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Evaluating South Africa's export performance drivers: Are we exporting to our political or economic friends?

Xolisiwe Y. Potelwa, Bonani Nyhodo, and Sifiso M Ntombela

Invited paper presented at the 5th International Conference of the African Association of Agricultural Economists, September 23-26, 2016, Addis Ababa, Ethiopia

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Article submitted for oral presentation - African Association of Agricultural Economist (AAAE) 5th Conference of (23 -26 September 2016), Addis Ababa, Ethiopia

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By Xolisiwe Y. Potelwa¹, Bonani Nyhodo, and Sifiso M Ntombela

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¹ All authors are employees of the National Agricultural Marketing Council (NAMC). Yolanda Potelwa is the corresponding author, vpotelwa@namc.co.za or 012 341 1115

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Abstract

South African trade has been showing a growth increase in recent years, from R221 billion in 2001 to over R906 billion in 2014, which is equivalent to an annual average rate of 13%. The agricultural sector's exports have increased even more rapidly, recording an annual growth rate of 14% between 2001 and 2014. The European Union (EU) has been South Africa's traditional export market since the signing of the Trade Development Co-operation Agreement (TDCA) between South Africa and the EU. In recent years, the South African export share has been moving towards the African and Asian markets. The growth towards these markets has been driven by income growth, population growth, the formal retail evolution, and the establishment of new political ties in the East. This paper concludes that South African exports are mainly driven by economic factors, although political relations also complement the export growth.

Keywords: Export growth, drivers, economical, political, agriculture

Introduction:

With the dawn of democracy, South Africa became a member of the World Trade Organisation (WTO), leading to a significant reduction in the country's tariff rates. South Africa liberalised trade so as to create an open and export-oriented economy that would allow for the improvement of its agricultural market and sustainable growth productivity. Following trade reformation in 1994, the country has become involved in a number of bilateral and regional trade agreements, including free trade areas (FTAs), preferential trade agreements (PTAs) and regional trade. South Africa first entered into a trade development and cooperation agreement with the European Commission in the late 1990s, allowing South Africa to increase trade into the European Union (EU) market (Cassim & Seventer, 2004).

South African has since increased its trade beyond the EU, recently focusing on the African and Asian markets. The country's trade grew from R221 billion in 2001 to over R906 billion in 2014, which is equivalent to an annual average rate of 13%. The agricultural sector's exports have increased even more rapidly, recording an annual growth rate of 14% between 2001 and 2014. Agricultural exports account for a nearly 10% share in the country's total

exports. There are various factors that can account for the positive growth in exports, including, but not limited to, the trade relations established by South Africa since the dawn of democracy, as well as improved competitiveness and the consequent attractiveness of South African products in the global markets, the growing world population and the subsequent demand for more products, the political relations established by the country, as well as improvements in world technology and transport systems and the resulting stimulation of trade and reduction of export costs.

This paper seeks to review the trade performance of South Africa between 2001 and 2014, with a special focus on agricultural exports. The factors driving exports are explored, discussed and analysed. The primary question the paper seeks to address is whether the export growth is driven by global economic factors or by South Africa's political relations with global partners, with the paper structured as follows: Section 1 provides a brief literature review on trade development and growth; Section 2 contains a review of export performance between 2001 and 2014; Section 3 addresses the economic and political factors that drive trade performance; Section 4 gives the concluding remarks.

Literature review on trade

International trade theory justifies the movement of goods and services (between countries) and more extensively outlines the laws that govern these movements (from multilateral treaties to regional, bilateral and unilateral treaties). The evolution of trade theory can be traced back to the 16th century, when it was dominated by the philosophy of mercantilism² (Sen, 2010). The mercantilist's views on restricting imports were later challenged in 1776 by Adam Smith, who advocated free trade based on the theory of absolute advantage (Dima, 2010). This theory posited that when nations specialise in industries where they have absolute factor advantages, gains from trade come to every nation.

Ricardo (1817) further developed Smith's theory when he put forward the theory of comparative advantages, arguing that mutually beneficial trade could be attained even when one nation is relatively efficient in the production of all goods, because nations specialise in industries where they have lower opportunity costs (Love & Lattimore, 2009). A common feature of these concepts and theories (absolute advantage and comparative advantage) was their call for free trade. This regime of high import tariffs and poor co-ordination of international trade laws led to the development and adoption of the General Agreement on Tariffs and Trade (GATT) in 1947.

