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Understanding South Africa's trade policy and performance

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Understanding South Africa's trade policy and performance

Matthew Stern and Yash Ramkolowan*

Abstract

South Africa's exports have lagged behind the rest of the world over recent decades, and this has likely constrained overall economic growth. There are multiple reasons for this disappointing trade performance, including the structure of the country's export basket (which remains dominated by commodity products), its dependence on a limited number of large but mature export markets, and the high cost and deteriorating competitiveness of the general business environment. South Africa's manufacturing trade with the rest of Africa is considerably overstated, but is evidence of the country's important role as a logistics and services hub in the region. Trade and industrial policy also has an important role to play – effective rates of protection remain high in some sectors, the country adopts a cautious approach to trade agreements, and there is an increased focus on localisation. Together, these structural, environmental and policy factors increase the incentive to produce for the protected domestic market over exploring new export opportunities, while raising barriers for new entrants and lowering competition for incumbent firms. To address the inherent bias against exporting, South Africa urgently needs to address the high costs of investment and trading across borders; review the impact of existing industrial, localisation and sector-specific policies on export behaviour; implement a comprehensive and well-targeted export promotion and export finance framework; and update its trade policy approach to negotiations across the continent and internationally.

Keywords: Trade policy, trade agreements, tariff liberalisation, economic reform, regional integration, South Africa

JEL classification: F13, F15, F43

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South African exports to the rest of Africa have slowed significantly after trucks have been delayed at the Beitbridge border post with Zimbabwe, some for as long as three days. Queues of trucks occupying three lanes of road and stretching for more than 8 km have been reported at the crossing for the past two weeks. There is only one gate between South Africa and Zimbabwe, limiting how many trucks can be processed per hour. Road Freight Association CEO Gavin Kelly said this week that members complained after queues had been "horrendously long." Kelly said South Africa's borders still reflect apartheid-era design, which intended to limit movement between countries. "Twenty-five years on … borders are still based on the physical infrastructure that was created at a time when you didn't want people to pass through [the] border," he said.

Business Day, 3 November 2020[1]

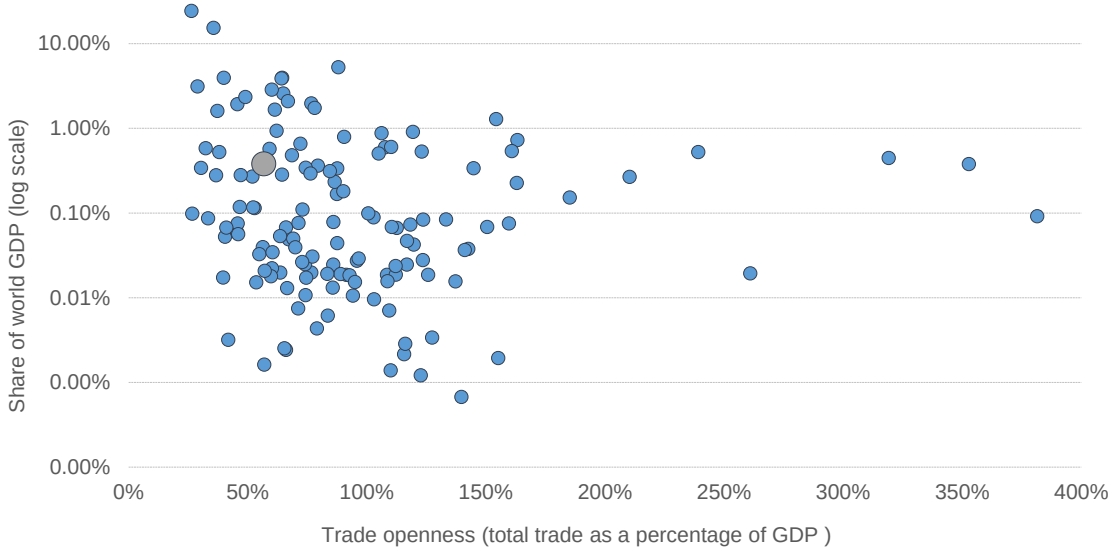
1. Introduction[2]

South Africa is regarded as a small, open economy. In general, smaller countries are more dependent on international trade, and this is borne out by the data (see Figure 1). South Africa currently accounts for around 0.6% of global GDP. The country relies heavily on imports to satisfy consumption demand, and on exports to support production and employment. Moreover, South Africa has become relatively smaller and more open over the last three decades, further increasing its exposure to the global economy.

[1] https://www.businesslive.co.za/bd/national/2020-11-03-truck-snarl-up-at-beitbridge-border-post-trips-up-sa-exports/

[2] We are grateful to David Fowkes and an anonymous referee for their comments and suggestions.

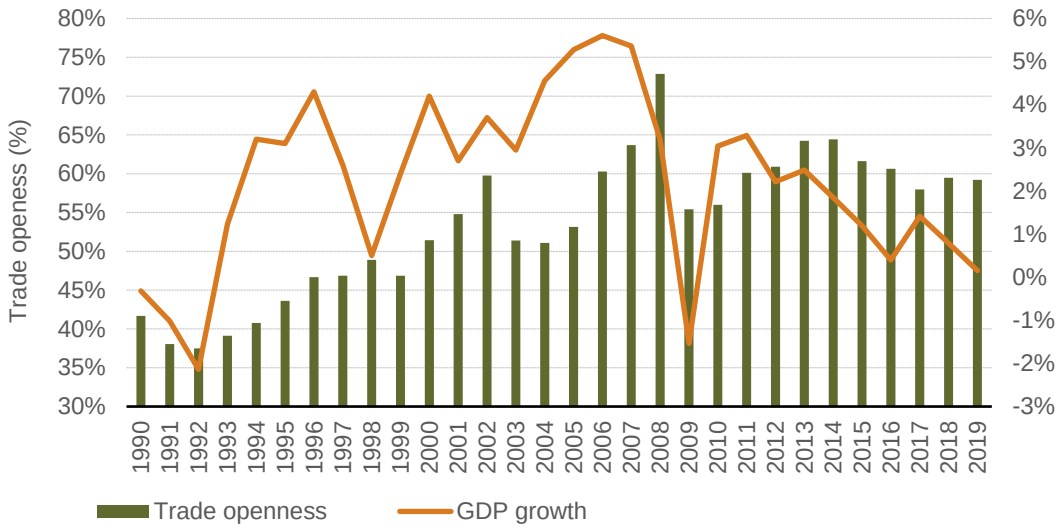
Figure 1: Trade openness and share of world GDP (2019)



Source: World Bank 2020d.

Trade openness in South Africa appears to track GDP growth (see Figure 2). As economic growth accelerated from 1990 to 2008, so too did trade increase as a proportion of GDP. Both trade openness and GDP growth have fallen consistently since 2012. It is likely that the causality runs both ways. Export expansion contributed to a rising GDP, while faster economic growth drew in increased imports. It would therefore appear that the relatively high levels of growth experienced by South Africa in the mid-2000s were partly explained by favourable trade conditions (Edwards and Lawrence 2008; Mabugu and Chitiga 2007). South Africa's future growth is therefore likely to be strongly influenced by its ability to access inputs at competitive prices and its ability to expand its exports in new and existing markets.

Figure 2: Trade openness[3] and economic growth (%)

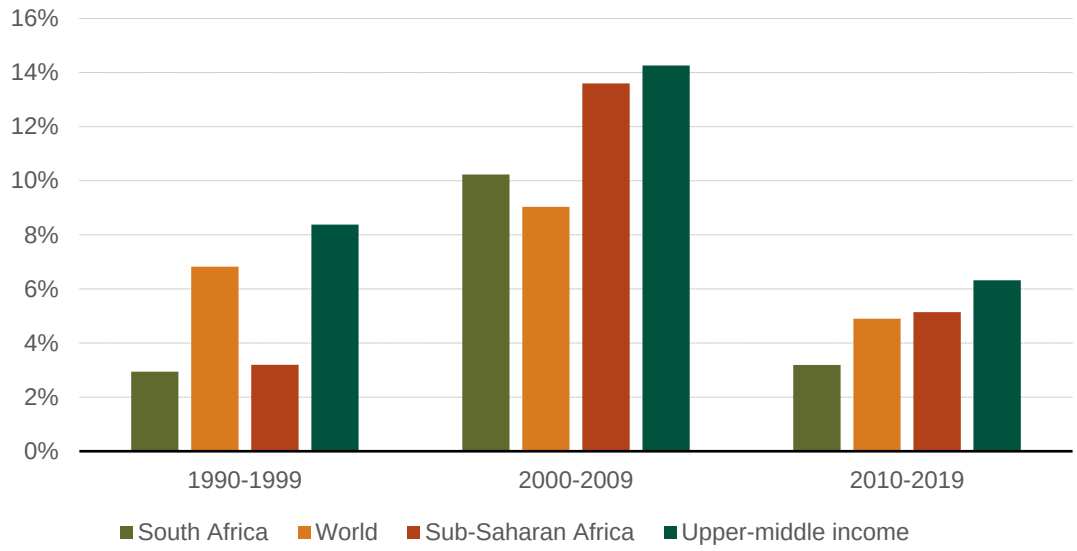


Source: World Bank 2020d.

As shown in Figure 3, South Africa recorded strong export growth over the first decade of the millennium, outperforming the rest of the world on average (but not by as much as other middle-income countries). However, South Africa's relative export performance has deteriorated over the last decade. Between 2010 and 2019, South Africa's export growth rate has decreased by more than half. Moreover, exports have grown at a much slower pace than the rest of the world, and the country has underperformed against middle-income and sub-Saharan comparators.

[3] Trade openness is measured as the sum of a country's imports and exports as a share of that country's GDP (in %). (World Bank, 2020d)

Figure 3: Nominal export growth rate[4]

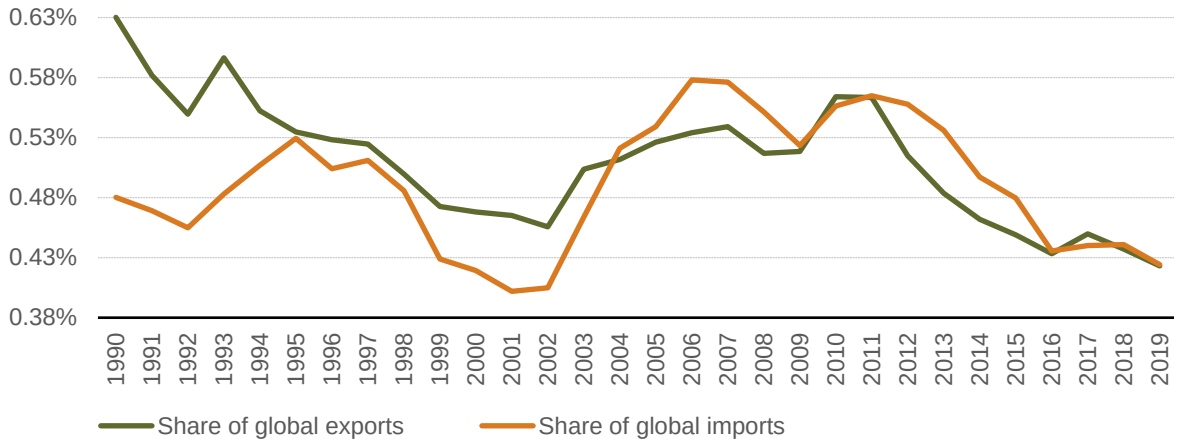


Source: World Bank 2020c.

