



B E R R Y & D O N A L D S O N

NEWS UPDATE

Trade and Industry Minister Rob Davies has been on an overseas junket, flying the flag for South African exports and emphasising the need for our products to move up the value chain. Speaking at the China International Fair for Investment and Trade in Xiamen the minister said: “We cannot count on continuing simply to be a producer and exporter of mineral products. We want to move up the value chain; we want to move up the value chain in our relations with China”

As a producer of resources, South Africa has largely depended on exporting raw materials as inputs to manufacturing trade partners, such as China. However, there needs to be a move up the value chain. In other words we need to be exporting more finished goods to our trading partners, relying less on our input commodities and being more of a player in the selling of value added products.

The motor industry is one such sector that is exporting value added or finished goods to China representing a healthy balance between the two trading partners. Total automotive exports to China were worth R1.13 billion last year, while China’s light vehicle exports to South Africa were valued at R1.25bn.

Following his visit to China, Mr Davies was in the US, where he sought to affirm to the Americans the value of AGOA is to South Africa. AGOA, the African Growth and Opportunity Act allows African countries favourable trading conditions in exporting to the US, currently amounting to a further 27% of South African exports to the US to be duty free (although 98% of SA exported goods enter the US duty free under various schemes, including AGOA).

Although President Obama has promised support for South Africa’s continued inclusion in AGOA, there are many in the US who believe the scheme should benefit only the poorer countries in Africa.

Given that the mining sector has shed 23 000 jobs in the last twelve months, the importance of South Africa and our neighbours moving away from being resource dependent economies to being manufacturers of intermediate or finished goods is being further stressed. South Africa’s inclusion in AGOA is important to this end, says Minister Davies, intra-regional trade is underpinned by AGOA and the benefits of this scheme, or trade agreement, are of value not only to South Africa but the growth of the region as a whole.

With our yawning trade deficit widening despite the weakening of our currency, South Africa needs to explore every avenue to boost our exports in the face of increased (and more expensive) imports.