

Searching for space in South Africa's post-apartheid industrial policy

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Structure of presentation

- What I aim to do:
 - Interrogate the treatment of space in South Africa's national economic & industrial policy with specific reference to cities and their role in the economy.
 - Argue for a more space-infused approach to analysis and policy development.
- To do this I will:
 - Sketch out the context
 - Discuss some theoretical issues
 - Take a look at the South African industrial policy and space
 - Comment on what this might mean for national policy and city actor ambitions

The broader context (i)

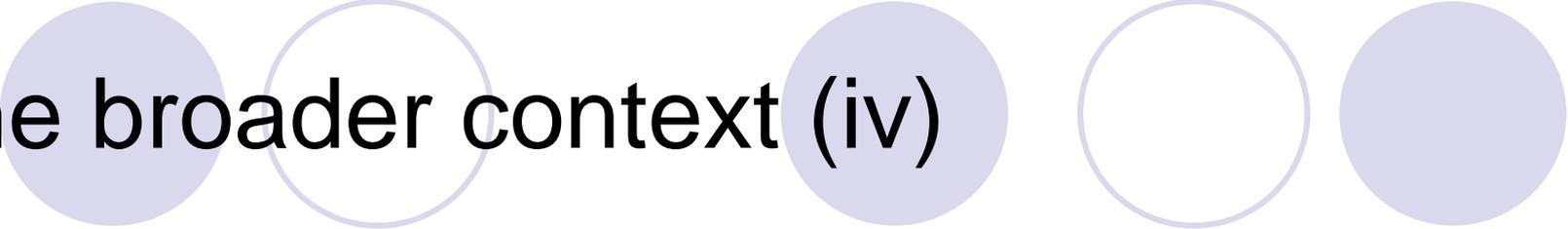
- “Rapid population growth and its concentration in cities around the world is affecting the long-term outlook for humanity. ... at the beginning of the 21st century, systems of cities have become the dominant factor in the world’s social, economic, cultural and political matrix... For better or for worse, the development of contemporary societies will depend largely on understanding and managing the growth of cities. **The city will increasingly become the test bed for the adequacy of political institutions, for the performance of government agencies, and for the effectiveness of programmes to combat social exclusion, to protect the environment and to promote human development.**” (UN Habitat, State of the World Cities Report 2001: 10)

The broader context (ii)

- Growing consensus, supported by facts, that cities are:
 - Increasingly capturing the bulk of national economic processes;
 - That the prospects of cities are central to the economic prospects of countries.
- This is increasingly true for for more and more countries regardless of their development status.
- City actors have been increasingly experimenting with interventions to support economic outcomes.
 - Process enhanced by:
 - Decentralisation and fiscal devolution.
 - Liberalising reforms limiting scope for nation-state action.
- Processes core to global capitalism have sought out key nodes to enable evolution of financing, production, distribution and consumption patterns.

The broader context (iii)

- Arising from this consensus has been a policy orientation to look to the local to play a role in important fields of economic policy:
 - Glaeser (2011), in an examination of data from 181 countries, has calculated that, “A 10% increase in urbanization is associated with a 61% increase in per capita GDP” (Glaeser, 2011: 593).
 - “There is increasing awareness of the important role of local development within wider national and supranational development strategies. Among the factors contributing to this “return of the local” are: the **recognition of the importance of localised structures and processes in maximising the benefits and minimising the drawbacks of globalisation**; the dynamism of local production systems; the need to pay more attention to social balance and to nurturing social capital; and an increasing awareness of the quality of job creation and skill retention resulting from locally integrated development trajectories.” (OECD, 2008: 20)



The broader context (iv)

- These processes have also been associated with widening disparities and inequalities within countries and between countries.
- Persistent and/or growing intra-city disparities in income are also a feature of this environment.