The net result is that South Africa's share of world trade has fallen considerably over this period. In 1990, South Africa accounted for around 0.6% of world exports and around 0.5% of world imports. While the country's share of world imports has varied a lot over the last three decades, by 2019 it was not much lower than in 1990, at 0.4% of the total. Exports, on the other hand, have declined somewhat consistently over this same period, decreasing from 0.6% to around 0.4% of world exports. This represents a significant drop in the country's potential export earnings. If South Africa had retained its share of world trade, exports in 2019 would have been worth US$50 billion (50%) more in value terms.

[4] Taken as the current price, with average growth rate over the past 10 years.

Figure 4: South African share of global exports and imports



Source: World Bank 2020e.

Exports clearly have a part to play in raising South Africa's overall growth performance. What, then, explains South Africa's lethargic trade growth over recent years and what can be done to restore export growth? This paper provides a simple analysis and presents some initial ideas. Further substantive work is needed to explore this important question and some of these suggestions in more detail.

The following section analyses South Africa's export performance and highlights some of the factors that may explain the apparent decline in the country's external competitiveness. South Africa's approach to international trade negotiations is reviewed in section 3. This section draws on interviews with several trade policy experts and officials. Section 4 considers the potential impact of industrial policy on export performance. The main findings from this paper are summarised in section 5, including a set of high-level policy recommendations.

2. Understanding South Africa's export performance

2.1 Slowing trade reforms

In the years leading up to and following South Africa's re-integration into the global economy in the early 1990s, the government undertook numerous efforts to reform its domestic trade administration processes and advance its multilateral, preferential, bilateral, non-reciprocal and regional trade policies. Some of the main trade policy developments undertaken over the last three decades are summarised in Table 1.

Table 1: Major trade policy interventions in South Africa

Year	Trade policy intervention
1990	The General Export Incentive Scheme (GEIS) is introduced
1990	Import surcharges are phased out
1994	South Africa is re-integrated into the global economy
1994	Import surcharges on capital and intermediate goods are abolished
1994	Conversion from quantitative restrictions to tariffs is completed
1995	Remaining import surcharges are eliminated
1995	South Africa's General Agreement on Tariffs and Trade (GATT) Uruguay Round mandate is enacted
1996	The new Tariff Rationalization Process is formulated
1996	A new bilateral trade agreement is signed between South Africa (SA) and Zimbabwe
1996	The Southern African Development Community (SADC) Free Trade Protocol is signed
1997	Export subsidies provided under GEIS are terminated
2000	The SA–European Union (EU) Trade, Development, and Cooperation Agreement (TDCA) is implemented
2000	SA products are granted preferential access to the US under the US Africa Growth and Opportunity Act (AGOA)
2000	SADC Free Trade Protocol is implemented
2002	New Southern African Customs Union (SACU) Agreement is implemented
2002	SACU–MERCOSUR[5] trade negotiations are launched
2003	SACU–United States (US) free trade agreement (FTA) negotiations are launched
2006	European Free Trade Association (EFTA)–SACU Free Trade Agreement is signed
2006	Memorandum of Understanding is signed promoting Bilateral Trade and Economic Cooperation between China and South Africa
2006	SACU–US FTA negotiations are suspended
2008	SACU Trade, Investment and Development Cooperation Agreement with US is signed
2008	Tripartite FTA negotiations commence between SADC, East African Community (EAC), and Common Market for Eastern and Southern Africa (COMESA)
2008	SACU and MERCOSUR preferential agreement is signed
2010	South African Trade Policy and Strategy Framework is launched
2011	Partnership is signed between Brazil, Russia, India, China and South Africa
2015	COMESA-EAC-SADC Tripartite FTA is launched
2015	Continental Free Trade Area (CFTA) negotiations launch

5 Mercado Común del Sur, a South American trading block.

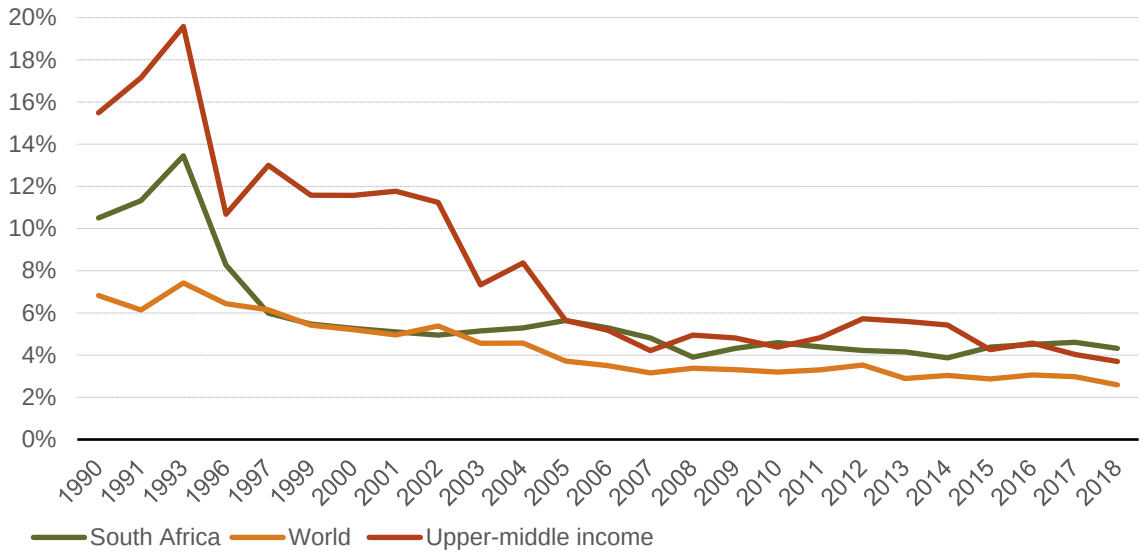
2016	EU-SADC Economic Partnership Agreement (EPA) is signed
2016	Preferential Trade Agreement between SACU and MERCOSUR comes into force
2019	African Continental Free Trade Area (AfCFTA) comes into force
2019	SACU+Mozambique EPA is signed
2021	SACU+Mozambique EPA comes into force
2021	AfCFTA due to be implemented

Source: Jonsson and Subramanian 2001; Farrel 2001; Malefane 2018; SARS 2020.

The World Trade Organization (WTO) has served as the most influential external force for reform. Specifically, the conclusion of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) had two main effects on South Africa. Firstly, the provisions related to the use of subsidies were tightened (Altman 1994). This led to the phasing-out of the GEIS – South Africa's primary export support programme. Secondly, along with all other GATT signatories, South Africa committed to and implemented a significant reduction and simplification of its tariff rates, and the removal of all quantitative restrictions on imports. As shown in Figure 5, South Africa's average tariff fell from over 13% in 1993 to just below 5% in 2001. Moreover, South Africa made significant progress in simplifying its tariff structure, removing tariff peaks and reducing tariff dispersion over this period (Edwards 2005).

Cumulatively, these trade policy and reform initiatives have contributed to deeper trade relations and increased openness in the South African economy (Malefane 2018; SARB 2000). Edwards and Lawrence (2008) argue that the rapid rise in non-commodity exports between 1992 and 2000 can be attributed to trade policy reforms, and specifically the sharp – reduction in tariff protection. Together, this led to a considerable reduction in the anti-export bias – by lowering tariffs, the profitability of exporting increased significantly, relative to selling into the domestic (and previously protected) market.

Figure 5: Average weighted tariff rate on all products



Source: World Bank 2020a.

There has been a notable slowdown in trade reforms, especially outside Africa, over the last decade. This is partly as a result of failures at the multilateral level, but also seems to reflect a changed approach from South Africa. As shown in Table 2, since 2014, average weighted tariff rates have increased. Moreover, South African tariffs on primary products are significantly lower than those on manufactured goods. This suggests that effective rates of protection,[6] while falling over the last three decades, may remain relatively high in many sectors.

[6] A measure of the net amount of protection given to a manufacturer, taking into account tariffs incurred on both inputs and on the final goods produced.

Table 2: Average weighted tariff rate

Sector	1990	1999	2006	2014	2018
Average for all products	10.5%	5.47%	5.29%	3.87%	4.32%
Manufacturing	11.41%	6.13%	6.61%	5.28%	5.32%
Primary products	4.8%	2.67%	2.07%	1.24%	1.91%

Source: Quantec Easy Data 2020a.

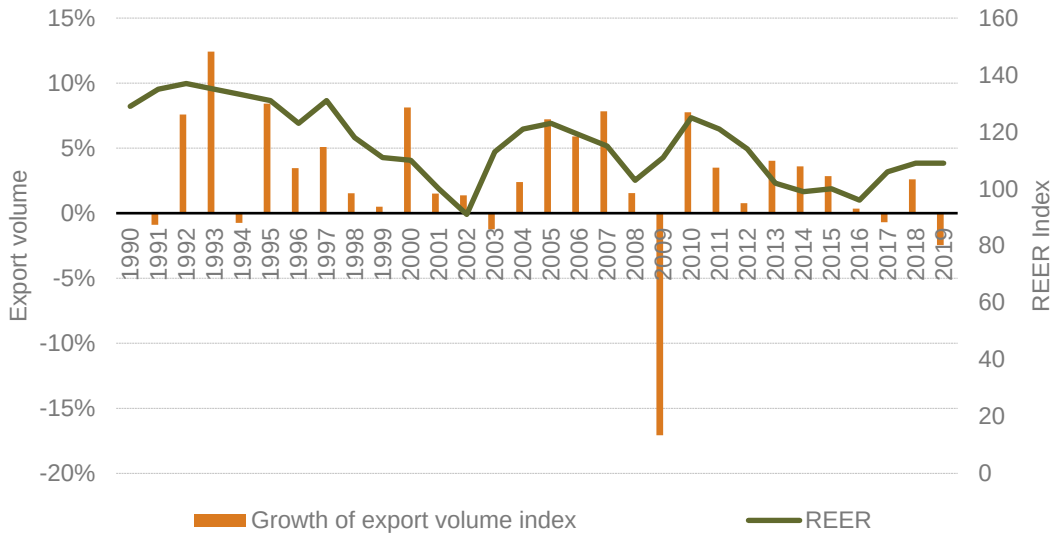
2.2 The exchange rate as a driver of exports

A second factor that may explain changes in South Africa's exports is the performance of the rand. A currency depreciation would make goods produced in South Africa cheaper, compared to our trading partners, and should boost exports. On the other hand, a stronger currency may harm export competitiveness. In assessing the impact of the currency's movement on trade performance, it is important to consider changes in prices within countries, as these may offset currency fluctuations. For this reason, the real effective exchange rate (REER) should provide the best measure of the impact of the rand on South Africa's international competitiveness.[7]

Figure 6 shows the REER index against changes in export volumes. Over the last three decades, the REER has trended downwards, thereby boosting South Africa's international competitiveness. However, there is no obvious pattern between changes in the REER and export growth. For example, a sharp depreciation of the REER in 2001 and 2002 did not lead to an obvious export response; conversely, when the REER appreciated from 2003 to 2005, export volumes increased. Likewise, the REER has depreciated for most of the last decade, but export growth has remained slow. The extent to which the depreciation of the REER stimulates export growth is therefore unclear (Edwards and Schoer 2001).

