South Africa's Trade Policy and Strategy Framework (TPSF): An Update

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TABLE OF CONTENTS

List of abbreviations and acronyms

AGOA	Africa Growth and Opportunity Act
AU	African Union
BLNS	Botswana-Lesotho-Namibia-Swaziland
BRIC	Brazil-Russia-India-China
COMESA	Common Market for Eastern and Southern Africa
DDA	Doha Development Agenda
EAC	East African Community
EFTA	European Free Trade Association
EPA	Economic Partnership Agreement
EU	European Union
FDI	foreign direct investment
FTA	Free Trade Agreement
GDP	gross domestic product
IMF	International Monetary Fund
IPAP	Industrial Policy Action Plan
ITAC	International Trade Administration Commission of South Africa
ITED	International Trade and Economic Development
LTFR	Less-Than-Full-Reciprocity
MERCOSUR	*Mercado Común del Sur*
NAFTA	North American Free Trade Agreement
NAMA	non-agricultural market access
NIPF	National Industrial Policy Framework
NTB	non-tariff barrier
OECD	Organisation for Economic Cooperation and Development
PTA	Preferential Trade Agreement
SACU	Southern African Customs Union
SADC	Southern African Development Community
SDT	Special and Differential Treatment
SME	small, medium and micro-enterprises
TDCA	Trade, Development and Cooperation Agreement
TFTA	Tripartite Free Trade Area
the dti	Department of Trade and Industry
TIDCA	Trade, Investment, Development and Cooperation Agreement
TIFA	Trade and Investment Framework Agreement
TPSF	Trade Policy and Strategy Framework
UNCTAD	United Nations Conference on Trade and Development
US	United States of America
WTO	World Trade Organisation

A. Introduction

1. South Africa's economic development strategy, outlined in the New Growth Path (NGP), aims to accelerate growth along a path that generates sustainable, decent jobs in order to reduce the poverty and the extreme inequalities that characterise our society and economy. The NGP identifies infrastructure development, tourism, agriculture, mining, manufacturing and the green economy as the main job drivers for South Africa. The National Industrial Policy Framework (NIPF), implemented through the Industrial Policy Action Plan (IPAP), is a central component of this strategy. The NIPF and IPAP seek to encourage and upgrade value-added, labour-absorbing industrial production, and diversify the economy away from a current over-reliance on commodities and non-tradable services. Employment growth will draw marginalised people and regions of the country into the mainstream of the industrial economy.

3. In the State of the Nation Address in February 2012, President Jacob Zuma announced the launch of a massive infrastructure development programme for South Africa. Moving off healthy government finances, the 2012 Budget Speech provided details to the shift in the emphasis of government spending from consumption to investment. More than 17 major infrastructure development programmes are underway, with particular focus on improving transport infrastructure (such as road, rail and ports) and addressing other transport-related policy issues. These infrastructure investments will underpin and build South Africa's industrial base, improve our export capacity and enhance the country's competitiveness.

3. As a comparatively small but open economy in global terms, South Africa accounts for only 0.5% of world trade. However, international trade is important for South Africa's growth and development, with trade in goods and services contributing about 60% of gross domestic product (GDP). Import growth in South Africa tends to outstrip exports, resulting in a trade deficit that is financed by portfolio investment, the volatility of which remains a source of macroeconomic vulnerability. South Africa will need to accelerate its export growth to address this shortfall and to keep pace with comparable developing countries. A second weakness relates to South Africa's continued over-reliance on commodity and resource-based manufactured exports. South Africa's under-performance in high value-added exports, which can support Government's employment creation and industrial development objectives, should also be addressed. In addition, there is growing recognition that a competitive and stable currency to support the domestic manufacturing sector and exports is essential.

4. South Africa's trade policy and trade strategy must support the country's industrial development objectives. In 2010, the dti prepared the South African Trade Policy and Strategy Framework (TPSF 2010), which was endorsed by Cabinet in July 2010. The TPSF 2010 sets out how trade policy and trade strategy can contribute to the economic development objectives of Government. The Framework was the outcome of an extensive and intensive three-year review undertaken in consultation with other government departments, policy experts, Parliament, business and labour. The process was convened and given policy and political oversight by the Minister of Trade and Industry, Dr Rob

Davies. The TPSF 2010 thus reflected the widest national consensus in respect of South African trade policy. As such, the TPSF 2010 should be read in conjunction with the TPSF 2012. Importantly, work initiated under the TPSF 2010 to more systematically address trade in services and other new generation trade issues (such as the relationship between trade and competition policy) is ongoing. The work on services aims to improve data and statistics, especially on services trade, and take into account and promote value-added exports such as tourism.

5. The purpose of the TPSF 2012 is thus threefold, namely to: (i) highlight recent global trade and investment developments, including the lingering impact of the 2008-2010 'Great Recession'; (ii) update trade data for the period 2000 to 2011; and (iii) update key policy positions set out in 2010. The TPSF 2012 does not purport to provide a comprehensive review of South Africa's trade policy since 2010 or address the relationship between trade policy and other dimensions of economic policy, such as the exchange rate, labour market and skills, transport policy and logistics, innovation and technology, productivity, etc. These issues are being addressed specifically by the NGP, IPAP and sector government departments.

   Our principal aim is to identify a select set of issues that lie at the heart of the dti's work and international trade and trade negotiations. Our central argument is that the trade policy and trade strategy set out in the TPSF 2010 are largely correct. Going forward, we should concentrate on fine-tuning and accelerating national efforts to boost exports, especially of higher value-added products, whilst being cognisant of the need to prioritise sustainable production and consumption. Government should also scale up implementation of IPAP to support broad-based industrialisation, promote cleaner, lower-energy technologies and green jobs, and attract investment into the green economy.

6. The TPSF 2012 consists of five parts. The first section offers a broad overview of key global developments to provide context to South Africa's trade policy and strategy. It observes that countries of the South and Africa have become the new sources of global economic growth and trade and investment flows that are re-defining global economic geography.

7. Section two analyses South Africa's trade performance between the years 2000 and 2011, focusing specifically on non-agricultural exports as prioritised by IPAP. This section outlines changes in the rankings of South Africa's main trading partners by country and geographic region. While South Africa continues to register export growth, the export basket continues to be dominated by commodities and resource-based manufactured products, except for exports to Africa. While developed countries remain important trading partners for South Africa, the most rapid trade growth is with countries of the South, notably China, which is now South Africa's largest trading partner. From a low ranking ten years ago, India is now one of our top ten trading partners.

8. Section three recalls the approach to tariff reform adopted in the TPSF 2010 and outlines changes to our tariff regime since the onset of the 'Great Recession' in 2008. We reaffirm the rationale and commitment to pursue a strategic approach to tariff reform and tariff-

setting for agriculture and industry, so that tariffs support industrial development, employment generation, investment attraction, productivity growth, food security and rural development.

9. Section four outlines South Africa's international trade strategy. It sets out the key principles and considerations for our engagement in Africa and for countries of the South and the North, as well as our approach to trade negotiations. It argues that while our trade and investment relations with developed countries remain important, our future growth and development prospects will increasingly require strengthening relations with the dynamic and growing economies of the South and with Africa. It underlines the importance of the 'developmental integration' approach to economic development and integration in Africa, with specific focus on regional integration in the Southern African Customs Union (SACU), the Southern African Development Community (SADC) and in the recently launched Tripartite Free Trade Area (TFTA) negotiations.

10. Section five highlights the challenges and opportunities in South Africa's relations with developed countries and with countries of the South. With regard to the latter, South Africa's trade and investment strategy will focus on Brazil, Russia, India and China (BRIC), high growth markets in Africa, the Middle East and Asia, and other emerging economies such as Turkey, South Korea, Indonesia, Malaysia, Vietnam, Thailand, Chile and Mexico. Consideration is also given to South Africa's approach to trade negotiations at the bilateral and multilateral levels as well as engagements on trade, investment and development as they arise in other multilateral organisations, notably the Group of 20 (G20) and the United Nations Conference on Trade and Development (UNCTAD). The TPSF 2012 concludes with a summary of the key points raised.

B. The Changing Global Environment

10. That the global economy is undergoing major structural change is widely recognised and undeniable. The past few decades have seen the rise of new sources of global economic growth and trade and investment flows that are re-defining global economic geography. In broad terms, we are seeing a relative shift in the locus of economic power from the North and the West to the South and the East. Although shifts in global production and trade have been underway for several decades, the economies of the South have become key players and the main drivers of recovery from the 2008-2010 'Great Recession'.

11. The International Monetary Fund's (IMF) latest Economic Outlook for 2012 projects weak average global growth at 3.5%, with advanced economies growing at 1.4%. While the United States (US) is projected to grow at 2%, the Eurozone countries are expected to be in recession with zero per cent growth. Unemployment in the US remains at over 8%, while the unemployment rate in the European Union (EU) has reached a high of 11.3%. Together with its high levels of indebtedness and the lingering possibilities for sovereign default, the economic conditions in other European countries will have negative systemic implications for the global economy in 2012.

12. The IMF projects that developing countries will grow by an average of 5.6% in 2012, with China slowing down to 8% and India to 6.1%. Sub-Saharan Africa is projected to grow at 5.4%, while South Africa is projected to grow at 2.7%. The re-emergence of China in the global economy continues. In 2010, China overtook Japan to become the second largest economy after the US. China also overtook Germany to become the world's largest exporting country.

13. By 2050, BRIC countries are expected to account for around 47% of total global GDP. According to the IMF, these countries will account for 61% of global growth by 2013. By 2050, the BRIC's plus Indonesia, Mexico and Turkey are projected to be 50% larger than the Group of 7 (G7). Further, emerging markets which hold two-thirds of official foreign exchange reserves alongside sovereign wealth funds and other pools of capital will also become key players in global financial markets. Other estimates project that developing countries' share of world trade will double over the next 40 years, from 37% in 2007 to reach 69% in 2050. Much of this rise will be due to an expansion of trade and investment not between developed and developing countries, but amongst developing countries.

14. These remarkable changes to the world economy should be placed in proper perspective. While aggregate GDP growth and growing trade signify economic dynamism, they do not determine levels of development. On important indicators, such as GDP per capita, human development or manufacturing value-added (MVA), emerging economies remain developing countries and still confront enormous developmental challenges, including poverty and inequality.

15. Developed countries retain considerable advantages. Indeed, the gap between their per capita GDP levels and those of the wealthier countries of the Organisation for Economic Cooperation and Development (OECD) remains large. According to IMF calculations, the GDP (PPP) per capita in 2011 in Brazil was US$11,769, South Africa at US$10,973, China at US$8,382 and India at US$3,694, while the average per capita GDP in OECD countries was US$34,993 (excluding New Zealand). Other studies suggest that the gap between the per capita income of the emerging economies and the OECD has been growing - not converging. This study finds that the average per capita income of the high income OECD countries was around 9 times higher than the average per capita income of the emerging economies in 1970 and 11 times higher in 2000. The US is still the world's richest economy, with a per capita income 15 times that of China and 47 times that of India.