GATT was developed as a tool to co-ordinate and enforce the international trade rules. Between 1940 and 1980, tariffs were major barriers to the free movement of goods and services across borders, and GATT was highly successful in lowering these tariffs. The first six multinational trade negotiations under GATT reduced the average world tariffs from over

² The mercantilist trade theory promoted the belief in high-level government intervention on international trade, which encouraged nations to export goods.

50% in 1950 to 12% in 2000 (Love & Lattimore, 2009; Smith, 2014). In the 1990s, GATT developed into the World Trade Organization (WTO) and expanded its trade rules to govern non-tariff measures, including sanitary and phytosanitary measures, as well as technical barriers to trade. The WTO and its predecessor, GATT, are heralded as among the most successful multilateral institutions of the post-World War II era, helping to promote free international trade (Bagwell & Staiger, 2002). The new trade theory advocates industrialisation to promote competitiveness and trade (Anderson & Van Wincoop, 2004), serving as the engine that finances development and economic growth among nations. Trade theory finds a strong relationship between trade development and economic growth. According to Fosu and Mold (2007), world trade development has led to a growth in Gross Domestic Product (GDP).

There is a question around the international movement of goods and services across borders, in terms of whether the matter is influenced by economics alone or also by politics. Based on simple neoclassical trade theory, it appears that the free market system determines such movement. The concept of regional grouping (on the basis or geography and politics-geopolitics) has had a trade-diversion or trade-creation component worldwide. South Africa has embraced an open trade policy since becoming a democratic state in 1994. This trade policy reformation was aimed at creating market access for South African markets to global markets. The country reduced its tariffs to new low levels and has since entered into various trade agreements (see Appendix A for full list of trade agreements reached since 1994). This paper seeks to understand whether such trade agreements have been drivers of recent trade growth in the country, the objective being to provide insight into whether South Africa's trade growth follows trade agreements or whether it is stimulated by other factors.

South African trade performance review

South Africa has enjoyed sustained positive growth in trade since the early 2000s. **Figure 1** shows that the country's total exports have been growing at an average rate of 13% per annum throughout the period under review, reaching an export value of R906 billion in 2014. Figure 1 also shows the agricultural exports, which have been growing at an average rate of 14% per annum to reach a total of R92 billion in 2014. South African exports, especially agricultural exports, experienced strong growth in the early 2000s (i.e. between 2001 and 2003), driven by the weaker exchange rate and the deregulation of the agricultural industry. The second significant period was experienced between 2007 and 2008 when the world suffered a global recession. During this period, South African exports experienced a sharp increase as global demand increased significantly. The third period extends from 2012 to the present and is regarded as a global financial recovery period. Strong signs of world recovery from the recession are observed from the steadily increasing world demand, which has triggered South African exports to the world.

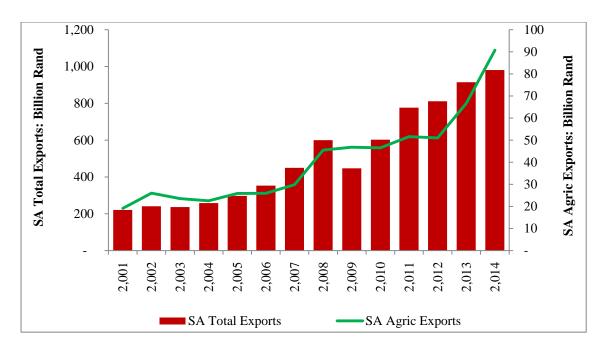


Figure 1: South African export growth between 2001 and 2014 Source: ITC-TradeMap (2014)

Figure 2 provides insight into where South African commodities are exported. The EU was always a major market destination for South African commodities until the global recession took place in 2008. South Africa-EU trade relations are governed by the Trade Development Co-operation Agreement (TDCA) (**see Appendix A for more details**). Since 2009, the EU has become the third largest market destination behind the SADC and AGOA markets. South Africa-SADC trade relations are governed by the SADC Agreement. It is clear that the SADC had generated strong trade growth for South Africa, as exports increased from US\$3.1 billion in 2001 to over US\$24 billion in 2014 in the SADC market, which is equivalent to a 681% growth rate in exports. The bulk of South African exports to the SADC market are dominated by agricultural products, including grains, prepared foods and fruits.

The BRIC market is steadily increasing its market share in South Africa's exports, having grown from an export value of US\$1.1 billion in 2001 to over US\$13 billion in 2014. South African exports to the BRIC market are dominated by steel, mining commodities, machinery, forestry products and raw agricultural products. South African exports to the United States of America (USA) have remained relatively low throughout the period under review.

