



TIPS NEWSLETTER JULY 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

Trade and investment relationship between South Africa and the United States

Following the successful negotiations with the US on the African Growth and Opportunities Act (AGOA) earlier this year, the National Economic Development and Labour Council (Nedlac) saw the need to look further into the trade and investment relationship between South Africa and the US. TIPS has been commissioned to undertake a study that will inform the discussion on the future of the SA-US relationship.

Trade remains crucial for driving economic growth and employment creation in South Africa. The importance of exporting to the US for any developing country cannot be downplayed. Exports to the largest economy in the world along with various support measures were crucial for countries such as Japan and South Korea during their industrialisation, and more recently for China.

AGOA recognises the potential benefits of the US market and is a mechanism to encourage African economies to export into that market. While AGOA is a unilateral agreement by the US, it gives benefits to the recipient countries and also is a means to encourage investment by US firms into Africa. The potential to support industrial development is therefore significant and is part of the motivation to extend AGOA by 10 years. Outside of the oil exporters, South Africa is the largest exporter through AGOA. South Africa exports value added products including automotive components and vehicles through AGOA.

The recent AGOA legislation brought in an element of reciprocity and specifically required a review of South Africa, mainly as a result of the trade measures against poultry and pork imports from the US into the country. The poultry issue has been resolved and a number of compromises reached, including improving South Africa's access to the US market for several high-value added agriculture products and capacity building by US firms of local companies. The 10-year extension is an opportunity to facilitate longer-term partnerships and investment relationships, and the research aims to better understand these dynamics.

Steel task team

The global steel industry is facing a crisis that has prompted action by all steel producing nations. South Africa is no different.

Work has been ongoing in the Department of Trade and Industry (the dti), the Economic Development Department (EDD), National Treasury and the Industrial Development Corporation (IDC), among others, to provide support to the industry.

The need to focus the interventions on a number of factors rather than individual actions such as tariff support has been recognised. To this end, a Steel Task Team has been established to co-ordinate the efforts of government actors, unlock and unblock required interventions, improve dialogue with private actors and map out an agreed way forward that contributes to the sustainability of the industry.

TIPS has been appointed as the secretariat and research manager for the Task Team as well as to provide technical expertise and undertake research.

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.

INDUSTRIALISATION AND THE MINING ECONOMY

The 2016 TIPS Annual Forum, in partnership with the University of Johannesburg (UJ) and the United Nations University World Institute for Development Economics Research (UNU-WIDER), and in association with the Department of Trade and Industry (the dti) and the Department of Planning, Monitoring and Evaluation (DPME), was the highlight of the quarter.

More than 160 people from South Africa, other African countries, Europe and the US attended the conference in Johannesburg. More than 25 papers were presented. The aim was to deepen the understanding of the relationship between the minerals sector and industrial development, which included panel discussions on beneficiation, financial flows, environmental factors, procurement, industrial policy and energy, among others.

The Forum papers and presentations are available at www.developmentdialogue.co.za.

Steel task team continued from page 1

The research by TIPS recognises the importance of having a steel and ferro-alloys industry that is small by global standards but competitive, with strong downstream fabrication and moderate prices for local manufacturers. The central elements would require:

- Short-term measures to ensure sustainability by cutting costs without building in long-term subsidies, and boosting domestic (and, where possible, regional) demand for local steel products without placing an unsustainable burden on downstream fabricators.
- Longer-term restructuring through investment in modernisation and energy efficiency across the domestic value chain.

SUSTAINABLE GROWTH PILLAR

Climate change adaptation and agriculture in South Africa

TIPS recently undertook a study, commissioned by the WWF South Africa (WWF-SA), to provide the agri-food value chain with tools and information to understand and proactively respond to climate risks.

The findings show that the South African government has a crucial role to play in climate change adaptation, both in delivering adaptation strategies devised from above and coordinating bottom-up action.

Climate change adaptation has mainly been developed within municipalities in response to local concerns rather than as a result of guidance or directives from the national level. However, focusing on the local level does not decrease the role of the national government. It suggests instead that the national government must be much more effective at connecting with remote areas and people. In addition, the instinct to rely on local people is correct, as they have pertinent knowledge.

Nevertheless, the policies and strategic plans reviewed are not clear on how local government should deal with climate change-related issues. This suggests that it might be useful for functions that cut across different governmental spheres to be clearly assigned to local government and the Department of Cooperative Governance and Traditional Affairs should review the powers of local government around climate change.

Government should also support research institutions (such as the Agricultural Research Council) and weather stations (such as the South African Weather Service and the Institute for Soil, Climate and Water) to continue developing new crop types and making quality climate data accessible, particularly for emerging farming communities.

Developing better heat- and drought-resistant crops will help fulfill current and future food demand by enabling production in marginal areas to expand. Improvements will be critical because the country's population continues to increase, with or without climate change.

In addition, understanding of the links between climate change, trade and industrial development considerations is important as it would ensure that there is a more robust framework for policymakers. Such efforts should be fast-tracked.

The importance of keeping track of how South Africa's trading partners respond to climate change issues, and how this could impact the economy, should not be underestimated.

