

TRADE NEGOTIATIONS, IMPLEMENTATION AND RELATIONS

PORTFOLIO COMMITTEE ON TRADE AND INDUSTRY

**Department of Trade, Industry and Competition
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Department
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

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Acronyms

AfCFTA	Africa Continental Free Trade Agreement
AGOA	Africa Growth and Opportunity Act
ATF	Agricultural Trade Forum
AU	African Union
BRICS	Brazil, Russia, India, China, South Africa
COMESA	Common Market of Eastern and Southern Africa
DIRCO	Department of International Relations and Cooperation
ECOWAS	Economic Community of West Africa
EFTA	European Free Trade Association
EPA	Economic Partnership Agreement
EU	European Union
FTA	Free trade agreement / area
GSP	Generalised System of Preferences
IPR	Intellectual Property Right
MFN	Most Favoured Nation
NEDLAC	National Economic Development and Labour Council
RoO	Rules of Origin
SACU	Southern African Customs Union
SACUM	SACU + Mozambique
SADC	Southern African Development Community
SARS	South African Revenue Service
SDGs	Sustainable Development Goals
SDT	Special and Differential Treatment
SPS	Sanitary and Phyto-sanitary
TBT	Technical Barrier to Trade
TRIPS	Trade Related Intellectual Property Rights
UK	United Kingdom
UNFCCC	United Nations Framework Convention on Climate change
WTO	World Trade Organization

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Outline of the Presentation

- Trade Policy Orientation
- Trade Negotiations and Cooperation
 - Guiding Principles
 - SA Approach to the WTO
 - African Economic Integration/AfCFTA
 - Europe: SADC-EU EPA; SACUM-UK EPA; SACU-EFTA FTA
 - BRICS
 - Bilateral Trade Relations (China, US, Others)

Note: Minister Issued a Statement on Trade Policy in May 2021



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Trade Policy Orientation

- SA's trade policy aims to support industrial development, sustainable economic growth, decent well-paying jobs and economic inclusion
- SA's TP seeks to improve the balance in our international trade by increasing exports of higher value added manufactured goods
- Resonates globally: policy approaches have seen a “return” of industrial policy meaning improved balance between building national industrial capabilities and promoting trade
- Rebalancing/shortening global supply chains; “strategic autonomy” in the EU; “Buy American” in the US
- In Africa, SA has worked to advance continental economic integration and industrialization
- Multilaterally, SA adopts a developmental approach: we seek to address existing imbalances in the rules and ensure new challenges (e.g. pandemic, environment) are addressed on the basis of fairness and equity

Trade Negotiations: Scope and Guiding Principles

- Trade negotiations undertaken at multilateral, regional and bilateral levels
- Negotiations involve legal obligations that traditionally cover trade in agricultural and industrial products
- New issues also being advanced: government measures that affect trade in services, investment, intellectual property rights, environment, amongst others
- SA seeks enhanced market access for SA exports, while protecting sensitive industrial sectors and jobs and preserving our development policy options
- SA's negotiating mandates are developed in close cooperation with other government departments, and stakeholders in NEDLAC and the Agricultural Trade Forum

SA Approach to the WTO

- SA supports multilateral cooperation to manage interdependence amongst economies, and supports a rules-based trading system as embodied in the WTO
- However, WTO rules exhibit a range of imbalances and inequities that prejudice the trade and development interests of developing countries
- Imbalances in agriculture: developed countries continue to provide massive distorting support to their farmers, which undermines advantages of developing countries and undermines food security
- Rules on industrial subsidies constrain policy space to support industries in sectors of interest to developing countries but allow advanced economies to provide substantial support in high-tech, knowledge-intensive industries
- Important to provide protection for intellectual property to encourage and reward innovation, balanced with undertakings to share the benefits of innovation through technology transfer that fosters competition and reduces monopoly super rents

SA Approach to the WTO

Emerging challenges to the WTO rules-based trading system:

- The dispute settlement mechanism, needed to enforce rules, is disabled due to an impasse in filling vacancies in the Appellate Body
- US tariffs on steel in 2018 above its legal commitments
- Proliferation of specific trade arrangements between Members that erode the MFN principle that all Members should be treated equally
- Risk that plurilateral negotiations (amongst sub sets of Members) will replace fully inclusive multilateral approaches and the practice of consensus decision making
- Proposed new rules could further constrain industrial policy and technology transfer
- Attempt to narrow the scope of special and differential treatment that offer some flexibility to developing countries

SA Approach to the WTO

SA approach to WTO Reform:

- Support the rules based system but address existing imbalances and inequities
- Advocate an inclusive and developmental multilateralism
- Preserve consensus decision making
- Ensure new rules do not further constrain industrialization and technology transfer
- Preserve the principle and application of special and differential treatment

- Pursue the TRIPS waiver to encourage transfers of technology and know how for more diversified production of vaccines, therapeutics and diagnostics to address the C-19 pandemic
- Negotiations on fishery subsidies underway to prohibit illegal, unreported and unregulated fishing and reduce subsidies that result in over-capacity and over-fishing – depleting fish stocks
- The outcome should require Members responsible for depleting global fishing stocks to undertake largest subsidy reductions

African Economic Integration

- African integration is a longstanding continental objective; the idea emerged in the immediate post-colonial era
- Seen as essential to overcome the limitations of small fragmented economies established under colonialism (55 African countries)
- Most progress on integration has been registered at sub-continental levels: Arab Maghreb Union, ECOWAS, COMESA, CEMAC, SADC, SACU etc.
- Qualitative shift is recent effort at continental integration under the AfCFTA
- Africa has 17% of world population but just 4% of global GDP, 3% of world trade, and 2% of world manufacturing output
- The AfCFTA must aim to correct this situation

African Economic Integration

- Africa's share of world trade is approximately 3% - low
- Intra-Africa exports grew to 16.3% of Africa's total trade in 2018-2020
- Low compared to intra-Asian trade (55%), intra-North American trade (49%), and intra-EU trade (63%)
- However,
 - African markets are vital to African exporters
 - 22 African countries count other African countries as their main export market
 - 5 count it as their second most important market
 - Over three quarters of intra-African trade takes place within regional trading blocs
 - Intra-Africa trade is largely in value-added manufactured products;

African Economic Integration

- SA accounts for 22.4% of total intra-African trade (imports and exports)
- African countries were the destination of 25.5% of SA's global exports in 2018-2020
- SADC is important to SA, accounting for more than 87% of SA's total exports to Africa
- Key SADC markets for SA are Botswana, Namibia, Mozambique, Zambia, Zimbabwe
- Over 2018-2020, 64.3% of SA exports to Africa were manufactured products (compared to 43.9% in its global export basket)

African Continental Free Trade Area

- AfCFTA negotiations launched at AU Summit in June 2015
- 54 out of the 55 AU members have signed
- 41 AU Members have now ratified the AfCFTA
- AU Summit launched the operational phase in July 2019
- The overall legal framework agreement and protocols are agreed:
 - Agreement establishing the AfCFTA
 - Protocols on Trade in Goods and on Trade in Services, and Rules and Procedures for the Settlement of Disputes

African Continental Free Trade Area

- SA assumed chair of AfCFTA negotiations in Sept 2020 (ends Feb 2022)
- Work focused on rules of origin and preparation of tariff offers with important progress:
- RoO have been agreed on 87.73% of all product lines (4728)
- 45 Members, including 4 customs unions (EAC, CEMAC, SACU, ECOWAS), have submitted tariff offers, of which 29 are verified as in accordance with agreed modalities
- Ministers adopted a Directive in Jan 2022, endorsed by Heads of State, to start preferential trading on products where RoO are agreed, and amongst Members that have put in place the relevant domestic legislation
- Process to finalize SACU tariff offer to meet modalities and reciprocity is close to being finalized

African Continental Free Trade Area

- Future negotiations will address outstanding RoO (textiles and clothing, sugar, autos), with a deadline set for Sept 2022
- SA seeks to ensure RoO support increased African content in intra-African trade
- Must also ensure effective customs controls to avoid transshipment so the benefits of tariff preferences accrue to African producers
- Work will continue to finalize commitments in trade in services covering Finance, Tourism, Transport, Communication, and Professional Services, with a deadline set for June 2022
- Preparations for negotiations on investment, intellectual property and competition policy have been initiated, with a deadline set for September 2022.