16. Some recent scenarios of global growth expect that while China will become the world's largest economy by 2050 and India will be the world's third largest economy after the US, US per capita GDP will still be 3 times that of China and over 8 times that of India in 2050. While the growth of emerging countries has significantly reduced global poverty levels, the emerging countries are still home to a large number of poor people (measured as people living under US$1.25 per day), with around 32.7% of Indians, 13.1% of Chinese, and 6.1% of Brazilians living in poverty.

Africa on the Rise

17. Global change has been accompanied by significant improvements in Africa's economic prospects. Africa is already the second fastest growing continent in the world after Asia. Growth in Africa has been driven by the boom in the minerals, agriculture, transport, telecommunications and retail sectors, coupled with improved macroeconomic stability. Africa's enormous reserves of raw materials, 60% of the world's unused arable agricultural land, a young growing population, a growing middle class with considerable purchasing power, and urbanisation alongside steady improvements in economic governance are all factors which could see Africa becoming the next leading source of global economic growth. Africa offers the highest returns on investment of any region. In 2010, six of the world's ten fastest growing economies were in Africa and seven African countries are expected to be in the top 10 over the next five years.

18. Africa's output is expected to expand by 50% over the next four years, from US$1.6 trillion in 2010 to approximately US$2.6 trillion in 2015. Economic growth is projected to expand by an annual average real rate of 5.5% each year through the five year period. Africa's GDP per capita stood at US$1,630 in 2010. It is expected to increase to US$2,200 by 2015 at a real annual growth rate of 5.7%, resulting in a 30% rise in the continent's spending power. Private final consumption in Africa's ten largest economies is expected to more than double from around US$730 billion today to over US$1.5 trillion in 2015.

19. Africa's total trade is expected to grow dramatically from US$654 billion in 2009 to around US$1.6 trillion in 2015. Africa's total trade is expected to expand by an average of 17% per year and Africa's share of global trade is expected to almost double, from the current 3.2% to around 6% in 2015.

20. Africa's trade relations are also shifting: Asia is now Africa's most important trading partner. During 2011, Africa's trade with China increased at twice the speed of Africa's trade with the rest of the world. Overall, China-Africa trade reached US$160 billion in 2011, up by 28% from the previous year. Today, China accounts for 18% of Africa's trade (up from 10% in 2008) and China is expected to become Africa's largest export destination in 2012. This is remarkable, considering that in 2008 Africa exported half as much to China as it did to the US. Africa's exports to China increased by one-third during 2011, up from US$67 billion in 2010 to US$93 billion. At the same time, China's share of Africa's imports has surged from 4.5% a decade ago to 17% in 2011, with imports valued at US$73 billion. Though estimates of Chinese investment to Africa vary widely, Chinese official statistics suggest the country has FDI stock of US$13 billion on the continent. However, Chinese cumulative investments into Africa since 2000 are potentially above US$30 billion.

21. Again, it is important to place these shifts into perspective. In 2008 developed countries accounted for 91.6% of total FDI stock in Africa while developing countries' FDI stock grew to 7.4%. Oil is a good example of the position that China occupies in Africa's resources. China is a relatively late-comer and Western multinational corporations

(MNCs) own the bulk of the shares of foreign ownership of Africa's oil resources. In 2007, the value of China's oil companies investments were modest, at just 8% of the combined commercial value of oil MNCs headquartered in developed economies.

22. An important lesson from the 'Great Recession' is the importance of intra-regional trade both as a cushion against the global crisis and as the basis for sustained regional growth. Compared to other regions, intra-African trade underperforms in this regard. However, although intra-African trade constitutes only 10% of Africa's total trade, for most African countries intra-African trade is already considerably more important than the aggregate figures suggest. Indeed, the shares of intra-African trade in African countries' total exports shows that Africa is by far the second most important export market for most African countries behind Europe. Seven African countries count Africa as their main export market and 25 count it as their second most important market. Five African countries have exports to Africa that are larger than half of their total exports; while a further 14 countries export more than a quarter of their exports to Africa.

23. Contrary to the impression given by the aggregate figures for intra-African trade, Africa represents a significant export market for many African countries. It is also important to note that over three quarters of intra-African trade takes place within regional trading blocs demonstrating that our regional integration programmes are the most important avenues for deepening intra-African trade. More importantly, while Africa's exports to the rest of the world are dominated by commodities, the content of intra-African trade is value-added products.

24. South African exports of manufactured goods to Africa rose in 2011 to 27% of the year's total, just short of the 29% shipped to Europe and well up on the 22% exported to Asia. Zimbabwe is ranked as the third largest export market globally for South African agro-food products and our largest market in Africa during 2010. South Africa's top five major agro-food exports to Zimbabwe were sunflower seeds and oils, wheat, sugar, maize and chicken cuts. In the same year, Mozambique ranked as the second largest export market in Africa for South African agro-food products, including ethyl alcohol, sugar, food preparations, maize and oranges. Since the bulk of South Africa's exports to Africa are value-added products, growing intra-African trade will be important for industrial development and employment, and will cushion the impact of low growth and economic downturn in our traditional markets.

25. While precise data on FDI flows to Africa is difficult to obtain, it is clear that South African companies are among the top investors in Africa in a wide range of sectors covering manufacturing, retail, communications, construction, finance and tourism. From available data, South Africa is among the five largest investors in sub-Saharan Africa, and holds first place in many countries, particularly in SADC. South African direct investment in Africa has increased at four times the rate of overall South African FDI since 1994. According to some sources, total South African direct investment in Africa has increased from R3.8 billion in 1994 to R115.7 billion in 2009, or by 31 times. Over the same period, total South African FDI stock in all countries has increased from R67.7 billion in 1994 to R535.7 billion in 2009, or by eight times.

26. Data sourced from the South African Reserve Bank shows that the United Kingdom (UK) is the single biggest recipient of all South African outward foreign investment, accounting for 38% of all South African foreign assets. However, much of this is in the form of non-direct investment, including portfolio investment, and long- and short-term loans. Only 13% of South African investment in the UK is direct (i.e. investment by South African residents in undertakings in which they have individually or collectively at least 10% of the voting rights). The data shows that 76% of all South African investment in Africa is direct investment. An important determinant of South African manufacturing firms' advantage is their proximity to African markets, as well as the fact that they provide services related to the assembly, maintenance and repair of goods and facilities. While South African investment in Africa accounts for only 8% of all South African investment outside the country, the trend over the last fifteen years shows that it is growing at a much faster rate.

27. These more fundamental and structural shifts in the global economy, and the opportunities they offer, are not immune to a range of systemic risks. The sovereign debt crisis in the Eurozone now appears as the single greatest threat to the health of the global economy. Many emerging economies, including China and Brazil, are also facing a sustained slowdown due to the continuing Eurozone crisis and deterioration in the US economy. A failure to resolve these difficulties will have severe implications for South Africa's own growth and development prospects. The fragility of the global economic recovery, inadequate global demand, deflationary policies, and weaknesses in coordination and coherence in the international financial and monetary systems pose threats to stability and growth in the global economy. The impact of unregulated capital flows on the exchange rate remains a matter of concern, since this may pose challenges to the competitiveness of the South African manufacturing sector and its ability to expand exports. Consideration should also be given to the impact of the real effective exchange rate (and therefore domestic price drivers) on South Africa's competitiveness.

28. In sum, while a range of new trade and investment opportunities arise from the profound changes in the global economy, external threats to growth and stability abound, including high levels of volatility in sentiment, capital flows, currencies and commodity prices. Within the current global economic environment, South Africa should scale up implementation of IPAP to support broad-based industrialisation, and address the structural constraints to growth, investment and competitiveness.

C. South Africa's Trade Performance

29. South Africa's share of world trade has grown from 0.4% in 2001 to 0.5% in 2011. As figure 1 below demonstrates, South Africa's total exports have increased steadily during this period, growing from just under R210 billion in 2000 to approximately R660 billion in 2011. Although total exports declined in 2009 during the Global Recession, the trend to export growth was recovered in 2010. Over the same period, total imports grew faster than total exports. Total imports grew from approximately R188 billion in 2000 to R690 billion in 2011. The Global Recession moderated the deficit as imports contracted faster and deeper than exports, but the trade deficit was restored in 2011.

Figure 1: South Africa's broad trade patterns 2000-2011

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total Exports	208284858230.0	215247780638.0	277993018280.0	255560038749.0	291143940534.0	320385563687.0	383177957464.0	474250846875.0	636791399018.0	506476558430.0	575700674061.0	659821926622.00
Total Imports	188064362851.0	215441248346.0	274458180045.0	258430752967.0	306369329659.0	350721098090.0	464643844188.0	562502323059.0	721082119702.0	535764548899.0	575087432296.0	690485177679.00
Trade balance	20220495379.0	-193467708.0	3534838235.0	-2870714218.0	-15225389125.0	-30335534403.0	-81465886724.0	-88251476184.0	-84290720684.0	-29287990469.0	613241765.0	-30663251057.0

Source: dti trade statistics

South Africa's Export Composition

30. South Africa's top 15 exports, as defined at the chapter level under the Harmonised System (HS), have not changed significantly over the period 2000 to 2011. Capital-intensive exports of commodities, metals and minerals make up almost 60% of South Africa's export basket. Metals (HS71) still remain dominant, growing their share of South Africa's total exports from 21.2% in 2000 to 26% in 2011. Compared to 2000, iron and steel (HS72), minerals (HS27), vehicles (HS87), machinery (HS84), aluminum (HS76) and electronic equipment (H85) still retain their position in the top 15 rankings, growing their share of South Africa's total exports over this period. HS47 still remains as one of the top 15 export products, although its share of total exports has declined, leading to its drop in ranking from twelfth position in 2000 to fifteenth position in 2011.