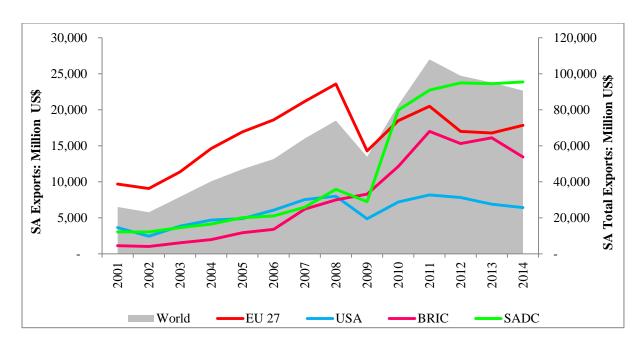


Figure 2: South African exports per market destination Source: ITC-TradeMap (2014)

Table 1 shows the markets that are increasingly claiming a major share of South Africa's exports. The export share of EU markets deceased from 37% in 2001 to 20% in 2014 as South Africa shifted its focus to African and Asian markets. This is evident when evaluating the export share of the BRIC and SADC markets, with the former increasing from 4% to 15% during the period concerned, and the latter increasing from 12% to 26% during that time.

Table 1: Market growth and share in South Africa's total exports

| Market Growth | Export Share in 2001: % | Export Share in 2014: % |
|---------------------------------------|-------------------------|-------------------------|
| EU 27 | 37% | 20% |
| USA | 14% | 7% |
| BRIC | 4% | 15% |
| AGOA | 12% | 27% |
| SADC | 12% | 26% |
| Collective Share in SA Exports | 79% | 95% |

Source: ITC-Trademap (2014)

Drivers of South African trade

It is evident from the sections above that the bulk of South African agricultural exports are still destined for traditional European markets, with the TDCA contributing towards strong trade between South Africa and the EU. The South African export basket and market split remained more or less stable throughout the period under review. In recent years, emerging markets such as Asia and Africa have demonstrated strong potential when measured in terms of GDP growth, consumer size, growth in purchasing power and the evolution of formal

retail. Economic improvements in Asia and Africa have contributed to the recent shift in South Africa's exports to these markets.

Economic factors

Global GDP growth

The United Nations (UN, 2015) estimated the global GDP growth rate at 2.6% in 2014, which is slightly better than the 2.5% growth rate experienced in 2013, while the estimation for 2015 is 3.3%. This increase in global economic growth is due to the strengthening of economic activities, including trade and industrial production (IMF, 2014). Emerging and developing markets, as well as the USA market, also made a major contribution towards this global economic growth. It has been reported that the European countries have not been doing so well in terms of economic growth due to the economic recession over the past five years.

Table 2: Global economic growth measured in GDP (%) (2013-2016)

| Annual % Change | 2013 | 2014 | 2015 |
|-----------------------------------|------|------|------|
| World | 2.5 | 2.6 | 3.3 |
| Developed Countries | 1.2 | 1.6 | 2.3 |
| USA | 2.2 | 2.3 | 3.1 |
| Japan | 1.5 | 0.4 | 1.1 |
| EU | 0 | 1.3 | 2 |
| Economic New Transition | 2 | 0.8 | 2.1 |
| Eastern Europe | 2.4 | 0.7 | 3 |
| Russia | 1.3 | 0.5 | 1.2 |
| Developing and Emerging Economies | 4.8 | 4.3 | 5.1 |
| North Africa | 1.4 | 1.6 | 4.3 |
| East Africa | 6.3 | 6.5 | 6.6 |
| West Africa | 7.3 | 5.8 | 5.9 |
| Central Africa | 2.2 | 4.3 | |
| Southern Africa | 3 | 2.9 | 4.1 |
| East Asia | 6.4 | 6.1 | 6 |
| South Asia | 4.1 | 4.9 | 5.7 |
| Western Asia | 4 | 2.9 | 4.3 |
| Latin America and the Caribbean | 2.6 | 1.3 | 3.1 |

Source: Adopted from UN (2015)

It has been noted that the fastest growing markets are the emerging and developing markets (see Table 2), driven by higher consumption, rising incomes and improved infrastructure investment in these countries. Consumer income growth has been significant in emerging regions, especially in Africa. It is therefore not surprising to see the strong shift towards African and Asian markets in recent years as the business environment improves. South Africa's agricultural exports to Asia and Africa have increased to a share of 40% and 13%

respectively. This is a clear indication that South Africa's export growth is driven by countries that are experiencing an economic boom. **Figure 3** represents the GDP growth of African and Asian markets over a period of 20 years. It has been noted that the African market has been growing in terms of GDP since 2005. In 2013, the GDP of the Asian and African markets grew by 3.4% and 4.2% respectively.

