

# 10 YEARS BUSINESS REPORT

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## NEWS

### Industrialists told not to rely on tariff protection

March 31, 2005



By Lynda Loxton

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Researchers have advised industrialists to stop demanding unconditional tariff protection from imports and concentrate instead on whether they were keeping abreast of modern technological developments.

At the same time, the researchers have warned, the government should not totally abandon its policy making role to market forces and should be more selective about the kinds of industries it did support.

In two recent research papers posted on the website of Trade and Industrial Policy Strategies, a local think-tank with close ties to the government, the researchers focused on the debate about whether government had cut import tariffs too quickly, harming major industries such as clothing and textiles.

**"Consumers would benefit even more if the government opted for stronger antitrust policies and tariff liberalisation "** These industries have claimed that they are being driven out of business, at the cost of thousands of jobs, because of the flood of cheap imports from countries such as China.

The researchers appear to have some sympathy with these complaints, but point out that in a world of rapid globalisation, trade liberalisation is inevitable and may well benefit local consumers while encouraging the development of new exports.

In one paper, Lawrence Edwards and Tijn van de Winkel of the school of economics at the University of Cape Town said it appeared as if tariff liberalisation during the 1990s had lowered average mark-ups in South African industries.

They estimated South Africa had cut average protection in manufacturing from 14.5 percent to 9.4 percent between 1994 and 2002. During this time, a 1 percent cut in tariffs is estimated to have reduced average mark-ups by about 2 percent.

The cut in mark-ups was even higher when the cost of intermediate inputs was taken into consideration.

Edwards and Van de Winkel said consumers would benefit even more if the government opted for "stronger antitrust policies and tariff liberalisation.

Secondly, an accelerated programme of

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### News

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liberalisation and more competition-enhancing policies will enable the Reserve Bank to pursue a less restrictive monetary policy, at least in the short run."

Lower mark-ups would also increase the profitability of exports "through lower input costs".

In the other research paper, Sanjaya Lall, a professor of development economics at the University of Oxford, said that as "liberalisation and globalisation gather pace, concern with industrial competitiveness is growing, not just in developing countries but also in mature industrial ones".

How best to deal with this was, however, still wide open to intense debate, although there was a growing body of opinion that governments should not abdicate their policy making role to market forces and should instead make selective and targeted policy choices to help their industries become more competitive.

The key to this, she said, was encouraging industry to keep abreast with the latest technology and finding niche markets rather than demanding protection from imports through higher tariffs.

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## OPINION/ ANALYSIS

### Business Watch

#### Is Stats SA hiding behind a drug price scapegoat?

The tentacles of uncertainty surrounding medicine pricing have stretched as far as Statistics SA, which claimed yesterday that it had been unable to obtain conclusive data of retail drug prices since November 2003. Fair enough. The confusion that ha ...[\[Full Story...\]](#)

### Opinion/ Analysis

#### Index for administered prices will be ready soon

Each month, Statistics South Africa publishes a number of price indices, including the consumer

## Company News

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## International

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Japan's industrial production plummets

Mining firms in Zimbabwe call for currency devaluation

Celtel boss banks on rich future fo Africa

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price index (CPI) and producer price index. [**Full Story...**]

#### Comment

### Nxasana turns some numbers up at Telkom

Do you remember the old Telkom days when attempts to make a phone call through an exchange were met with the operator's request: "Nommer-nommer asseblief [number-number please]?" [**Full Story...**]

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## SECTOR REPORTS

### Mining Report

#### AngloGold concerned about IMF sales

AngloGold Ashanti said on Monday that its gold reserves fell by 6 percent to 78.9 million ounces during last year. [**Full Story...**]

### Economic Report

#### BlackBerry device maker may set up offices in SA

Research in Motion (RIM), the Canadian-based manufacturer of BlackBerry devices, may set up an office in South Africa because this market is strategic to its business, it emerged yesterday. [**Full Story...**]

### Finance Report

#### Sekunjalo lands chunk of software firm XNA for R5m

Investment holdings company Sekunjalo Investment had bought a 24 percent stake in software firm XN Corporation Africa (XNA), a subsidiary of London-listed XN Checkouts, for R5 million, the company said yesterday. [**Full Story...**]

### Finance Report

#### Primedia to acquire Nail after disposal of Hertz

New Africa Investments Limited (Nail), which is left with two assets, will be acquired for R45 million by media and advertising group Primedia after Nail completes the disposal of its 50 percent shareholding in car rental business Hertz. [**Full Story...**]

### Economic Report

#### Harry Potter works Bloomsbury magic

Bloomsbury Publishing said yesterday that the sixth instalment of the Harry Potter boy wizard series would help to boost the group's 2005 profits by nearly a quarter. [**Full Story...**]

"It was an honest to goodness mistake." [Who said that?](#)

### Business Forum

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### WEEKLY INTERVIEW

Statistician-general [Pali Lehohla](#) has been under fire recently following errors in key indicators such as the consumer price index and allegations of bad management. But Statistics SA is learning from its mistakes, he says.

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