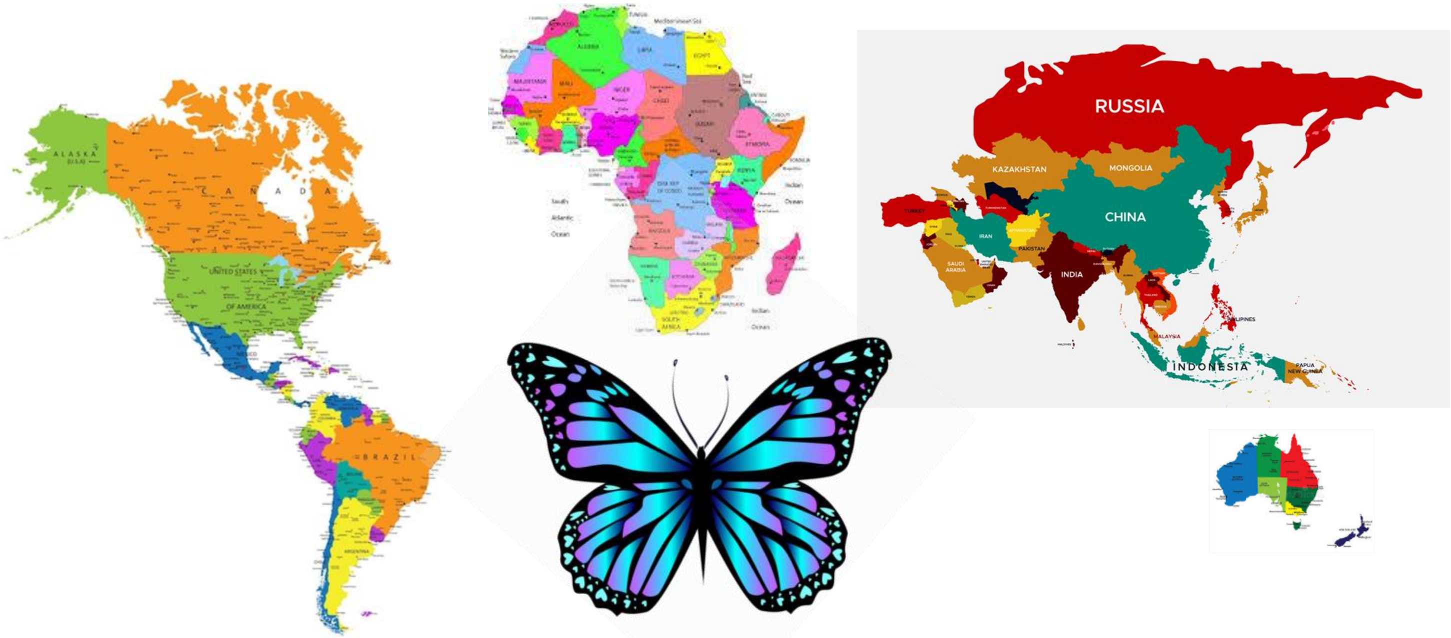
THE BUTTERFLY STRATEGY



- The **“butterfly strategy”** prioritises the **implementation of the AfCFTA** and unlocking opportunities in the rest of Africa as the foundation of our global engagements, with the **‘wings’** representing additional export initiatives in the rest of the world focusing on leading and **established markets** as well as **new and emerging market** opportunities.

- This strategy aims to **diversify exports geographically** and **by product category**, increase value-added manufacturing, and leverage trade agreements and diplomatic efforts to enhance market access and competitiveness, fostering inclusive, regionally integrated, and globally connected export growth.

Market Diversification

In understanding the concept of market diversification, it can be defined as reducing reliance on a narrow set of products or markets and it has 4 broad categories:

- **Product Diversification**: Identify high-value products and sectors with export potential.
- **Market Diversification**: Target new regions or economies to reduce concentration risk.
- **Value Addition and Industrial Upgrading**: Shift from exporting raw commodities to higher-value processed products.
- **Sector diversification**: Fostering a more balanced production structure that includes exports from various sectors of the economy.