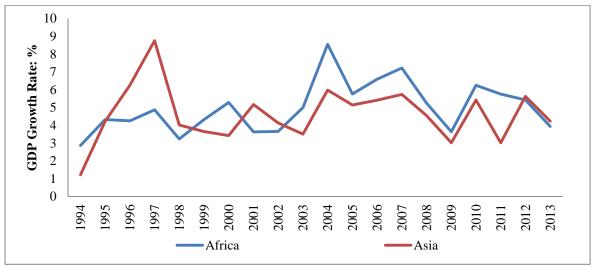


Figure 3: Growing economies in the world

Source: World Bank (2014)

Global population growth

Population growth has been on the rise in the world's markets and is expected to reach about 8.1 billion by 2025 and 9.6 billion by 2050 (WTO, 2013). The population is expected to grow by 49 million per year, with half living in the least developed countries. According to recent reviews, the world's population has grown by approximately 82 million, with about 54% of that coming from Asia and 33% from Africa (UN, 2014). It has been noted that the most rapid population growth is expected in Africa and Asia over the next 35 years, with the total population of these two continents projected to double, thus putting additional pressure on available resources and the environment, and straining government capacity to provide high-quality services (UN, 2014).

The rapidly growing population and income being observed in the least developed countries will result in a greater demand on several food items. For example, it has been forecast that by 2050, the population in Africa will have grown to about 2.4 billion, compared to the current population of 1.2 billion (UN, 2014). This is an indication that consumers will purchase more goods on a daily basis due to the higher population density expected. Furthermore, urbanisation on the African continent has increased in recent years, with about two-thirds of the population expected to live in urban areas. This is also an indication that consumers will purchase greater quantities of foodstuffs and services (KPMG, 2014). Currently, the average African consumer depends heavily on cheap food products, with the nutritional transition still focusing on quantity rather than quality. With the expected increase in population and income, however, African (and Asian) consumers present a lucrative opportunity to increase the demand for food, particularly high-quality food.

Retail evolution in the world

It is evident from sections above that the bulk of South African agricultural exports are still destined for traditional European markets. The South African export basket and market split remained more or less the same over the period under review. In recent years, emerging markets, particularly Asian markets, have demonstrated major potential when measured in terms of consumer size, growing purchasing power, and formal retail evolution. The majority of market research studies have argued that Asian consumers and market structures are very different to their counterparts located in Europe. With the growing population in Asian markets, consumers are rapidly becoming more health and environmentally conscious and are starting to show a high preference for food products that offer health benefits and promote nutrition. Asian consumers are also showing great appreciation for high-quality products, as they are prepared to pay more for imported high-quality products compared to domestic marginal-quality products (Yu, 2012). Furthermore, Asian consumers are increasingly becoming aware of brands and the value attached to certain brands. This suggests a need to engage in strong and effective consumer promotional campaigns in Asia to enhance the awareness of South African brands and products in Asian markets. It is evident that domestic and foreign companies supplying Asian markets are actively engaging in research and development, and the marketing of healthy and environmentally friendly products.

Food and beverage sales are showing notable growth in Asia, driven by the growth in disposable income and the expansion in middle-class consumers. **Table 3 and Table 4** show the growth in the retail sector in various regions across the world. The retail sector in Asia and Australasia has recorded strong and positive growth over the past four years despite the global economic meltdown that occurred in 2008. The retail sector is expected to expand by at least 6% through 2015, driven largely by food and beverage sales. China is the main engine behind this strong positive growth; however, other countries like Vietnam, Singapore and Indonesia are showing strong development in the retail sector, attracting even foreign retail. Yu (2012) reported that food and beverage sales account for around 50% of total retail value in countries such as Singapore, Malaysia and Vietnam.

