

International Trade & Investment:

Speaking Notes: Nedlac Summit
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Point of Departure

- Cautious of models predicated on massive transfers of resources from rich countries
- Strategic engagement in international trade and promotion of FDI can, however, contribute to promotion of economic growth and poverty alleviation as part of broader growth and development strategy

Basic Considerations Informing Trade Policy

- SA a small open economy: 50% of GDP derived from international trade
- Apartheid SA excluded from range of more favourable trade arrangements to which comparable countries had access
- Globalisation driving an uneven and unequal process of trade liberalisation

Objectives of Trade Policy

- Seek access to more favourable trading arrangements particularly with major trading partners
- Build trade relations in areas from which previously excluded – especially in the South
- Work for greater equity in global trade rules
- Promote equitable, mutually beneficial cooperation and integration in Africa and SAR as fundamental bedrock of trade policy

General Challenges of Trade Policy

- Building coherence with industrial policy
- Addressing unequal power relations and deep seated inequities
- Promoting *developmental* integration in a region and continent characterised by different levels of development and uneven trade relations

Current Issues and Challenges: The WTO

- Doha saw developing countries putting demands for end to protectionism and subsidies on agricultural products; for removal of tariff peaks, escalations and ntbs on products of export interest to developing countries.
- DDA said “needs and interests of developing countries” would be at hear of work programme, but also included demands of developed country blocs

WTO ctd

- Cancun saw 3 of 4 Singapore issues canned
- Work since then focused on Hong Kong Ministerial in December
- Agriculture major issue, but this closely linked to NAMA

WTO ctd

- Hong Kong outcome uncertain – could be inconclusive another Cancun
- G20 proposal accepted as broad framework on modalities for agriculture– formula for agricultural tariff cuts; elimination of export subsidies by agreed date; cuts in blue box subsidies and disciplines on green box, but many details vague

WTO ctd

- NAMA- not just tariff peaks, escalations etc on products of interest to developing countries, but also “high tariffs”.
- Inching towards acceptance of Swiss formula, debate on coefficients

WTO ctd

- Outcome depends on dynamics within developed country blocs and negotiating skills of larger developing countries
- EU looking for “wiggle room” to legitimize current CAP reform; US willing to go further on agricultural trade reform but wants large “pound of flesh” in return – significant cuts in applied industrial tariffs in larger developing countries

WTO ctd

- WTO deal may enhance opportunities in agricultural trade and commodities with tariff peaks, but will come at some price in terms of further tariff cuts in larger developing countries
- Collapse at Hong Kong will entrench agricultural protectionism in EU and US for some time and fuel bilateralism – with Singapore issues being put on table as e.g. in SACU-US or EU EPA

Current Issues and Challenges: China

- China emerging economic and trade power
- End of MFA placing China in position of dominance in global clothing industry
- China also major importer of mineral products – sustaining high commodity prices
- SA has defensive and offensive interests vis a vis China

China ctd

- Immediate issue potential threat to clotex industry
- Longer term possibility that may find investments in beneficiation industries in SA attractive proposition
- Need to explore new forms of economic diplomacy with China – resource and investment deals, restraint on export penetration rather than conventional FTAs

Current Issues and Challenges: Regional Integration

- Development integration – a programme of functional cooperation, coordination and appropriate integration in a context where major barriers not necessarily tariffs but underdeveloped production structures and inadequate infrastructure
- Danger of insufficient progress of *regional* infrastructure or industrial policy programmes coupled with over ambitious orthodox trade integration agendas

Regional Integration ctd

- SACU now multilateral organisation-enlargement and relationship to SADC
- Non-Correspondence of RECs and EPA negotiating configurations in SAR

Investment Promotion

- FDI follows rather than leads growth
- Investment climate vs incentives
- What opportunities does higher growth in SA create ?
- Working smarter with more customized incentives