[7] The real effective exchange rate (REER) measures the weighted average of a country's currency in relation to a basket of other major currencies, after taking into account changes in prices (inflation) in these countries. If the REER is increasing, then goods in South Africa are becoming more expensive relative to the other countries included in the index.

Figure 6: Real effective exchange rate and exports



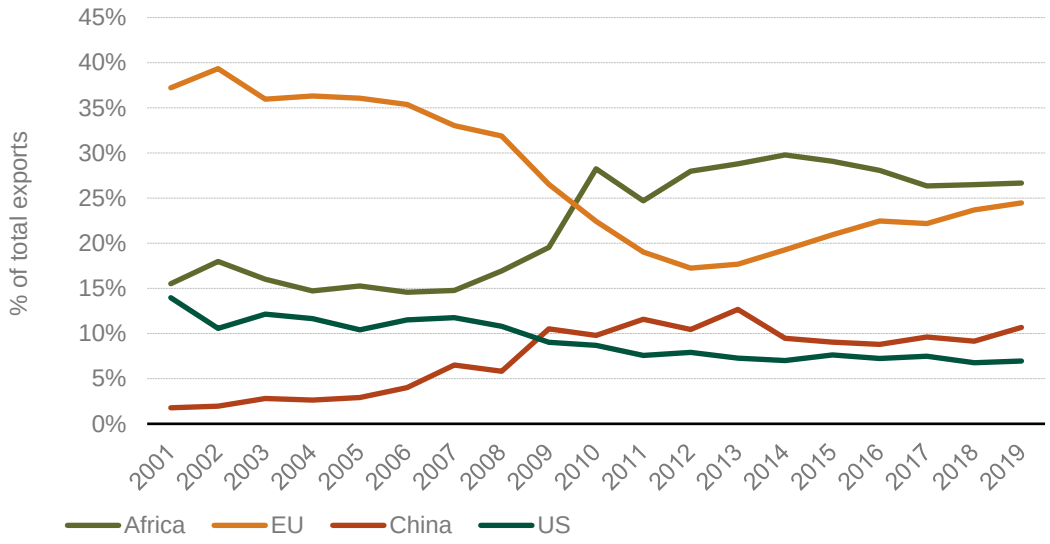
Source: SARB 2020a.

2.3 Geographic and product concentration

South Africa's export performance may also be a function of the country's trade profile. If exports are concentrated among a group of slow-growing markets, then this would hamper South Africa's ability to expand its international sales. In 2001, South Africa's export market was dominated by the US (14%), the United Kingdom (UK) (10.9%), Germany (9.1%), and Japan (8.9%). By 2019, the US had dropped to 7%, the United Kingdom to 5.2% and Japan to 4.8%. Germany's share remained relatively consistent at 8.3%.

In comparison, China's share of South Africa's exports increased from 1.8% in 2001 to 10.7% in 2019, while the rest of Africa's share increased from 15.5% to 26.7%. This dramatic shift in South Africa's main export markets is shown in Figure 7. A similar trend can be seen when analysing South Africa's main import markets: the EU remains the dominant supplier of goods to South Africa, at around 30% of the total, though China's share has increased from 4% to 19% over this period.

Figure 7: South Africa's exports by major trading partner



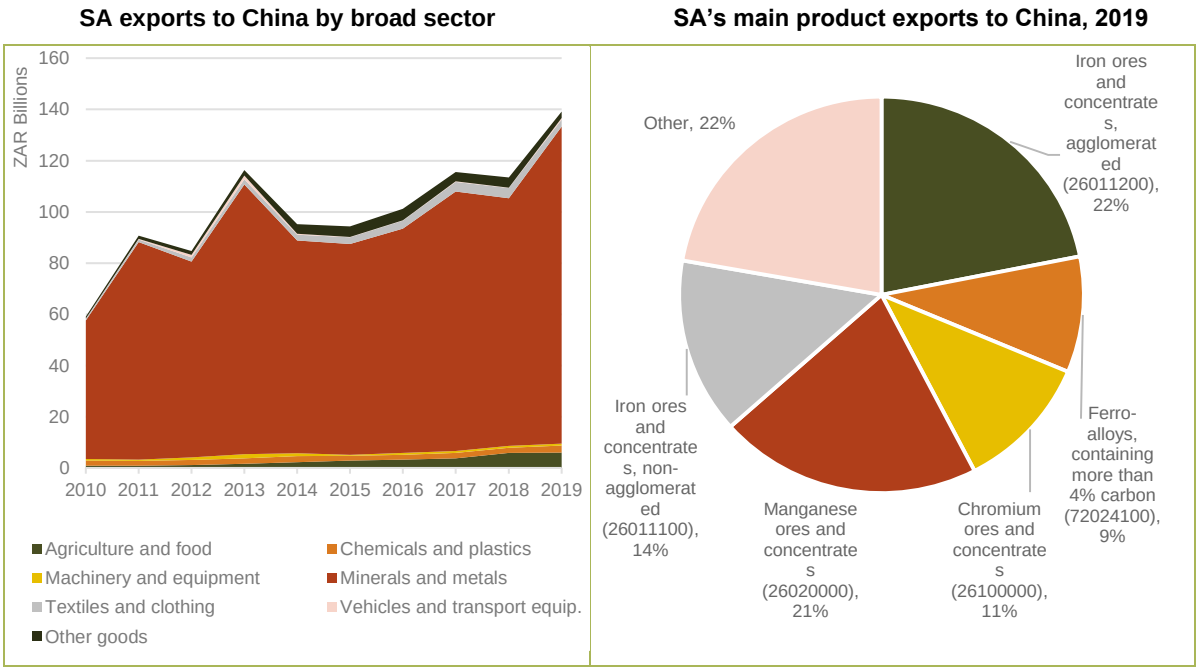
Source: ITC Trade Map 2020.

It would seem that, in general, South African exporters did well to diversify out of the relatively mature European and US markets into the fast-growing Chinese market and the emerging African market. It is however notable that from 2013 onwards, this trend has slowly reversed. South Africa appears to be losing some of its foothold in China and Africa, with exports to Europe increasing in importance. Over this same period, South Africa's exports have declined sharply as a percentage of world exports and as a percentage of domestic GDP. Some of the reasons for this apparent turnaround in South Africa's exports to China are described further in Box 1.

Box 1: South Africa's trade with China

South Africa's exports to China are heavily dependent on commodities, as shown in Figure 8. In aggregate, minerals and metals make up roughly 90% of South Africa's exports to China. In 2019, just five products (out of the more than 6 000 products at the 8-digit tariff level) accounted for more than 75% of South African exports to China, all of which were primary metal or mineral commodities.

Figure 8: South Africa's exports to China

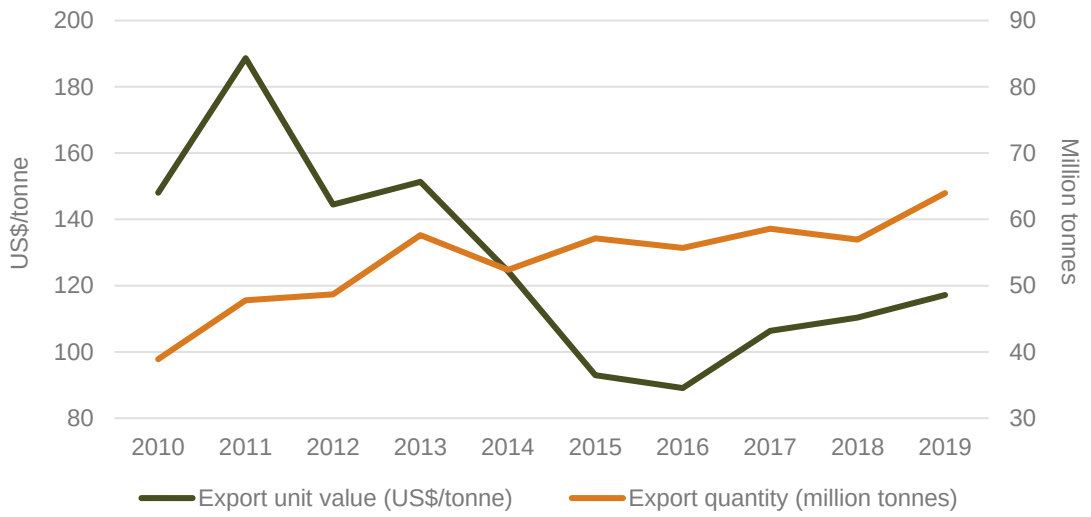


Source: Based on data from SARS.

Numbers in brackets indicate the SARS Harmonised System (HS) tariff code.

The relative stagnation of South African exports to China from 2011 can largely explained by lower commodity export prices for South Africa's five main exports, which has more than offset the modest growth in export volumes. This trend may have reversed, with rising commodity prices, over the last year.