Strategic Export Initiatives

- In support of reducing dependence on a small domestic market and facilitating the transition of the South African economy to an export-oriented model, the Department of Trade, Industry, and Competition (**the dtic**) will focus on **expanding and improving the effectiveness of current export measures while implementing new export initiatives** in order to deliver on the strategic target of growing the value of South African exports from R2 trillion to R3 trillion by 2030.
- These initiatives will align with the department's priorities of reindustrialisation, job creation, transformation, and building a capable state, and will include:
  - ***Increasing capacity of South Africa’s enterprises to export, including skills for exporting;***
  - ***Penetrating African export markets beyond SADC;***
  - ***Increasing the value of South Africa’s investments in the rest of Africa;***
  - ***Promotion and marketing of South African goods and services exports globally;***
  - ***Economic diplomacy and the professionalization of the foreign service;***
  - ***Resolving trade barriers faced by South African businesses; and***
  - ***Improved trade finance instruments.***

Strategic Market Access: Implementing The Butterfly Strategy

Industrial Policy Sectors

DECARBONISATION
- Battery Value Chains and Beneficiation of Critical Minerals
- Green Economy
- Agro-processing

DIVERSIFICATION
- Cannabis and Hemp
- Clothing, Textile, Leather and Footwear (Ctfl)
- Agro-Processing
- Steel, Metal Fabrication and Aluminium Sector
- The Global Business Services (Gbs) Sector
- Automotives Industry
- Chemicals
- Plastics Sector
- Cosmetics Sector
- Oceans Economy

DIGITALISATION
- Pharmaceuticals, Vaccines and Medical Technologies
- Electro-Technical Industries and White Goods
- Aerospace and Defence
- Digital Economy

Interventions

- Increasing the capacity of South Africa's enterprises to export, including skills for exporting.
- Penetrating African export markets beyond SADC
- Increasing the value of South Africa's investments in the rest of Africa.
- Promotion and Marketing of South African goods and services exports globally.
- Economic Diplomacy and the professionalization of the foreign service.
- Resolving trade and investment barriers faced by South African businesses.
- Improved trade finance instruments.

