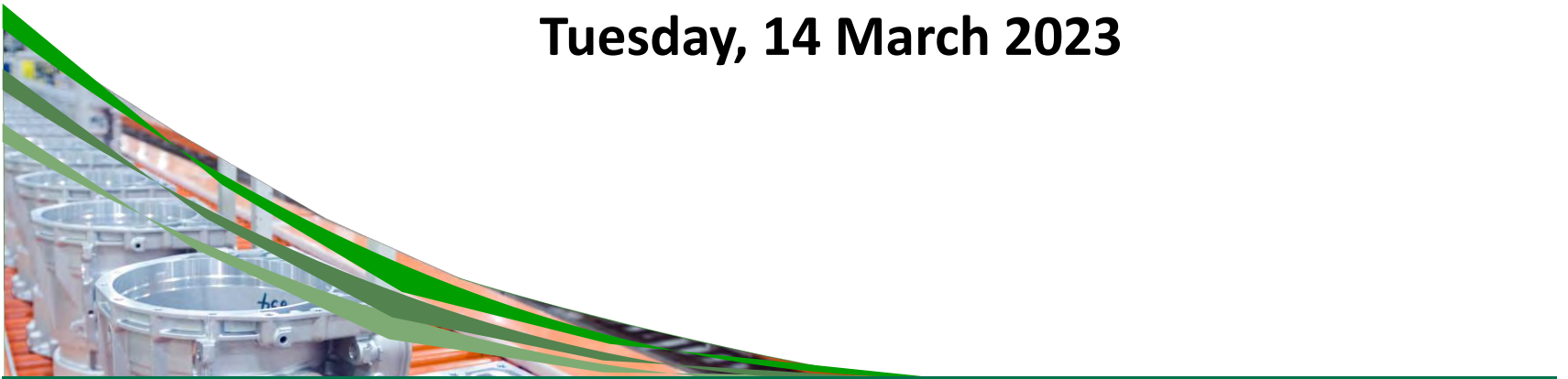


Portfolio Committee on Trade, Industry and Competition

Update on South Africa's trade negotiations and trade relations

Tuesday, 14 March 2023



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Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

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SA's Trade Policy Orientation

- SA's trade policy aims to support industrial development, sustainable economic growth, decent work and economic inclusion
- SA's trade policy seeks to improve our trade performance by increasing exports of higher value-added manufactured goods
- Resonates globally: policy approaches have seen a “return” of industrial policy to strengthen national industrial capabilities, promote trade and resilience
- In Africa, SA has worked to advance continental economic integration and industrialization
- SA's non-Africa engagements must support this; must correct manufacturing deficit in our trade profile
- Multilaterally, SA adopts a developmental approach:
 - seek to address existing imbalances in the rules
 - secure policy space to pursue industrialisation and ensure new challenges (e.g. pandemic, environment) are addressed fairly and equitably

Trade negotiations and relations

SA engages with trading partners through

- The WTO negotiations
- AfCFTA engagements
- SADC and SACU Council of Ministers
- EU-EPA discussions
- UK-EPA discussions
- AGOA engagements with the USA
- FTA and PTA engagements with relevant trading partners
- Bilateral discussions (China, India and other large trading economies)

Trade with rest of the world

TOTAL TRADE	Trade in 2022, ZAR billions			One-year Growth		Ten-year Growth	
	Exports	Imports	Balance	Exports	Imports	Exports	Imports
Total	2013,4	1817,9	195,6	10%	32%	121%	83%
Agriculture	118,4	39,0	79,5	17%	7%	150%	60%
Manufacturing	909,4	1679,5	-770,1	13%	30%	86%	79%
Commodities	942,9	63,1	879,8	6%	25%	154%	122%