Figure 9: Price and volume dynamics for South Africa's main commodity exports to China



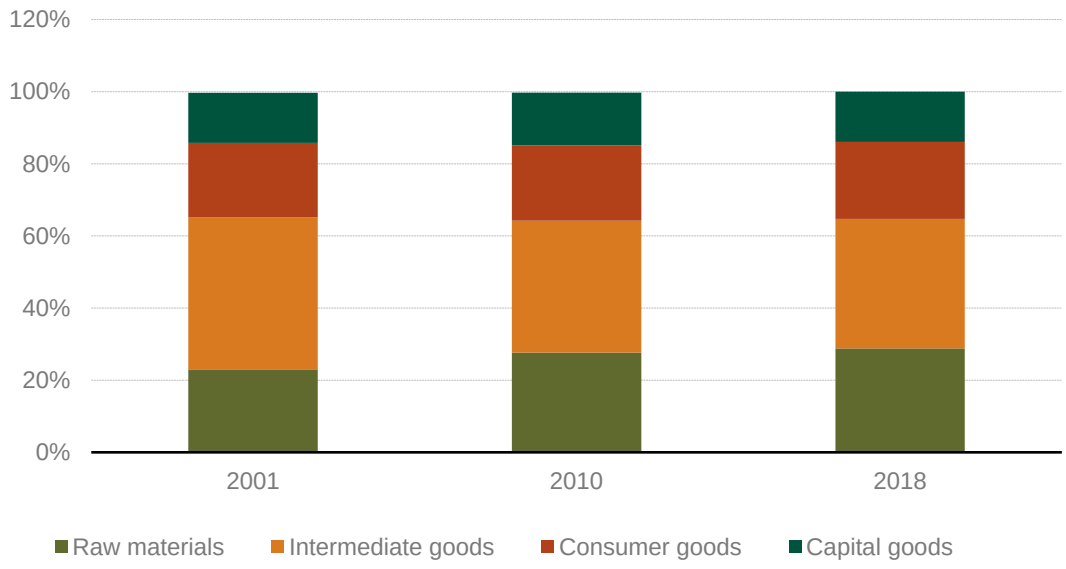
Source: Based on trade data from SARS and exchange rate data from the SARB.

Provides the weighted average unit price for South Africa's top five exports to China: Iron ores and concentrates, agglomerated, ferro-alloys, containing more than 4% carbon, chromium ores and concentrates, manganese ores and concentrates, iron ores and concentrates, non-agglomerated.

South Africa's export growth rate is also likely linked to the structure of trade, and specifically, the kind of goods that South Africa produces competitively and exports. In 2001, South Africa's top 10 export products were coal, motor vehicles, platinum, oil, gas-filtering machinery, palladium, diamonds, aluminium, platinum and ferro-chromium. Together, these 10 products, out of the 5 300 products at the HS6 digit (sub-heading) level, accounted for 37% of South Africa's total exports. By 2019, the top 10 exported goods (again at the HS6 digit (sub-heading) level) were coal, gold, iron ore, motor vehicles, manganese ore, oil, ferro-chromium, platinum and palladium (ITC TradeMap), making up 36% of South Africa's world exports.

With the exception of machinery, in 2001, and motor vehicles in both 2001 and 2019, South Africa's exports are strongly and consistently concentrated in mineral and metal products. This is highlighted in Figure 10. From 2001 to 2018, the share of raw materials in South Africa's overall export basket has increased at the expense of beneficiated or intermediate goods, while exports of consumer and capital goods have remained relatively static. Moreover, compared to world exports–where raw materials account for less than 10% of world trade, and consumer and capital goods contribute more than 30% of the total each–South Africa's export structure is heavily biased toward lower-value-added products.

Figure 10: Export product share by category (%)



Source: WITS World Bank 2001.

When looking at the growth in world exports by stage of processing between 2001 and 2018, raw materials and intermediate products have marginally outperformed consumer and capital goods in value terms (WITS World Bank 2001). The fact that South Africa's export basket is loaded with primary goods is not sufficient to explain the country's overall poor export performance. It is therefore important to explore, in more detail, those products in which South Africa is globally competitive, and how exports of these specific products have performed.

The revealed comparative advantage (RCA) is a Ricardian-based method of gauging relative differences in productivity. By calculating these differences in productivity, one can approximate a country's competitive strengths in international export markets. Where a country has an RCA value exceeding one for a product, then the country is defined as having a revealed comparative advantage in that product (UNCTAD Stat 2020).

In 2001, South Africa had a particularly strong comparative advantage in mostly primary sector goods (see Table 3). Moreover, South Africa's share of world trade in these products was generally very high. However, for six of these 10 product groups (i.e. the industries in which South Africa had the greatest global comparative advantage), South Africa's share in world trade has declined over the last two decades. Conversely, among these product groups, South Africa has gained most in market share through the export of raw agricultural goods.

Table 3: South Africa's Revealed Comparative Advantage (RCA) – top 10 product groups by chapter (HS2)[8]

Competitive rank 2001	Product	RCA in 2001	SA share of global exports in 2001	SA share of global exports in 2019
1	Natural or cultured pearls, precious or semi-precious stones, precious metals	10.3	4.4%	2.4%
2	Ores, slag and ash	10.1	4.3%	5.5%
3	Sugars and sugar confectionery	4.9	2.1%	1.5%
4	Explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible preparations	4.8	2.0%	2.6%
5	Iron and steel	4.4	1.9%	1.4%
6	Edible fruit and nuts; peel of citrus fruit or melons	4.4	1.9%	2.7%
7	Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper	3.8	1.6%	1.2%
8	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals	3.4	1.5%	0.9%
9	Aluminium and articles thereof	3.2	1.4%	1.0%
10	Wool, fine or coarse animal hair; horsehair yarn and woven fabric	3.0	1.3%	3.0%

Source: ITC Trade Map 2020.

There has been little change in South Africa's top 10 products, in terms of revealed comparative advantage, between 2001 and 2019. Vegetable products and a broad

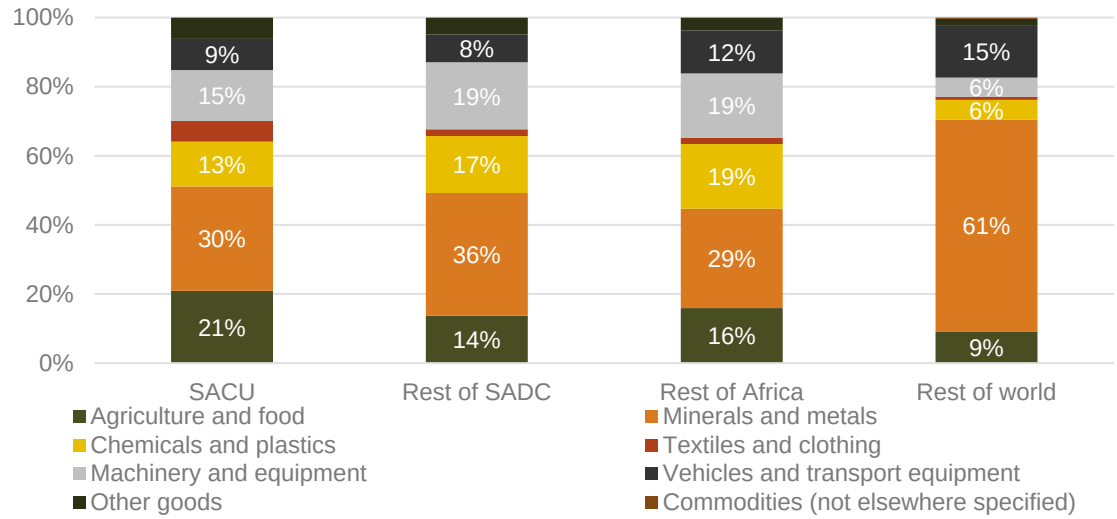
[8] "Revealed Comparative Advantage is calculated as the ratio of two shares. The numerator is the share of a country's total exports of the commodity of interest in its total exports, and the denominator is the share of world exports of the same commodity in total world exports. The RCA takes a value between 0 and ∞. A country is said to have a revealed comparative advantage if the value is more than one." (IGI Global, 2020)

group of earth materials are the only new products to make this list, with aluminium and inorganic materials dropping off. However, across all 99 HS2-digit (chapter) product groups, the number of products in which South Africa demonstrates a revealed comparative advantage (RCA>1) has declined from 30 in 2001 to 23 in 2019.

2.4 The nature of South Africa's trade with Africa

While South Africa's global export performance has been disappointing and is dominated by commodity products, there is a perception that export growth into Africa has been strong and much more diversified: "At over R300 billion, the rest of Africa now represents 26.2% of South Africa's total goods exports, marginally behind exports to Asia. The significant difference, however, is that exports to Africa comprise a high percentage (over 50%) of finished and intermediate products" (Department of Trade and Industry 2018: 86). This is partly confirmed by Figure 11, which shows that South Africa's exports to Africa have higher value added (with a higher proportion of food, chemicals and plastics, and equipment and machinery, and a lower proportion of minerals and metals) when compared to its exports to the rest of the world.

Figure 11: Composition of South Africa's exports to Africa, 2019



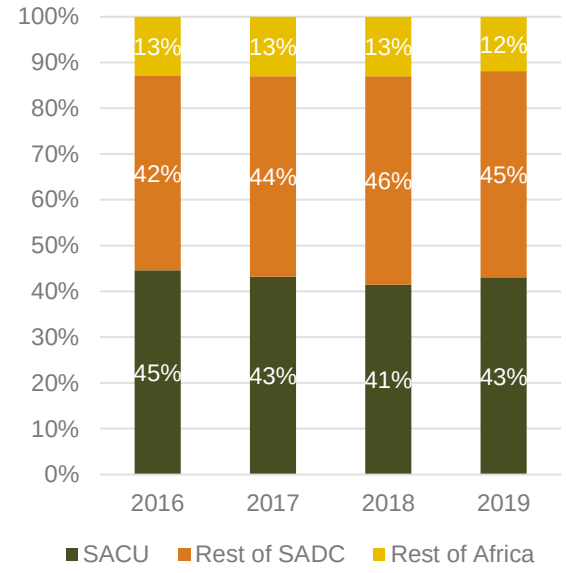
Source: Based on data from SARS. Own commodity classification based on HS nomenclature.

However, South Africa's exports to Africa are highly concentrated in the Southern African Customs Union (SACU) and a few neighbouring markets: six out of South Africa's top seven African export destinations in 2019 were its immediate neighbours and, together, these six countries made up close to 70% of total exports to Africa.

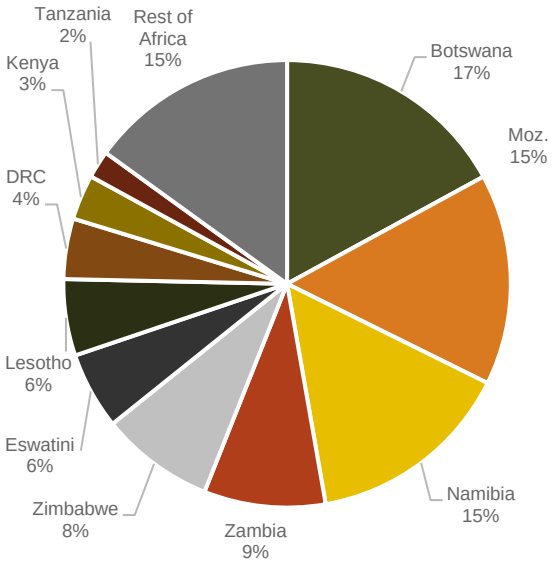
Moreover, almost half of South Africa's exports to Africa are destined for other SACU member states, where no rules of origin are in place. It follows that, for trade within the customs union, there is no way to tell whether exports are actually manufactured in South Africa, or imported and cleared from elsewhere in the world and then re-exported.