South Africa's top 15 exports – 2000

HS	Total Exports per HS Chapter (Rand)	Share of Total Exports
H71: Pearls, precious stones, metals, coins, etc	44,125,878,960	21.2%
H99: Commodities not elsewhere specified	23,692,238,406	11.4%
H72: Iron and steel	18,726,973,880	9.0%
H27: Mineral fuels, oils, distillation products, etc	18,626,864,197	8.9%
H87: Vehicles other than railway, tramway	11,747,608,311	5.6%
H84: Nuclear reactors, boilers, machinery, etc	10,294,738,316	4.9%
H26: Ores, slag and ash	7,471,607,345	3.6%
H76: Aluminium and articles thereof	6,263,508,725	3.0%
H28: Inorganic chemicals, precious metal compound, isotopes	4,344,557,275	2.1%
H08: Edible fruit, nuts, peel of citrus fruit, melons	4,222,055,612	2.0%
H85: Electrical, electronic equipment	3,902,192,139	1.9%
H47: Pulp of wood, fibrous cellulosic material, waste etc	3,365,602,888	1.6%
H48: Paper & paperboard, articles of pulp, paper and board	3,062,680,536	1.5%
H94: Furniture, lighting, signs, prefabricated buildings	2,841,768,671	1.4%
H22: Beverages, spirits and vinegar	2,655,197,783	1.3%

Source: Quantec with own calculations

South Africa's top 15 exports – 2011

HS	Total Exports per HS Chapter (Rand)	Share of Total Exports
H71: Pearls, precious stones, metals, coins, etc	178,131,394,833	25.8%
H26: Ores, slag and ash	99,066,611,787	14.3%
H27: Mineral fuels, oils, distillation products, etc	68,870,298,896	10.0%
H72: Iron and steel	58,561,369,396	8.5%
H87: Vehicles other than railway, tramway	53,038,544,807	7.7%
H84: Nuclear reactors, boilers, machinery, etc	42,717,813,806	6.2%
H76: Aluminum and articles thereof	16,500,720,467	2.4%
H08: Edible fruit, nuts, peel of citrus fruit, melons	16,498,195,387	2.4%
H28: Inorganic chemicals, precious metal compound, isotopes	11,463,519,938	1.7%
H85: Electrical, electronic equipment	10,915,931,112	1.6%
H29: Organic chemicals	10,272,881,560	1.5%
H73: Articles of iron or steel	8,280,804,816	1.2%
H22: Beverages, spirits and vinegar	8,124,439,718	1.2%
H39: Plastics and articles thereof	7,957,960,422	1.2%
H47: Pulp of wood, fibrous cellulosic material, waste etc	6,471,646,486	0.9%

Source: Quantec with own calculations

Non-Agricultural Exports

31. South Africa's top performing non-agricultural exports in 2000 and 2011 remained largely the same, in broad classification terms (HS-2 digit level). Although exports are concentrated in raw materials, exports of vehicles remain important. Whereas the top 15 non-agricultural exports in 2000 made up 85% of South Africa's total non-agricultural exports, this figure increased to 91% in 2011. Noticeable has been the growth in exports of ores, slag and ash (HS26), which shifted from seventh position in 2000 to second position in 2010 and remained in that place in 2011, contributing 15.4% of South Africa's total non-agricultural exports.

South Africa's non-agricultural exports – 2000

HS	Total Exports per HS Chapter (Rand)	Share of Total NAMA Exports	Cumulative Percentage
H71: Pearls, precious stones, metals, coins, etc	44,125,878,960	22.8%	22.8%
H99: Commodities not elsewhere specified	23,692,238,406	12.3%	35.1%
H72: Iron and steel	18,726,973,880	9.7%	44.8%
H27: Mineral fuels, oils, distillation products, etc	18,626,864,197	9.6%	54.5%
H87: Vehicles other than railway, tramway	11,747,608,311	6.1%	60.5%
H84: Nuclear reactors, boilers, machinery, etc	10,294,738,316	5.3%	65.9%
H26: Ores, slag and ash	7,471,607,345	3.9%	69.7%
H76: Aluminum and articles thereof	6,263,508,725	3.2%	73.0%
H28: Inorganic chemicals, precious metal compound, isotopes	4,344,557,275	2.2%	75.2%
H85: Electrical, electronic equipment	3,902,192,139	2.0%	77.3%
H47: Pulp of wood, fibrous cellulosic material, waste etc	3,365,602,888	1.7%	79.0%
H48: Paper & paperboard, articles of pulp, paper and board	3,062,680,536	1.6%	80.6%
H94: Furniture, lighting, signs, prefabricated buildings	2,841,768,671	1.5%	82.1%
H86: Railway, tramway locomotives, rolling stock, equipment	2,600,573,212	1.3%	83.4%
H29: Organic chemicals	2,587,736,390	1.3%	84.7%

Source: Quantec with own calculations

South Africa's non-agricultural exports – 2011

HS	Total Exports per HS Chapter (Rand)	Share of Total NAMA Exports	Cumulative Percentage
H71: Pearls, precious stones, metals, coins, etc	178,131,394,833	27.7%	27.7%
H26: Ores, slag and ash	99,066,611,787	15.4%	43.1%
H27: Mineral fuels, oils, distillation products, etc	68,870,298,896	10.7%	53.8%
H72: Iron and steel	58,561,369,396	9.1%	62.9%
H87: Vehicles other than railway, tramway	53,038,544,807	8.2%	71.1%
H84: Nuclear reactors, boilers, machinery, etc	42,717,813,806	6.6%	77.8%
H76: Aluminium and articles thereof	16,500,720,467	2.6%	80.3%
H28: Inorganic chemicals, precious metal compound,	11,463,519,938	1.8%	82.1%

isotopes			
H85: Electrical, electronic equipment	10,915,931,112	1.7%	83.8%
H29: Organic chemicals	10,272,881,560	1.6%	85.4%
H73: Articles of iron or steel	8,280,804,816	1.3%	86.7%
H39: Plastics and articles thereof	7,957,960,422	1.2%	87.9%
H47: Pulp of wood, fibrous cellulosic material, waste etc	6,471,646,486	1.0%	88.9%
H74: Copper and articles thereof	5,941,852,341	0.9%	89.8%
H38: Miscellaneous chemical products	5,435,194,300	0.8%	90.7%

Source: Quantec with own calculations

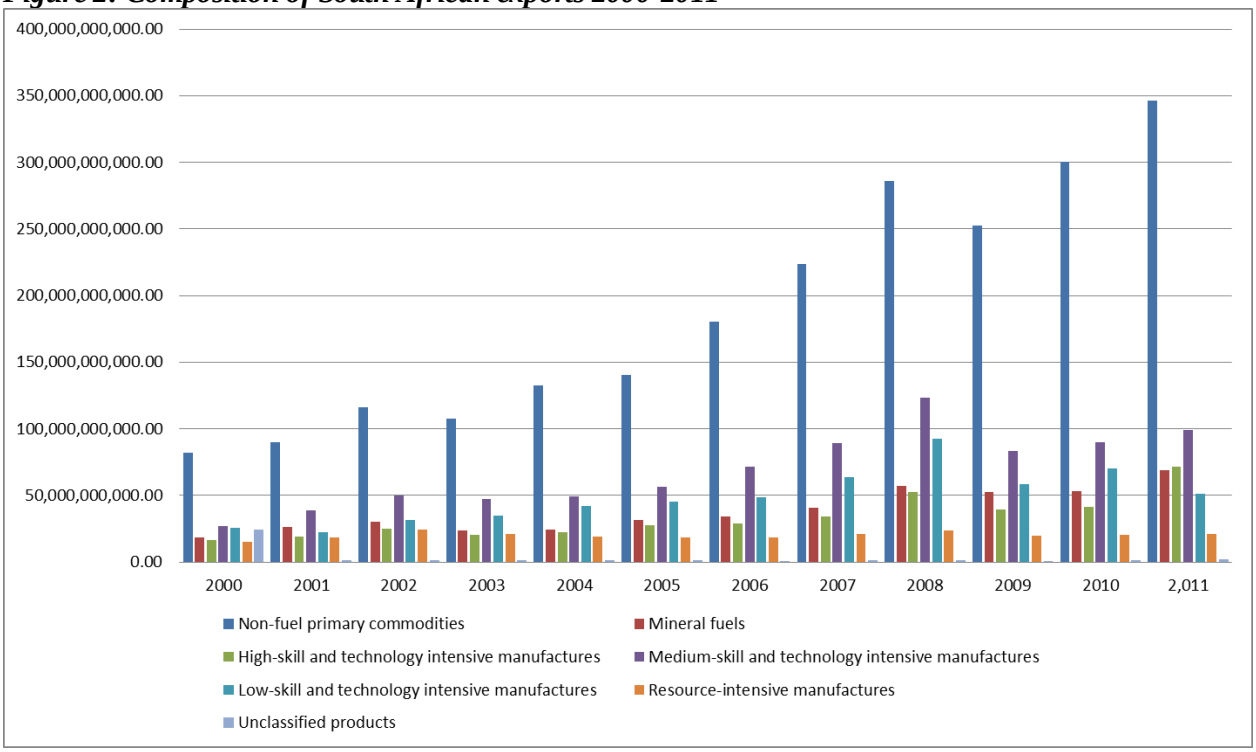
Exports by Technological and Skills Intensity

32. Products can be classified by their technological and skills intensity, or the dominant factor input. This nomenclature regroups all HS products into 6 groups at the HS 4-digit level, namely:

- Non-fuel primary commodities (e.g. agricultural products, including fish);
- Resource-intensive manufactures (e.g. aluminum, paper, leather, silk and furniture);
- Low-skill and technology intensive (e.g. textiles, clothing, iron and steel);
- Medium-skill and technology intensive (e.g. organic and inorganic chemicals, rubber, machinery, electrical equipment and vehicles);
- High-skill and technology intensive (e.g. pharmaceuticals and high-tech products);
- Mineral fuels (e.g. coal, petroleum and other energy).

33. Using this classification, figure 2 below illustrates that South Africa's exports are still dominated by non-fuel primary commodities. Although these exports contracted in 2009 due to the Global Recession, the nominal growth in exports was recovered in 2010. While it is important for South Africa to move up the value-chain in the medium to long term, the extraction and processing of minerals and related sectors, including heavy chemicals remains critical for exports. To ensure longer-run growth, government must refine and scale up implementation of IPAP to support broad-based industrialisation, including more advanced manufacturing, as well as encouraging cleaner, lower-energy technologies and green jobs, and attracting investment into the green economy.

Figure 2: Composition of South African exports 2000-2011



Source: dti trade statistics

34. To support the objectives of the NGP and IPAP, South Africa will need to expand exports of globally competitive, higher value-added products. *We define these value-added products as low-, medium- and high-skill and technology-intensive manufactures*, which broadly reflects the Industrial Policy Action Plan (IPAP) priority sectors, particularly for 2011/2012 and 2012/2013. Using this definition of value-added products, we calculate that these three value-added manufacturing sectors made up 32.54% of South Africa's total exports in 2000 and this figure increased marginally to 32.6% in 2011.

Value and share of exports by technological intensity and skills level – 2000

Technology Intensity Descriptions	Total Exports (Rand)	Share of total Exports	Cumulative Percentage
Low skill- and technology intensive manufactures	25,751,368,656	12.36%	12.36%
Unclassified products	24,726,412,437	11.87%	24.23%
Medium skill- and technology intensive manufactures	24,561,935,599	11.79%	36.01%
High skill- and technology intensive manufactures	17,488,229,620	8.39%	44.41%
Resource-intensive manufactures	12,845,723,692	6.16%	50.57%

Source: Quantec with own calculations

Value and share of exports by technological intensity and skills level – 2011

Technology Intensity Descriptions	Total Exports (Rand)	Share of total Exports	Cumulative Percentage
Medium skill- and technology intensive manufactures	104,764,807,121	15.1%	15.1%
Low skill- and technology-intensive manufactures	68,704,315,896	9.9%	25.1%

High skill- and technology intensive manufactures	52,427,663,260	7.6%	32.7%
Resource-intensive manufactures	17,577,504,193	2.5%	35.2%
Unclassified products	9,907,633,461	1.4%	36.6%

Source: Quantec with own calculations

35. South Africa's top 15 exports of value-added manufactures (at HS-2 digit level) are: iron and steel; vehicles; nuclear reactors, boilers and machinery; inorganic chemicals, precious metal compound, isotopes; and electrical, electronic equipment. Cumulatively, these top 15 exports accounted for 44% of total exports in 2000, with this share decreasing to 33% in 2011 (see tables 1.1 and 1.2 of Annex A).

