

Global Value Chains (GVCs) and Trade Facilitation: Implications for South Africa's Trade Policy

To take advantage of Global Value Chains (GVCs), which are changing the course and momentum of trade and investment in various parts of the world, South Africa needs coherent and consistent economic and trade policies – as well as the necessary buy-in from both the government and the private sector. This was a frequently-voiced sentiment at the **second WTO-TRADE round table** event staged by the **North-West University's TRADE research entity** on the Potchefstroom campus in June 2015. The round table, conducted under the auspices of the university's **WTO Chairs Programme**, brought together trade experts from the academic world, government and the business community to debate the challenges that South Africa is facing in the global business arena and the practical steps that can be taken in the short and longer term to inform the trade policy-making process in this country.

Trade promotion efforts in South Africa have traditionally focused on exports, with imports often seen as a necessary evil with the capacity to put many local producers out of business. However, with GVCs becoming more entrenched around the world and helping to fuel regional growth and development, there is growing acceptance that imports constitute just as important a component in the country's trade mix as exports. Nevertheless, significant challenges lie ahead for South Africa - both at the operational and policy level.

"GVCs are a regional affair," said **Prof Peet Strydom, an extra-ordinary professor in the TRADE research entity**. "Eastern Europe and Asia, for example, have built many geographically-concentrated production and trade hubs, enabling GVCs to thrive." Africa has relatively few GVCs and most of are small (South Africa's automotive GVC being a notable exception). This is largely the result of infrastructural hurdles and institutional weaknesses, and the fact that trade in Africa is often subject to complex or opaque laws and excessive bureaucracy. All these things add to the cost of trade and deter foreign direct investment.

"Trade facilitation is becoming increasingly important, with countries coming under growing pressure to move their goods across borders efficiently if they are to achieve any level of competitiveness," remarked **Dr Sonja Grater, services trade expert in the TRADE research entity**. Yet South Africa's trade community is currently grappling with the myriad documentary and procedural requirements specified in the country's New Customs Act, including the financial implications of non-compliance – which, in the case of small companies, are likely to be severe. "In the current climate," added Dr Grater, "trade diversion is a real threat."

"The policy and regulatory environment in South Africa provides the natural backdrop to the country's trade efforts and performance," said **Prof Wilma Viviers, leader of the TRADE research entity and WTO Chair at North-West University**, "but the various policy documents that have been formulated in recent years – however well-meaning – do not share the same vision and sometimes contradict each other. What is also worrying is that little, if any, attention is being paid at an official level to the Global Value Chain (GVC) phenomenon and the need for a more facilitating environment for trade – particularly in a Sub-Saharan African context."

Prof Raymond Parsons of the North-West University Business School remarked that the process of consultation between government and business in South Africa needs to be strengthened and that the RIA (Regulatory Impact Assessment) system, which was in use some years ago, should be resuscitated. “With the RIA system in place, a proposal from business can still be rejected by government but the decision will at least be from an informed base,” said Prof Parsons.

Mr Livhuhani Mukhithi of the dti (Department of Trade and Industry) spoke about the all-too-frequent phenomenon of “the government, the academic community and the business sector debating and strategising around the same sorts of issues but operating in ‘silos’, which dilutes the impact of the findings and the steps taken in response to such findings.” Mr Mukhithi said that he and his team were nevertheless committed to facilitating more open channels of communication between the dti’s trade policy makers and the WTO-TRADE round table’s research sub-committees, thereby paving the way for information and strategic insights to be exchanged on a regular basis.

A significant outcome of the round table was the decision by the group to adopt a ‘dual-track’ approach to formulating their ongoing research agenda. On the one hand, ‘fast-track’ research will focus on high-priority investigations that have strong policy implications and can be carried out in the short term. A key vehicle for the outputs of such research will be policy briefs, directed at government, with GVCs and the implications for South Africa being a central theme. On the other hand, longer term research will have a more academic flavour, typically packaged as journal articles and Master’s and PhD dissertations/theses. Topics could include the contribution of multinational corporations to South Africa’s growth and development, and the factors that have contributed to Mauritius’ success to date in terms of its GVC initiatives.

There was general consensus that the academic community has a very important role to play in closing the knowledge gap where a wide range of economic and trade issues are concerned, and helping the government and the business sector to better understand each other’s points of view.

“The forces of globalisation do not wait for those who are unprepared, and South Africa has much catching up to do if the country is to reprise its role as a key player in Sub-Saharan Africa as well as among emerging economies as a whole.” concluded Prof Wilma Viviers.

Further round tables are scheduled for the months ahead in the build-up to an international trade conference in 2016 run under the banner of the WTO Chairs Programme, which will feature an interesting line-up of local and international speakers and delegates.

For more information about the work of North-West University’s TRADE research entity and the WTO Chairs Programme, see www.nwu.ac.za/trade and/or contact Prof Wilma Viviers on: wilma.viviers@nwu.ac.za.