Picking up some theoretical strands

- Influential 18th & 19th century thinkers noted the critical variable of geography and/or space in their work:
 - Adam Smith noted that coastal regions were far more likely to out-perform inland areas.
 - David Ricardo – argued that regions and countries have very different endowments that result in advantages in trading one category of goods for another between countries.
 - Alfred Marshall – “Employers are apt to resort to any place where they are likely to find a good choice of workers with the special skill which they require ... [and these] are combined with those of localized industries in some of our manufacturing towns, and this is a chief cause of their continued economic growth. (1920,:271).” (Marshall quoted in Rosenthal & Strange, 2004: 11)

Gathering theoretical momentum

- 20th century mainstream economics tended to see space as something to exclude from models or hold constant.
 - The defence of an aspatial economics was not just an academic peculiarity, but had also been bound into prevailing policy orthodoxies.
- Urbanists, geographers and planners worked to incorporate economic factors into their models of how settlements develop.
 - Christaller's Central Place Theory
 - Von Thunen's regional land use model
- 2008 Nobel Prize for Economics awarded to Paul Krugman heralded a growing policy recognition of the impacts of in economic processes.
- 2009 World Bank's World Development Report: *Reshaping Economic Geography* = further impetus.

Some of the new thinking

- A variety of strands of thinking have emerged to challenge orthodoxies and practice including:
 - Discussions about new industrial districts (and the so-called Third Italy) (Piore & Sabel, 1984; Pietrobelli, 2002)
 - Clusters and competitiveness (Porter, 2000 & 2003)
 - Ideas of collective efficiency (Schmitz, 1995)
 - Notions of governance in value chains (Gereffi et al., 2005)
 - Networks and economic development (Castells, 1996; Storper, 2010)
 - Learning and innovation (Maskell et al., 1998)
- Not just about geography - also relational/socially constructed space (Harvey, 1989; Lefebvre, 1991; Massey, 2005)
- Inter-disciplinary work helped to both complicate understandings of processes but also in helped reveal significance of variables previously deemed marginal.

Space & SA economic/indus policy (i)

- History of space targeting under apartheid
 - A focus on apartheid territorial issues around labour reserves in the various guises of homelands/self-governing territories (“bantustans”).
 - Creation of labour intensive employment nodes of development around homelands through various subsidies and wage restraint and supported by anti-union programmes of homeland authorities.
 - Arrangements were designed and subsequently reformed to serve core economic areas of the country whilst playing only a secondary role as in generating some sense of legitimacy to claims of self-sufficiency of the bantustan areas. (Trevor Bell: 1973; 1997)
 - Mature/late apartheid reinforced role of major cities through infrastructure upgrades and developed new minerals energy complex nodes such as Richards Bay.
 - **Central state as asserted role adjudicator of “national interest” - regions/cities were constrained often in their more ambitious moments.**

Space and SA industrial policy (ii)

- Some features of post-apartheid economic/industrial policy
 - Inheritance of highly centralised machinery.
 - Context of global liberalisation limiting available intervention tools.
 - Capacity to operate only a few blunt instruments.
 - Pressure to consider regional disparity as **the** key spatial issue
 - Spatial Development Initiatives – effectively around removal of infrastructure obstacles despite attempts otherwise and included regional disparity dimension.
 - Processes disconnected from all but most powerful firms.
 - Failure to consider implications of space in policy roll-out – e.g. tariff reform and auto subsidies.
 - Failure to develop effective mechanisms to partner with other spheres of government.