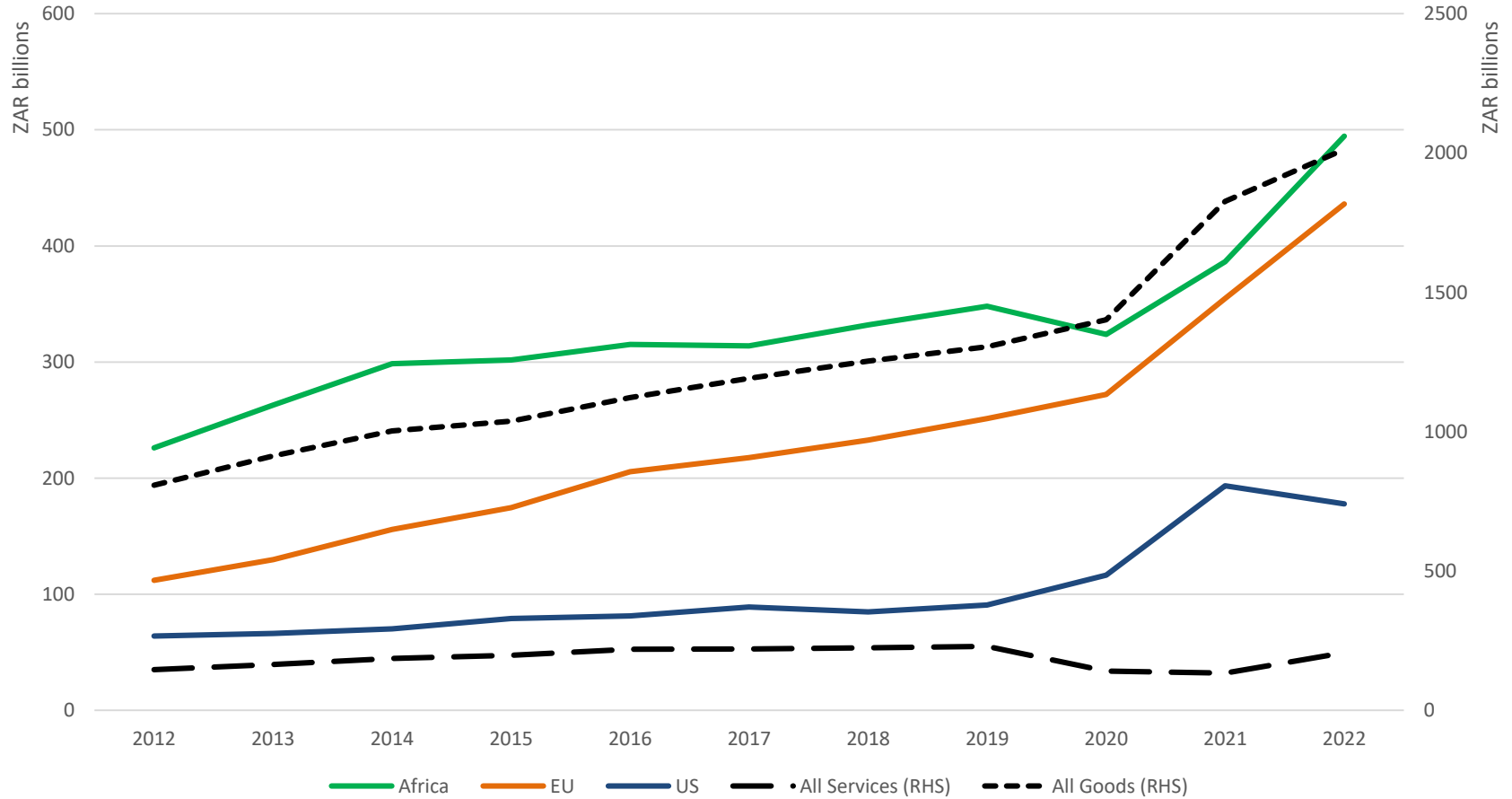
Trade data analysis

- South Africa's exports and imports both hit an all-time high in 2022. While 2022 data is preliminary and subject to change, SARS estimates that exports were R2 trillion, while imports were R1,8 trillion.
- Exports grew by 10%, mainly due to strong exports of key mining products like coal and chrome ore, alongside all-time high manufacturing exports.
- High prices for export commodities like maize and fertilizer appear to have inflated export values; however strong growth in manufacturing products like cars and pharmaceuticals appear to result from real changes in export volumes.

