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16th Floor
Plein Park Building
69 Plein Street
Cape Town 8001
South Africa

Director: Prof. Ben Turok

Email: newagenda01@gmail.com
Website: www.newagenda.org.za
Tel: +27 21 461 2340

Admin: Ms. Aneesah Reynolds

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TOWARDS A JOINED UP ECONOMY

Remarks by Prof Ben Turok,

Director, Institute for African Alternatives (IFAA)

Colloquium on Beneficiation

Portfolio Committee on Trade and Industry

27 August-4 September 2014

Parliament, Cape Town

1. This has been an excellent colloquium allowing for thorough examination of the issues around beneficiation. I can only comment on mining and plastics, but believe that my comments also bear on other natural resources.

2. It seems that there has been substantial agreement at the colloquium that beneficiation is desirable, I am not sure that the argument has been won outside of the meeting. That has still to be followed up.

3. While many of the business presentations have complained about the lack of coordination in government, justifiably, there is a need to recognise the importance of building a joined up economy for the country as a whole, private and public sector together.

A **"joined up economy"** requires:

(3.1) clarity of purpose and coordination across government.
(3.2) private sector initiatives which break the mould
(3.3) sustained cooperation across the board.

Under 3.1 **Government** we need:

1. Much better physical developmental infrastructure: transport,energy (including better regulation and charges),water, administered prices etc
2. Implementation of legislation and better management of licencing conditionalities.
3. Stronger import restrictions, especially for local product substitutes.
4. Scaled up skills training and support for R & D and innovation.
5. “Designated” natural resources.
6. Consideration of preferences for resource rents or downstream tax and other benefits.

Under 3.2 **Private Sector** we need:

1. No price discrimination to local manufacturers,
2. Serious planning for downstream manufacturing,
3. Local procurement of locally made products (not imported)
4. Much more attention to SADC and Africa markets,
5. Examine upstream activity as a foundation for subsequent downstream activity,
6. Improve labour productivity by training,
7. Promote BBBEE transformations which actually empower, not enrich HD people,
8. Open discussions on differing pay scales for urban/rural workers?

Under 3.3 **Political Will** we need:

1. Serious commitment by all the sectors, not just government, it applies to the private sector too, and labour and social movements.
2. The point is that if we do not seek to improve our domestic value addition to our natural resources, others will do so, and we lose out on job creation, upskilling, technological innovation, financial returns and a much stronger GDP.
3. Resource nationalism introduces economic planning, allows for the emergence of a developmental state rather than an apathetic or authoritarian state. It is preferable to mechanical reliance on global markets on the one hand and knee jerk nationalisation on the other.
4. A recognition that the global market is in turmoil with the big players locked in serious rivalry at the expense of small countries.
5. To realise that if we do not intervene more actively in the economy, the demand for nationalisation will overtake all our endeavours.

4. Way Forward

My Institute IFAA has been seized with these problems for several years. We have convened, with the IDC and UNECA, two large conferences and published the papers in New Agenda, S A Journal of Social and Economic Policy.

We are now cooperating with others in charting a practical way forward.

This includes primary research on the obstacles to greater domestic value addition, such as those mentioned at the Colloquium.

Our approach is that even if we accept that there are major institutional issues that need to be addressed, this does not mean that a step by step approach is not needed.

We need hard information on beneficiation that is actually happening and how this can be extended across the economy.

Furthermore, we are engaging with other institutions across Africa to compare notes and learn from each other.

Above all we need to accept that governments across the world are not willing to allow their economies to be disturbed by the current global financial and economic turbulence. Where they are able they are intervening to bolster local capabilities and support domestic industry.

In China state run cellular operators provide subsidies to make devices affordable. China Mobile subsidised each phone by $697 or 88%. (Business Report 29 August 2014)

Nigeria is imposing higher tariffs on new vehicle imports so Toyota is considering producing vehicles in Nigeria presumably in place of South Africa. (Business Report 29 August 2014)

These examples of state intervention in support of industry illustrate the necessity of having a joined up economy.