36. The top 20 exports of higher value-added products at a more detailed level (HS-4 digit) are dominated by: vehicles (both passenger and goods); ferro-alloys; liquid, gas centrifuges, filtering, purifying machines; parts and accessories for motor vehicles; and rolled stainless steel sheets. Whereas the share of the top 20 exports at HS-4 digit level accounted for 32% of total exports in 2000, this share decreased to 22% in 2011 (see tables 2.1 and 2.2 of Annex A).

Ranking South Africa's Trading Partners

37. Compared to 2000, South Africa's top trading partners in 2011 remained Germany, the US and Japan, whereas trade with the UK more than halved from 8.7% in 2000 to 4.1% in 2011. During this period, trade with China almost quadrupled as a percentage share of total trade, from 2.8% in 2000 (when China first entered the top ten rankings) to 13.3% in 2011, making China South Africa's top trading partner. In 2011, India also emerged as a major trading partner, now surpassing the Netherlands, France, Saudi Arabia and Italy, while replacing Belgium in the top 10 trading partners when compared to 2000 trade.

South Africa's top 10 trading partners – 2000

Country/Region	Total Trade (Rand)	Share of Total Trade
United States	47,182,939,798	11.9%
Germany	41,098,899,594	10.4%
United Kingdom	34,677,050,448	8.7%
Japan	31,624,763,047	8.0%
Saudi Arabia	15,138,427,410	3.8%
Italy	12,096,498,768	3.1%
France	11,784,009,209	3.0%
China	11,021,840,714	2.8%
Netherlands	10,470,548,512	2.6%
Belgium	9,277,747,402	2.3%

Source: Quantec with own calculations

South Africa's top 10 trading partners – 2011

Country/Region	Total Trade (Rand)	Share of Total Trade
China	188,427,457,787	13.3%
Germany	120,430,995,623	8.5%
United States	118,023,890,868	8.3%
Japan	89,821,479,132	6.3%
United Kingdom	57,825,561,711	4.1%
India	53,528,002,082	3.8%
Saudi Arabia	34,974,121,329	2.5%
Republic of Korea	33,736,387,599	2.4%
Italy	32,653,125,392	2.3%
Netherlands	31,962,754,059	2.3%

Source: Quantec with own calculations

South Africa's Export Partners by Country

38. Between 2000 and 2011, South Africa's most important export markets have changed in important ways. Today, China is South Africa's largest export market, although China did not rank in the top ten export destinations in 2000. Whereas South Africa's share of exports to the UK halved from 8.9% in 2000 to 4.1% in 2011, China absorbed more than triple those exports in 2011. Exports to the US, Germany and Japan have maintained a consistent share and position relative to other export destinations.

South Africa's top 10 export partners – 2000

Country/Region	Total Exports (Rand)	Share of Total Exports
United States	25,033,290,348	12.0%
United Kingdom	18,573,080,915	8.9%
Japan	16,785,910,690	8.1%
Germany	16,218,385,660	7.8%
Netherlands	6,917,783,740	3.3%
Belgium	6,373,150,420	3.1%
Italy	5,849,946,402	2.8%
Mozambique	4,727,673,176	2.3%
Zimbabwe	4,548,272,489	2.2%
Zambia	4,169,853,206	2.0%

Source: Quantec with own calculations

South Africa's top 10 export partners – 2011

Country/Region	Total Exports (Rand)	Share of Total Exports
China	85,297,382,982	12.3%
United States	59,629,372,593	8.6%
Japan	55,294,630,051	8.0%
Germany	43,168,312,680	6.2%
United Kingdom	28,681,149,418	4.1%
India	24,333,272,485	3.5%
Netherlands	21,504,394,601	3.1%
Switzerland	21,373,092,321	3.1%
Republic of Korea	17,281,884,172	2.5%
Mozambique	17,184,789,722	2.5%

Source: Quantec with own calculations

South Africa's Import Partners by Country

39. Germany, the US and Japan have maintained their position in the top ten ranking of South Africa's sources of imports between 2000 and 2011, although their shares of total imports have decreased over this period. The UK's ranking declined significantly from third place in 2000 (at a share of 8.6%) to seventh place in 2011 (at a share of 4%). China's share of South Africa's total imports has almost tripled, growing from 3.7% in 2000 to 14.2% in 2011, making China our largest source of imports.

South Africa's top 10 import partners – 2000

Country/Region	Total Imports (Rand)	Share of Total Imports
Germany	24,880,513,934	13.2%
United States	22,149,649,450	11.8%
United Kingdom	16,103,969,533	8.6%
Japan	14,838,852,357	7.9%
Saudi Arabia	14,135,625,034	7.5%
Iran (Islamic Republic of)	8,133,454,011	4.3%

South Africa's top 10 import partners – 2011

Country/Region	Total Imports (Rand)	Share of Total Imports
China	103,130,074,805	14.2%
Germany	77,262,682,943	10.6%
United States	58,394,518,275	8.0%
Japan	34,526,849,081	4.8%
Saudi Arabia	32,300,007,707	4.4%
India	29,194,729,597	4.0%

France	7,895,840,523	4.2%
China	6,935,117,156	3.7%
Italy	6,246,552,366	3.3%
Australia	4,650,628,385	2.5%

Source: Quantec with own calculations

United Kingdom	29,144,412,293	4.0%
Iran (Islamic Republic of)	26,696,573,272	3.7%
Nigeria	22,664,792,624	3.1%
Italy	19,552,258,525	2.7%

Source: Quantec with own calculations

South Africa's Trading Partners by Region

40. The EU has maintained its lead as South Africa's most important regional trading partner between 2000 and 2011, although its total share of trade decreased from 35.5% in 2000 to 26.5% in 2011. The EU is followed by Eastern Asia and the North American Free Trade Agreement (NAFTA) comprising the US, Canada and Mexico. However, compared to Eastern Asia's growing share of total trade, now at 24.1% in 2011, the shares of NAFTA and the EU have declined during this period. SADC also features as a major trading partner, with its share of South Africa's total trade having grown from 5.8% in 2000 to 7.3% in 2011.

South Africa's total trade by regions – 2000

Region	Total Trade (Rand)	Share of Total Trade
World	**396,432,604,801**	
European Union	140,714,319,711	35.5%
Eastern Asia	62,479,400,006	15.8%
NAFTA	51,785,151,401	13.1%
Western Asia	25,441,710,834	6.4%
SADC	23,031,216,050	5.8%
South-central Asia	14,292,081,422	3.6%
South-eastern Asia	12,046,630,431	3.0%
Australia and New Zealand	8,779,096,866	2.2%
Western Europe Rest	8,205,215,757	2.1%
South America	6,356,419,315	1.6%
Western Africa	3,661,772,185	0.9%
Eastern Africa Rest	2,576,883,519	0.7%
Northern Africa	946,615,991	0.2%
Eastern Europe	869,666,130	0.2%
Middle Africa Rest	507,738,276	0.1%
Caribbean	497,003,132	0.1%
Northern Europe	443,569,212	0.1%
Southern Europe	109,368,943	0.0%

South Africa's total trade by regions – 2011

Region	Total Trade (Rand)	Share of Total Trade
World	**1,417,789,537,285**	
European Union	375,105,067,932	26.5%
Eastern Asia	341,027,534,041	24.1%
NAFTA	136,612,357,848	9.6%
SADC	104,171,888,649	7.3%
South-central Asia	86,318,336,967	6.1%
Western Asia	79,463,157,629	5.6%
South-eastern Asia	64,582,258,042	4.6%
Western Africa	37,262,285,785	2.6%
South America	32,202,947,148	2.3%
Western Europe Rest	31,317,903,903	2.2%
Australia and New Zealand	20,100,868,588	1.4%
Eastern Africa Rest	10,574,303,789	0.7%
Northern Africa	5,184,623,695	0.4%
Eastern Europe	4,832,255,137	0.3%
Northern Europe	2,811,536,889	0.2%
Caribbean	1,803,632,168	0.1%
Middle Africa Rest	1,732,767,903	0.1%
Central America	629,346,085	0.0%

Central America	77,773,058	0.0%
Polynesia	47,758,697	0.0%
Northern America	13,497,189	0.0%
Melanesia	9,391,817	0.0%
Micronesia	6,976,789	0.0%

Source: Quantec with own calculations

Southern Europe	508,833,966	0.0%
Melanesia	376,081,575	0.0%
Northern America	203,541,722	0.0%
Polynesia	37,666,582	0.0%
Micronesia	7,561,031	0.0%

Source: Quantec with own calculations

South Africa's Non-Agricultural Exports by Country

41. Between 2000 and 2011, the US, Germany and Japan maintained their position as South Africa's most important markets for non-agricultural exports, as per the World Trade Organisation (WTO) definition.[1] However, exports to the UK dropped substantially, declining from 8.6% in 2000 to 3.8% in 2011. During this period, China, which did not feature as a destination for non-agricultural exports in 2000, remained at the top position in 2011, having surpassed the US already in 2010. China's share of non-agricultural South African exports was 13.2% in 2011, up from 2.1% in 2000.

South Africa's top 10 countries by total non-agricultural exports – 2000

Country	Total Exports (Rand)	Share of Total Non-Ag Exports
United States	24,290,766,221	12.6%
United Kingdom	16,638,476,855	8.6%
Japan	15,927,788,893	8.2%
Germany	15,702,389,530	8.1%
Italy	5,768,104,514	3.0%
Belgium	5,451,530,489	2.8%
Netherlands	5,431,974,205	2.8%
Zimbabwe	4,272,080,944	2.2%
China	4,069,259,249	2.1%
Zambia	3,878,970,179	2.0%

Source: Quantec with own calculations

South Africa's top 10 countries by total non-agricultural exports – 2011

Country	Total Exports (Rand)	Share of Total Non-Ag Exports
China	84,857,553,987	13.2%
United States	58,163,653,929	9.0%
Japan	53,989,503,234	8.4%
Germany	41,421,507,167	6.4%
United Kingdom	24,435,121,700	3.8%
India	24,271,161,999	3.8%
Switzerland	21,158,522,700	3.3%
Netherlands	16,148,602,557	2.5%
Republic of Korea	15,697,016,839	2.4%
Zambia	15,106,399,386	2.3%

Source: Quantec with own calculations

South Africa's Non-Agricultural Exports by Region

42. South Africa's non-agricultural exports to the EU have declined from 30.7% in 2000 to 21.3% in 2011. Eastern Asia has replaced the EU as South Africa's major export market for non-agricultural products, having grown its share from 15.2% in 2000 to 26.5% in 2011. The proportions of South Africa's non-agricultural exports to SADC and NAFTA

[1] In the WTO, NAMA refers to all products not covered by the Agreement on Agriculture. In other words, in practice, it includes manufacturing products, fuels and mining products, fish and fish products, and forestry products. They are sometimes referred to as industrial products or manufactured goods.

remained steady over this period, with SADC and NAFTA both absorbing 9.7% of South Africa's non-agricultural exports in 2011.