Figure 12: African markets for South Africa's exports

SA exports to Africa by region



SA's top 10 export markets in Africa, 2019



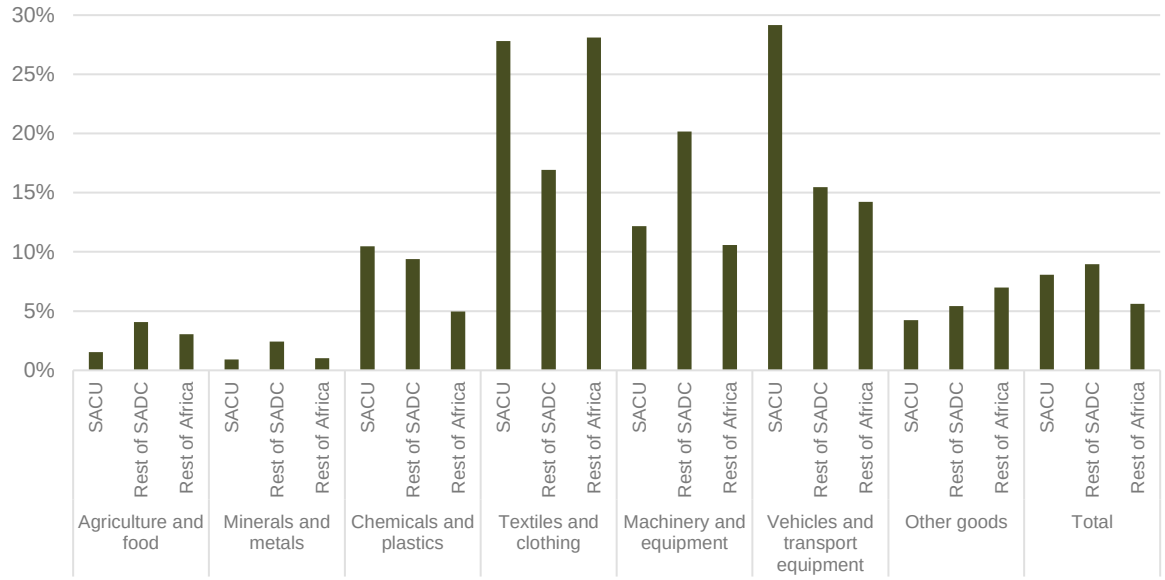
Source: Based on data from SARS.

The available data from the South African Revenue Service (SARS) suggests that there is a high proportion of goods in certain sectors that are exported from South Africa to the rest of Africa but that originate in other countries (more than 25% for textiles, clothing and vehicles; more than 15% for machinery and equipment). Overall, this data indicates that at least 8% of South Africa's exports to SACU do not originate in South Africa.

This percentage is likely to be substantially higher. In 2019, Botswana, Lesotho, Namibia and Eswatini reported that 58%, 77%, 45%, and 73% (ICT Trade Maps, 2020) of their world imports were sourced from South Africa, respectively. It is implausible that these countries could access such a high proportion and variety of imports from just one country, especially given the size and structure of South Africa's trade with the rest of the world. Moreover, as shown in Figure 14, South Africa consumes more than

it produces domestically (i.e. the country is a net importer) in those sectors which constitute a higher share of South Africa's export basket to Africa.

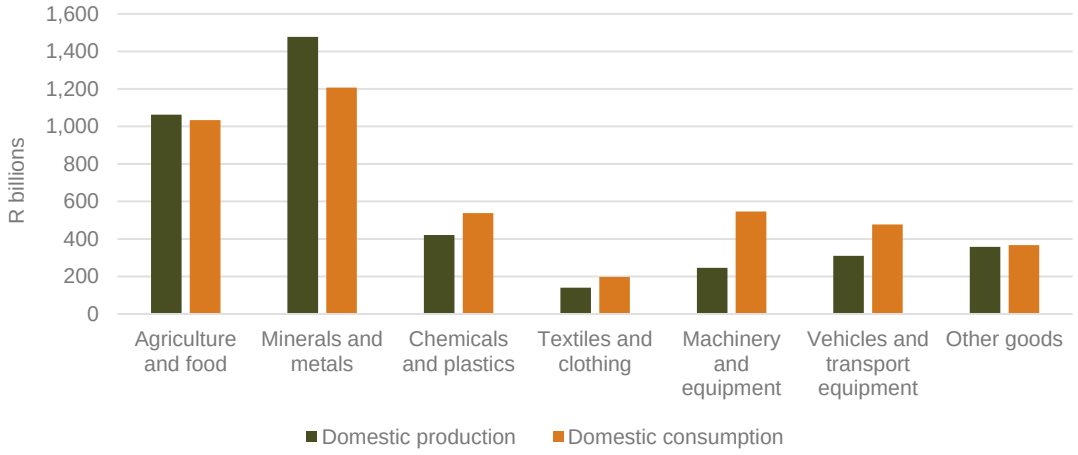
Figure 13: Reported exports from South Africa to Africa originating from outside of South Africa (% of total reported exports to Africa), 2017



Source: Based on data from SARS. Own commodity classification based on HS nomenclature.

Data reflects exports classified by SARS as exports from SA, but for which the "country of origin" is not South Africa.

Figure 14: South Africa's domestic production and consumption, 2017



Source: Based on data from Statistics South Africa supply-use tables.

It would therefore seem that a large part of South Africa's apparent manufacturing export success in Southern Africa is actually due to success in logistics, wholesale and

retail. This reality may also explain the low use of tariff preferences by South African exporters in the region. In the Southern African Development Community (SADC) market, the majority of firms (63%) do not use the lower SADC rates, which would only apply to producers that are willing and able to comply with the SADC Rules of Origin[9] (UNECA 2020). For example, "Woolworths [Holdings, a retail company] does not use SADC preferences at all in sending regionally-produced consignments of food and clothing to its franchise stores in non-SACU SADC markets" (Gilson 2010). These consignments would likely also include substantial imported content, but for trade statistics purposes, all of these exports would be marked as exports from South Africa.

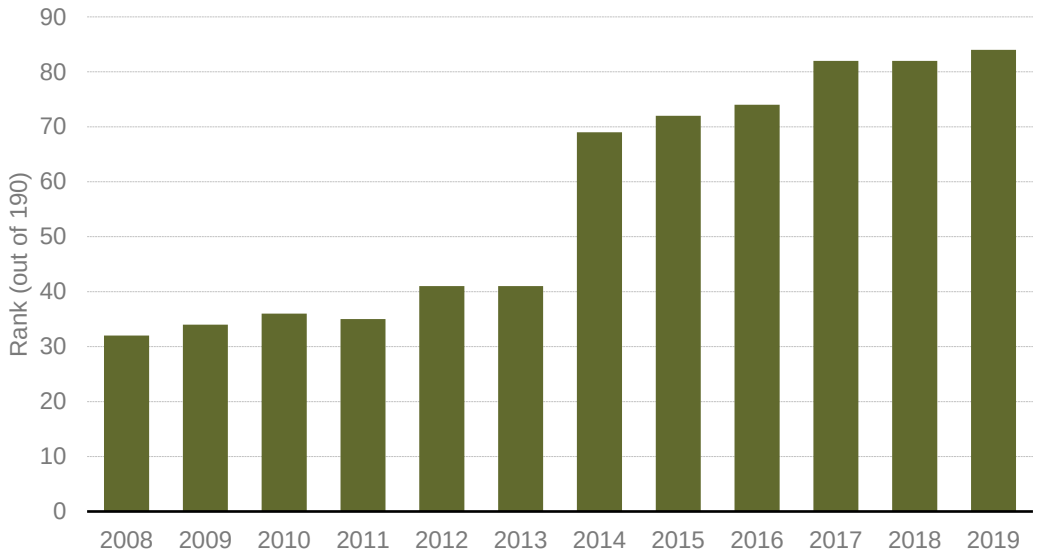
2.5 The deteriorating enabling environment

Finally, South Africa's international competitiveness is strongly influenced by a wide range of structural and environmental factors that affect the costs of production and trade. This includes skills and labour market issues, access to well-priced and high-quality electricity and communications inputs, and the efficiency and cost of the logistics system.

The World Bank's Ease of Doing Business Survey provides a perspective of South Africa's relative competitiveness across a wide range of dimensions. As shown in Figure 15, South Africa has fallen 52 positions in the world rankings in just 11 years. One of the causes of this decline is South Africa's high trading costs – where South Africa is currently ranked 145th out of 190 countries – and specifically, border compliance costs. Similarly, in the World Economic Forum (WEF) Global Competitiveness Report, South Africa has fallen from 42nd (of 117 countries) in 2005 to 60th (of 141 countries) in 2019. According to the WEF, South Africa is ranked 77th in trade openness and 69th in trade infrastructure.

[9] These rules determine whether a good can be considered as being produced in the region and therefore whether the exporter qualifies for tariff preferences.

Figure 15: South Africa's ease of doing business ranking, 2008–2019

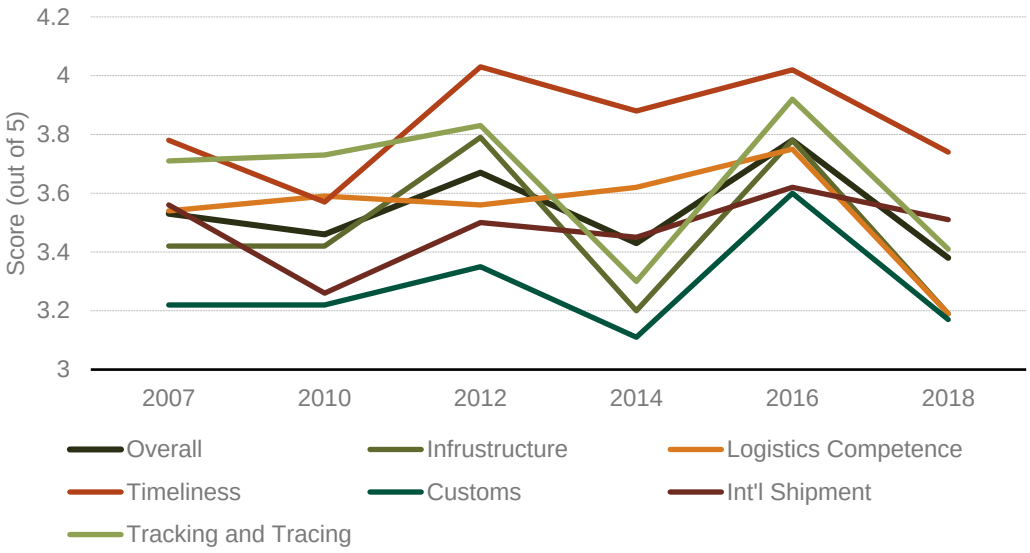


Source: World Bank Ease of Doing Business Survey; Trading Economics.