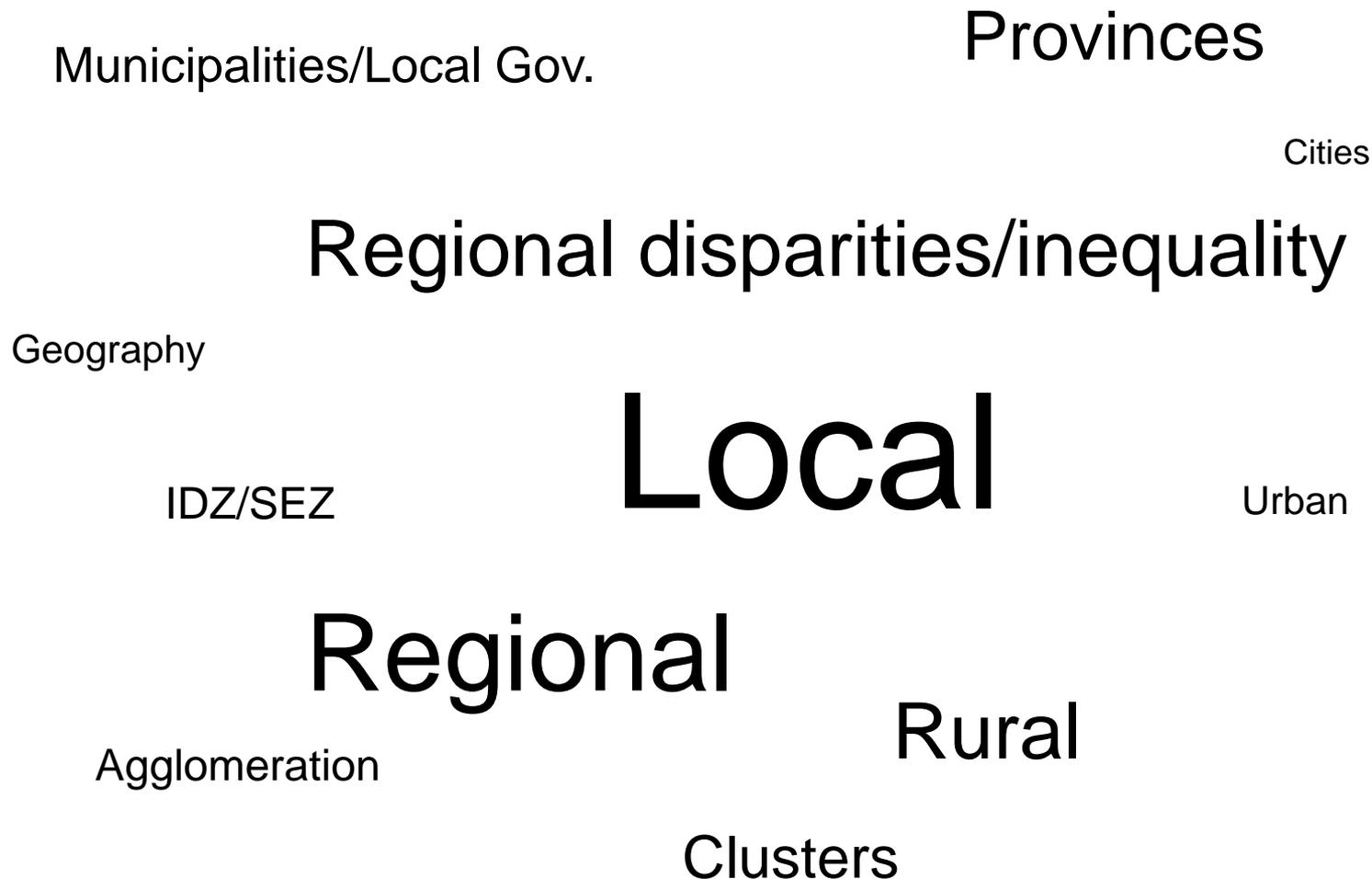
Space and SA industrial policy (iii)

- More generalised “framing” economic policies
 - Growth Employment And Redistribution strategy (National Treasury, 1996)
 - Passing reference to removal of apartheid-era spatial disparities.
 - Micro-economic reform strategy (DTI, 2002)
 - Argues for need “to achieve greater geographic equity”
 - Highlights SDIs and IDZs to enhance scope for national competitiveness.
 - Accelerated Shared Growth Initiative South Africa (Presidency, 2005)
 - Document calls for improved local government functioning and identifies some national important SDI/IDZ projects (Johannesburg International Airport and other SDI projects).
 - National Spatial Development Perspective (Presidency, 2006 – although earlier versions from 2000)
 - Explicit focus on attending to space in national economic and infrastructure development processes.
 - A dual focus on attending to areas with limited economic activity through social programmes and enhancing potential of main nodes and corridors to support accelerated growth and employment in the economy. Document also refers to some spatialised economic policy tools such as enhancing geographic clusters of economic activity.
 - New Growth Path (Economic Development Department, 2011)
 - Silent on space apart from noting need to deal with intra-urban inequalities.
 - National Development Plan 2030 (National Planning Commission/Presidency, 2012)
 - Notes divergent economic performance of different major cities in past years. Refers to “nodes of competitiveness” that need particular attention to help the country achieve its objectives.
 - In chapters on the economy discussion economic activity and space is more muted with issues of space absent in discussion of sectors and clusters.