Table 3: Global retail sales growth by volume (percentage change per annum)

| • | \ I | 0 | 0 1 | | , | | |
|------|--|--|--|--|---|--|---|
| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| 5.1 | 5.2 | 9.1 | 4.6 | 5.6 | 6 | 6.2 | 6.4 |
| 6.5 | -5.2 | 3.6 | 4.1 | 4.5 | 4.4 | 4.4 | 4.4 |
| 4.8 | -0.2 | 6.2 | 4 | 4 | 3.6 | 3.9 | 3.7 |
| 3.2 | 4.4 | 3.8 | 2 | 3 | 3.5 | 3.7 | 3.7 |
| -1.1 | -5 | 4.8 | 2.1 | 1.2 | 1.1 | 1.3 | 1.4 |
| -0.9 | -1.8 | 0.3 | -0.4 | 0.3 | 0.6 | 0.9 | 1.2 |
| 1.9 | -0.3 | 5.4 | 2.9 | 3.2 | 3.4 | 3.7 | 3.9 |
| | 5.1 6.5 4.8 3.2 -1.1 -0.9 | 5.1 5.2 6.5 -5.2 4.8 -0.2 3.2 4.4 -1.1 -5 -0.9 -1.8 | 2008 2009 2010 5.1 5.2 9.1 6.5 -5.2 3.6 4.8 -0.2 6.2 3.2 4.4 3.8 -1.1 -5 4.8 -0.9 -1.8 0.3 | 2008 2009 2010 2011 5.1 5.2 9.1 4.6 6.5 -5.2 3.6 4.1 4.8 -0.2 6.2 4 3.2 4.4 3.8 2 -1.1 -5 4.8 2.1 -0.9 -1.8 0.3 -0.4 | 2008 2009 2010 2011 2012 5.1 5.2 9.1 4.6 5.6 6.5 -5.2 3.6 4.1 4.5 4.8 -0.2 6.2 4 4 3.2 4.4 3.8 2 3 -1.1 -5 4.8 2.1 1.2 -0.9 -1.8 0.3 -0.4 0.3 | 2008 2009 2010 2011 2012 2013 5.1 5.2 9.1 4.6 5.6 6 6.5 -5.2 3.6 4.1 4.5 4.4 4.8 -0.2 6.2 4 4 3.6 3.2 4.4 3.8 2 3 3.5 -1.1 -5 4.8 2.1 1.2 1.1 -0.9 -1.8 0.3 -0.4 0.3 0.6 | 2008 2009 2010 2011 2012 2013 2014 5.1 5.2 9.1 4.6 5.6 6 6.2 6.5 -5.2 3.6 4.1 4.5 4.4 4.4 4.8 -0.2 6.2 4 4 3.6 3.9 3.2 4.4 3.8 2 3 3.5 3.7 -1.1 -5 4.8 2.1 1.2 1.1 1.3 -0.9 -1.8 0.3 -0.4 0.3 0.6 0.9 |

Source: Adopted from Yu (2012)

On the other hand, the expansion of South African supermarket chains such as Shoprite, Spar and Pick 'n Pay has presented a lucrative opportunity for the expansion of South African exports in the SADC region. South African is poised to play a significant role in the transformation of urban food systems across the region and the integration of regional value chains (Crush & Frayne, 2011). Given the export growth of agricultural products to the SADC region, the expansion of these South African supermarkets has driven South African export performance in these regions. Table 7 represent the number of South African supermarkets in the SADC region, with Shoprite in the lead.

Table 4: South African supermarket chains in the SADC, 2007

| Country | Shoprite | Pick 'n Pay | Spar | Woolworths |
|------------|----------|-------------|------|------------|
| Angola | 8 | | | |
| Botswana | 10 | 19 | 26 | 11 |
| Lesotho | 7 | | | 2 |
| Malawi | 5 | | | |
| Mauritius | 1 | | 11 | |
| Mozambique | 5 | | | 1 |
| Namibia | 65 | 15 | 19 | 4 |
| Swaziland | 7 | 6 | 7 | 3 |
| Tanzania | 5 | | | 1 |
| Zambia | 18 | | 2 | 1 |
| Zimbabwe | 1 | 56 | | 2 |
| Total | 132 | 96 | 65 | 25 |

Source: Adopted from Emongor (2008)

Political relations

South Africa's political relations resemble the pre-democratic dispensation in terms of the ruling party's ties with its allies. There are some contrasts presently, such as South Africa's close ties with the USA, with South Africa having been part of the African Growth and Opportunity Act (AGOA), despite relations with Cuba through South Africa's medical student programme. This is against the backdrop of the USA and Cuba not having the best of relations. There have always been differences within the ANC on the association with the Soviet Union (with a vote of no confidence having been passed on the Secretary-General in 1954 following a visit), prior to the banning of the anti-apartheid movement and the Sharpeville massacre. In the 1960s, an initial visit by a senior delegation to the Soviet Union seeking assistance, followed by numerous subsequent visits, resulted in the Soviet Union supporting the armed wing of the ANC (Umkhonto we Sizwe). The ruling party joined several political movements abroad, including the USA Civil Rights Movement, the Anti-Apartheid Movement (in several European countries), and the Pan-African Movement (across African countries).

