South African Trade Relations: A Business Perspective

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Overview

1. The strategic direction of South African trade policy

2. New Generation Issues in South Africa’s Trade Policy:
   • Trade in Services
   • Investment
   • Competition Policy
Overview (...cont)

3. Regional Integration

4. The Mechanics of Trade: Trade Facilitation and Reduction of Non-tariff Barriers (NTBs)

5. Suggested Issues for Future Work Programme
The Strategic Direction of Trade Policy: Trade Policy Strategic Framework (TPSF)

• Since 2010, BUSA involved (mainly through Nedlac) in implementation components of the TPSF, and preliminary discussions on 2012 iteration.

• In general, Business has welcomed:
  - Africa (and regional integration) focus.
  - South-South (S-S) focus, in so far as it promotes: diversification; the expansion of market opportunities; the strategic exploitation of complementarities.
  - the specific identification of an agricultural trade strategy (and specific section in the TPSF).
  - Identification of need for a strategic understanding of new generation issues.
The Strategic Direction of Trade Policy: A More Forward Looking Approach

• Business supports move towards a more forward-looking and critical strategy:
  
  – Tariffs are a tool, but caution on inordinate focus at expense of other tools. The role of imports as intermediate inputs;
  
  – New competitiveness issues: global value chains; market intelligence, and modelling (vis-à-vis industrial policy and developmental priorities);
  
  – New generation issues (services, investment and competition);
  
  – Prioritising enforcement, and follow-up mechanisms with respect to trade agreements;
  
  – Addressing the mechanics of trade (trade facilitation, and non-tariff barriers).
New Generation Issues in South Africa’s Trade Policy: Services

- South Africa should take a proactive approach to trade in services:
  - Enhanced research agenda, including accurate collation of statistics;
  - A much deeper, and more scientific, understanding of offensive and defensive interests.
  - Strategic approach to services in trade negotiations.
    - Business understands the need for a cautious approach.
    - But SA has a relatively open regulatory environment, and ambitious WTO commitments and offers.
    - Extreme pressure on SA for agriculture concessions under the EPA negotiations, could have been relieved if services had been included.
New Generation Issues in South Africa’s Trade Policy: Investment

- Business welcomes the opportunity to address investment, as part of trade policy.
- SA has robust policy and legislative regimes and, with current process, could take a lead in driving alternative models to existing mainstream ones.
- Business constituents would like to engage further on issues relating to:
  - the promotion of outward FDI (BIT discussion in the context of FDI exports of importance to sectors such as agriculture).
  - the status of bilateral investment treaties (BITs) signed with African partners.
New Generation Issues in South Africa’s Trade Policy: Competition Policy

• A defined perspective on link between competition policy and trade policy is apt in the current milieu.
  – both competition policy and trade policy separately designated as important components of SA’s industrial policy,
  – SACU Agreement, and SADC Trade Protocol have enunciated rules on competition.

• Types of anticompetitive behaviour in global markets; affect the competiveness of exports, and can nullify, or impair the gains obtained from tariff concessions.

• SA’s own interests becoming increasingly affected by anti-competitive behaviour by trading partners and in global value-chains (WTO discussion on private standards).
Regional Integration

• Business firmly believes that Africa should be at the heart of SA’s South-South cooperation agenda

• BUSA supports the move towards the Tripartite FTA (TFTA). Stresses that it is imperative to efficaciously deal with:
  - Non-tariff barriers
  - Rules of Origin

• Greater involvement of stakeholders, especially the private sector, in African initiatives
Regional Integration

• A cost-benefit analysis of SA’s participation in SACU has been due for a while. Recent developments:
  – Contention around tariff board, and revenue sharing formula;
  – Pragmatism of legal commitments on joint industrial policy?
  – Delays in implementing commitments relating to competition policy cooperation;
  – Reported intra-SACU trade barriers (NTBs and taxes)
  – Disparate stances (on offensive and defensive interests) in trade tariff negotiations with third parties
Reduction/elimination of Non-tariff Barriers (NTBs)