IMPLEMENTATION OF THE BUTTERFLY STRATEGY – 22 PRIORITY MARKETS + ASEAN & TURKEY

PRIORITY MARKETS			KEY PRODUCTS
AFRICA	1	Mozambique	Basic iron & steel, Basic Chemicals, Fertilizers, Rail locomotives, Machinery, Oil and gas casings, Capital equipment, Blankets & rugs, Agro processing
	2	DRC	Machinery & equipment, Pumps, Iron and steel structures, Cement, Transformers, Flat-rolled steel, Electric motors and generators, Fertilizers, Agro processing
	3	Egypt	Basic and industrial chemicals, Capital equipment & machinery, Mechanical appliances, Flat-rolled steel, Cement, Agro-processing
	4	Ghana	Machinery, Steel grinding balls, Steel tube and pipe fittings, Basic chemicals, Man-made fibres, Agro processing
	5	Kenya	Machinery, Capital equipment, Poultry-keeping machinery, Explosives, Basic chemicals, Fertilizers, Basic iron & steel, Metal products, Steel tube & pipe fittings, Tents, Footwear, Blankets & rugs, Agro processing
	6	Nigeria	Basic chemicals, Explosives, Machinery & equipment, Poultry-keeping machinery, Capital equipment, Electric motors & generators, Agro-processing
	7	Senegal	Automotive and components, Machinery, Tanks, Steel grinding balls, Steel bars & rods, Agro processing
	8	Ethiopia	Flat-rolled steel, Mechanical appliances, Fertilizers, Conveyor belts, Copper bars and rods, Machine tools, Slaked lime, Industrial chemicals, Agro processing
	9	Angola	Rail locomotive equipment, Automotive and components, Pumps, Mechanical appliances, Aluminium plates and sheets, Oil and Gas steel pipes, Transformers, Steel bar and rods, Agro processing
NORTH AMERICA	10	United States	Machinery, Metal products, Aluminium plates & sheets, Flat-rolled sheets, Cement, Copper tubes & pipes, Steel bars & rods, Agro processing
SOUTH AMERICA	11	Brazil	Industrial chemicals, Fertilizers, Machinery & equipment, Metal products, Electric motors & generators
EUROPE	12	France (EU)	Machinery, Automotive and components, Engineering, Metal products, steel tube and pipe fittings, Agro processing
	13	Germany (EU)	Machinery & equipment, Steel tube and pipe fittings, Industrial chemicals, Automotive and components, Engineering, Metal products, Services and contract manufacturing, Green Hydrogen, Agro processing
	14	Italy (EU)	Agro processing, Cement, Semi-finished steel products, Machinery
	15	The Netherlands (EU)	Agro processing, Aluminium plates and sheets, Flat-rolled steel, Steel bars and rods, Machinery
	16	United Kingdom	Automotive and components, Aerospace, marine and defence, Catalysts, Pumps, Flat-rolled steel, Cement, Copper tubes & pipes, Steel structures, Agro-processing, Chemicals, Services, Machinery
	17	Russian Federation	Automotive and components, Machinery and equipment, Chemicals, Metal products, Aerospace, marine and defence, Services, Furniture, Mechanical appliances, Engineering, Agro-processing
ASIA	18	China	Basic chemicals, Capital equipment, Plastic and chemicals, Minerals and beneficiated products, Automotive and components, Rail components, Steel tube & pipe fittings, Agro processing
	19	India	Basic chemicals, Fertilizers, Machinery & equipment, Metal products, Automotive and components, Aerospace, marine and defence, Capital equipment, Electro technical equipment, Agro processing
	20	Japan	Pharmaceuticals, Pumps, Fertilizers, Flat-rolled steel, Agro processing, Automotive and components, Cosmetics
	21	South Korea	Agro processing, Automotive and components, Rock drilling tools, Fertilizers
MIDDLE EAST	22	United Arab Emirates	Aluminium plates & sheets, Steel tube and pipe fittings, Automotive, Metal products, Agro processed products
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ASEAN	23	Malaysia	Basic chemicals, Machinery & equipment, Agro processing
	24	Vietnam	Basic chemicals, Basic iron & steel, metal products, Agro processing
	25	Thailand	Basic chemicals, Basic iron & steel, metal products, paper & paper products
	26	Indonesia	Basic iron & steel, metal products, paper & paper products, Man-made fibres
EURASIA	27	Turkey	Basic chemicals, Basic iron & steel, metal products, Machinery & equipment, textiles, defence-related products, Agro processing

DIVERSIFICATION

- **Products targetted for diversification:**
- C14: Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal & articles thereof; imitation jewellery; coin (71)
- C17: Vehicles, aircraft, vessels & associated transport equipment (86-89)
- C15: Base metals & articles of base metal (72-83)
- C06: Products of the chemical or allied industries (28-38)
- C16: Machinery & mechanical appliances; electrical equipment; parts thereof; sound recorders an reproducers, television image & sound recorders & reproducers, & parts & accessories of such articles (84-85)
- C05: Mineral products (25-27)
- C02: Vegetable products (6-14)
- C04: Prepared foodstuffs; beverages, spirits & vinegar; tobacco & manufactured tobacco substitutes (16-24)
- C07: Plastics & articles thereof; rubber & articles thereof (39-40)
- C01: Live animals, animal products (1-5)

Diversification Target Markets

- Egypt, Nigeria, Kenya, Tunisia, Algeria, Morocco, Ghana, Tanzania, Senegal, Mauritius, China, Germany, South Korea, Japan, Mexico, Austrailia, France, Thailand, Italy, Netherlands, Saudi Arabia, Singapore, India, United Kingdom

IMPROVED UTILISATION OF TRADE AGREEMENTS

- **Increase the utilisation from 85% to 90%.**
- SACUM-UK EPA
- SADC-EU EPA
- EFTA-SACU
- AfCFTA

LOOK EAST - EXPAND TRADE INITIATIVES

- **Potential increased exports**

- China
- Japan
- India
- South Korea

- **PLUS ASEAN and TURKEY**

- Vietnam
- Turkey
- Indonesia
- Thailand
- Malaysia

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Strategic Export Initiatives

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