- The USA Civil Rights Movement was formed to assist domestic political groups in removing racial injustice and social unrest, as well as economic discrimination.
- The European Anti-Apartheid Movement (AMA) was a British-based organisation at the centre of the international movement opposing South Africa's system of apartheid

and supporting South Africa's non-whites in their quest for liberation. This movement was formed primarily to demolish the apartheid system in South Africa by foreign countries. This served as an opportunity for the opposition of apartheid by academics who were anti-apartheid and in support of the ANC. Boycotts were carried out in the form of sanctions, which played a major role in South Africa's achievement of democracy.

The Pan-African Movement (together with other African countries) was formed to encourage the solidarity of the African diaspora throughout the world. The doctrine behind this establishment is based on the belief that unity is vital to economic, social and political progress. Pan-Africanism has played a vital role in the civilisation of African people, who in most cases were enslaved. The Pan-African movement is aimed at ensuring that Africans are secure and that they can attain political, economic and psychological power across the world.

Despite the role played by the ruling party in the formation of political relations, South Africa's diplomatic relations seem to be positive, considering that there are 123 foreign embassies/high commissions based in South Africa, while South Africa has 104 embassies/high commissions based in countries around the world (see **Table 5** for more information). A breakdown of the countries in which South African embassies are located shows a wide spread geographically, with Africa showing prominence (see **Appendix B**), followed by emerging markets and countries of the developed West. With over 35 regional offices of international organisations based in the country, and with several non-resident accreditations, South Africa's sound diplomatic relations are clearly evident.

Table 5: Foreign representation in South Africa, and South African representation abroad

| South African representation | No. | Foreign representation in South | No. |
|----------------------------------|-----|----------------------------------|-----|
| abroad | | Africa | |
| Embassies/High Commissions | 104 | Embassies/High Commissions | 123 |
| Consulates/Consulates General | 15 | Consulates/Consulates General | 53 |
| Honorary Consulates/Honorary | 84 | Honorary Consulates/Honorary | 79 |
| Consulates-General/Honorary | | Consulates-General/Honorary | |
| Consular Agencies/Honorary Vice- | | Consular Agencies/Honorary Vice- | |
| Consulates | | Consulates | |
| Other (e.g. Liaison Offices) | 2 | Other (e.g. Liaison Offices) | 1 |
| Non-resident Accreditation | 68 | Non-resident Accreditation | 18 |
| International Organisations | 9 | International Organisations | 35 |

Source: DIRCO (2015)

South Africa's memberships

Through various political and diplomatic relationships, South Africa has managed to secure a number of global memberships, included membership of G20, the UN Security Council,

IBSA, BRICS and the African Union. Such memberships have played a prominent role in South Africa's successful trade performance in several countries.

Membership of G20

The Group of Twenty (G20) is a group of 19 countries plus the European Union, bringing together the world's major advanced and emerging economies that have strategic importance and which play an important role in the global economy. The purpose of G20 is to coordinate policies at international level and to ensure that globalisation is smoother, more harmonised and sustainable. The member countries are Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, the Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, the United Kingdom, the USA, and the European Union. The European Union represents the European Commission and the EU Central Bank. The main objectives of G20 are: (i) policy co-ordination among its members in order to achieve global economic stability and sustainable growth; (ii) promoting financial regulations that reduce risks and prevent future financial crises; and (iii) modernising international financial architecture through the EU, which is the representative of the International Monetary Fund and the World Bank. The member states meet annually to discuss means of strengthening the global economy, reforming international financial institutions, improving financial regulations, and implementing key economic reforms. Mostly importantly, the International Federation of Red Cross and Red Crescent Societies (IFRC, 2009) emphasised that the primary purpose of the G20 is to bring together systemically industrialised and developing economies to discuss key issues in the global economy.

Membership of the UN Security Council

The UN Security Council is the UN's most powerful body, with the primary responsibility of maintaining international peace and security (Okhovat, 2011). The UN Security Council comprises 15 member states, each with one vote. According to its charter, the Security Council has four purposes: (i) to maintain international peace and security; (ii) to develop friendly relations among nations; (iii) to co-operate in solving international problems and in promoting respect for human rights; and (iv) to be a centre for harmonising the actions of nations. However, due to the high number of proposals on the reform of the Council and strong disagreements among advocates of different proposals, not much has been achieved thus far (Okhovat, 2011). The inclusion of South Africa on the Security Council was intended to contribute to the resolution of lingering conflicts and the stabilisation of post-conflict situations on the African continent (RSA Department of Foreign Relations, 2009).

