

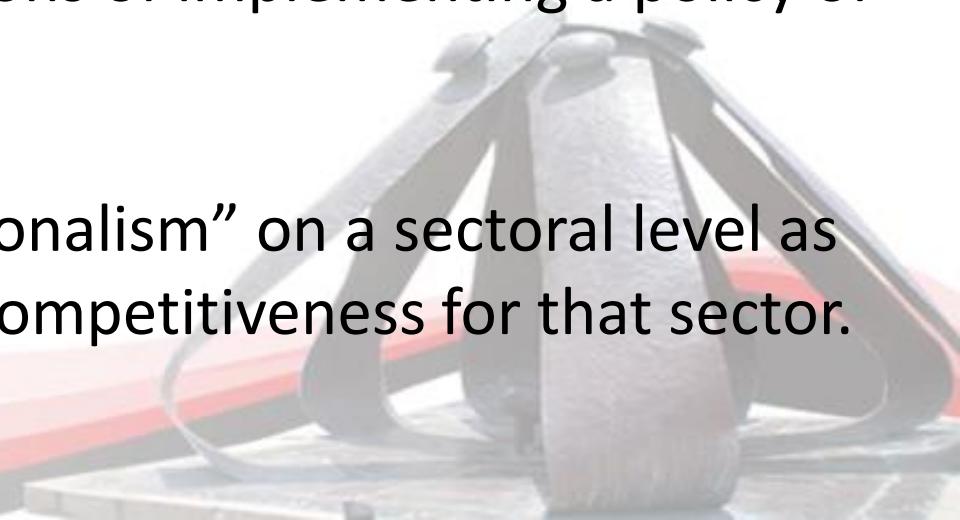
Economic Nationalism as a "Stepping Stone" to Global Competitiveness



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Presented by:
Professor Paul Golding
Dean, College of Business and Management
University of Technology, Jamaica

Objectives

- Be comfortable to discuss “Economic Nationalism” as a policy option for targeted sectors in their economy which have the potential to produce goods and services to meet local demands;
 - Be able to assess the likely viability of “Economic Nationalism” in selected sectors of their respective economy;
 - Be able to assess the implications of implementing a policy of limited economic nationalism;
 - Be able to see “Economic Nationalism” on a sectoral level as a possible transition to global competitiveness for that sector.
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Definition

- As an umbrella term for the variety of economic theories and policies that prioritize the economic interests of one nation, and its citizens, above those of another.

- A set of practices to create bolster and protect national economies in the context of world markets

Goal: Enrich and empower the nation to the maximum possible degree.




Ideological Divide

- Post World War II: Global integration and technological progress created free trade, open borders and interdependent economies.
- Globalization Backlash: New Nationalism – target global structures: WTO, NATO, NAFTA, Paris Accord, and Trans Pacific Partnership (TPP).
- Fuelled xenophobia, ethnic and religious exclusion
- History of Economic, Ethnic and Political Nationalism



Policies used in Economic Nationalism

Designed to attract, create, and retain as much economic activity as possible within the nation's borders:

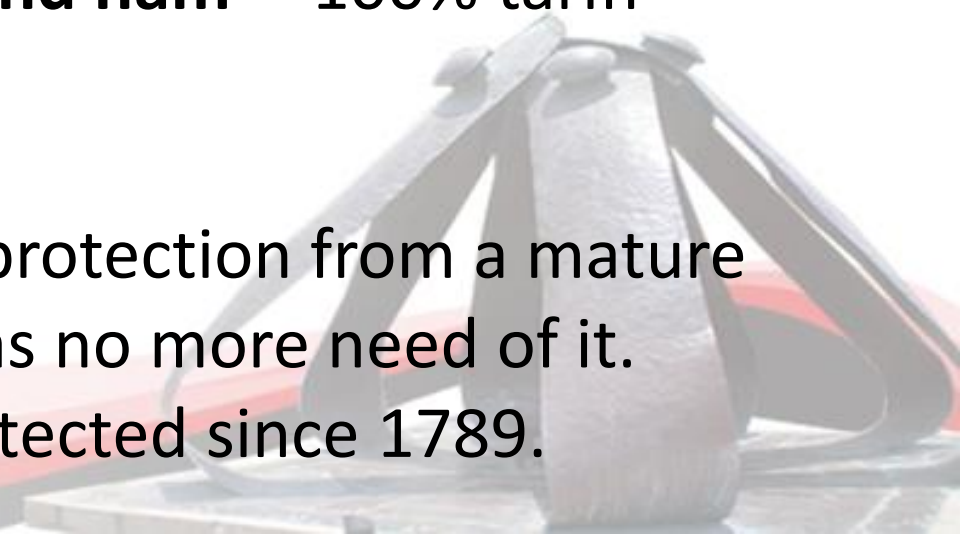
- **Tariffs** – this is a tax on imports.
 - **Quotas** – this is a physical limits on the quantity of imports
 - **Embargoes** – this is a total ban on a good, this may be done to stop dangerous substances
 - **Subsidies** – if a government subsidises domestic production this gives them an unfair advantage over competitors.
 - **Administrative barriers** – making it more difficult to trade, e.g. Imposing minimum environmental standards.
 - **Development subsidies**
 - **Infrastructure investment programs**
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Protectionism & Globalization Co-exist

