

Reclaiming the Steel

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- Introduction, incl. context & question
- Clarify Strategic Importance?
- Theoretical Framework

- SA's experiences with RCM's

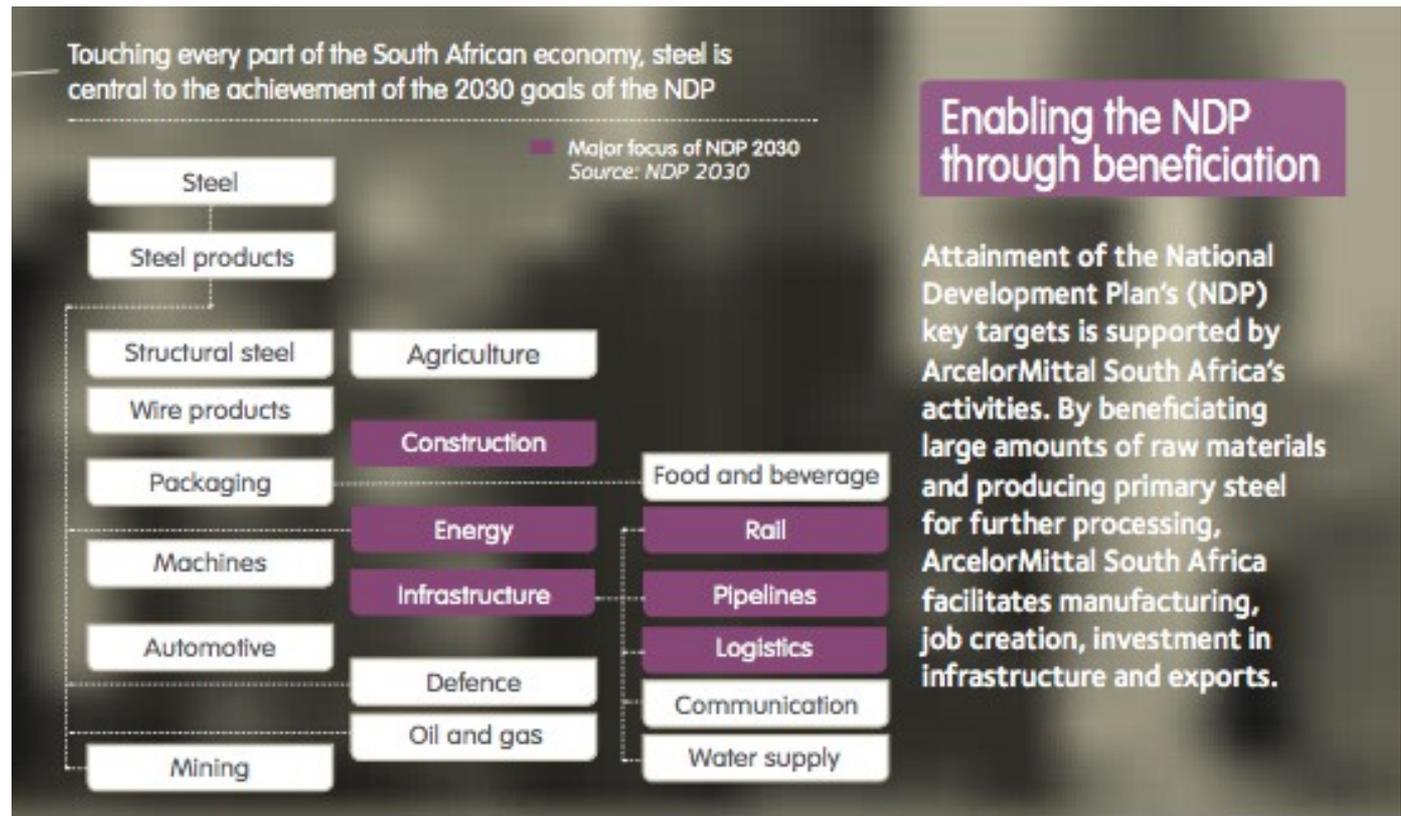
- Approach – researching an industrial policy instrument using Interviews, secondary data published stats, investigation reports – main focus of the interviews were around the details of the “rescue-package” extended to the steel sector.

- Reaping the rewards?
 - Discussion

STRATEGIC IMPORTANCE

- 190 000 jobs in the direct iron-ore, steel making and fabrication industries.
- Top steel consuming industries (mining, construction, autos, cables, structural steel) contribute ~R600bn to SA's GDP (~15%) and employ ~8m people (direct and indirect)
- The loss of SA's primary steel production capacity (and becoming an exporter of iron ore and an importer of steel) will leave SA at the mercy of the global steel market in the long run and preclude SA from utilizing its comparative resource endowment advantage
- In our view, the sustainability and future existence of the sector as a whole (both upstream and downstream) is integral to achieve the country's economic development goals and support the growth of key sectors.

NATIONAL ECONOMY - NDP



Adopted from AMSA Integrated Report 2017

Reciprocal Control Mechanisms

- The importance of industrialisation and industrial policy for development
- We propose to define industrial policy as a policy aimed at particular industries (and firms as their components), to achieve the outcomes that are perceived by the state to be efficient for the economy as a whole. This definition is close to what is usually called “selective industrial policy” (Chang, 2006)
- ENTER ALICE AMSDEN - recognition that government support is justified in the presence of market failures
 - More needs to be done; Dani Rodrick goes as far as suggesting *that the process is more important than the support itself* (Rodrick, 2006).
- **AMSDEN** RCMs are instruments with which government controls and restrains corporate behaviour with a view to transforming the economy. (Amsden, 2001)

South Africa's Experience with RCMs

REAPING THE REWARDS?

- Policy space available for government to save the steel sector
- The human resources dedicated to this intervention
- Reciprocities expected of industry
- The impact on the manufacturing sector

CREDIBLE RCM's?

By what has already transpired, it does not seem to be the case

- ❖ Conditionalities meaningless with a **12 % safeguard duty** in place
- ❖ Protection guaranteed until **2021**
- ❖ *Smiling all the way to the bank* 😊

LESSONS?

FALSE DICHOTOMY - rare show of unity between government business and labour is critical to the success of this intervention. Evans' (1995) consideration about the **false dichotomy** between states and markets, is that it confuses the basic issue being that withdrawal and involvement of the state are not alternatives, that **state involvement is a given**. We should therefore not be asking 'how much' but 'what kind' (Evans 1995).

TASK TEAM – institutionalising the control mechanisms.
proactive governance,
capacity **continually being built** in the state to
implement and monitor industrial policy actions

full political backing which is easier to achieve with direct line of reporting!

RINSE AND REPEAT?

no thank you!

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Selected references

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