South Africa's non-agricultural exports by region – 2000

Region	Total Exports (Rand)	Share of Total Trade
European Union	59,333,312,017	30.7%
Eastern Asia	29,407,492,362	15.2%
NAFTA	26,343,999,647	13.6%
SADC	17,553,809,263	9.1%
Western Asia	5,778,199,407	3.0%
South-eastern Asia	4,496,666,857	2.3%
Australia and New Zealand	3,634,491,483	1.9%
South-central Asia	3,515,936,104	1.8%
Western Europe Rest	3,494,909,135	1.8%
South America	2,445,361,713	1.3%
Eastern Africa Rest	1,892,069,982	1.0%
Western Africa	1,708,780,505	0.9%
Northern Africa	743,198,214	0.4%
Middle Africa Rest	406,357,575	0.2%
Caribbean	250,429,906	0.1%
Northern Europe	162,629,432	0.1%
Eastern Europe	159,352,015	0.1%
Southern Europe	68,210,716	0.0%
Central America	38,769,323	0.0%
Polynesia	35,605,380	0.0%
Melanesia	7,223,953	0.0%
Micronesia	6,662,501	0.0%
Northern America	193,556	0.0%

Source: Quantec with own calculations

South Africa's non-agricultural exports by region – 2011

Region	Total Exports (Rand)	Share of Total Trade
Eastern Asia	170,718,602,915	26.5%
European Union	137,387,578,657	21.3%
NAFTA	62,674,988,074	9.7%
SADC	62,491,152,438	9.7%
South-central Asia	27,098,315,307	4.2%
Western Europe Rest	21,158,738,955	3.3%
South-eastern Asia	17,786,661,298	2.8%
Western Asia	17,648,975,706	2.7%
Western Africa	12,115,565,628	1.9%
South America	9,710,353,611	1.5%
Eastern Africa Rest	8,972,992,167	1.4%
Australia and New Zealand	6,577,347,275	1.0%
Northern Africa	4,199,297,186	0.7%
Northern Europe	1,914,883,941	0.3%
Eastern Europe	1,273,428,797	0.2%
Middle Africa Rest	1,172,820,694	0.2%
Southern Europe	230,045,678	0.0%
Central America	213,026,528	0.0%
Northern America	201,853,116	0.0%
Caribbean	165,919,618	0.0%
Melanesia	111,351,427	0.0%
Polynesia	18,862,925	0.0%
Micronesia	2,240,843	0.0%

Source: Quantec with own calculations

D. South Africa's Tariff Policy

43. The TPSF 2010 set the tone for South Africa's tariff policy by stipulating that all reform would be pursued strategically to support agricultural and industrial development. Indeed, successful developing economies have all adopted a strategic approach to tariff policy based on a clearly defined growth strategy that sets objectives for structural transformation, advancing industrial development and promoting value-added exports. They have ensured that tariff policy is informed by industrial policy and where trade liberalisation is undertaken, it is gradual and selective to support industrial development. By contrast, the many developing economies that embarked on rapid structural reform, including uniform and across-the-board liberalisation have tended to re-orient their industrial sector along static comparative advantage lines, except in industries that were already mature and globally competitive.

44. This experience resonates in South Africa. Since 1994, South Africa has undertaken significant tariff cuts. From a macroeconomic perspective, increased trade openness during the 1990s coincided with a prolonged period of disinflation, which enabled a sustained decline in interest rates, while exports in most sectors grew. However, notwithstanding these reforms and significant export growth, manufactured exports continue to be dominated heavily by resource-based products. In other words, tariff reductions have not induced the necessary structural changes in the economy to significantly alter the export basket beyond the range of products that reflect South Africa's static comparative advantage. South Africa's strongest export performance in more sophisticated products has been in sectors that have been built up through past and present industrial policy.

45. In the early 1990s, South Africa's average tariff was around 23%. It now stands at 7.7%. By 2012, 56.3% of South Africa's 7,240 tariff lines were set at zero. There has been considerable simplification of the tariff regime. In 1990, the tariff schedule consisted of 13,609 tariff lines and 28% were subject to import control. By 2006, the number of tariff lines had been reduced to 6,767, a decline of around 52%, and import controls were eliminated. The South Africa-EU Trade, Development and Cooperation Agreement (TDCA), the SADC Trade Protocol and the SACU-European Free Trade Association (EFTA) FTA have further reduced the overall incidence of tariff protection. The economy today is only moderately protected by tariffs.

South Africa's Tariff Profile – 2012

Tariff Bands	Number of Tariff Lines	% of Tariff Book
0%	4,076	56.3%
1% - 5%	200	2.76%
5.5% - 10%	635	8.8%
11% - 20%	1,181	16.3%
21% - 35%	656	9.1%
36% - 40%	114	1.6%
>40	176	2.4%

Specific & mixed duties	202	2.8%
Total No. of tariff lines	**7,240**	

Source: Own calculations based on South Africa's 2012 Customs Schedule/Tariff Book

Structure of South Africa's MFN tariffs – 2000, 2008 and 2009/2010

		2002	2008	2009
1.	Bound tariff lines (% of all tariff lines)	98	98	98
2.	Duty-free tariff lines (% of all tariff lines)	43.4	54.1	56.5 (2010)
3.	Non-*ad valorem* tariffs (% of all tariff lines)	25.0	3.1	3.2
4.	Tariff quotas (% of all tariff lines)	3.8	4.6	4.6
5.	Non-*ad valorem* tariffs with no AVEs (% of all tariff lines)	25.0	0.8	0.8
6.	Simple average tariff rate	11.4	8.1	7.7 (2010)
	Agricultural products (WTO definition)[a]	9.6	10.1	9.0 (2010)
	Non-agricultural products (WTO definition)[b]	11.6	7.9	7.5 (2010)
	Agriculture, hunting, forestry, and fishing (ISIC 1)	5.3	3.7	3.7
	Mining and quarrying (ISIC 2)	0.7	0.8	0.8
	Manufacturing (ISIC 3)	11.8	8.5	8.5
7.	Domestic tariff "spikes" (% of all tariff lines)[c]	3.9	8.5	8.5
8.	International tariff "peaks" (% of all tariff lines)[d]	34.8	20.8	20.8
9.	Overall standard deviation of applied rates	12.6	11.1	11.1
10.	"Nuisance" applied rates (% of all tariff lines)[e]	0.0	1.0	1.0

a WTO Agreement on Agriculture definitions.
b Excluding petroleum.
c Domestic tariff spikes are defined as those exceeding three times the overall simple average applied rate.
d International tariff peaks are defined as those exceeding 15%.
e Nuisance rates are those greater than zero, but less than or equal to 2%.

Source: WTO – SACU 2009 Trade Policy Review; own calculations for 2010

46. Compared to many other upper-middle-income countries, South Africa has a high WTO binding coverage (98%); the simple tariff average tariff is lower (7.7%); we have a significantly higher number of duty-free tariff lines (56%); a comparable number of non-*ad valorem* tariffs; and a comparable number of internationally-defined tariff peaks. The

higher number of duty-free lines results in a greater tariff dispersion rate.[2] South Africa has around 20 more duty rates than other upper-middle-income countries.

47. Compared to many of our trading partners, South Africa's tariff regime is open, transparent and not overly complex. Where tariffs have been reduced, the affected sectors have experienced growth in import volumes. South Africa does not maintain the range of non-tariff barriers (NTBs) that our exporters confront increasingly in world markets. In addition, NTBs and support programmes in major economies are at the heart of today's global agricultural market. The policies of our trading partners cause significant distortions, and we need to explore ways to address these to ensure that South Africa remains a competitive agricultural exporter.

48. Tariff setting in South Africa is decided primarily on a sector-by-sector basis, dictated by the needs and imperatives of the sector strategies. Sector work is grounded on a 'self-discovery' process of engagement between government and stakeholders to meet our industrial policy objectives. As a general guideline, tariffs on mature upstream input industries could be reduced or removed to lower the input costs for the downstream, more labour creating manufacturing sectors. Tariffs on downstream industries, particularly those that are strategic from an employment or value-addition perspective, may be retained or raised to ensure long-term sustainability and job creation in the context of domestic production capabilities/potentialities and the degree of trade and production distortions on these products at the global level. **Export taxes can also be an important instrument to promote industrial development. For example, an export tax on scrap metal could support industrial development and employment in South Africa.**

49. Tariff determinations in agriculture and industry are conducted on the basis of case-by-case, detailed investigation and analysis by the International Trade Administration Commission of South Africa (ITAC). There is no *a priori* presumption of the benefits or costs of maintaining either low or high tariffs, but the upper limits for tariff setting have been set by the obligations South Africa has taken in the WTO and in other bilateral trade agreements. Success on tariff policy should be measured by the degree to which it supports Government's employment and industrial development objectives. When implementing tariff determinations, ITAC may take into account a time period for protection and ensure that protection does not protect unproductive or financially unviable companies. When setting tariffs in agriculture, ITAC should also pay particular attention to the domestic impact of global distortions in international agricultural trade. It is important to strike an appropriate balance between the profitability of farmers, on the one hand, which includes addressing supply-side constraints and competition issues, and consumer prices, on the other, given the price-raising effects of duties and their impact on food security objectives, including access to food at affordable prices, especially for the poor.

50. It is important to note that South Africa has not resorted to the forms or scale of protectionism that have been prevalent among our key partners in the G20 and OECD.

[2] Tariff dispersion indicates how widely spread out are the nominal tariffs in the tariff schedule. For example, high tariff dispersion indicates that there is a lot of variation in the tariff schedule.

Since the onset of the Global Recession in 2008, South Africa has introduced higher duties on around 149 products (mainly textiles and clothing); reduced 283 tariff lines; provided duty rebates on 74 products; 25 anti-dumping duties have expired; and 4 new anti-dumping measures were introduced. It is important that South Africa maintains the policy space for tariff sequencing in order to build our industrial capacity, promote technological investment and upgrading, and stimulate competitiveness.

Since the onset of the global crisis in 2008, the G20 leaders have repeatedly pledged not to resort to protectionism, albeit defined narrowly. To this end, the OECD, WTO and UNCTAD were instructed to keep G20 countries under constant surveillance. The scale of trade-restricting measures invoked has been relatively modest. However, these measures have increased incrementally over time and the concern is that these measures could militate against global trade and also render anti-cyclical stimulus measures introduced by other countries impotent. The eleventh Global Trade Alert (GTA) shows that measures introduced by G20 countries that impede trade have grown unabated from 69 per cent in 2009 to 79 per cent in June 2012. As South Africa has consistently cautioned against the use of a narrow definition of protectionism, the Report shows that non-traditional forms of protection, some of which falls outside WTO disciplines, constituted at least 58 per cent of measures invoked since the outbreak of the crisis.