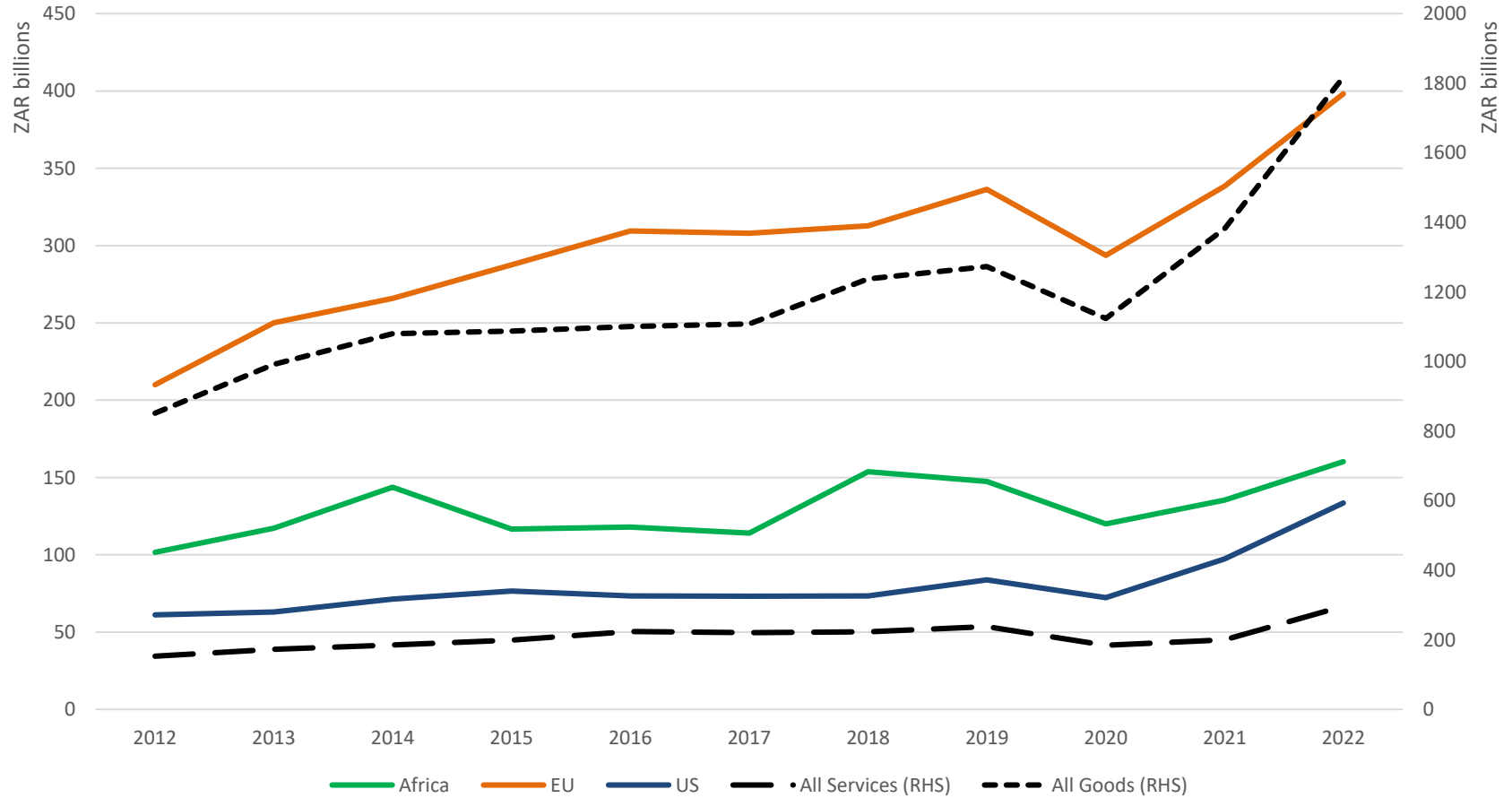
Trade data analysis

- While manufacturing exports performed very well, part of this may be from companies exporting unsold stocks from the COVID period, with manufacturing companies holding all-time high inventories of R243 billion at the end of 2021.
- Imports grew by 32%, primarily due to record petroleum imports, which grew 55% in value.
- While surging crude prices are a major driver of this growth, very large increases in diesel imports, likely driven by Eskom, were an equally significant part of the story. Diesel imports more than doubled, from R71,5 billion in 2021, to R182,9 billion in 2022.