A higher rank notes a deterioration.

South Africa performs somewhat better in a number of trade-specific indices. In 2018, South Africa was ranked 33rd out of 160 countries profiled in the World Bank's Logistic Performance Index, though its score against all metrics of this index has deteriorated over the last few years (see Figure 16). Likewise, in the OECD Trade Facilitation Report, South Africa ranked 40th out of 169 countries, and in the WEF Global Enabling Trade Report, it was ranked 55th out of 136. In all three surveys, South Africa scores lowest on customs administration and border-coordination related matters.

Figure 16: The World Bank Logistics Performance Index (South Africa, 2008–2019)



Source: World Bank Ease of Doing Business Survey; Trading Economics. A higher score notes an improvement.

3. Understanding South Africa's position in trade negotiations

In 2010, a strategic framework for trade policy was launched by the then-Department of Trade and Industry, now the Department of Trade, Industry and Competition (DTIC), in response to the prevailing developments in world trade and in support of South Africa's own industrial policy agenda. In terms of this framework, tariffs were to be applied strategically, and on a case-by-case basis, to drive industrial development and diversification as well as job creation. Specifically, in order to reduce input costs for labour-intensive downstream manufacturing, tariffs on upstream input sectors (primary sectors) were to be lowered or removed. Likewise, tariffs on downstream manufacturing were to be left unchanged or raised, to support the development of priority sectors.

This approach was also expected to inform South Africa's multilateral and bilateral relations (Cipamba 2012), and the 'developmental' positions taken by South Africa in external negotiations are consistent with the policy thrust of this framework. It is also important to note that from 2002 onwards, South Africa has negotiated externally as part of the SACU, and all trade engagements and agreements reflect a SACU-wide view. South Africa's (and SACU's) positions, within African and global trade negotiations, are discussed in more detail next. Note that this section is based largely on interviews with several trade policy experts and officials in South Africa and

elsewhere on the continent, who are referred to as interviewees in the paper.

3.1 South Africa in Africa

From 1994, South Africa began to engage formally with the Southern African region. The 1969 SACU Agreement was renegotiated to provide for a changed revenue sharing arrangement. More importantly, it also created new institutions for the determination and management of trade and industrial policy within the customs union. In 1996, South Africa joined the SADC trade agreement, and the SADC Free Trade Protocol was implemented in 2000. In terms of this agreement, South Africa (and SACU) removed tariffs on 99% of all SADC country imports by 2005, with all other SADC countries backloading tariff reductions to 2012.

With a few exceptions, most SADC countries have now fully implemented the agreed phase-down schedules, and all trade should flow duty-free throughout the region. Restrictive rules of origin – most notably on textiles and clothing, wheat flour and some processed foodstuffs – still prevent trade in some sectors, and non-tariff barriers persist (Harzenberg and Kalenga 2015). Moreover, as indicated earlier, preference utilisation in SADC is very low.

More recently, South Africa has been involved in two ambitious initiatives to consolidate the multitude of regional agreements that extend across the continent. The Tripartite FTA (TFTA) negotiations, which began in 2008, aimed to bring together Africa's three deepest regional integration initiatives – SADC, COMESA and the EAC – into a single trading bloc of 27 member states. The TFTA was officially launched in 2015, on the understanding that it would take a further 12 months to resolve a number of outstanding issues relating to rules of origin and trade remedies and to finalise all offers – but to date, the agreement has yet to be implemented. The TFTA is now overshadowed by the even larger African Continental Free Trade Agreement (AfCFTA), which seeks to achieve a single African market for goods and services (Mevel and Raringi 2012). AfCFTA negotiations on tariffs, rules of origin and trade in services are still under way, despite the fact that the agreement was implemented on 1 January 2021.

Publicly, South Africa has talked up the potential of African integration, and the AfCFTA

in particular. According to former Minister of Trade and Industry, Rob Davies, "the AfCFTA will boost intra-Africa trade and create a bigger market of over 1 billion people with a GDP of US$2.6 trillion that will unlock industrial development."[10] The current Minister of Trade and Industry, Ebrahim Patel, has gone further: "The CFTA could be a game changer for the local economy, providing a massive market for SA goods and services." He highlighted that exports to the rest of the continent already account for about 250 000 South African jobs. "If we can get the institutions and infrastructure right and build deep business and social partnership in SA, the [CFTA] can add many billions of rands to GDP, create large numbers of new industrial jobs, attract and expand investment and strengthen the economy."[11]

South Africa's enthusiasm is supported by the available evidence. All quantitative studies of the likely impact of the AfCFTA highlight the sizeable trade and growth benefits for the continent, and most suggest that South Africa is likely to be among the largest beneficiaries (see Appendix A). This is not surprising. South Africa dominates intra-regional trade, and the tariffs (and non-tariff barriers) faced by South African exporters are generally higher than those encountered on imports into South Africa. The greatest gains are expected to come from trade facilitation improvements, and the potential reductions in transport times and costs in particular.

In practice, South Africa's approach to regional negotiations does not appear to live up to the rhetoric. Rather, despite South Africa's stated and strong interest in African integration, and the substantial benefits that would likely accrue from freer trade, there is a perception that South Africa has held back progress in many fora, or has pursued an overly cautious approach in regional trade discussions. According to the interviewees, this approach is underscored by "ideological peculiarities" and "protectionist leanings" rather than economic considerations.

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10 https://www.gov.za/speeches/minister-rob-davies-outcomes-african-continent-free-trade-area-26-mar-2018-0000

11 https://www.businesslive.co.za/bd/national/2019-06-05-africa-wide-free-trade-deal-will-help-sas-economy-says-ebrahim-patel/

In SACU, for example, where South Africa effectively defines the union's external trade position, almost no progress has been made in implementing the substantive provisions related to the harmonisation of trade and industrial policy over the last 15 years, whether in implementing trade facilitation reforms or establishing new trade-related institutions. As a result, and despite its significant first-mover advantage, SACU remains stuck in a 20th century limbo.

It is argued that South Africa has deliberately resisted change in SACU in order to protect its policy space and trade interests in the captured BLNE market. In sugar, for example, Namibia and Botswana currently face an equivalent tariff of around 100%[12] – this increases the cost of sugar inputs for these countries to between R3 000 and R4 000 above the international market price, and prevents them from competing internationally in downstream food products. Only South Africa and Eswatini produce sugar in SACU, and Botswana and Namibia receive first access to rebated sugar through a SADC-wide quota. South African officials acknowledge the tension around sugar within SACU, but note that this is complicated by the high levels of subsidies elsewhere in the world, which distorts the world price of sugar.

In SADC, South Africa has played an influential role in ongoing services negotiations. South Africa has an extensive General Agreement on Trade in Services (GATS) schedule, concluded at the WTO, that provides it with a strong base in regional negotiations, and the country has been eager to demand more of others. However, when analysing what South Africa has offered to SADC, the country has not gone much beyond what it committed to in the GATS, and where changes have been made, they are often immaterial.[13] More importantly, South Africa was reluctant to adopt the regulatory annexures that have been included in the SADC Trade in Services Protocol,

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12 This tariff is driven by a formula and is linked to a dollar-based reference price. When the international price of sugar rises to above this reference price, the duty is removed.

13 For example, South Africa agreed to schedule mode 2 in transport services, effectively allowing South Africans to make use of foreign transport services when they are in other SADC member states. South Africa has no ability to limit such transactions and this specific offer is therefore meaningless.

effectively delaying the conclusion of the negotiations for two years before acceding. Given South Africa's strong interests in regional services trade, and the strength of its own regulatory framework, it is disappointing that the country did not see these negotiations as an opportunity to pursue a common (i.e. South African) approach to regulation in priority sectors, such as financial services. According to interviewees, because South Africa 'blinked first' other countries 'backed off', and limited progress was made in deepening these annexures.

South African officials have pointed out that the SADC services negotiations were the first meaningful discussions in this area since the GATS, and there is a general lack of knowhow across the region, including in South Africa. Moreover, trade negotiators are heavily reliant on inputs from other line departments and sector regulators – who are usually reluctant to commit to an agreement that intentionally sets out to limit their policy and regulatory space – and from diverse industry representatives, who are generally unaware of the role and benefits of services negotiations. There is also limited data on trade in services, especially between SADC member states. It is therefore difficult to develop effective offensive negotiating positions.

Elsewhere in the region, South Africa is accused by some of the interviewees of severely delaying the Tripartite Free Trade Area (TFTA) goods negotiations by raising multiple technical points of order, stalling on the preparation of the draft text of the so-called 'acquis'[14] for two years, and then negotiating rigidly on rules of origin, which have still not been agreed to. South African officials, on the other hand, stress that they still have a strong interest in the TFTA negotiations. They highlight the fact that South Africa was among the first to ratify the agreement and that, although SACU and the EAC have agreed on tariff offers, most COMESA countries have not. As a result, the agreement, which was supposed to be launched in June 2016, still cannot be implemented.

[14] The principle that TFTA negotiations would build on the existing agreements that were already in place between SADC, the EAC and COMESA member states.

South Africa's approach to AfCFTA negotiations mirrors the pro-development and pro-industrialisation stance it has taken in SADC and TFTA negotiations. In support of these positions, the country favours high rules of origin thresholds across key sectors to promote regional value chains. In doing so, South Africa (along with many other countries) is negotiating from a generally defensive position – it is only willing to talk about tariffs once assured that stringent rules are in place to protect it against 'unfair' exports. For example, South Africa has proposed that sugar must be wholly obtained in the region, regardless of the price, including as an input in the manufacture of drinks and foodstuffs. This view is shared by other sugar-producing countries. According to one interviewee, "this does little to improve the development and competitiveness of these value chains, including in South Africa."

South African officials argue that they are pursuing a flexible approach, which does allow for alternative arrangements, if a product (such as sugar) is not available in a specific region. Moreover, they recognise that there are vast differences in industrial development and interests across African countries. Whereas some countries are looking to import as many inputs as possible, in order to kick-start new industries, others want to ensure that their established manufacturing capabilities are not undermined by knockdown assembly plants (most notably in home appliances). South Africa is consequently looking to secure a compromise in some sectors, with lower levels of local content required initially but allowing for a phase-in over time to allow companies to invest, adjust and become more competitive. As argued by one interviewee, "it is important to look beyond short-term interests in order to determine what will be the best rule of origin in the longer term."