While the eleventh GTA report does not illustrate the amount of trade adversely impacted, it does identify countries that have applied measures that are most harmful. For instance, countries that have introduced the most measures affecting different numbers of products, economic sectors and trading partners (but also were affected by such measures) include mainly the EU-27, China and Argentina, as well as Russia, Germany and India. South Africa does not feature in the top 10 list of countries that have introduced measures that inflicted the most harm to other trading partners and vice versa. South Africa despite having one of the highest levels of unemployment in the world has consistently heeded the G20 leaders' pledge not to resort to protectionism.

E. South Africa's Trade Strategy: Looking Ahead

51. South Africa will need to increase its exports, particularly higher value-added manufactured products. While this is primarily a challenge for industrial policy, trade strategy can complement the national effort by enhancing access to global markets for South African products, and by shaping trade and investment relations, and their related rules, to support these objectives. South Africa's economic imperatives suggest that while economic links with traditional developed countries remain important, our prospects for growth and development will depend increasingly on diversifying and strengthening our economic links with the dynamic and growing economies in Africa and among emerging economies of the South. In particular, South Africa's trade and investment strategy will focus on the BRICS countries, high growth markets in Africa, the Middle East and Asia, and other emerging economies such as Turkey, South Korea, Indonesia, Malaysia, Vietnam, Thailand, Chile and Mexico. In this regard, the work of Trade and Investment South Africa (TISA), a division of **the dti**, is crucial. TISA's mandate is to promote

exports of higher value-added products to key markets, and to attract investment into those sectors identified by the NGP and IPAP. TISA also supports the development of small, medium and micro-enterprises (SMEs) to export to the world market.

52. To this end, South Africa's trade strategy aims to expand trade and investment links in Africa in the context of 'developmental integration' in Southern and Eastern Africa. While we will seek to consolidate links with traditional partners, there will be growing emphasis on building complementarities in the agriculture, industry and services sectors with the rising economies of the South. As these efforts unfold, we continue our multilateral engagement to reform the institutions and rules of global economic governance, notably in the WTO, in ways that assist to unlock the development and economic growth potential of developing countries. The main policy dimensions of this approach are elaborated below.

African Development and Integration

53. Africa is now the second fastest growing region in the world economy after Asia. Africa's full economic potential will nevertheless remain unfulfilled unless we address the challenges of inadequate infrastructure, the limitations imposed by small and fragmented markets, and inadequate diversification of industrial output, all of which are responsible for the low levels of intra-African trade. In the context of intensifying competition for access to Africa's resources and growing markets, advancing the integration agenda in SACU, SADC and the Tripartite FTA (T-FTA) is more urgent.

54. South Africa is championing an ambitious integration and development agenda in Africa in respect of our engagements in SACU, SADC and in the recently launched Tripartite Initiative to integrate SADC, the East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA). The recent improvements in Africa's development prospects provide the basis to advance this work decisively. Our efforts to advance a 'developmental integration' approach to regional and continental integration in Africa, particularly in Southern Africa, combines market integration, cross-border infrastructure development and policy coordination to advance regional industrial value-chains, has met with some success.

55. SACU remains the anchor for wider integration within the Southern African region. South Africa will work in partnership with Botswana, Lesotho, Namibia and Swaziland (BLNS) to implement the SACU five-point work programme, which focuses on: promoting regional industrial policy (specifically identifying sectors and interventions to promote a wider spread of industrial development among SACU members); reviewing the revenue-sharing formula; improving trade facilitation; developing common SACU institutions; and promoting unified engagement in trade negotiations with third parties.

56. With the exception of three members that seek derogations or have fallen behind in the tariff phase schedule, the SADC FTA should be fully implemented in 2012 with almost all tariff lines traded duty-free. The product lines traded at zero per cent currently stands at 92%, against the baseline of 85% in 2008. South Africa will continue to prioritise the

consolidation of the SADC FTA, working with Members to implement their obligations, and focusing on sectoral cooperation, promoting regional productive capacity and infrastructure, addressing NTBs and simplifying rules of origin, harmonising standards, and advancing the work on trade facilitation.

57. In 2009, the Members States of SADC, the EAC and COMESA initiated a wide ranging initiative for integration that will be built on market integration, industrial development and infrastructure. In 2011, Members of the three groupings launched negotiations towards the T-FTA. Once concluded, the T-FTA will combine the markets of 26 countries with a population of nearly 600 million people and a combined GDP of US$1 trillion, providing the market scale that could launch a sizeable part of the continent onto a new developmental trajectory. It is anticipated that these negotiations will be concluded by April 2014, with implementation of the T-FTA scheduled for 2015.

58. The T-FTA will form the basis for an Africa-wide FTA, which is expected to create a market of US$2.6 trillion. This will address the challenge of small and fragmented economies in Africa. A larger, more integrated and growing market would enhance the interest of foreign investors in Africa and provide a basis for enhanced intra-African trade. This envisaged Continental FTA (C-FTA) will therefore widen and build on the integration initiatives already underway.

59. This work is underpinned by an intensive and extensive set of bilateral engagements with countries across the African continent. This bilateral work is built around agreements agreed jointly by Governments, which specify the areas for cooperation to promote trade and investment in infrastructure development, as well as policy and institutional development and technical capacity-building. These programmes are tailored to the needs and capacities of the partners. In addition to inter-governmental engagements, the bilateral work aims to address supply-side constraints in the continent through facilitation of investment in infrastructure (e.g. roads, rail, ports, energy and ICT) and integrated regional manufacturing platforms across a broad range of sectors. This entails concerted efforts in mobilising outward investment by the South African private sector and state-owned entities into the continent to promote regional and continental integration.

Relations with Countries of the South

60. The global shift in trade and investment flows is also reflected in changes in South Africa's external trade and investment relations. While our trade with developed countries is yet to recover to the pre-crisis levels of 2008, the expansion of South Africa's trade and direct investment with the countries of the South, notably the BRICS countries, has continued apace, with China and India at the forefront. This builds on the strong foundation of trade, investment and development cooperation established initially by the IBSA Dialogue Forum, which we continue to prioritise in our economic diplomacy. The rapid expansion of these linkages has required that we seek to directly address challenges that have arisen in these burgeoning economic relations.

61. As developing countries are all seeking to address their developmental challenges and promote economic development and growth, utmost care is required to ensure that the expansion of trade and investment relations among developing countries supports and does not undermine these efforts. This requires an approach that fosters economic complementarities, supports the development of our industrial, agricultural and service sectors, and avoids destructive and direct competition. In this context, we have placed greater emphasis on building economic linkages to underpin our industrial development and employment objectives. We have emphasised the need to strengthen cooperation to promote and develop SMEs and address NTBs alongside targeted investment and export development and promotion activities.

62. For South Africa the principal challenge is that our exports to emerging economies comprise low value-added products and commodities, while our imports are of higher value-added manufactured products. This pattern is replicated in Africa's trade relations with the emerging economies. Our concern is that unless addressed, this pattern of trade will reproduce the uneven and imbalanced trade that has characterised the trade between Africa and developed economies in the past. It is essential that growing links between South Africa, Africa and the emerging economies are structured in ways that are more sustainable over the longer term.

63. In order to expand and strengthen economic relations with the South, South Africa's trade and investment strategy will focus on the BRICS countries, high growth markets in Africa, the Middle East and Asia, and other emerging economies such as Turkey, South Korea, Indonesia, Malaysia, Vietnam, Thailand, Chile and Mexico. In that regard, South Africa's membership of the BRICS has become a vital element of our global economic strategy. The economic engagement in BRICS is being built on three pillars. First, the BRICS countries have a shared interest in pursuing the reform of multilateral institutions for global economic governance to give greater voice to developing countries in these institutions and, thereby, enhance the legitimacy of the institutions themselves. In particular, we have strengthened coordination in the WTO's Doha Round as well as in forums where trade and investment issues arise.

64. The second pillar involves building intra-BRICS cooperation. On matters relating to trade and investment, we have highlighted the importance of working to build our industrial base, enhance value-added exports, and promote technology sharing, small business development and trade and investment promotion. Innovative proposals relating to the establishment of a BRICS-led development bank and the possible settlement of trade in domestic currencies have also been advanced. This bank will establish a mechanism to leverage new sources of investment from the South to address financial bottlenecks of infrastructure and industrialisation, while new sources of trade finance and the settlement of trade in domestic currencies will reduce transaction costs and support growth in intra-BRICS trade.

65. Third, South Africa has a direct interest in extending BRICS cooperation to support Africa's economic development agenda. The BRICS countries can contribute to Africa's development by increasing financial aid to build infrastructure and industrial capacity,

and increasing imports of value-added manufactured products from the continent. The abundant natural resources of Africa, the growing consumer power of Africa's emerging middle class, and high growth rates offer an opportunity to build a more sustainable and mutually beneficial relationship with Africa in the next decades.

66. China's recently announced import policy and intention to support 'beneficiation at source' signals movement in this direction. Indeed, this policy approach can be understood as part of China's wider efforts to alter its economic growth model. The shift from an emphasis on export- and investment-led growth to one based on promoting domestic demand, consumption and investing abroad can offer significant new opportunities for African industrial development. As China upgrades its labour-intensive industries and cedes market shares, it will relocate millions of labour-intensive jobs to poor countries and accelerate their industrialisation.

67. Current inward FDI flows from China, as well as other large emerging market countries, to manufacturing industries in developing countries can be leveraged to drive industrialisation in the poorest countries, where financial capital and entrepreneurial skills have in the past proved to be constrained. If other emerging market countries such as Brazil and India follow China's growth trajectory, they will create even more labour-intensive jobs in low-income countries. Rapidly growing investment in African infrastructure from emerging economies, amongst others, also portends well for Africa's future development and integration prospects.

Relations with Countries of the North

68. Trade and investment relations with developed countries of the North remain important. The EU remains South Africa's single most important trading partner, and developed countries occupy five of the top ten positions in the rankings of our trading partners in 2011. While we continue to pursue expansion of our trade and investment links with these important markets, sources of investment and technology, we have pursued a range of more policy-related engagements with the US, the EU and Japan.

69. With the US, South Africa has worked to deepen relations in three areas. First, we have built common regional positions with other sub-Saharan African countries to extend and deepen the trade and investment benefits arising from the African Growth and Opportunity Act (AGOA). As a beneficiary of this scheme, South Africa is seeking an extension of AGOA beyond its 2015 expiry date, the country's continued inclusion under any new arrangement and the expansion of product coverage. With SACU countries we have engaged with the US under the Trade, Investment, Development and Cooperation Agreement (TIDCA) to strengthen cooperation in customs procedures and standards. On the bilateral front, the reinvigorated Trade and Investment Framework Agreement (TIFA) offers a basis to encourage US investment in South Africa, both to expand domestic productive capacity and as a platform to access growing markets in Africa, while boosting trade flows with the US.

