



## TIPS NEWSLETTER MARCH 2016

**This newsletter reports on some of our research projects and provides details of this year's Annual Forum as well as our regular training workshops**

### RESEARCH PROJECTS

#### Trade and Industrial Policy Pillar

#### Regional integration

South Africa's destiny is intertwined with those of nearby countries. The importance of understanding its place in a regional context has become even more salient as the higher resource and agricultural commodity prices over the past few years have gone hand-in-hand with high rates of growth on the continent, with many not experiencing a recession following the global financial crisis. However, what is not clear is how this can be harnessed to lead to broad-based industrial development across the continent or what the implications are of the recent decline in the commodity price.

A number of countries within the Southern African Development Community (SADC), including Angola, Mozambique, Zambia and Tanzania, have recorded average annual growth rates of five percent or more from 2000 to 2014. Even while world economic conditions have been weak, the demand for resources and agricultural products over that period contributed to strong growth across the continent. The growth of countries such as Angola, Democratic Republic of Congo, Malawi, Tanzania and Zambia have made a significant impact in driving the Southern African region as a whole.

A policy shift away from an insular market approach to recognition of interdependence, deepening integration and two-way flows is needed. The inter-dependencies cover trade in goods and services, migration of people, power, water and transport infrastructure, finance and regional operation of companies.

The policy challenges are many, from planning cross-border infrastructure to the effective realisation of the possible linkages from exploitation of natural resources. Crucial to realising the region's potential is to understand the shared nature of the industrialisation opportunities.

The growth in resource exploitation has important implications for development of the region. These include issues for macroeconomic policy such as how to retain a share of the resource rents and ensure they are channelled into long-term investment in Southern Africa, and how to manage the impact on exchange rates. There are also important questions around whether and how resource exploitation is a driver of diversified, shared growth, or whether it is part of growing inequality and concentration of wealth. A key consideration is the linkages to growth of other industries. This includes direct linkages to inputs such as mining equipment as well as the development of infrastructure and skills that facilitate the growth of wider economic activity.

There are also important opportunities to grow industries to supply the demand that comes from mineral revenues. The opportunities for South Africa across the continent are already evident in the changing pattern of South Africa's exports. Other African countries have collectively become much more important as a destination for South Africa's exports of diversified manufactured goods (that is, after excluding resources, basic chemicals and basic metals). A number of factors need to be considered.

- First, there needs to be an overall appreciation that for African economies to develop they need to industrialise.

**Trade & Industrial Policy Strategies (TIPS) is a not-for-profit economic research organisation based in Pretoria, South Africa. TIPS has three main focus areas: trade and industrial policy, sustainable growth, and inequality and economic inclusion. TIPS undertakes research and analysis, and facilitates policy development, dialogue and capacity building.**

## TIPS ANNUAL FORUM — REGISTRATION NOW OPEN

### ANNUAL FORUM: INDUSTRIALISATION AND THE MINING ECONOMY 14–15 JUNE 2016

The 2016 TIPS Annual Forum is being run in partnership with UNU-WIDER and the University of Johannesburg (South African Research Chair in Industrial Development). It is undertaken in association with the Department of Trade and Industry, and Department of Planning, Monitoring and Evaluation.

The forum aims to deepen the understanding of the relationship between the minerals sector and industrial development, and will include panel discussions on beneficiation, financial flows, environmental factors, procurement, industrial policy and energy, among others.

In South Africa, over the past 20 years, imports have risen as a share of key mining inputs, and the share of mining products going into manufacturing has declined. Within the Southern African region the growth in mining, in particular commodities such as copper, oil, gas and coal, has supported the investment in new infrastructure including ports, rail, pipelines and electricity; with opportunities emerging for other industry. These countries have also seen significantly faster levels of economic growth and attraction of new investment in sectors such as retail but to what extent has mining supported the industrialisation of those economies.

The Forum will explore these factors as well as innovative approaches to addressing them, especially in light of the rapid fall in commodity prices over the past two to three years.

For more details, including how to register go to [www.developmentdialogue.co.za](http://www.developmentdialogue.co.za).