Similarly, and despite the prevalence and apparent competitive advantage of South African service firms across the continent, the country (along with most other African countries) has supported a conservative approach to services negotiations in the AfCFTA. As a result, the African Union has adopted the GATS approach, which is unlikely to facilitate meaningful regional harmonisation or reforms. South Africa has been quick to submit a comprehensive offer in AfCFTA negotiations, which is likely to mirror that offered to SADC member states. Interviewees expressed surprise and disappointment that South Africa has been unwilling to assume a more progressive leadership role across the wider continental trade agenda and continues to focus on short-term market access issues.

South Africa is one of a few countries in Africa that is required (by law) to pursue a structured and highly consultative process domestically in defining its trade position, through the National Economic Development and Labour Council. Historically, both business and labour have adopted a strongly protectionist approach to external trade relations, and this constrains South Africa's negotiating position. There is a perception that some industries were adversely impacted by the EPA, and that the government is not quick enough to protect domestic industry through existing trade remedies (or that business is not always aware of the remedies that are available). The tariff rate therefore becomes disproportionately important.

Whereas business is apparently becoming more open – and starting to see the potential benefits from regional integration – labour remains focused on preventing any potential job losses (even if the net impact is likely to be positive). South African officials also highlight the strength of the domestic legal and institutional system – once an agreement is signed, it is fully and properly implemented. This is not always the case in other African countries.

Across all regional engagements, South Africa is generally silent when it comes to trade facilitation. This might be an ideological hangover – in the run-up to the WTO Trade Facilitation Agreement negotiations, South Africa (again, along with most other African countries) was reluctant to engage on anything new, until the outstanding issues under the Doha Development Round were addressed. A one-stop border policy was developed by National Treasury in 2010, and there was a proposal at the time to develop the first one-stop border policy between South Africa and Mozambique, but this did not succeed. A new draft was published by the Department of Home Affairs for comment in December 2020. Likewise, in 2010, SARS launched a customs modernisation programme, but it would appear that SADC and SACU are being left behind when it comes to streamlining cross-border trade processes. It would also appear that border discussions are currently dominated by security, immigration (and more recently health) concerns, rather than trade and customs matters (see Box 2).

Box 2: The South African Border Management Authority

In 2013, the South African Cabinet agreed to the establishment of a border authority to modernise the management of South Africa's ports of entry, and to improve coordination across the various government agencies represented at South African borders. The resulting Border Management Authority Bill was tabled in Parliament by the Department of Home Affairs in May 2016 and the Act was ultimately signed into law by President Ramaphosa in July 2020 (Parliamentary Monitoring Group 2020).

The main objectives of the Act are to "establish and empower the Authority to achieve (a) integrated border law enforcement within the border law enforcement area and at ports of entry; and (b) co-operation on and co-ordination of border management matters in general" (Department of Home Affairs 2020). The Act provides for the creation of an Inter-Ministerial Consultative Committee, to be headed by the Minister of Home Affairs, including representation from a wide range of government departments, although it excludes SARS.

The primary focus of the Act is border control, and the Border Management Authority (BMA) is provided with extensive powers of entry, search, seizure, arrest, and detention: "Officers may stop and board any vessel within the border law enforcement area without a warrant and require the master to produce certain documents, including documents relating to the importation and exportation of goods" (Shepstone and Wylie 2020). Regardless of whether such powers are constitutional, it is clear that the BMA will have the ability to interfere with cross-border trade.

Of greater concern is that the creation of this agency points to the increased securitisation of South Africa's borders. "With our borders already monitored by the police, as well as Customs, amongst other government agencies, introducing another border monitoring agency could lead to conflicting directions between such agencies. Does a BMA stop trump a police or customs stop, or will the various governmental agencies monitoring our borders co-ordinate their stops? Also, where there are now multiple stops or interventions, the cost consequence of delays could go up significantly. This is cause for concern where such interventions have already pushed up the cost of imports and exports." (Shepstone and Wylie 2020)

3.2 South Africa elsewhere

South Africa (and SACU) has negotiated with a number of international partners since 1994. The most significant and deepest of these agreements was between the TDCA and the EU, which came into force in 2000. This agreement sought to establish a free trade area between the EU and South Africa, and to promote reciprocal liberalisation and the expansion of mutual trade in capital, services and goods (Malefane 2018). While strong progress was made in removing tariffs on goods trade, South Africa has refused to enter into services negotiations with the EU.

The TDCA was replaced by the EU–SADC EPA in 2016, enabling SADC signatories to use regional inputs, as well as inputs from the EU and other African, Caribbean and Pacific states in accessing EU preferences (European Commission 2016). This specific 'cumulation' provision has not yet been implemented due to administrative delays amongst SACU member states. The EU–SADC EPA has been largely replicated in an agreement with the EFTA group of countries – Iceland, Lichtenstein, Norway and Sweden – and forms the basis of the SACU+Mozambique EPA with the UK, which came into force on 1 January 2021.

The only other trade agreement implemented by South Africa over the last few decades is a partial preferential agreement with Mercado Común del Sur/Common Market of the South (MERCOSUR, made up of Argentina, Brazil, Paraguay and Uruguay). Negotiations began in 2002 and were concluded in 2008, and the agreement came into force in 2016. The agreement provides for the liberalisation of just over 1 000 tariff lines, but effectively excludes almost all of the existing trade between the two blocs. Negotiations with India on a similar partial trade agreement began in 2007 and are apparently still under way; while the government is also in discussions with China to develop a Partnership for Growth and Development.

South Africa's trade relations with the US are governed by the unilateral AGOA, enacted in 2000, which provides duty-free access for qualifying African countries, including South Africa, for a wide range of sectors. AGOA was last extended in 2015, up to 2025, but these preferences can be withdrawn by the US at any time and for any reason. Attempts to sign a reciprocal agreement with the US, which would have provided SACU with permanent preferences, fell apart due to substantial differences over the scope of the agreement. Whereas the US was looking to mirror its agreements with other countries – which included binding commitments on intellectual property rights, government procurement, investment and services, labour and the environment – SACU's interests were largely limited to extending and locking in AGOA's benefits (Brown, Kiyota and Stern 2006) through reciprocal market access.

Globally, South Africa has played an important role in WTO negotiations historically, and was a vital party in the conclusion of the Doha Development Round. In general, there is a perception that South Africa is reluctant to engage in any further market

access negotiations, including plurilateral discussions on any new trade issues. The main reason for doing so is because it (and many other developing countries) believes that until all Doha Development Round commitments have been concluded, the multilateral agenda should not be extended.

For these reasons, in the Non-Agricultural Market Access negotiations, South Africa has linked any discussion around market access to negotiations around domestic support (in agriculture), as outlined in the Doha Development Agenda. This is despite the fact that South African non-agricultural tariffs are generally very low and are levied at bound levels.[15] While it is understandable that South Africa is aggrieved by the lack of progress in the area of domestic support, this 'super-defensive' position does not necessarily reflect South Africa's economic interests in this area.

It is argued that South Africa pursues a similarly defensive approach in WTO services negotiations. For example, in the mandated multilateral discussions to develop domestic regulatory disciplines,[16] South Africa maintains that any new rules will not be compatible with the African agenda, and that African regulators do not have the capacity and maturity to commit to generally accepted regulatory principles. Instead, South Africa has been instrumental in creating an opposing caucus – consisting of African countries and Least Developed Countries – to maintain 'policy space' and prevent multilateral progress in this area. As a direct result of this stance, these negotiations are now limited to the 63 members that have agreed to pursue these issues among themselves. Likewise, South Africa has been forceful in stalling progress on e-commerce, which is now being negotiated among more than 90 members plurilaterally. These plurilateral negotiations are likely to set new benchmarks for international agreements on these issues, and by excluding itself from these discussions, South Africa's voice will not be heard.

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15 Bound levels are the maximum tariff level that is permitted in terms of South Africa's WTO commitments.

16 A set of agreed rules which are intended to ensure that services regulations are objective, transparent, efficient are and do not restrict supply.

4. Understanding the influence of industrial policy

Over the last few years, trade policy has seemed to play second fiddle to industrial policy concerns. Whereas the country's trade policy has not been formally updated,[17] since the publication of the strategic framework in 2010, annual Industrial Policy Action Plans (IPAPs) were rolled out by the Department of Trade and Industry from 2009 to 2018. The most recent iteration of the IPAP (2018/19–2020/21) does include a dedicated chapter on South Africa's "developmental trade policy", but the focus of this section is almost exclusively on strengthening South Africa's testing and standards infrastructure.

On tariffs, the IPAP reiterates the country's case-by-case approach to reducing tariffs on inputs in order to support the development of downstream value-addition, while also providing for tariff increases in order to preserve or create jobs. The IPAP also includes a chapter on "African integration and industrial development", through which South Africa plans to identify and facilitate investments into "catalytic industrial projects" and "mega-opportunities" across the continent (Department of Trade and Industry 2018).

However, most of the IPAP and South Africa's industrial policy is dedicated to the development of a long list of priority sectors, including automotives; clothing, textiles, leather and footwear; metal fabrication, capital and rail transport equipment; agro-processing; forestry, timber, paper and furniture; plastics, pharmaceuticals, chemicals and cosmetics; minerals beneficiation; green industries; business process services; marine manufacturing and associated services; aerospace and defence; and electro-technical industries. Together, these sectors account for most economic activity and almost all exports. The success or failure of the government's industrial policies in these sectors – and more broadly – can therefore be expected to have a significant impact on the country's trade performance.

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[17] The DTIC did release a statement on "A Trade Policy for Industrial Development and Employment Growth" on 20 May 2021; which sets out the DTIC's overall trade policy objectives (this statement was released after the completion of this paper).

South Africa's exports of motor vehicles, for example, can largely be attributed to the government's Motor Industry Development Programme and, more recently, the Automotive Production and Development Programme. This sector alone receives more than half of the government's total spending on industrial incentives and support, at around R25 billion a year (Department of Planning, Monitoring and Evaluation 2018). Although it is likely that investment and exports in this sector would collapse in the absence of this funding (Flatters 2005), it is impossible to know how much more or less South Africa would export if this rent was redirected to other (and perhaps more competitive) sectors, or back to the government and consumers.

There are other industrial policy interventions that likely affect firms' decisions to export in more complex ways. The IPAP identifies public procurement as a key lever for industrialisation though the promotion of local production, and the DTIC has designated 23 sectors or products with varying minimum local content requirements. According to the DTIC, around R60 billion worth of local content was procured by government entities between 2015 and 2017 as a direct result of these designations (The Department of Trade and Industry 2018).