Free Trade Agreements with European Countries

EU-SADC Economic Partnership Agreement

- Entered into force on 10 Sept 2016
- As a block, the EU is SA's largest trading partner
- The 5-year review of the EU-SADC EPA formally commenced in Nov 2021
- In the review, we seek improvements on RoO, export tax provisions, and market access

SACUM-UK Economic Partnership Agreement

- “Rolled over” the EU-SADC EPA commitments into a new agreement with the UK to avoid trade disruption as the UK exited the EU (in force on 1 Jan 2021)
- We will seek improvements on quota limits, export tax provisions and market access in this review

SACU-European Free Trade Association Free Trade Agreement

- FTA in place since 1 May 2008. The Agreement is currently under review
- Main issues are market access for agriculture, and cooperation on sustainable development

BRICS

- BRIC was formed in 2008, as a grouping of leading emerging economies: Brazil, Russia, India and China. SA joined in 2010.
- BRICS is a forum for dialogue and cooperation on matters of common interest – including trade and investment
- On trade and investment, engagement is on practical cooperation
- China and India account for 94% of SA trade with BRIC
- SA manufactured goods account for 24% of our exports to BRIC countries, while 94% of our imports are manufactured products
- SA has sought to encourage inward investment in productive sectors and increase SA exports of value added products, alongside cooperation to address under-invoicing

Bilateral Trade Relations

- China has been SA's largest trading partner for over a decade
- Bilateral trade increased from R143 billion in 2010 to R394 billion in 2020
- SA exports are dominated by primary products, while imports are dominated by manufactured products
- SA seeks to increase value added exports to China and to attract Chinese investments into SA's industrial sector
- SA has potential to increase exports in automobiles, machinery and agro-processed products (rooibos, wine, essential oils, condiments)
- Both countries participate in each other's trade exhibitions
- China invested R116 bn in SA between 2003 and 2019, creating ±5000 jobs
- China supports the development of SA's Special Economic Zones
- Working with Chinese authorities to address instances of customs fraud and under-invoicing

Bilateral Trade Relations

- The US is SA's 3rd largest trading partner (2020)
- SA benefits from 2 non-reciprocal US preferential schemes: GSP and AGOA
- SA exports to US peaked at \$8bn in 2008; declining to \$7,1bn in 2020
- SA exports under AGOA peaked at 31% in 2013; declining to 11% in 2020
- Declining trade due to poor economic conditions and measures restricting exports
- In 2018 the US imposed high tariffs on imports of steel (25%) and aluminum (10%), which negatively impacted SA exports
- Threat of similar action on autos prompted firm-level sourcing decisions that led to a decline of SA auto exports to the US by over 50% in 2019

- With AGOA set to expire in 2025, SA supports Africa's position for renewal for a further 20 years
- SA will host the AGOA Forum in 2022; provides an opportunity to strengthen African and bilateral trade and investment relations with the US

Bilateral Trade Relations

- SA engages in ongoing bilateral discussions with trade and investment partners around the world, often part of wider bilateral engagements lead by DIRCO and/or the Presidency
- Such bilateral engagements at Senior Official and Ministerial level during 2020-2021 were held with 18 countries (France, Germany, Finland, Norway, Russia, Sweden, Switzerland, Bangladesh, China, India, Indonesia, Japan, Thailand, Australia, Saudi Arabia, UAE, Canada, US)
- These engagements aim to strengthen bilateral trade and investment relations
- Our overall approach is to promote SA exports of higher value products, encourage inward investment, build on existing areas of cooperation and identify new areas of cooperation – the specific elements vary amongst the partners



Thank you



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