#### regional integration continued from page 1

- Second, that growth of the manufacturing sector is crucial both for the direct benefits this brings as well as being a lead sector that contributes to the growth of other sectors, including commercial agriculture, agro-processing and value-added services, and finance.
- Third, the importance of policymaking supported by evidence-based analysis of market dynamics, sectors, value chains, and the industrial structure of countries needs to be acknowledged.
- Fourth, that market integration provides opportunities for the private sector to develop but industrial development needs to take place alongside market integration otherwise there is a risk of some countries being excluded.
- Fifth, that South Africa as a lead economy in the region has a major role to play in supporting industrial development across the region and ultimately across the continent.
- And finally, that industrial development in the rest of Africa will directly benefit the South African economy, including contributing towards faster economic growth and job creation.

TIPS has recently undertaken a number of studies on regional industrialisation and regional value chains. This included research on South Africa's industrial policy and industrialisation as part of a SADC strategy on regional economic growth and integration, a paper for Nedlac on regional industrial development, and a presentation to the Department of Home Affairs on

regional economic trends. Also, in partnership with CCRED at the University of Johannesburg, CSID at the University of the Witwatersrand, UNZA in Zambia and AIAS in Zimbabwe, we looked at three regional value chains: soya, infrastructure and capital equipment.

More research is planned in partnership with CCRED and a number of research institutes across the region as part of a multi-year research project for the dti.

### Sustainable Growth Pillar

#### Establishing a Green R&D baseline

TIPS recently undertook a study, commissioned by the Department of Science and Technology (DST), to determine the baseline expenditure on Green R&D. This project was a first-of-its-kind initiative, relating directly to the National Development Plan and its Medium Term Strategic Framework (MTSF) for green economy targets. The project also forms part of the government outcomes linked to the promotion of an “environmentally sustainable, low-carbon economy resulting from a well-managed just transition” (Outcome 10: MTSF).

To better understand how to increase the spending and growth targets for R&D related to the green economy, a baseline of spending needed to be established.

The first aspect of the project was to determine a conceptual framework for what is considered Green R&D. The baseline was developed with DST in consultation with key stakeholders such as the Department of Environmental Affairs, National Treasury and the National Business Initiative. In collaboration with

CSIR and the Innovation Indications team at the HSRC, data from the annual R&D survey was used as the base data from which to extract Green R&D expenditure. A final report on both public and private Green R&D expenditure was presented to the DST in January 2016.

In addition to providing the Green R&D figures and targets, the project was particularly insightful in explaining the limits and challenges in working with existing data sets for green economy initiatives. It provided recommendations and further work to be considered to take the green economy and Green R&D agenda for the department forward. Based on peer review of the project, it may even prove to be useful in informing international studies of a similar nature, shaping the conceptual and methodological considerations in determining Green R&D expenditure.

## POLICY BRIEFS

TIPS has recently produced a number of Policy Briefs:

**Eskom's regulatory clearing account submission for 2013/14** - Neva Makgetla, TIPS Programme Manager (Trade and industry).

**Using the UIF surplus as part of a stimulus package** - Neva Makgetla, TIPS Programme Manager (Trade and Industry).

**Macroeconomic policy in times of slow growth and crisis** - Produced for TIPS by Stephanie Seguino, Professor, Department of Economics University of Vermont, USA, and SOAS, University of London.

**Climate change mitigation: achieving an optimal mix of measures** - Georgina Ryan, TIPS Junior Researcher.

**Reflections on the National Industrial Policy Framework and industrial policy implementation in South Africa post-2007** - Mbofholowo Tsedu, TIPS Assistant Programme Manager.

**The two shall become one: Overcoming the stalemate between industrial and climate change policies** - Gaylor Montmasson-Clair, TIPS Assistant Programme Manager: (Sustainable Growth).

**Penetrating the Asian market: A case study of trade barriers for South African exporters into Indonesia** - Blessing Chipanda, TIPS Junior Economist.

**To access these go to [TIPS Policy Briefs](#)**

## DEVELOPMENT DIALOGUE SEMINARS

**TIPS regularly hosts development dialogues and seminars. These allow policy practitioners, economists and individuals to engage in topics pertinent to economic and sustainable development. The following dialogues were held between November 2015 and February 2016.**

### **The end of the commodity boom: Some implications for the South African economy – 18 November 2015**

TIPS Programme Manager Dr Neva Makgetla presented on the findings of research on challenges posed to the economy as a result of declining commodity prices. The seminar explored some key implications for South Africa, including the effects on manufacturing, tax revenues, infrastructure investment, and policy.