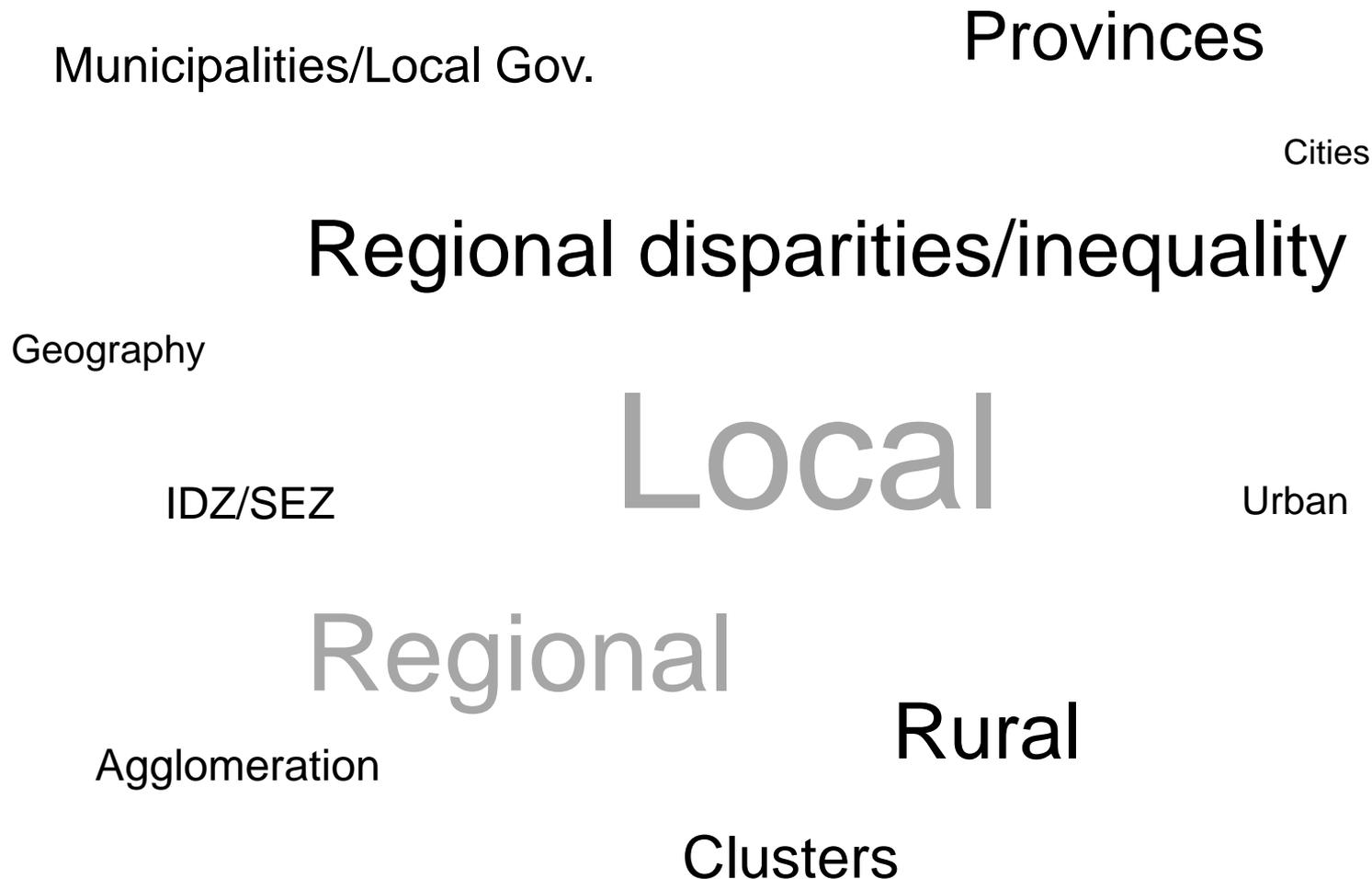
Space and SA industrial policy (iv)

