



## Feedback Summary

### Background and Objectives

South Africa is classified as a “small” and “open” economy – meaning that international trade is an extremely important component of our economy. Hence the Manufacturing Circle, along with XA International Trade Advisors, Stratalyze, and Trade Research Advisory facilitated a hands-on workshop looking at how South African manufacturers can successfully navigate the complexities of the regional and international trade arena. The workshop aimed to look at both the risks and opportunities presented in this important space and highlight areas where industry can become more engaged in trade negotiations.

The workshop provided insights into:

- the trade environment (opportunities and risk arising in the trade environment. An understanding of value chains);
- trade agreements, tariffs and non-tariff barriers to trade, and the impact on regional trade or regional value chain development;
- government’s programme of designation
- the implication of the increased protectionism on SA manufacturing industry; and
- creating an effective designation process.

The event was held at BUSA’s offices, Sandton, and brought together participants including Manufacturing Circle members at executive level, representation from the governments of the United States of America and the British High Commission, trade experts from Trade Research Advisory and XA International Trade Advisors, policy makers, and associations including BUSA and Agbiz.



From left to right: Francois Fouche (Trade Research Advisory), Juan Cammarano (Embassy of the United States of America), Donald Mackay (XA International Trade Advisors), Philippa Rodeseth (Manufacturing Circle) Minister Counselor for Economic Affairs, Mr. Alan Tousignant (Embassy of the United States of America), Jim Winkler (USAID Southern Africa Trade and Investment Hub), Martin Cameron (Trade Research Advisory)

### Overview of the Trade Ecosystem

Francois Fouche from Trade Research Advisory highlighted the importance of exports to the South African Economy as well as lesser developed economies. Francois pointed out that recent research in this field indicates that the traditional factors of production (capital, land, labour and entrepreneurship) fails to explain the major gap that has developed between countries in terms of economic growth

and development. Part of the new thinking points to the fact that countries have to focus on aiming to produce more complex products and moving up the value chain. Human capital forms a key part of this equation and the more diverse skills base a country has the more likely it is that economic growth and development will accelerate. This has implications for current South African policies relating to e.g. immigration of skilled individuals and the South African education system.

During his presentation, he touched on global value chains and the African Continental Free Trade Agreement. While noting the AfCFTA as a laudable initiative, Fouche argued that it will take time to realise its benefits because of the non-tariff barriers (aspects such as transport infrastructure, communications, port (d)efficiencies and other hidden logistics costs). Some of these non-tariff barriers also relate to costs that currently form major income streams for a lot of African governments. Adding to his colleague’s presentation, Martin Cameron indicated that while some countries exhibit lower “inequality”, compared to e.g. South Africa, as measured by indicators such as the Gini-coefficient, care should be taken with the interpretation of this generalised statement as in the majority of countries this indicates a more equal distribution of poverty, not necessarily wealth. He also reiterated that when considering new or alternative export markets, manufacturers have to take into account aspects such as location costs, import transaction costs, processing costs, trade-offs, competition and transport costs.

Martin further explained the TRADE-DSM approach that was developed at the North-West University over the last 15 years to assist government departments, export promotion agencies and industry associations as well as individual companies to identify what are called “realistic export opportunities”. The approach is well researched and makes use of a significant amount of information and step-wise filtering process to identify such opportunities by country and individual products (based on 6-digit tariff code levels). The aim of the approach is to help exporters uncover “unusual” suspects through fact-based decision-making. For this purpose the North-West University commercialised the intellectual property in the form of a spin-out company by name of Trade Research Advisory (Pty) Ltd.

### Trade Instruments and Analysis Tools

Donald MacKay from XA International Trade Advisors discussed the institutional alignment governing the country’s trade relations. The International Trade Administration Commission is the trade policy body and The South African Revenue Service is the enforcement body. According to Donald, increases in duties requires that the manufacturers commit to either increase in incomes, promoting investments or increased employment. In addition he also emphasised that anti-dumping protection does not in any way mean that the goods imported are of a lower quality. Manufacturers can apply individually or as a group for duties to be enforced, however duties may not be increased beyond the bound rate (maximum duty rate).

## Designation

On Designation, Clive Vinti of XA highlighted the following key points:

- Designation has been introduced as a policy tool to increase local production and in so doing, assist in reversing the trade deficit, create employment opportunities and increase economic growth;
- The government's target is 75% of local procurement, of which the dti, National Treasury and SABS are role players; and
- There is much work to be done in improving the designation application process and monitoring of implementation.
- Although designation is a powerful tool to grow the local manufacturing sector, it is poorly understood and uptake has not been significant (23 industries have been designated since its inception).

## Trade Agreement Negotiation Process

Philippa Rodseth, Manufacturing Circle Executive Director, spoke to the challenges imposed by the complicated information flows between the dti's ITED, NEDLAC, BUSA, Associations and Companies in the trade negotiation process and posed the question of how to streamline communications. She also made reference to the TIPS import tracker which is available to policy makers and industry. XA International Trade Advisors noted that Stratalyze software is available for easy access and analysis of trade market dynamics in terms of buying and selling, and tariffs. Donald emphasised the importance of manufacturers familiarising themselves with their industry tariff codes in order to understand import and export positions. MacKay also encouraged attendees to enquire with SARS for data on where competitors are exporting.



Nigel Dickerson First Secretary of Economic Diplomacy British High Commission

Mr Nigel Dickerson represented the British High Commission to provide an overview of the implication of a Brexit deal for the South Africa Customs Union and Mozambique (SACU(M)). he noted that the trade relations between the United Kingdom and SACU(M) will mirror the Economic Partnership Agreements with the EU. Other issues discussed included Rules of Origin, cumulations and tariff rate quotas.

### Brexit:

- An announcement of 13 March 2019 on gov.uk;
- Accompanying technical guidance; and
- The full list of our non-zero MFN tariffs, which would apply for up to 12 months from day one of a "no deal" Brexit.



Minister Counsellor for Economic Affairs, Mr. Alan Tausignant, Embassy of the United States of America speaking about AGOA

On the African Growth and Opportunity Act, the Minister Counsellor highlighted that South Africa is the biggest beneficiary of the AGOA trade agreement, consistently. AGOA gives confidence for local manufacturers of their competence on the world market, as well as export opportunities to firms who haven't tapped into the US market. AGOA is a unilateral trade agreement and the US is still an open economy despite the recent US-China trade war. AGOA expires in 2025, and it is hard to predict what will happen after 2025.

## Contacts

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**Southern Africa Trade and Investment Hub: AGOA**  
[www.satihub.com](http://www.satihub.com)

for all workshop presentations go to  
[www.manufacturingcircle.co.za](http://www.manufacturingcircle.co.za)

## Next Steps



The Manufacturing Circle undertook to pursue two actions; being:

### • Designation

Formulation and presentation of a position paper on what needs to be done to improve the designation process

### • Trade Agreement Negotiation Platform

Development of an IT platform to ensure better access to trade related information required in the trade negotiation process, and more efficient flows of information between industry and policy makers.

Updates on progress and deliverables will be communicated in due course.

In addition to the specific actions noted, the Manufacturing Circle serves as a platform for members to communicate views and receive information and updates as and when these become available to us.