Protected Sectors:

- **Tobacco** -- 350% tariff
- **Shelled peanuts** -- 131.8% tariff
- **Unshelled peanuts** -- 163.8% tariff
- **European meats, truffles, and Roquefort cheese** -- 100% tariff
- **French jam, chocolate, and ham** -- 100% tariff
- **Sneakers** -- 48% tariff

Very difficult to remove any protection from a mature industry that, on its merit, has no more need of it. Textile Industry has been protected since 1789.



Need for Protection

- Food Security
- Protect nascent industry
- Achieve social goals
- Encourage innovation
- Reduce income concentration/increase income equality
- Inclusive growth



The Role of MSME in Economic Development

- **The Role of MSME in Economic Development**

In developing countries MSME account for nearly 86% of employment opportunities.

- Improving public procurement practices, removing obstacles and boosting the involvement of MSME is a key priority.

- MSME's can therefore maximize potential for job creation, growth, and innovation



Government Procurement Policies

- United States Government – 23% of all federal contracts are allocated to American SMEs.
- People's Republic of China – 30% of annual budgets for SME procurement, with not less than 60% of this amount reserved for small and micro enterprises.
- 2012 India approved Public Procurement Bill – 20% of procurement to SME.



Government Procurement Policies Cont'd

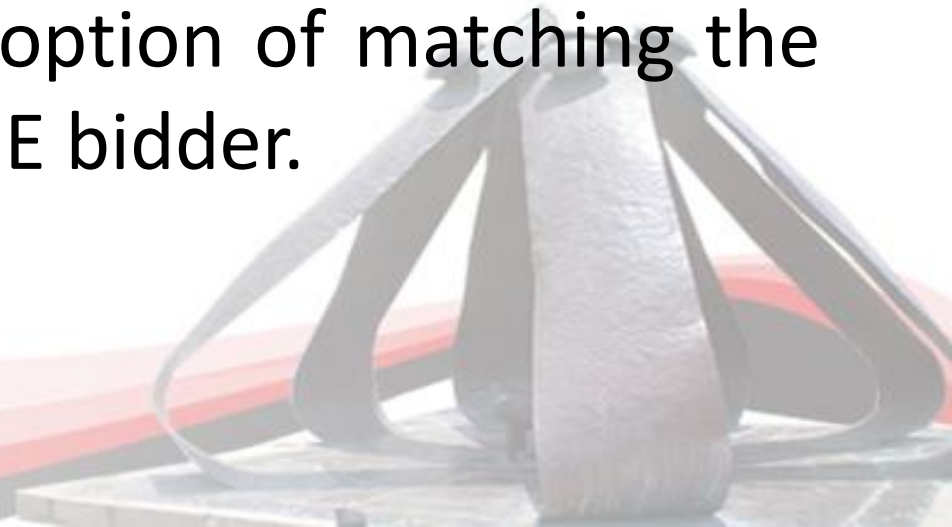
- Jamaica's Public Procurement Law 2015 seeks similar objectives.
- Certain portions of Government Contracts will be reserved for MSME sector.
- Margin of Preference to encourage economic growth
- Introduction of offsets.



Bid Price Preferences

Under the **first formulation**, bids from eligible SMEs are discounted by a given margin and if the lowest evaluated bidder is an SME, it is awarded the contract.

