

Callous decision by SA will scorch Lesotho's tiny economy

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IN SOTHO there is a saying. “Matlo ho cha mabapi” — a fire at a neighbour's house is likely to spread to yours. Look no further for proof of the proverb's wisdom than how the chaos north of the Limpopo has rippled into SA. The Basotho are silent, however, on the consequences of a fire started by a neighbour. And fire is exactly what SA is about to unleash on its poorer neighbour in the Southern African Customs Union (Sacu).

As the tragedy in Zimbabwe unfolded, SA's foreign policy approach was one of the central focus points of the outcry. But Zimbabwe's leaders brought about the madness in that country— SA's sin was the laissez faire attitude it called ‘quiet diplomacy’. The fire that is about to wreak havoc on the economy of Lesotho will be ignited by SA.

In December, SA bulldozed through a decision on the flagship Industrial incentive for the clothing and textile sector, commonly known as the duty credit certificate scheme (DCCS). Because SA's own industry receives little benefit from the plan, which at the same time props up that perennially unpopular sector - retail - SA has for all intents and purposes pulled the plug on the export incentive.

The decision is an unmitigated disaster for Lesotho. In one of the poorest economies on the continent, clothing manufacturing has been something of a shining star. It is by far the biggest sector, contributing almost 20% to gross domestic product. More importantly, in a country where unemployment is endemic, with official joblessness at 40%, the industry is a major employer. Almost 40000 people work in the 20-odd factories in Lesotho, many thousands more provide extension services — transport and security — and informal traders also depend on the industry.

Factories there were set up to take advantage of the preferences extended by the US under the African Growth and Opportunity Act. They are geared to put out large volumes, with more than 90% of output destined for the US. These manufacturers export profitably, largely thanks to the DCCS.

The sector is already bleeding because of dwindling demand resulting from the global recession. Now SA has pulled the rug from under exporters at a time when other countries are providing their industries with incentives to prop up exports.

Ironically, SA is doing this at the same time it is promising increased support for its automotive sector, which is already benefiting unpalatably from state incentives.

The immediate consequences for Lesotho will be disastrous — manufacturers shutting shop and thousands losing their jobs. But there are long-term implications for SA too. Empty factory shells may invite South African manufacturers to move shop to Lesotho, where labour rules are less rigid. Given its treatment at the hands of SA, could one blame the Lesotho government if it embarked on a campaign to lure investors from SA?

But there is another pressing matter. An elephant can get killed by a mosquito, warns another Sotho proverb. Sacu's elephant is desperately dependent on this mosquito for water. Were Lesotho to turn off the taps to SA, Johannesburg would grind to a halt. Lesotho has made no such threat— that kind of tit-for-tat diplomacy would be crude and misanthropic. Why, then, does SA try to get away with its own callous and arrogant lack of diplomacy towards a country desperately in need of its bigger brother's help?

- LeRoux is trade and industry editor.