70. Trade relations with the EU are framed by the free trade agreement set out in the Trade, Development and Cooperation Agreement (TDCA). South Africa's participation in the Economic Partnership Agreement (EPA) negotiations is aimed primarily at forging a common regional (i.e. SACU and SADC) arrangement with the EU to ensure coherence with the region's main trading partner, and to enhance our access to the EU market. The range of contentious issues that have frustrated progress in the EPA negotiations is the subject of current and ongoing engagement.

80. Japan remains an important investment and trade partner, and the focus of our engagement is on cooperation activities, notably in the automotive sector.

81. A series of challenges are emerging in our trade and investment relations with developed countries. As noted, the recovery from the 'Great Recession' remains fragile and is vulnerable to new shocks. Depressed demand conditions and low growth in developed countries will continue to limit South Africa's export performance. In 2011, South Africa's exports to EU were 20% below its 2008 levels. The corresponding figure for Japan and the US were, respectively, 16% and 10% below 2008 levels.

82. There is also growing concern at the range of new unilateral measures adopted by our major developed country partners that constrain market access for South African exports, impose additional costs on industry through emissions trading, or limit the prospects for economic diversification and domestic value-addition. These measures, as well as more traditional tariffs and subsidy barriers in agricultural markets, proposals to review and tighten existing preference schemes, and new NTBs such as public and private standards (some ostensibly implemented for environmental reasons) all indicate growing protectionism in South Africa's major markets. There are many drivers (i.e. 'push' and 'pull' factors) of capital flows to emerging economies. A particular concern for **the dti** is the impact of expansionary monetary policy on these flows of capital and the exchange rate. While expansionary monetary policy in developed countries may be necessary to stimulate growth and support external demand, the impact on the exchange rate may have serious implications for our export competitiveness.

Trade Negotiations

83. Trade negotiating outcomes must be designed to support our objectives for industrial development and upgrading, increased value-added exports and employment growth. This alongside the specificities of our tariff regime has guided our approach to trade negotiations at the multilateral level and in bilateral engagements, with respect to both free trade agreements (FTAs) and preferential trade arrangements (PTAs).

84. The relative openness of the South African economy provides the context to understand our approach to trade negotiations in general. Since around 56.3% of our tariffs are already at zero in 2012, it is often difficult to construct a negotiating process that could result in a balanced reciprocal outcome for South Africa. Before exchanging tariff concessions, we also need to compare the relative level of our tariffs vis-à-vis our negotiating partners, the relative competitiveness of competing sectors, how the burden

of adjustment is shared, and the impact of tariff liberalisation on domestic industrial and agricultural production and employment.

The WTO's Doha Round

85. The Doha Round was launched in 2001 with an explicit commitment to place the needs and interests of developing countries at the heart of the work programme. Commitments by developing countries were to be guided by the principles of Special and Differential Treatment (SDT) and Less-Than-Full-Reciprocity (LTFR). Importantly too, we agreed that agriculture would be at the centre of the Doha Development Agenda (DDA) and that its outcome would set the level of ambition for the overall ambition in the Round.

86. Over the course of the negotiations, there has been a steady erosion of this development mandate. Developed countries have offered only moderate reforms in agriculture, and have demanded that developing countries undertake onerous market opening commitments in industrial tariffs and services. An outcome along these lines would be un-mandated, unbalanced, unfair and anti-development. Developed countries' insistence on – and developing countries resistance to – such an outcome lies at the heart of the impasse in the negotiations.

87. All developing countries, including the so-called 'emerging economies', continue to confront serious developmental challenges. The principles of SDT and LTFR in favour of developing countries remain necessary to allow for differentiation in market access commitments between developed and developing countries and to ensure flexibility in the application of commitments. While many emerging economies have registered significant improvements in their GDP growth and in their share of international trade, they continue to confront significant developmental challenges and therefore require flexibility in the multilateral commitments they undertake.

Regional Trade Agreements

88. FTA negotiations are governed by Article XXIV of the General Agreement on Tariffs and Trade (GATT), which sets the threshold of reducing tariffs on 'substantially all trade'. This leaves little room for flexibility or sequencing of tariffs to support our industrial policy objectives. In the context of South Africa's relatively open economy, achieving the WTO threshold for FTAs will imply reducing our remaining dutiable lines, which are sensitive from either an industrial policy or employment perspective.

89. As compared to FTAs which, under WTO rules, demand broad-based tariff liberalisation, appropriately structured PTAs allow for a more strategic integration process among developing countries. For example, the SACU-MERCOSUR PTA, signed in 2009, lays the basis for this strategic integration approach and deepening of economic relations between our two regions. While the scope for tariff dismantling under the SACU-MERCOSUR PTA is more limited than what would obtain under an FTA, the arrangement does provide new opportunities to increase trade in a mutually beneficial manner and minimises direct and destructive competition. It also establishes a legal and

institutional framework for conducting trade relations between the two regions, including resolving some trade frictions that may arise. Building on the SACU-MERCOSUR experience, the next priority is to conclude the SACU-India PTA. These negotiations are ongoing at present.

Recent Developments in Trade

90. In the context of the Doha impasse, major developed countries have proposed new approaches to global trade negotiations. They have begun to pursue plurilateral agreements and among only some countries and on only some issues of particular interest to them. Indeed, agricultural reform is notably absent from this agenda. South Africa, along with the 'Friends of Development' grouping in the WTO that account for the vast majority of the WTO membership, have opposed these efforts on the grounds that they pose threats to multilateralism, transparency and inclusiveness. These are seen as attempts to remove the developmental content of the Doha Round.

91. Trade issues are increasingly raised in the Group of 20 (G20) process, notably in the commitment to refrain from resorting to protectionist measures that were first advanced during the Global Recession of 2008. In South Africa's view, the working definition of 'protectionism' for trade has been framed too narrowly, covering as it does tariffs, trade remedies and standards. It appears to be directed primarily at those measures of support and protection utilised by developing countries and ignores the full range of national-specific measures that developed countries can take, within WTO disciplines and beyond, that imposes costs on others by distorting international trade and investment flows. Bail-outs and stimulus packages in advanced economies, though necessary to re-start economic growth and stimulate external demand, may have a direct and indirect impact on trade and investment flows, since they change incentives and shift the competitive environment to favour national industries and firms.

92. On all counts, it is clear that developing countries have recourse to fewer measures and, due to their weaker fiscal bases, the quantum of financial support they are able to deploy is considerably less than that available to industrialised countries. Developing countries therefore have a legitimate case in being able to use all WTO-compatible measures to provide support to their industries. Moreover, developing country measures are likely to have less systemic impact and will pale in significance when compared to measures taken by industrial countries.

93. The G20 commitments also call for a restraint on introducing export restrictions. Again, this is directed mainly at developing countries, which often seek to deploy export restrictions to promote economic development. Export restrictions are not prohibited by the WTO rules. The inconsistency is revealed by instances where developed countries re-introduce export refunds to support their agricultural sectors. Within prescribed limits, these are permitted under WTO rules, despite the fact that they can have a devastating impact on production in developing countries.

94. Recently, there has been increased attention to global production chains as reflected in the growing proportion of trade in intermediate inputs, which now represent more than half of the goods imported by OECD economies and close to three-quarters of the imports of large developing economies. Imported inputs make up a growing proportion of final exports. It is also noted that at all stages, these transactions involve the provision of services (e.g. finance, insurance, transport and distribution). These developments suggest the need to revisit how values in international trade are calculated, and to determine how value is shared amongst economies participating in global production and trade.

95. These are first and foremost empirical and statistical questions. However, the notion of global value chains has now been seized upon by some to advance a specific set of policy prescriptions alongside a specific agenda for international trade negotiations. The arguments suggest that global value chains have eased developing countries' integration into the global economy and that as import and export content is blurred, to encourage further their further global integration, developing countries should liberalise import tariffs, facilitate cross-border transactions and ensure the provision of competitive services. The narrative thus calls for further liberalisation, as well as negotiations on trade facilitation and services. In this way, this narrative mirrors developed countries' proposed plurilateral negotiating agenda.

96. For these reasons, South Africa has argued that we should rather assess how gains from participation in global value chains are shared proportionately, and how developing countries can move up the value chain to promote development and secure equitable benefits from their participation in global value chains. We have argued that if the narrative is simply an attempt to promote trade liberalisation and enhance the efficiency of global supply chains, without addressing developmental challenges, industrial upgrading, economic diversification and employment, it will not be of meaningful relevance. We have also argued that the other developmental issues contained in the Doha mandate, notably reform of agricultural trade, remain relevant, urgent and cannot be discarded.

F. Concluding Remarks

97. The TPSF 2012 has updated the key policy positions articulated in 2010 by taking into account more recent global trade and investment developments, including the lingering impact of the 2008-2010 'Great Recession'. Our conclusion is that the trade policy and strategy adopted by the South African Government in 2010, as set out in the TPSF 2010, remains valid. Going forward, we should concentrate on fine-tuning and accelerating national efforts to boost exports, especially of higher value-added products, whilst being cognisant of the need to prioritise sustainable production and consumption. Government should also scale up implementation of IPAP to support broad-based industrialisation, promote cleaner, lower-energy technologies and green jobs, and attract investment into the green economy.

98. South Africa's trade policy and strategy do not operate in a vacuum. Domestically, our approach is informed by the NGP and IPAP, which are framed overall by the imperative

of sustainable development for South Africa. This implies a strategic approach to tariff setting in order to support our agricultural and industrial development objectives. We do not subscribe to an a priori view of an ideal tariff regime or the benefits of either high or low tariffs. Tariff determinations in agriculture and industry are conducted on the basis of case-by-case, detailed investigation and analysis. Success on tariff policy must be measured by the degree to which it supports the employment and industrial development objectives we have set.

99. Externally, our trade strategy responds to the ongoing shifts in the world economy, with the rise of the emerging economies as new sources of global economic growth, trade and investment. These developments suggest that while South Africa's economic links with traditional trading partners remain important, our prospects for growth and development will depend increasingly on diversifying and strengthening our economic links with the dynamic economies of the South and with Africa. The latter include the BRICS countries, high growth markets in Africa, the Middle East and Asia, and other emerging economies such as Turkey, South Korea, Indonesia, Malaysia, Vietnam, Thailand, Chile and Mexico. South Africa will intensify its engagement and cooperation with these emerging economies in order to build complementarities in the agriculture, industry and services sectors and to shift the current structure of trade, where exports of raw materials are exchanged for manufactured goods.

100. With Africa's recent improved economic and growth prospects, an important priority is to advance and extend developmental integration in Southern and Eastern Africa, focusing in particular on the T-FTA. By 'development integration' we mean an approach that combines market integration to promote intra-African trade, with cross-border infrastructural development and sectoral policy coordination, especially to support regional industrialisation.