Exports



Imports



WTO NEGOTIATIONS

- A detailed report on the outcome of the WTO negotiations in June 2022 was provided to the Portfolio Committee in Q2 2022.
- The WTO General Council has approved that the 13th Ministerial Conference (MC13) will be held in the United Arab Emirates in February 2024
- The 14th Ministerial Conference (MC14) will be held in Cameroon on a date to be agreed post MC-13.
- Trade tensions have been rising even before the pandemic and protectionism and unilateralism is on the rise, including in relation to climate measures.
- The geopolitical tensions, pandemic, rising food insecurity and climate change have disrupted global supply chains- government policies are encouraging diversification and domestic manufacturing to build resilience.
- Key negotiations/discussions in the WTO include TRIPS and extension of MC12 decision to therapeutics and diagnostics; trade and industrial policy nexus; agriculture and fisheries negotiations; trade and development - including special and differential treatment for developing countries and trade and environment.⁹

WTO Reform

- At MC12, Members agreed to work towards “necessary” reform of the WTO
- It was further agreed that the process must be Member-driven, open, transparent, inclusive and must address the interests of all Members, including development issues
- For SA, WTO reform should:
 - Rebalance trade rules from Uruguay Round to facilitate Africa’s industrialization
 - Deliver on mandated issues
 - Preserve the core principles of the WTO and its multilateral character
 - Address unilateralism, e.g. on climate change
- The WTO DSM has been disabled, primarily due to US concerns on the functioning of the Appellate Body
- Members committed to conduct discussions with the view to having a fully and well-functioning dispute settlement system accessible to all Members by 2024

Trade with the rest of Africa

AFRICA TRADE	Trade in 2022, ZAR billions			One-year Growth		Ten-year Growth	
	Exports	Imports	Balance	Exports	Imports	Exports	Imports
Total	494,5	160,3	334,2	28%	18%	88%	37%
Agriculture	20,4	13,7	6,8	5%	17%	40%	118%
Manufacturing	389,5	119,1	270,4	25%	16%	68%	18%
Commodities	73,2	22,3	50,9	63%	30%	529%	172%

African Continental Free Trade Area (AfCFTA)

- AfCFTA negotiations launched in June 2015
- 54 out of the 55 AU members have signed; to date, 44 members have ratified
- **Phase I:** trade in goods; trade in services; Dispute Settlement Mechanism
- **Phase II:** investment; intellectual property rights; competition; digital trade and women and youth in trade
- Overall framework agreement and protocols are agreed:
 - Agreement establishing the AfCFTA
 - Protocols on Trade in Goods, Trade in Services, and Rules and Procedures for the Settlement of Disputes
- Operational phase of the AfCFTA launched in July 2019
- In December 2020, AU Summit created the basis for initiating preferential trade: preferential trade may begin in products where tariff offers are verified, RoO are agreed, and relevant domestic legislation is in place

Trade with the European Union

EU TRADE	Trade in 2022, ZAR billions			One-year Growth		Ten-year Growth	
	Exports	Imports	Balance	Exports	Imports	Exports	Imports
Total	436,2	398,3	38,0	23%	18%	236%	59%
Agriculture	31,5	3,8	27,8	9%	-14%	199%	22%
Manufacturing	211,3	375,5	-164,2	8%	14%	179%	54%
Commodities	173,4	3,7	169,7	54%	-17%	298%	21%

SADC-EU Economic Partnership Agreement

- As a bloc, the EU is SA's largest trading partner
- SADC-EU EPA in force since 10 October 2016
- In September 2018, SACU imposed a safeguard measure against EU poultry imports
- In April 2020, the EU initiated an arbitration to challenge the measure
- The outcome largely favoured SACU by rejecting the EU request to remove safeguard measure and refund duties
- Review of the SADC-EU EPA is underway
- Parties have exchanged indicative lists of issues of interest
- SA seeks improvements on RoO, export tax provisions and market access
- EU interests are rule making in areas such as investment, competition, IPR and sustainable development
- Ongoing areas of bilateral engagement with the EU include: citrus exports, game meat, aquaculture, horses, steel, and poultry