Membership of IBSA

The gridlock during the Doha round of international trade negotiations in the WTO since 2001 led to developing countries pursuing different strategies to boost trade and investment among various partners (Soule-Kohndou, 2003). One of these mechanisms was the formation of the India-Brazil-South Africa (IBSA) Forum in 2003, which serves to co-ordinate the large pluralistic, multicultural and multiracial societies of the three member countries. This trilateral agreement was created on the basis of social, economic and political benefits, and most importantly with the aim to address social inequalities within the borders of its member states and the existence of consolidated industrial areas in the three countries. Moreover, it aims at assisting with the development of less developed countries. In summary, the progress of the activities can be divided into four tracks: (i) political co-ordination; (ii) sector co-operation (through 14 working groups); (iii) IBSA funding; and (iv) involvement of other actors beyond the Executive, e.g. civil society.

BRICS

BRICS (known as BRIC prior to South Africa's entry) is a multilateral agreement among five countries, namely Brazil, Russia, India, China and South Africa (O'Niel, 2001), with the aim being to increase trade and promote economic benefits among the member states. These countries together account for a total GDP of \$16.039 trillion, equivalent to approximately 20% of the Gross World Product. A study commissioned by the European Parliament (2012) found that the BRICS countries have played an important role in low-income countries (LCDs) through trade, foreign direct investment and development financing, despite criticism that the member countries are themselves facing serious disparity and poverty challenges.

African Union (AU)

The AU is a continental organisation formed in 1999 and was previously known as the Organization of African Unity (OAU). The AU consists of 53 countries in Africa, with its current presidential office held by a South African citizen. Its main objectives are to rid the continent of the remaining vestiges of colonisation and apartheid, to promote unity and solidarity among African states, to co-ordinate and intensify co-operation for development, to safeguard the sovereignty and territorial integrity of member states, and to promote international co-operation within the framework of the United Nations.

A picture derived from the political landscape of South Africa is that the country has established and maintained wider relations with a number of global partners, making it easier to develop trade relations with all parts of the world.

Concluding remarks

This paper evaluated South Africa's trade performance between 2001 and 2014, with a special focus on agricultural exports. The analysis reveals that the bulk of South Africa's agricultural exports are still destined for the EU market. However, the EU's share is steadily shrinking at the expense of the Asian and African markets. An analysis of factors behind trade growth indicates that the country follows those nations with an improving economic environment, i.e. countries with a growing GDP, improved infrastructure and sustained growth. An analysis of the political landscape reveals that the country has adopted a wider friendship approach, maintaining good relations with all regions of the world. The paper concludes that South African exports are mainly driven by economic factors, although political relations also complement the growth in exports.

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Appendix A: South African Trade Agreements

| Trade | Type of | Countries Involved | Main Objective | Products Involved | Year |
|------------------|---------------|---------------------------|------------------------------------|------------------------------------|------|
| Agreement | Agreement | | | | |
| Trade | Free Trade | South Africa and EU | To increase trade and improve | There is currently a review of the | 1999 |
| Development and | Agreement | | South Africa's economic | agreement underway, which is | |
| Co-operation | | | integration into the global | aimed at broadening the scope of | |
| Agreement | | | market. The South African | product coverage. This is taking | |
| (TDCA) | | | market agreed to liberalise | place under the auspices of the | |
| | | | about 95% of EU imports, and | Economic Partnership Agreement | |
| | | | the EU agreed to liberalise | (EPA) negotiations between the | |
| | | | about 86% of SA imports. | SADC and EU. | |
| Southern African | Customs Union | South Africa, Botswana, | To allow duty-free movement | All products. | 1910 |
| Customs Union | | Lesotho, Namibia and | of goods with a common | | |
| (SACU) | | Swaziland | external tariff on goods | | |
| | | | entering any of the countries | | |
| | | | from outside the SACU. | | |
| SADC | FTA | Among all 12 member | To allow free movement of | Most products. | 2000 |
| | | states | goods among the 16 member | | |
| | | | countries. This FTA allowed | | |
| | | | for about 85% duty-free trade | | |
| | | | achieved in 2008 and 15% of | | |
| | | | trade, constituting the | | |
| | | | "sensitive list", liberalised | | |
| | | | from 2009 to 2012, when the | | |
| | | | SADC attained the status of a | | |
| | | | fully-fledged FTA with almost | | |
| | | | all tariff lines traded duty free. | | |