- Industrial policy
 - Integrated Manufacturing Strategy (DTI, 2003)
 - Limited reference to matters of space with exception of references to need for greater spatial equity in distribution of economic opportunities.
 - National Industrial Policy Framework (DTI, 2007)
 - Influenced to a limited degree by NSDP ... expresses the need for some recognition of spatial dynamics in economic processes.
 - Industrial Policy Action Plan (DTI, 2007)
 - Unlike NIPF, almost no focus on spatial elements of industrial policy.
 - Industrial Policy Action Plan 2011/12-13/14 (DTI, 2011)
 - Some limited noting of issues of geographic inequality.
 - Industrial Policy Action Plan 2012/13-14/15 (DTI, 2010)
 - Some noting of issues of geographic inequality & SEZs to, “Provide a framework for the economics of agglomeration; the creation of regional specialisation; the establishment and building of hubs and clusters...” (p. 49)
 - Industrial Policy Action Plan 2013/14-15/16 (DTI, 2013)
 - Notes presence of some geographically distinct cluster processes.
 - Industrial Policy Action Plan 2014/15-16/17 (DTI, 2014)
 - Notes presence of some geographically distinct cluster processes.

Industrial policy spatial word cloud (a)



Industrial policy spatial word cloud (b)



Looking at the example of IPAP 3

- Looking for terms such as urban, city/cities, local, municipal, regional
 - Manufacturing is important because it impacts on people in rural and urban areas (p. 11)
 - Agro-processing exports can benefit from urbanisation driving new market opportunities in Africa (p. 86)
 - The craft sector is a priority because it can impact on rural and urban livelihoods (p. 113).
 - “With the growing Central and West Africa migrant populations in the major cities of Johannesburg and Cape Town (where catfish is regarded very much as a delicacy), catfish farmers find themselves well-placed...” (p. 94)
 - Term “local” used extensively in document, but almost always to refer to the country as a whole – i.e. we will promote local procurement or localisation of production (meaning in South Africa and not importing goods) (- see p. 7)
 - Local government identified as programme support partner in DTI Competitiveness Improvement programmes (p. 79) and marine oil and gas development (p. 130)
 - “...we are increasingly seeing the other spheres of government beginning to own and implement the procurement policies that have been developed and included in successive iterations of IPAP.” (DTI DG, p. 9)
 - Some reference to IT and furniture and related collaborations with provincial governments through possible clusters (p. 105; 145)

The NDP 2030

- Argues for a stronger city focus to yield quality of life and “nodes of competitiveness” (urbanization agenda).
- Emphasizes the need for coordinated public investment and partnerships with private sector and communities.
- Considerable focus on upgrading capacity of state to carry out mandates
- Proposes collaborative growth and development planning at all levels - in fact this is made an imperative.
- But You have to look hard for any specific embracing of industrial policy which has a reach into the local.

FIG 1.1 AN APPROACH TO CHANGE



Reasons for not embracing the local turn?

- Policy and programmes must be designed and implemented in terms of the “national interest” – embracing explicit geographic variants or localising these would compromise these because:
 - Parochial interests will dominate and capture resources for local interest groups
 - National resources must be strategically deployed through interactions with strategic national scale actors
 - The programmes will lose the universality and objectivity if they are informed by local constructs
 - Already scarce state expertise is best deployed from a national level in national programmes as provincial or local economic development institutions are generally unable to have the credibility or knowledge base to act effectively.
 - Local actors must deal with the plethora of local micro issues as they are best placed to respond to these.
 - The SDIs, IDZs and now SEZs all demonstrate that we in fact do design programmes based on regional characteristics.
 - While points of regional focus or localised methodologies are not explicit in formulations of national programmes this does not mean that we ignore these – for example we know that platinum beneficiation must involve actors based around Rustenburg.

Some implications



- South Africa continues to miss out on the opportunity to work with forms of industrial policy that capture (growing) regional differentiation and to meet firms and institutions in the spaces where they operate.
- City and province level processes tend to be disconnected from higher level policy initiatives (or only appear as an afterthought).
- Local knowledge does not contribute to the construction of an economic policy agenda which recognises prospects and constraints of the local.
- Local authorities tend to be very cautious about the scale and character of their initiatives (around industrial policy) and revert to boosterist-type agendas relating to property development schemes and the like.
- Need a careful interrogation of what “national interest” means as it is generally deployed in service of a spatially-devoid or spatially-obscured agenda.