• Foremost concern amongst the business community and economic operators
  – The experience of the RECs shows that NTBs must be dealt with contemporaneously with tariff reductions;
  – A World Bank study postulates **NTBs in SADC to affect trade accounting for US$3.3 billion** (one-fifth of intra-SADC trade);
  – The **most affected are SMMEs and small-scale traders**, whom an OECD study estimates to be moving about 30-60% of regional trade volumes (estimates);
  – Business is very conscious of the risk of exporting this intra-REC challenge to the expanded TFTA.
Reduction of Non-tariff Barriers (NTBs)

- NTB Reporting Mechanism, established under the TFTA process is, as an initiative, welcomed by Business.
- It has had mixed reviews - its ultimate success will only be judged on whether:
  - it distinguishes itself from predecessor initiatives by efficaciously dealing with the regional NTB challenge;
- strengthening the rule of law in reducing (or, as appropriate, eliminating) NTBs;
- political will of member states to cooperate in through taking action on the ground.
Trade Facilitation

• Trade facilitation is also central to enhancing intra-regional trade. Business supports the regional work programme and discussions at the multilateral level.

  – We need to engage in more detail on what the gains from a prospective **WTO Trade Facilitation Agreement** will be for South Africa and developing countries.

  – We also need to engage on what kind of legal text would be **best for developing countries** (engage on what has been proposed by developed countries).
Future Work Programme Priorities: Suggestions

• Proactive and strategic approach:
  – *Services* research and *new generation issues*
  – Active understanding of *impact of parallel trade* arrangements on South African exports / products (eg preferences to LDCs under AGOA/WTO, Trans Pacific Partnership);
  – *Global value chains*
Future Work Programme (...cont)

• Institutional:
  – Better **coordination** and cooperation among departments and government agencies
  – Continued **strengthening of NEDLAC process**
  – Interaction with **Parliament**
  – **Business** to continue to build its **own capacity** (internally and regionally) to participate in trade policy debates
  – **Strategic partnerships** (*inter alia* research institutions)
Future Work Programme (...cont)

• Enforcement:
  – Emphasis on enforcement mechanisms crucial to rules-based trading regime and strategy;
    • Capacity to participate in trade (and investment) dispute settlement;
    • Trade remedies (capacity);
    • Securing security and predictability for economic operators.
Future Work Programme (...cont)

• Understanding “New” (not new generation) Issues:
  – shifting patterns and techniques of production;
  – impact of the proliferation of PTAs on South African exporters;
  – non-traditional NTBs starting to affect utility of negotiated concessions for SA economic operators:
    • Climate-related trade measures; private standards; internal (export) market structures that affect competition; unfair global value-chain practices.
Future Work Programme (...cont)

• Appraisal of Existing Trade Arrangements / Current Negotiations

• Current Salient Issues:
  • **SACU**: review; cost-benefit analysis
  • **SADC**: trade facilitation; supply-side capacity (sensitivity to distributional equity concerns); developmental integration?; implementation; non-tariff barriers
  • **TFTA**: Non-tariff Barriers and Rules of Origin
  • **SACU-Mercosur**: Business is very concerned that it is still not in operation, and apparent lack of urgency
Future Work Programme (…cont)

• **SACU-India**: focus on some of the challenges / dynamics of S-S trade agreements; a sense of disparate stances within SACU on product lists

• **USA**: capacity to meet SPS/TBT regulations (including local facilities, and mutual recognition agreements); and impact of SA possible graduation out of AGOA, taken together with extension of preferences to other LDCs, impact of Trans Atlantic Partnership

• **EU**: new types of trade barriers (including private barriers) - particularly in agriculture; pressure on agricultural lines; impact of standstill clauses

• **SACU-EFTA**: Early stages of review, but demands for similar access to that granted to EU