statistics is critical for those wishing to export and was raised as an issue during the public



hearings.) Observers have indicated that the department has a large number of young, untested and relatively inexperienced staff. The positive is that they are enthusiastic and full of energy and are prepared to try new approaches instead of being stuck in an old mindset. Their test will be whether they are able to deliver to their 'customers'.

- The document is also silent on its institutional capacity. The dti lists all its subsidiaries but fails to highlight their role in implementation.
- It is questionable whether companies will work together to facilitate exports through economies of scale and other interventions. Business is essentially fragmented while some do not have the power to influence others up the value chain. In addition, how do you achieve collective action when constituencies do not share the same vision and thinking?
- It is unclear how the sectors targeted were identified? How will they be promoted? It is also

questionable whether systematic analysis was conducted to target sectors and how these sectors will be promoted? Although the document recognises the importance of a value chain approach, it does not identify whether (and where) South Africa has a comparative advantage in the value chain. The document needs to be more upfront about what parts of the value chain have a comparative advantage.

- Employment growth is not restricted to manufacturing. In recent years manufacturing jobs have been lost in favour of the service (and related) sectors. There is not a sufficient acknowledgement of this.
- It is questionable to what extent export-led growth will lead to job creation. Evidence has shown that

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the strongest export sectors have retrenched.

- To what extent will government be able to influence various input costs such as energy, transport and telecommunications.
- The uncritical focus on the MIDP fails to acknowledge all the factors that have led to its 'success'.
- It is questionable to what extent the

proposed strategy reflects existing strengths such as the relations in the automobile sector or the power to be created. The aim of an industrial strategy is to represent interests of organisations that are not powerful. Hence,

the idea of a strategy is to alter a development path not to reflect the existing power relations. To what extent does dti respond to different elements of business than others? **LB**