

SA-TIED Dialogues - Research into Policy

International trade and global value chains

Moderator: Mashudu Masutha

Speakers: Antonio Andreoni (University College London), Tanya van Meelis (DTIC), John Rand (University of Copenhagen) and Carol Newman (Trinity College Dublin)

During the dialogue your microphone will be muted and camera will be turned off, however you can send questions to the speakers using the Q&A button.

At the end of the dialogue there will be a 15 minute Q&A session, during this time you may turn on your camera and microphone.

The speaker column can be minimized using the options in the top left corner of the tab.

This dialogue will be recorded and the recording will be added on UNU-WIDER YouTube channel as well as the SA-TIED website.



UNITED NATIONS
UNIVERSITY
UNU-WIDER



national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



INTERNATIONAL
FOOD POLICY
RESEARCH
INSTITUTE



**planning, monitoring
& evaluation**
Department:
Planning, Monitoring and Evaluation
REPUBLIC OF SOUTH AFRICA



the dti
Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA





WS1: Enterprise development for job creation and growth

Carol Newman and John Rand

SA-TIED

- Project: Southern Africa – Towards Inclusive Economic Development (SA-TIED) – see <http://sa-tied.wider.unu.edu/> for details.
- WS1: Enterprise development for job creation and growth. Acknowledge that developing a dynamic and productive enterprise sector sits at the very core of two of South Africa’s main policy challenges: **widespread unemployment** and **inadequate economic growth**.
 - WS1: Understanding the opportunities and constraints to private sector development and productivity growth is key for the design of effective policies for job creation and economic growth more broadly.
 - WS1: Deeper understanding of the functioning (economic complexity) of the private sector in SA and the mechanisms through which government private sector policies affect firm-level productivity and job creation.

SA-TIED – WS1 objectives

- Update and expand the tax administrative and other micro-data available in South Africa for use by researchers.
- Engage in, and support, policy relevant academic research that use these data sources.
- Communicate the findings of the research to all stakeholders including the academic community, policy makers and civil society.
- Build capacity within South Africa in the management and use of large micro-datasets for microeconomic research.

What have we done under WS1

- **Research papers:** More than 20 research papers published
- **Policy and research briefs:** (i) How can we create efficient youth labour policies, (ii) Can FDI help improve economic complexity, (iii) how to identify and reduce tax avoidance, (iv) Can SA firms compete with Chinese imports? ... and many more.
- **Capacity building:** Data lab. Research assistant scheme. Young Scholars Programme and supported PhD scholarships.
- **Communications and policy-bridging**

Thematic topics and key research findings of WS1

WS1 focused on firm performance and how they adapt to changing incentives and regulations. WS1 was organised in four thematic sub-clusters:

- **Productivity and innovation**
- **Multinationals, international trade and export performance**
- Temporary and youth employment
- Energy costs

Productivity and innovation

- Significant catch-up potential. Investment in R&D show high returns and R&D positively affects both long-run productivity and employment growth.
 - However, uptake of existing incentives is low. Improving governance and accessibility of incentives through establishing new sector specific initiatives stand out as a complementary policy measure to consider alongside the actual furtherance of R&D investments.
- Concern related to inter-industry learning spillovers and (lack of) agglomeration effects especially within manufacturing.
 - Knowledge of the inter-connectedness of sectors (economic complexity) needs to be better reflected in sector specific policy initiatives.
 - The skills deficit is clearly limiting the spillover potential, pointing to the importance of continued support for firm-level training initiatives.
- Currently significant misallocation of capital resources, related primarily to misallocation in finance provision.

Multinationals, international trade and export performance (1)

- Total tax loss due to profit shifting by more than 80 per cent. The largest 10 per cent of firms account for 98 per cent of the total estimated tax loss.
 - Need for an “easy build” system that flags firms that diverge from so-called “arm’s-length pricing”.
- Globalisation and fragmented production networks have led to a substitution of intermediate inputs produced onshore with imports (and not offshoring).
 - This has led to an (too) early deindustrialisation process. Especially Chinese import penetration is found to be highly negatively associated with both employment growth, sales growth, and firm survival rates. However, investing in innovation and building capabilities can offset the negative impact of Chinese import competition.

Multinationals, international trade and export performance (2)

- Accumulation of new capabilities and innovation is also essential for an export-led growth strategy to succeed.
 - Presence of lead firms, with superior technology and knowledge, can induce spillover effects that increase the productive knowledge of domestic manufacturing firms. FDI-induced export complexity upgrading can work.
- Weak manufacturing export response to the 2010-2014 depreciation. Exporters kept the domestic value of export prices fixed and passed through the full reduction of the depreciation to the foreign denominated price.
 - SA exports are highly concentrated among large firms, that heavily rely on imported intermediate inputs. Currency depreciation “inefficient” policy tool? Policies should instead target the high distribution costs and remoteness but also structural features that limit the responsiveness of South African firm exports to depreciation such as electricity bottlenecks, limited competition, and labour market constraints.



UNITED NATIONS
UNIVERSITY
UNU-WIDER



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



IFPRI

INTERNATIONAL
FOOD POLICY
RESEARCH
INSTITUTE



**planning, monitoring
& evaluation**

Department:
Planning, Monitoring and Evaluation
REPUBLIC OF SOUTH AFRICA



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