| SACU-Southern | Preferential | SACU countries, | To reduce tariff duties on | About 1 000 product lines on each | 2009 |
|------------------|---------------|-------------------------|---------------------------------|--------------------------------------|------|
| Common Market | Trade | Argentina, Brazil, | selected goods. | side of the border. | |
| (MERSCOUR) | Agreement | Paraguay and Uruguay | | | |
| PTA | (PTA) | | | | |
| PTA with USA | Unilateral | Granted by the USA to | To allow preferential access to | Duty-free access to the US market | 2002 |
| through AGOA | Assistance | 39 Sub-Saharan African | the US market through lower | under the combined AGOA/GSP | |
| | Measure | (SSA) countries | tariffs or no tariffs on some | programme stands at | |
| | | | products. | approximately 7 000 product tariff | |
| | | | | lines. | |
| EFTA-SACU | FTA | SACU and the European | To allow tariff reductions on | Industrial goods (including fish | 2008 |
| Free Trade | | Free Trade Association | selected goods. | and other marine products) and | |
| Agreement | | (EFTA) – Iceland, | | processed agricultural products. | |
| | | Liechtenstein, Norway | | Basic agricultural products are | |
| | | and Switzerland | | covered by bilateral agreements | |
| | | | | with individual EFTA states. | |
| Zimbabwe/South | Bilateral PTA | SA and Zimbabwe | To allow preferential rates of | Selected goods. A most recent | |
| Africa Bilateral | | | duty, rebates and quotas on | version of the agreement was | |
| Trade Agreement | | | certain goods traded between | signed in August 1996, which | |
| | | | the two countries. | lowers tariffs and quotas on textile | |
| | | | | imports into South Africa. | |
| Generalised | Unilateral | Offered to South Africa | To allow preferential market | Specified industrial and | 1995 |
| System of | preferences | as a developing country | access on products from | agricultural products. | |
| Preferences | granted under | by the EU, Norway, | developing countries so as to | | |
| (GPS) | the enabling | Switzerland, Russia, | qualify access to developed | | |
| | clause of the | Turkey, the USA, Canada | countries. | | |
| | WTO, not | and Japan | | | |
| | contractually | | | | |
| | binding upon | | | | |

| | | the benefactors | | | | |
|--------------|-----|-----------------|------------------------|----------------------------------|--------------------------------------|-------------|
| Trade | and | Co-operative | SACU and USA | To make provision for the | None. | 2008 |
| Investment | | Framework | | parties to negotiate and sign | | |
| Framework | | Agreement | | agreements relating to sanitary | | |
| Agreement | | | | and phytosanitary measures | | |
| (TIDCA) | | | | (SPS), customs co-operation, | | |
| | | | | and technical barriers to trade | | |
| | | | | (TBT). Also to establish a | | |
| | | | | forum of engagement on any | | |
| | | | | matters of mutual interest, | | |
| | | | | including capacity building, | | |
| | | | | and trade and investment | | |
| | | | | promotion. | | |
| Trade | and | Bilateral | SA and USA | To provide a bilateral forum | None. | 2008 |
| Investment | | Agreement | | for the two countries to address | | |
| Framework | | | | issues of interest, including | | |
| Agreement | | | | AGOA, TIDCA, trade and | | |
| | | | | investment promotion, non- | | |
| | | | | tariff barriers, SPS, | | |
| | | | | infrastructure and others. | | |
| SACU-India P | TA | PTA | SACU and India | To bring about tariff reductions | SACU and India are in the | Still under |
| | | | | on selected goods. | process of exchanging tariff | negotiation |
| | | | | | requests. | |
| SADC-EAC- | | FTA | 26 countries with a | The Tripartite Framework | The Tripartite Framework | Still under |
| COMESA | | | combined GDP of | derives its basis from the | comprises three pillars that will be | negotiation |
| | | | US\$860 billion and a | Lagos Plan of Action and the | pursued concurrently, in order to | |
| | | | combined population of | Abuja Treaty, establishing the | ensure an equitable spread of the | |
| | | | approximately 590 | African Economic Community | benefits of regional integration: | |

| million people | (AEC), which requires | market integration, infrastructure |
|----------------|-----------------------------------|-------------------------------------|
| | rationalisation of the | development and industrial |
| | continent's regional economic | development. The FTA will, as a |
| | communities. The FTA will be | first phase, cover only trade in |
| | negotiated over the next three | goods, while services and other |
| | years, with the possibility of an | trade-related areas will be covered |
| | additional two years for | in a second phase. |
| | completion. | |

Source: DTI and DAFF (2013)