

Brief Outline

- Alignment
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- Summary of Challenges
- Concluding Remarks



Portfolio Committee on Trade and Industry: SA Trade Policy and Strategy Framework



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Subtitle:

Alignment, Constraints and Challenges of SA
Trade Policy and Strategy Framework

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indigenous **growth**

Alignment with other programmes

- Several programmes and priorities of most economic sectors of the economy are aligned to this framework.
- **IPAP** has strongest link as this also aims linking trade and industrial policies.
- Another strong link is around commitment to **multilateral, regional and bilateral** courses and negotiations.
- The **macroeconomic structure** is a centre piece of this framework.
- Weak links are present in areas such as **poverty, agriculture, education and technology development.**



Changing Global Trade

- It is acknowledged that trade has changed significantly over the past decades.
- South Africa has followed that trend by **adjusting to those shifts**.
- Unfortunately the shift away from primary sectors to **manufacturing and service sector** came at the price of **high unemployment rate**.
- The long term solution lies with **education** while in the short- to medium term, upgrading the skills of the labour force seems to be the solution.
- This requires alignment with **Education and Science and technology departments** in order to adopt, adapt and advance technology based products



Services Trade

- This is certainly an important area for the present and future.
- However, there is **no clear position** where SA policy is or should be going on this.
- The delays at multilateral level to negotiate the issue should be used to **develop our own position**.
- Failure to do so may result in pressure to adopt '**templates**' developed by others.
- SADC and SACU could be used to develop regional issues using the GATS framework under **no or less pressure**.
- Furthermore, that can position the country as a **powerful competitor** in the region.



Measuring Services Trade

- There is an important point about **services trade statistics**.
- Currently they are **inadequate, confusing** and therefore makes it **difficult to measure**. But that is the case with many countries around the world.
- A separate **database services** is needed, and that can inform further policy making and analysis on this subject
- This affects both the **recording, classification and general flows**.
- An important institution to partner with on this issue is the **Reserve Bank** together with statistics agencies.



Tariff as a policy instrument

- The **future direction of tariffs** seems to be over-reliant on tariffs to address main challenges.
- This is also done without indicating that there are **costs and inefficiencies** associated with imposing tariffs.
- Most importantly, those are borne by **consumers** and often by **downstream producers**.
- More tariff protection is required because **production cost** of domestic firms are too high to compete with foreign firms.
- There are alternatives such as **production subsidies**, that can have an impact on the problem area.



Tariffs and WTO obligations

- South African has undertaken significant **tariff liberalisation**.
- In some cases even beyond the requirements of a country of its status, but partly due to its classification as a developed country.
- The **tariff simplification** process is yet to be completed.
- South Africa still has to **rationalise tariffs** further to six bands, and there are over 20.
- It is not clear when will this be completed.

Unlocking Regional supply-side constraints

- It is evident that reduction of **import tariffs** alone is not sufficient to improve **intra-regional trade**.
- Productive capacities in the neighbouring states need to be enhanced to unlock such constraints.
- There is commitment from South Africa to assist with **infrastructure development**, which will further facilitate trade.
- However, an initiative that involves **joint-industrial activities** that results in product development over several countries or inputs sourced that way - **regional value chains**, could be key.
- That will have effects on **skills, trade, jobs, quality as well as supply-push and demand-pull**.



On SACU

- It is clear that SACU needs to be **transformed**.
- But how?
- It is clear that the process of developing **common policies** is moving very slowly.
- It should be a role model customs union that enhances **economic growth within members**.
- As it stands, it is a “*quasi-customs union*” with emphasis on **revenue sharing**.
- That is hardly **sustainable in the long term**.
- How does one make it to work? Is there political drive to enforce this shift in the right direction?