### **Global Value Chains – 21 January 2016**

The seminar was delivered by Thomas Farole (World Bank), Faizel Ismail (UCT and the dti) and Ben Turok (Institute for African Alternatives). It discussed the relevance, challenges and implications of global value chains for South Africa and the wider region.

**The National Industrial Policy Framework (NIPF) – 22 February 2016:** TIPS Assistant Programme Manager Mbofholowo Tsedu explored the outcomes of the NIPF and assessed some of the progress of industrial policy implementation since 2008.

### **Third and Fourth quarter Manufacturing Bulletin – 18 November 2015 and 22 February 2016**

TIPS Economist Baba-Tamana Gqubule and Nascence Advisory and Research Economist Xhanti Payi presented on the findings of the manufacturing Circle Quarterly Bulletin.

### **Oceans economy Phakisa and maximising niche markets in aquaculture: South Africa's abalone industry – 9 March 2016**

TIPS Research Associate Dr Edwin Ritchken and Junior Economist Gillian Chigumira presented on the oceans economy Phakisa and the abalone industry.

For copies of presentations and information about other seminars go to [Development Dialogues](#).

## TIPS TRAINING WORKSHOPS

TIPS continues to hold training workshops. These workshops are designed and run by experienced academics and experts in their respective fields.

### The Green Economy in Context

The two-day Green Economy in Context course is facilitated by Gaylor Montmasson-Clair and Georgina Ryan of TIPS. It was run for the first time on 28-29 August 2015 and again on 2-3 March 2016. The aim of the course was to provide government officials and other interested participants with the theoretical and practical understanding of how the Green Economy applies to both local and broader national economic growth objectives, while equipping participants with the analytical tools to bring the Green Economy into their respective areas of work and support the transition to a more sustainable economy.

### Introduction to Economy-Wide Modelling for Policy Analysis

The five day Introduction to Economy-Wide Modelling workshop facilitated by Prof Rob Davies of the University of Zimbabwe and Dirk van Seventer. It took place from the 2-6 November 2015. The aim of the workshop was to introduce the practical aspects of CGE through a learning-by-doing approach using real world data.

## Trade Policy and South Africa

This workshop, facilitated by Dr Faizel Ismail, aimed to provide participants with insights into how the world trading system works and further supplied information about South Africa's trade relationship with key regions. The workshop took place from the 24-26 February 2016.

### Value Chains

This workshop has been held four times during the past quarter for audiences from the dti, the Industrial Development Corporation, and the Agriculture department, among others. The aim of this workshop was to build research and policy capabilities to better understand the dynamics of value chains.

### Research Methods

Facilitated by Myriam Velia, of the School of Built Environment and Development Studies at the University of KwaZulu-Natal, this workshop held from 14-16 March 2016, provided insights into managing research projects, understanding the different approaches that can be used, and when to use the different approaches to manage or undertake research.

Details of the planned workshops for this year can be found on the TIPS website [www.tips.org.za](http://www.tips.org.za). Or contact Rozale Sewduth at [rozale@tips.org.za](mailto:rozale@tips.org.za).

## PAST CONFERENCES

### ECONOMIES OF REGIONS LEARNING NETWORK (ERLN) CONFERENCE 15-16 OCTOBER 2015

The Government Technical Advisory Centre and the Economies of Regions Learning Network (ERLN) in partnership with the University of the Witwatersrand's Development Studies Programme and TIPS successfully hosted a two day conference in Pretoria with the theme of Economic Development at the Sub-National Level. The conference aimed to capture research on relevant South African and international experiences on approaches to sub-national economic development that could contribute to job creation and economic growth. The conference was a platform for policymakers, practitioners and academics to share that knowledge and information. For more go to [www.erln.org.za](http://www.erln.org.za).

### 2ND ANNUAL COMPETITION AND ECONOMIC REGULATION (ACER) CONFERENCE, SOUTHERN AFRICA: 11-12 MARCH 2016, LIVINGSTONE, ZAMBIA

Hosted by the Centre for Competition, Regulation and Economic Development (CCRED) in partnership with the Competition and Consumer Protection Commission of Zambia. The ACER week provided a valuable platform for competition authorities and regulators to share knowledge, keep abreast of key developments across the region, and build networks for collaboration between agencies. For more visit [www.competition.org.za/conference](http://www.competition.org.za/conference).



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