

## 2. The Perspective of the Trade Policy of Democratized South Africa: Implications in East Asian Experience Comment

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## COMMENT

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First of all, I would like to express my deepest appreciation for taking this opportunity to make a brief comment on Mr. Hilano's presentation. He was trying to implicate East Asian experience to South Africa based on diminishing cost proposition. I think this paper is very stimulating and practical excellent because it clearly describes one of the solutions for the most important and urgent issues such as job creation and income equality in South Africa today. On my studying South African economy, I have learned a lot of things from this paper.

With regards to East Asian experience, this has been paid more attention among the South African scholars. As one of reasons, Mr. Hilano's quotes, "The East Asian Miracle" in his paper, which the World Bank report said 'the high performing Asian economies are the only economies that have high growth and declining inequality'. So far, some South African scholars have tried to implicate Japanese experience to South Africa. For instance, Dr. Katherine Munro introduced Japanese modernization process in her article, entitled "Japanese Industrial Development - Lessons for South Africa?" As far as I know, Mr. Hilano is probably the first person attempting it firmly from Japanese point of view. This paper, I believe, would open the new aspect of further academic exchanges between South Africa and Japan.

He recommends the fiber - related industries and the electric industry as targeted industries for export oriented growth. According to my survey for fifty (50) clothing manufactures in South Africa last year, 46% of the companies I interviewed indicated high labor cost as the main obstacle to increase their exports. Moreover, ten (10) companies including the one of the biggest clothing companies had moved or intended to move their plants to the neighboring countries because of low profitability in the domestic production. Most of the top management complained that the trade union gained excessive bargaining power. They also concerned about the close relationship between the government and trade unions, since one of the main supporting organization for ANC which is obviously COSATU, the biggest trade union in South Africa. Thus, thinking about the national interests, I totally agree with Mr. Hilano on his conclusion, which he presented 'A part of it, the national consensus should be established by the leadership, that

full-employment through industrial development must come the first priority before wage increase'.

Concerning about FDI, foreign direct investment, he suggested that the best treatment for FDI inflow up to the world standard should be guaranteed as soon as possible. But how South African can invite FDI with their technology? It does not seem easy task in the South African context; high inputs cost caused by heavy protection, violence, lack of general education and skills and so on. Hence, I would like to introduce a small example. The KwaZulu-Natal provincial government formed the KMI, KwaZulu-Natal Marketing Initiative to stimulate inward investment and to create more job in the region. KMI consists of municipalities, service sectors and main private companies. KMI has offices in Taiwan and Shanghai city, and agents in US and Europe. It provides industrial infrastructure, capital loan, and various information to make good environment for investors. Even in the politically unstable region, KMI succeeded to lure FDI mainly from East Asia, and some from Europe and US. This example would suggest that such a local level approach would be important for FDI inflow up as well as a national level approach.

In the process of implication of East Asia experience to the other regions, we should not ignore the differentials. Generally speaking, East Asian countries had huge external markets nearby. They enjoyed relatively high skills and cheap workforce. Furthermore they could protect certain industries until gaining international competitiveness. It does not seem, that this paper examines those differentials in detail, maybe in view of the limited space unfortunately.

Therefore, I wonder if Mr. Hilano would make some additional comment for following two relevant questions; first. what kinds of differentials would be most important for implication except for level of labour cost between East Asian countries and South Africa? Second, the way to overcome those differentials.

Finally, as I believe that Mr. Hilano had a very meaningful attempt for South Africa and Japan, I really hope that our further research will be advanced.