A copy of the research report by Meshack Zwane, TIPS Economist and Gaylor Montmasson-Clair, TIPS Assistant Programme Manager is available to download here:

[Climate change adaptation and agriculture in South Africa: a policy assessment](#)

POLICY BRIEFS

TIPS has produced the following Policy Briefs in the past quarter:

Opportunities for strategic intervention in the South African agricultural sector: Trade and employment - Blessing Chipanda, TIPS Junior Economist (Trade and Industry).

The jobs bloodbath that wasn't: What happened to employment in the first quarter of 2016? - Neva Makgetla, TIPS Programme Manager (Trade and Industry).

Revised IMF growth forecasts - Neva Makgetla, TIPS Programme Manager (Trade and Industry).

Maximising niche markets: South African abalone - Gillian Chigumira, TIPS Junior Economist (Trade and Industry).

A developmental systems approach to agro-processing policy - Tracy Ledger, TIPS Research Fellow.

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

WORKING PAPERS

TIPS has produced the following Working Papers over the last quarter:

The changing global trade architecture: Implications for Africa's integration and development – Faizel Ismail, TIPS Research Fellow. (See also Commonwealth Trade Hope Topics Series Issue 131 [The changing global trade architecture: Implications for Sub-Saharan Africa's development](#))

Power and governance in agri-food systems: key issues for policymakers – Tracy Ledger, TIPS Research Fellow.

To access these go to [TIPS Research](#)

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.

UPCOMING DEVELOPMENT DIALOGUES AND SEMINARS

Steel — where to from here?

Date: Thursday, 28 July 2016

Presenter: Dr Neva Makgetla, Senior Economist, Trade and Industry (TIPS)

This seminar will explore the global and domestic factors behind the downturn and key options for addressing it.

The Scandinavian model — an interpretation

Date: Thursday, 1 September 2016

Presenter: Professor Karl Ove Moene

This seminar will explore the economic and political equilibrium in these economies.

Inequality, investment and growth

Date: Tuesday 6 September, 2016

Presenter: José Gabriel Palma

Discussant: Dr Kate Philip

This seminar is hosted by the Economies of Regions Learning Network, in association with the African Programme on Rethinking Development (APORDE).

To register for these seminars email daphney@tips.org.za.

The following dialogues were held during the past quarter.

First Quarter Manufacturing Bulletin The focus of this presentation was to present the findings of the Quarterly Manufacturing Bulletin, an initiative of the Manufacturing Circle, for the first quarter of 2016 and have a discussion around strategies to support the manufacturing sector in ways that support employment and equitable economic growth. Presentation by TIPS Economist Baba Tamana-Gqubule.

Automotive Sector - Regional Perspective on Market Dynamics: TIPS Assistant Programme Manager Sithembiso Mtanga presented on TIPS research into the regional automotive industry. The seminar explored the market dynamics on the African continent that determine levels of manufacturing and trade of motor vehicles and parts.

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

WE CELEBRATED NELSON MANDELA DAY



TIPS continued its support for the Tshabadimaketse Crèche in Bokfontein with a working session on Nelson Mandela Day. This is the third year of our support for this crèche, which we became aware of while implementing the **Community Work Programme**. Activities included painting the interior and putting in shade nets for the garden. Last year TIPS helped set up the food gardens, providing fruit trees and seeds, and installing two flush toilets, pipes for a sewage system, and a wash hand basin.

THE REAL ECONOMY BULLETIN

Every quarter TIPS produces The Real Economy Bulletin, which looks at trends and developments within the real economy and provides data and analysis on key manufacturing industries. The First Quarter 2016 is available online.

The first annual The Real Economy Bulletin Provincial Review is also now available. This looks at developments in the real economy and in development policies and projects at the provincial level. The bulletin provides data for all nine provinces.

**To access these go to
The Real Economy Bulletin**

TIPS TRAINING WORKSHOPS

TIPS continues to hold training workshops. These are designed and run by experienced academics and experts in their respective fields. Over the past quarter, TIPS hosted two training workshops.

The Green Economy in Context

Gaylor Montmasson-Clair and Georgina Ryan of the TIPS Sustainable Growth Pillar facilitated this two-day workshop in April. The workshop was specifically designed to give targeted insights to participants from Eskom. It provided participants with the analytical tools to bring the green economy into Eskom's operating

environment and to support the transition to a more sustainable economy.

Macroeconomics for Senior Policymakers

This three-day workshop in April was facilitated by Seeraj Mohamed of the University of the Western Cape. It attracted participants from TIPS, the Department of Trade and Industry, the Public Investment Corporation and the Department of Small Business Development. The interactive workshop reviewed the impacts of macroeconomic policies in South Africa and other countries in the context of an increasingly integrated and globalised economy.

Details of the workshops for this year can be found on the TIPS website www.tips.org.za/training. Or contact Rozale Sewduth at rozale@tips.org.za.

NEW STAFF

We welcome two new staff member to our team, Asanda Fatoyi, junior economist and Kelello Mashiane, research assistant.

BOARD CHANGES

Velaphi Msimange has stepped down from the TIPS Board of Directors. We thank him for his contribution.



TRADE & INDUSTRIAL POLICY STRATEGIES

info@tips.org.za +27 12 433 9340 www.tips.org.za