Whereas this spend undoubtedly generates significant (short-term) benefits for the firms involved, local content regulations can lead to the reallocation of scarce domestic resources to supported industries, and give rise to price increases and economy-wide inefficiencies. The regulations can also lead to a reduction in trade though an immediate import–displacement effect and a longer-term loss in export competitiveness. In South Africa, for example, the imposition of local content requirements in the procurement of renewable energy production has resulted in cost increases of at least 10% (Kaziboni and Stern 2020).

Similarly, and more widely, South Africa's Broad-Based Black Economic Empowerment (B-BBEE) policy directly and intentionally favours black-citizen-owned (and therefore by definition South African-owned) businesses over entirely foreign-owned businesses, initially through government procurement, but with flow-through effects to the rest of the economy. This inevitably reduces competition and potentially international investment in some sectors and makes the use of foreign skills more challenging. In addition, the policy framework provides for a price premium of between 10% and 20% that can effectively be charged by the most empowered domestic

companies. While this policy has undoubtedly served to diversify and transform the structure of the South African economy; it too raises the incentive to produce for the domestic market, relative to exporting.

5. Main findings and possible policy recommendations

South Africa's exports have lagged behind the rest of the world over recent decades, and this has likely constrained overall economic growth. There are multiple reasons for this disappointing trade performance, including the structure of the country's export basket (which remains dominated by commodity products); its dependence on a limited number of large but mature export markets; and the high cost and deteriorating competitiveness of the general business environment. South Africa's manufactured trade with Africa is considerably overstated, but is evidence of the country's important role as a logistics and services hub in the region.

Trade and industrial policy also has an important role to play – effective rates of protection remain high in some sectors; the country adopts a defensive approach to new trade agreements; and there is an increased focus on localisation. The exchange rate does not seem to be a significant contributor in increasing (or decreasing) the competitiveness of exports over the long term. Together, these structural, environmental and policy factors increase the incentive to produce for the protected domestic market over and above exploring new export opportunities, while raising barriers for new entrants and lowering competition for incumbent firms.

To address the inherent bias against exporting, four sets of actions are recommended.

First, South Africa urgently needs to address the high cost of investment and trading across borders, and reverse the country's relative decline in international competitiveness. This will require a concerted and well-coordinated effort to improve rail and port efficiencies; streamline customs, registration, licensing and other administrative processes; lower the costs and improve the quality of critical inputs, such as telecoms, energy and transport; and remove or reduce regulatory impediments to the movement of goods, services and skills into the country. There are multiple efforts to address many of these constraints, but without real progress in all of these areas, the country will continue to lose ground against developing country comparators.

Second, South Africa should review the impact of its existing industrial, localisation and sector-specific policies on export behaviour. Whereas the existing policy framework strongly supports the transformation and industrialisation of the domestic economy, in some instances, this may come at the cost of the country's long-term international competitiveness. South Africa's deteriorating competitiveness in the export of mining and mineral products – which still account for most of the country's exports – may require specific policy attention. National policies may also have adverse impacts on South Africa's partners in the region – there are already reports of companies from Botswana relocating to South Africa in order to satisfy local content requirements.[18] These trade-offs need to be identified and evaluated, and, where possible, mitigating actions need to be put in place.

Third, to offset some of these costs and overcome the multiple challenges of entering new markets, a comprehensive and targeted export promotion and export finance framework is required. The available international evidence suggests that export promotion agencies are important in addressing information asymmetries, which are typically larger for smaller firms and differentiated products, and when firms try to enter new country or product markets. Moreover, bundled support services – including counselling for new exporters, missions and fairs, and the development of business relationships – are more effective than any isolated actions (Cadot et al. 2011). Likewise, there is a role for government to ensure that exporters have access to world-class financial products and services, including export credit and insurance. Building the capacity of export associations and chambers of commerce is also important in enabling new industries to enter export markets.

Finally, an updated and comprehensive trade policy is needed to guide South Africa's approach to trade support and negotiations, both across the continent and internationally; to develop consistent positions on newer trade issues, such as services

[18] Stakeholder interviews.

and e-commerce; to consider the impact of changed international conditions, such as climate change, the emergence of global value chains and the COVID-19 pandemic; and to promote serious trade facilitation reforms at and beyond the country's borders. This policy should be founded on substantive research that considers the impact of existing policies and institutions on export performance; identifies target markets and priority products and services; and analyses the costs and benefits of alternative policy instruments and options. It should be informed by widespread consultations across government and with external stakeholders in business, labour and civil society. The resulting policy should incorporate a detailed monitoring and evaluation framework so that progress can be measured, problems can be identified, and corrections can be made. The country's trade policy should also be reviewed and revised more regularly.

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Appendix A

Title	Author(s)	Overall impact of AfCFTA	Benefits of AfCFTA to South Africa
Deepening Regional Integration in Africa: A Computable General Equilibrium Assessment of the Establishment of a Continental Free Trade Area followed by a Continental Customs Union	Simon Mevel and Stephen Karingi (2012)	AfCFTA will significantly increase exports, real income and real wages in Africa. However, the removal of trade barriers on goods within the African continent will not be sufficient to achieve the target announced by the African Union's member states, who wish to see the share of intra-African trade doubling over the next decade. The increase in the share of intra-African trade would, nevertheless, be quite substantial as it would grow from 10.2% in 2010 to 15.5% in 2022. Country-level analysis reveals that some countries would register a decrease in their real income due to tariff revenue losses and/or diminished terms of trade and/or negative net food trade balances. Also, certain categories of workers, in some regions, would see their real wages declining with the reform.	The expected change in real income is 0.7%, tariff revenue is expected to increase by 5.9%, and terms of trade are expected to improve by 1.2%.
General Equilibrium Assessment of the COMESA-EAC-SADC Tripartite FTA	Dirk Willenbockel (2013)	AfCFTA leads to a welfare benefit of US$57 million. However, under the most ambitious TFTA scenario, which combines complete tariff liberalisation for intra-TFTA trade with a reduction in non-tariff trade barriers, the projected aggregate net benefit	South Africa is projected to experience a moderate aggregate net welfare gain of 0.15% under the scenario where all intra-TFTA tariffs are eliminated and a more pronounced welfare

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		for the TFTA group rises to over US$3.3 billion per annum. The study also found that significant sectoral production effects are concentrated in a sub-set of sectors, including sugar production, with backward linkage effects to sugar cane production, beverages and tobacco, and light manufacturing, and – to a lesser extent for some countries – in textiles, metals and metal production, and chemicals.	gain of 0.34% when intra-TFTA tariffs are removed and real transport/transaction costs are reduced on intra-TFTA flows. The strongest sectoral impact on domestic production is projected for sugar products (5.4%) as South Africa's sugar exports are expected to expand by 19% relative to the baseline. The backward linkage effect on domestic sugar cane output is on the order of 1.7%. The percentage changes in South Africa's exports of all other commodity groups are in a low single-digit range, and changes import flows to South Africa are small.
The continental free trade area Global Trade Analysis Project assessment	Ron Sandrey and Hans Grinsted Jensen (2015)	The gains from reducing transit time delays at customs, terminals and internal land transportation were forecasted to be higher than the gains from reducing non-tariff barriers as well as intra-African tariff elimination. Although the study did not model the expected gains from a combined approach, the combined	South Africa is forecasted to be a major gainer in the secondary agriculture market and is expected to be the largest gainer in duty-free access for vehicles and their parts across Africa. South Africa is also expected to see an increase in

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		outcome from all three is expected to be cumulative and to generate very large gains to Africa.	demand for skilled and unskilled labour.
Trade, Growth, and Welfare Impacts of the CFTA in Africa	Nicolas Depetris Chauvin, M. Priscila Ramos, and Guido Porto (2016)	The gains from the reduction in non-tariff measures in goods and the improvement of trade facilitation conditions are far greater than the expected gains from intra-Africa tariff elimination. Overall gains are unevenly distributed across African countries, smaller countries that currently have highly protected economies are expected to benefit the most from this economic integration process. The CFTA would also lead to asymmetric changes in trade patterns among African countries and within countries across sectors, which are also sensitive to trade liberalisation modalities. As a general conclusion on the trade impact of the CFTA, it should be noted that intra-Africa trade would intensify between countries which are already trade partners and new trade relations may not emerge significantly.	The findings reveal that AfCFTA is expected to increase trade shares between Nigeria and South Africa. Terms of trade gains are expected to increase with the elimination of tariffs. South Africa is also expected to experience capital accumulation gains.
Boosting Intra-African Trade: Implications of the African Continental Free	Afreximbank (2018)	The welfare and macroeconomic benefits of the removal of all tariffs and lowering of non-tariff barriers far outweigh the economic benefits of the removal of tariffs alone	The removal of all tariffs and lowering of non-tariff barriers is expected to increase South Africa's GDP by 3.74% and to improve

Title	Author(s)	Overall impact of AfCFTA	Benefits of AfCFTA to South Africa
Trade Area Agreement		as well as the removal of all tariffs and less lowering of non-tariff barriers. The decomposed welfare effect shows that AfCFTA will likely result in improved allocative efficiency, technological change, improved terms of trade, and an increase in savings and investment.	household utility by 1.33%.
African Continental Free Trade Area: Challenges and Opportunities of Tariff Reductions	Mesut Saygili, Ralf Peters, and Christian Knebel (2018)	AfCFTA will result in significant welfare gains, output and employment expansion and intra-African trade growth in the long run. Gains are expected to be unequally distributed among member states. In the short-run, countries are likely to bear some tariff revenue losses and adjustment costs which may not be distributed uniformly across the African continent. Both costs and benefits are expected to decrease if sensitive products are exempt from liberalisation.	Not identified
The Trade Effects of the African Continental Free Trade Area (AfCFTA): An Empirical Analysis	Alemayehu Geda and Addis Yimer (2019)	The computed trade indicator indices (Revealed Comparative Advantage Index, Regional Orientation Index, Trade Complementarity Index, Export Similarity Index) suggest that there will be limited benefits from the proposed AfCFTA, since African countries are not natural trading partners. Instead, AfCFTA may lead to trade diversion effects, particularly in manufactured	Not identified

Title	Author(s)	Overall impact of AfCFTA	Benefits of AfCFTA to South Africa
		goods trade. Conclusively, AfCFTA may not bring significant benefit, especially in the short run, unless it is combined with other relevant polices such as continental strategic industrialisation.	
The African Continental Free Trade Agreement: Welfare Gain Estimates from a General Equilibrium Model	Lisandro Abrego, Maria Alejandra Amado, Tunc Gursoy, Garth P. Nicholls, and Hector Perez-Saiz (2019)	There are significant potential welfare gains from trade liberalisation in Africa. Given that intra-regional import tariffs are already low in the continent, the bulk of the welfare gains result from lowering non-tariff barriers.	Simulated welfare gains from tariff elimination and non-tariff barrier reduction are higher than the African median welfare gains.