Protect local industry from foreign competition – expert

By Edward Kayiwa

As Uganda pushes for the Buy Uganda Build Uganda policy, South Korean economist Ha-Joon Chang has advised that protection of the local industry from external competition is essential for it to survive and thrive.

He said the country's nascent industries do not have the economies of scale that their older competitors from other countries may have, and thus need to be protected until they can attain similar economies of scale.

Chang said almost all of today's rich countries such as Britain and the US used tariff protection and subsidies to develop their industry before adopting free trade policies after they had become rich.

"There is no country that has ever broken out of the poverty cycle without having strict policies for the growth of their own industries, away from external market pressures. African countries, including Uganda, should do the same," he said during the 25th Joseph Mubiru memorial lecture at the Kampala Serena Hotel on Friday.

Mubiru is a former Bank of Uganda governor who was killed during president Idi Amin's regime.

Chang said countries in Asia such as China, Japan and Korea adopted a protectionist policy against the advice of the World Bank, and have since become rich economies, contributing significantly to global trade.

He said a free market policy keeps developing countries dependent on imports from developed countries, because the domestic manufacturing and services sectors are continuously destabilised by competition from large foreign corporations.

Trade protectionism is implemented by countries when they believe their industries are being affected negatively by unjust competition. It may be seen as a defensive measure and it is almost always driven by political forces.

Chang said protecting local industries allows them to develop their own competitive advantages and create more local jobs for the country's youthful population.

He said in the 17th century, the British economy was considered backward, exporting mainly raw materials to Belgium and the Netherlands, which were the centres of manufacturing in Europe at the time.

"However, the British realised that they could not develop by exporting raw materials, they decided to develop protectionist policies to develop their manufacturing and services sectors.

"As a result, the British protectionist policy was one of the most aggressive in history. They heavily subsidised their manufacturing sector until they became rich and then opened the economy to free trade," he said.

Protectionism permits the new and upcoming firms to work and develop at an acceptable rate, because they will not be pressured by foreign, more experienced firms.

The new firms can grow until they themselves are big enough to compete in international markets, encouraging positive features for the domestic economy in the future.

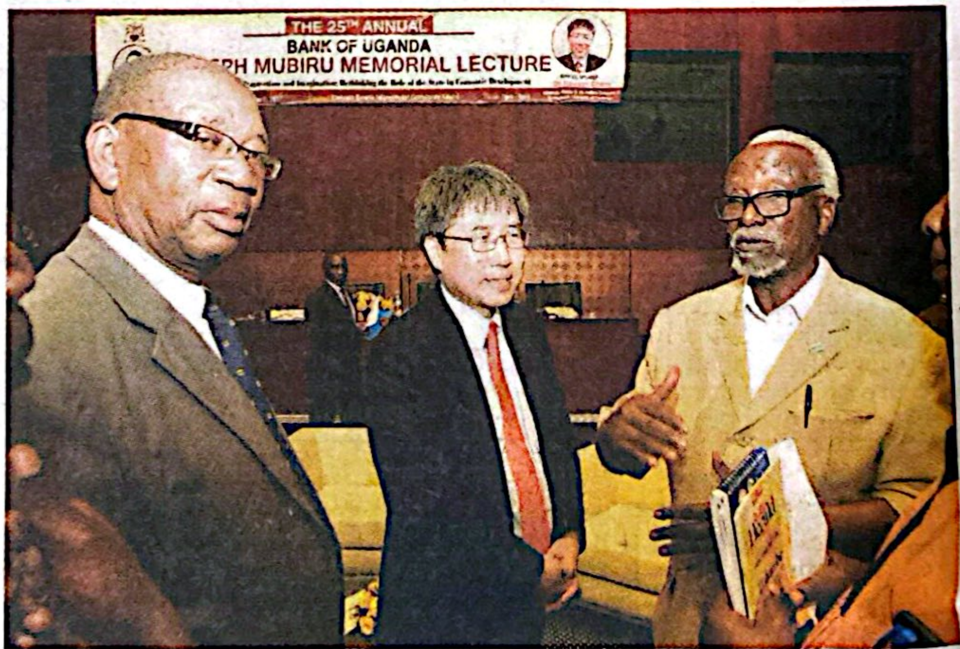
According to the Third Deputy Prime Minister, Kirunda Kivejinja, Uganda is headed in the right direction, after taking a stand to stop export of raw materials.

He said the Government has also come up with policies for the protection of domestic industries such as the Buy Ugandan Build Uganda, which are expected to give local enterprises a chance to develop and compete globally.

"Back in the days when Joseph Mubiru was alive, this was our thinking. But over time, many of the decisions we made were based on the advice of the World Bank. However, looking back, we do not seem to have shifted far from this thinking," he said.

The deputy Governor of the Bank of Uganda, Dr Louis Kasekende, said the country's GDP is expected to grow at 5.5% in 2017/18, riding on investments in oil production.

He said this will enable domestic firms to tap in the opportunities available, to develop their skills, capacity and capital to compete globally.



Kivejinja (right) talks to Chang (centre) while ambassador Nathan Irumba looks on after the Joseph Mubiru Memorial Lecture at the Kampala Serena Hotel on Friday. Photo by Kennedy Oryema

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