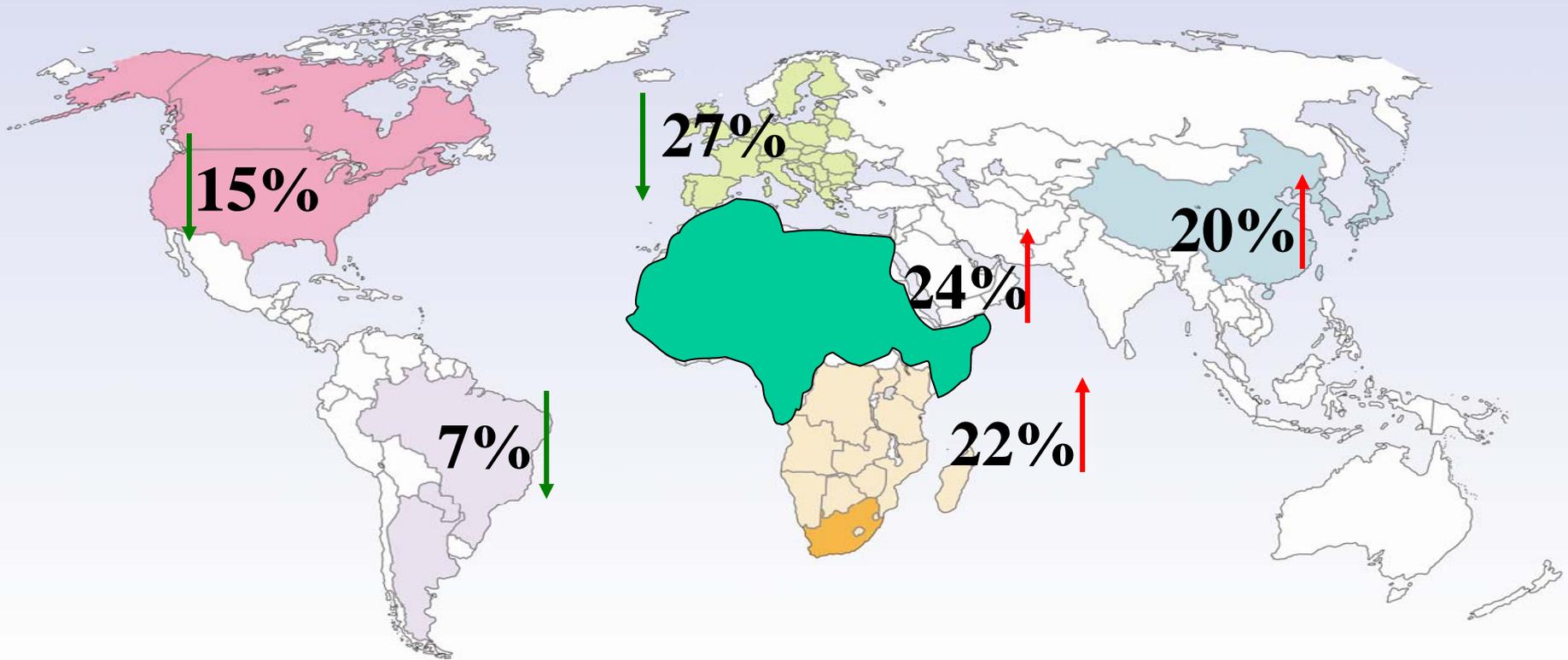


Africa and Integration

- One of the structural problems identified in the SA economy is the fact that it is still to a large extent **concentrated**.
- The overall export basket also reflects that, with more than 40% constituted by products of **precious and base metals**.
- However, Africa presents a different picture.
- In the past five years, Africa was the **fastest growing** regional market for SA exports.
- The continent is also the destination that has the **most diversified** export basket.
- It appears to be **understated** in the document.