101. At the global level, South Africa is a strong proponent of the principles of multilateralism, transparency and inclusiveness. We regard multilateralism as a necessary intergovernmental response to manage the challenges of globalisation and deepening interdependence among economies and societies around the world. The current playing field in world trade is still highly uneven and biased against developing countries' interests. In the WTO, South Africa therefore remains committed to concluding a Development Round based on the mandate agreed to in Doha. South Africa has built alliances with other like-minded developing countries to resist an outcome that is unfair, un-mandated and anti-development.

102. The success of South Africa's trade policy and strategy will, in the end, be measured by the extent to which it contributes to Government's overall socio-economic objectives of industrial diversification and upgrading, and employment creation. South Africa's national development is closely linked to regional development. We will work with our partners in the South and the North to build cooperative relations from which we all can benefit.

Annex A:

Table 1.1: South Africa's top 15 exports by technological intensity & skills level at HS-2 Digit – 2000 (excluding primary sectors)

Technology Intensity Descriptions	HS-2 Code	HS-2 Description	Value (Rand)	Share of total Exports	Cumulative Percentage
Unclassified products	99	Commodities not elsewhere specified	23,692,238,406	11.4%	11.4
Low skill- and technology-intensive manufactures	72	Iron & steel	18,524,052,008	8.9%	20.3%
Medium skill- and technology intensive manufactures	87	Vehicles other than railway, tramway	11,747,608,311	5.6%	25.9%
Medium skill- and technology intensive manufactures	84	Nuclear reactors, boilers, machinery, etc	10,294,738,316	4.9%	30.8%
High skill- and technology intensive manufactures	28	Inorganic chemicals, precious metal compound, isotopes	4,333,153,262	2.1%	32.9%
Medium skill- and technology intensive manufactures	85	Electrical, electronic equipment	3,902,192,139	1.9%	34.8%
Resource-intensive manufactures	48	Paper & paperboard, articles of pulp, paper and board	3,062,680,536	1.5%	36.3%
Resource-intensive manufactures	94	Furniture, lighting, signs, prefabricated buildings	2,841,768,671	1.4%	37.6%
Medium skill- and technology intensive manufactures	86	Railway, tramway locomotives, rolling stock, equipment	2,600,573,212	1.2%	38.9%
High skill- and technology intensive manufactures	29	Organic Chemicals	2,587,736,390	1.2%	40.1%
Low skill- and technology-intensive manufactures	73	Articles of iron & steel	2,418,475,847	1.2%	41.3%
High skill- and technology intensive manufactures	39	Plastics & articles thereof	1,816,260,704	0.9%	42.1%
High skill- and technology intensive manufactures	38	Miscelleneous chemical products	1,516,327,029	0.7%	42.9%
Low skill- and technology-intensive manufactures	82	Tools, implements, cutlery, etc of base metal	1,170,956,386	0.6%	43.4%
Medium skill- and technology intensive manufactures	40	Rubber & articles thereof	1,022,049,284	0.5%	43.9%

Source: Quantec with own calculations

Table 1.2: South Africa's top 15 exports by technological intensity & skills level at HS-2 Digit – 2011 (excluding primary sectors)

Technology Intensity Descriptions	HS-2 Code	HS-2 Description	Value (Rand)	Share of total Exports	Cumulative Percentage
Low skill- and technology-intensive manufactures	72	Iron & steel	53,817,717,956	7.8%	7.8%
Medium skill- and technology intensive manufactures	87	Vehicles other than railway, tramway	53,038,544,807	7.7%	15.5%
Medium skill- and technology intensive manufactures	84	Nuclear reactors, boilers, machinery, etc	42,717,813,806	6.2%	21.6%
High skill- and technology intensive manufactures	28	Inorganic chemicals, precious metal compound, isotopes	11,414,258,126	1.7%	23.3%
Medium skill- and technology intensive manufactures	85	Electrical, electronic equipment	10,915,931,112	1.6%	24.9%
High skill- and technology intensive manufactures	29	Organic Chemicals	10,272,881,560	1.5%	26.3%
Low skill- and technology-intensive manufactures	73	Articles of iron & steel	8,280,804,816	1.2%	27.5%
High skill- and technology intensive manufactures	39	Plastics & articles thereof	7,957,960,422	1.2%	28.7%
Resource-intensive manufactures	71	Pearls, precious stones, metals, coins, etc	6,560,380,554	0.9%	29.6%
High skill- and technology intensive manufactures	38	Miscelleneous chemical products	4,571,620,014	0.7%	30.3%
Resource-intensive manufactures	48	Paper & paperboard, articles of pulp, paper and board	4,521,173,832	0.7%	31.0%
Resource-intensive manufactures	94	Furniture, lighting, signs, prefabricated buildings	4,018,569,486	0.6%	31.5%
High skill- and technology intensive manufactures	90	Optical, photo, technical, medical, etc apparatus	3,306,586,825	0.5%	32.0%
Medium skill- and technology intensive manufactures	40	Rubber & articles thereof	2,996,964,353	0.4%	32.4%
High skill- and technology intensive manufactures	33	Essential oils, perfumes, cosmetics, toiletries	2,610,854,230	0.4%	32.8%

Source: Quantec with own calculations

Table 2.1: South Africa's top 20 exports by technological intensity & skills level at HS-4 Digit – 2000 (excluding primary sectors)

Technology Intensity Descriptions	HS-4 Code and Description	Value (Rand)	Share of total Exports	Cumulative Percentage
Unclassified products	H9999: Commodities not elsewhere specified	23,346,751,702	11.2%	11.2%
Low skill- and technology-intensive manufactures	H7202: Ferro-alloys	8,531,413,445	4.1%	15.3%
Medium skill- and technology intensive manufactures	H8703: Motor vehicles for transport of persons (except buses)	7,611,804,083	3.7%	19.0%
Medium skill- and technology intensive manufactures	H8421: Liquid, gas centrifuges, filtering, purifying machines	4,944,005,616	2.4%	21.3%
Low skill- and technology-intensive manufactures	H7219: Rolled stainless steel sheet, width > 600mm	2,937,266,934	1.4%	22.7%
Low skill- and technology-intensive manufactures	H8609: Cargo containers designed for carriage of goods	2,455,109,909	1.2%	23.9%
Medium skill- and technology intensive manufactures	H8708: Parts and accessories for motor vehicles	2,378,164,496	1.1%	25.1%
Resource-intensive manufactures	H9401: Seats (except dentist, barber, etc chairs)	2,109,071,884	1.0%	26.1%
Low skill- and technology-intensive manufactures	H7208: Hot-rolled products, iron/steel, width>600mm, not clad	1,860,177,292	0.9%	27.0%
Medium skill- and technology intensive manufactures	H8704: Motor vehicles for the transport of goods	1,356,894,492	0.7%	27.6%
High skill- and technology intensive manufactures	H2901: Acyclic hydrocarbons	955,748,626	0.5%	28.1%
Low skill- and technology-intensive manufactures	H7216: Angles, shapes and sections of iron or non-alloy steel	952,186,248	0.5%	28.5%
Low skill- and technology-intensive manufactures	H7210: Flat-rolled iron/steel, >600mm, clad, plated or coated	934,246,103	0.4%	29.0%
Low skill- and technology-intensive manufactures	H7308: Structures, parts of structures of iron or steel, nes	814,598,063	0.4%	29.4%
High skill- and technology intensive manufactures	H2823: Titanium oxides	784,119,978	0.4%	29.7%
Resource-intensive manufactures	H4805: Uncoated paper and paperboard nes	778,463,249	0.4%	30.1%
Medium skill- and technology intensive manufactures	H4011: New pneumatic tyres, of rubber	766,327,289	0.4%	30.5%
High skill- and technology intensive manufactures	H8802: Aircraft, spacecraft, satellites	766,010,877	0.4%	30.9%
High skill- and technology intensive manufactures	H2809: Diphosphorus pentaoxide, phosphoric acids	753,523,341	0.4%	31.2%
Low skill- and technology-intensive manufactures	H7213: Hot rolled bar, rod of iron/steel, in irregular coils	742,397,368	0.4%	31.6%

Source: Quantec with own calculations

Table 2.2: South Africa's top 20 exports by technological intensity & skills level at HS-4 Digit – 2011 (excluding primary sectors)

Technology Intensity Descriptions	HS-4 Code and Description	Value (Rand)	Share of total Exports	Cumulative Percentage
Low skill- and technology-intensive manufactures	H7202: Ferro-alloys	34201479439	4.9%	4.9%
Medium skill- and technology intensive manufactures	H8703: Motor vehicles for transport of persons (except buses)	31957276592	4.6%	9.6%
Medium skill- and technology intensive manufactures	H8421: Liquid, gas centrifuges, filtering, purifying machines	20506934265	3.0%	12.5%
Medium skill- and technology intensive manufactures	H8704: Motor vehicles for the transport of goods	12298933434	1.8%	14.3%
Medium skill- and technology intensive manufactures	H8708: Parts and accessories for motor vehicles	6802914774	1.0%	15.3%
Unclassified products	H7118: Coin	6203737684	0.9%	16.2%
Low skill- and technology-intensive manufactures	H7208: Hot-rolled products, iron/steel, width>600mm, not clad	5440245399	0.8%	17.0%
Low skill- and technology-intensive manufactures	H7219: Rolled stainless steel sheet, width > 600mm	5408286036	0.8%	17.8%
High skill- and technology intensive manufactures	H2901: Acyclic hydrocarbons	3819674134	0.6%	18.3%
High skill- and technology intensive manufactures	H3902: Polymers of propylene, other olefins in primary forms	3478189237	0.5%	18.8%
Medium skill- and technology intensive manufactures	H8474: Machinery to sort, screen, wash, etc mineral products	2904919640	0.4%	19.2%
Low skill- and technology-intensive manufactures	H7308: Structures, parts of structures of iron or steel, nes	2812036296	0.4%	19.6%
Resource-intensive manufactures	H9401: Seats (except dentist, barber, etc chairs)	2631797997	0.4%	20.0%
Low skill- and technology-intensive manufactures	H7201: Pig iron and spiegeleisen in primary forms	2374522234	0.3%	20.4%
High skill- and technology intensive manufactures	H2809: Diphosphorus pentaoxide, phosphoric acids	2285907538	0.3%	20.7%
Medium skill- and technology intensive manufactures	H8409: Parts for internal combustion spark ignition engines	2062652417	0.3%	21.0%
Medium skill- and technology intensive manufactures	H4011: New pneumatic tyres, of rubber	2018797477	0.3%	21.3%
Low skill- and technology-intensive manufactures	H7210: Flat-rolled iron/steel, >600mm, clad, plated or coated	1879046054	0.3%	21.6%
Medium skill- and technology intensive manufactures	H8431: Parts for use with lifting, moving machinery	1877097090	0.3%	21.8%
Medium skill- and technology intensive manufactures	H8413: Pumps for liquids	1836435366	0.3%	22.1%

Source: Quantec with own calculation