WTO dispute with EU: FCM in citrus

- SA has initiated WTO consultations with the EU to address concerns about new regulations imposed to address False Codling Moth (FCM) on citrus
- In 2017 the EU regulated FCM as a quarantine pest for the first time and SA introduced a risk mitigating systems approach that was implemented in 2018
- Evidence shows SA's system has effectively reduced the risk of FCM
- On 21 June 2022, the EU published amended regulations that will introduce significant new barriers to SA citrus exports to the EU, especially oranges
- The new requirements focus primarily on cooling before and during shipment:
 - significant cost implications for SA, especially for emerging farmers
 - SA does not have sufficient cool room capacity to accommodate the pre-cooling requirement (Zimbabwe and Eswatini also use SA cold room capacity)
- SA view: less trade restrictive and less costly responses are available to manage any potential risks associated with FCM
- Various engagements with the EU to find amicable solution; no success
- SA's only recourse now is to continue with the dispute in the WTO
- 40% of SA citrus exports is destined for the EU

SACU+Mozambique-UK Economic Partnership Agreement

- The SACUM-UK EPA entered into force on 1 January 2021, following the UK's exit from the EU
- The Agreement included a list of follow-up issues under a Built-in Agenda:
 - Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade (TBT) matters; Export Taxes
 - SA will seek improvements on quota limits, export tax provisions and market access
- In November 2021, the Parties launched the Trade and Development Committee to oversee the implementation of the Agreement
- Currently the Parties are engaged in technical exchanges on the provisions of the Agreement in view of launching the first Joint Council in future

Trade with the US

TOTAL TRADE	Trade in 2022, ZAR billions			One-year Growth		Ten-year Growth	
	Exports	Imports	Balance	Exports	Imports	Exports	Imports
Total	177,8	133,7	44,1	-8%	37%	168%	112%
Agriculture	5,1	1,7	3,5	7%	-3%	350%	113%
Manufacturing	75,8	100,2	-24,5	6%	23%	77%	65%
Commodities	94,0	2,4	91,6	-19%	-23%	318%	69%
Currency		27,6			149%		7035%

African Growth and Opportunity Act

- AGOA is set to expire in 2025
- **AGOA eligible sub-Saharan (SSA) countries** have a common position on AGOA:
 - Extend AGOA beyond its 2025 expiry
 - Improve product and country coverage and remove US non-tariff barriers
 - Opposition to “graduating” – i.e. excluding some SSA countries from AGOA
- SSA call for US support to Africa’s industrialisation and integration efforts and encourage increased US investment in manufacturing and infrastructure
- SA will host the AGOA Forum in 2023; SSA will seek to influence future direction and content of SSA-US trade and investment

US-Africa Leaders Summit in December 2022

- The Summit comprised: AGOA Ministerial, US-Africa Business Forum, US-Africa Leaders Summit.
- Several bilateral engagements took place at the Summit (USTR, Secretary of Agriculture, State Under Secretary for Economic Growth; Commerce Under Secretary for International Trade Administration; US Federal Trade Commission).

Thank You



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Acronyms

AfCFTA	Africa Continental Free Trade Agreement	MFN	Most Favoured Nation
AGOA	Africa Growth and Opportunity Act	MTS	Multilateral Trading System
AU	African Union	SDT	Special and Differential Treatment
DSM	Dispute Settlement Mechanism	NEDLAC	National Economic Development and Labour Council
EPA	Economic Partnership Agreement	SACU	Southern African Customs Union
EU	European Union	SADC	Southern African Development Community
FCM	False Codling Moth	SSA	Sub Saharan Africa
GATS	General Agreement on Trade in Services	TRIPS	Trade Related Intellectual Property Rights
IPR	Intellectual Property Right	UK	United Kingdom
ITAC	International Trade Administration Commission	US	United States of America
MC12	Twelfth WTO Ministerial Conference	WTO	World Trade Organization