Under another **less common approach**, within a given margin of preference, the least costly SME bidder has a first option of matching the lower offer of a non-SME bidder.



Set-Asides

Under a set **aside-essentially** a quota –a certain percentage of designated government procurement contracts or total spending is reserved or ‘set aside’ for a targeted category of bidders that meet the preferential qualification criteria, such as SME status.




The United States Approach

This approach is flexible to use either bid preferences or set asides, depending on which approach is considered most suitable.



The Korean Approach

This approach provides an Asian example of an integrated approach to promoting SME growth using a procurement platform. It provides the following:

- Advance payments to MSMEs that qualify for an advance payment for the delivery of goods up to **70%**.
 - Network loan program involves selected financial institutions with terms allowing SMEs to obtain bank loans.
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SME Procure met Preference and Trade Liberalization

The procurement process for SMEs to avoid violating current World Trade Organization regime dealing with government procurement in the context of international trade, as framed in the General Procurement Agreement (GPA).



The Government Procurement Agreement (GPA)

The GPA permits 'special and differential treatment' for developing countries in order for them to meet their specific development needs at the time of accession.

Advantage:

- Negotiate for the use of offsets, as well as price preference programs provided the use of such measure are 'transitional' and will be phased out after a given period.

Options for Policy Makers

The use of SME procurement preference schemes need to be objective, targeted and with an exit strategy to ensure that they do not become a mechanism to subsidize inefficient and/or corrupt SMEs. The least intrusive policy options involves:

- Pre-bidding approach
- Electronic Procurement and unbundling



Range of Policy Options

High

Policy	Objective	Potential Impact
Streamlining	<ul style="list-style-type: none">•Improves Competition•Improve transparency•Improve publicity•Standardize documentation	<ul style="list-style-type: none">•Improve access by SMEs to public market•Reduce entry barriers•Potential efficiency gains
Eliminating unduly restrictive requirements	<ul style="list-style-type: none">•Innovative qualification•More efficient testing requirement	<ul style="list-style-type: none">•Maximizes end-user choice•Decrease cost to firms

Range of Policy Options

LOW

Policy	Objective	Potential Impact
Technical Assistance Goal setting and advocacy Cooperatives Community	Increasing awareness Promoting SMEs' Supporting SMEs	Advantages: Less interventionist Reward SME efficiency Optional features Disadvantages: Ineffective Interest group capture Conflicting public policies Problematic goals
Training	<ul style="list-style-type: none">•Human capital•SME managers•Government administrators	Advantages: <ul style="list-style-type: none">•Relatively Cheap•Develop skills Disadvantages: <ul style="list-style-type: none">One size fits allAdministrative costs

Range of Policy Options

Medium

Policy	Objective	Potential Impact
Financial assistance and subsidiaries Financing Bond/guarantee Reform/ assistance	<ul style="list-style-type: none">•Alleviates significant SME constrains	Advantages: <ul style="list-style-type: none">•Direct SME assistance•Some policies efficient Disadvantage: <ul style="list-style-type: none">•Inefficient subsidies•Implicit political market
Subcontracting programmes <ul style="list-style-type: none">•Voluntary or mandatory•Distinguished goals	<ul style="list-style-type: none">•Increased level of SME participation in public and private markets	Advantages: <ul style="list-style-type: none">•Sustains demand on SMEs•Similar to set-asides Disadvantages: <ul style="list-style-type: none">•Cost and efficiency•Hard to discriminate

Range of Policy Options

Maximum

Policy	Objective	Potential Impact
Price preferences	Targeted assistance in procurement	Advantages: <ul style="list-style-type: none">•Direct SME assistance•Award to SMEs Disadvantage: <ul style="list-style-type: none">•Very likely inefficient•May reward inefficient
Set-asides	<ul style="list-style-type: none">•Reserve procurement•Limit competitions to SMEs	Advantages: <ul style="list-style-type: none">•Quickest potential•SME gains Disadvantages: <ul style="list-style-type: none">•Unclear if effective•See above on subcontracting

SME Procurement Preference Scheme

- This scheme should not promote mechanisms for local market capture and 'rent-seeking'.
- This aggravates, rather than reduces economic inefficiency and income inequality.
- Must promote transparency and competition.



Thank You

Question & Answer Session