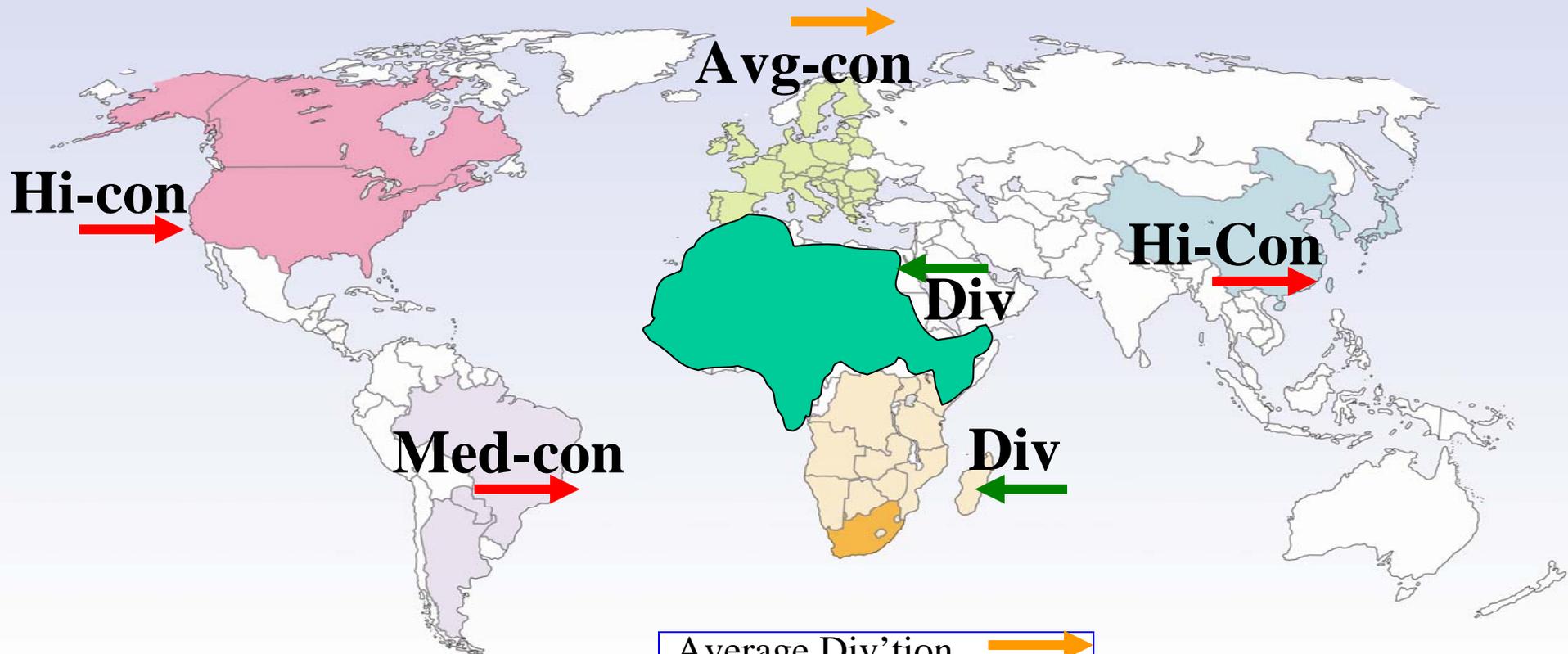
Change in SA Export Share 2005-09



RoW **17%** ↑



Export Diversification (2005-09)



Average Div'tion →
Improving Div'on ←
Declining Div'on →



Benchmark-**HHI**: (0.3-0.35)

Summary of Challenges

- Role of **education** is under stated – cross cutting.
- Link between trade and **Poverty/employment** is ambiguous.
- Services statistics will be a challenge for a long period.
- Services **liberalisation** should be pushed within the region.
- The **use of tariffs** need to be balanced.
- Building **regional capacities** may be costly, but is important.
- SACU may be political “*hot potato*” for now. But until when?
- There are opportunities on the continent and have both **integration and economic rewards**.



Some Concluding remarks

- SATPSF must have **long term objectives, targets and comprehensive roadmap**.
- Agricultural trade issues were limited to commercial sector. **Emerging sector**, together with the general **SMMEs and informal economy** must have a role to play in trade.
- **Competition issues** are masked by IPAP, however they should be explicit since that can be another way of cutting production costs. The same with **climate and environmental issues**.
- **FDI and export promotion** also work together in pairs.
- Overall, SATPSF is **coherent, comprehensive and supports government's developmental framework**.

