

# Business' input to the Nedlac Trade & Industry Chamber Strategic Session 2017

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TRADE POLICY

22 SEPTEMBER 2017

# Trade Discussions at Nedlac

- Business appreciative of engagements on trade policy within dedicated sub-committees of Nedlac's Trade & Industry Chamber.
- Business broadly supportive of the DTI's developmental trade policy.
- At Nedlac, current study underway on an assessment of subsidies and support in developed and developing agricultural economies, and their implications for South Africa.
- Further study mooted and agreed to in principle on the nature of South Africa's future trade relationship with the USA post-AGOA. Lack of funding a constrain, but business remains supportive.
- Nedlac social partners understand that the DTI is currently undertaking research on this topic, with slightly different terms of reference to those being discussed at Nedlac. To avoid overlap and build consensus, business proposes that **the DTI research be shared with Nedlac constituencies once finalised.**

# Customs Fraud & Illegal Imports

- Trade and industrial policy, protection of domestic industry and maintenance of policy space is only as effective as its enforcement. This is particularly apparent in customs fraud & illegal imports. It is critical for enforcement agencies and the DTI to pick up on potential early signs of customs fraud.
- One example, and which requires examination is in clothing imports: In January-June 2017, volumes have grown 5% but averages prices have declined by 18%. The total value of clothing imports declined by 14% to R10.7 billion – a significant change from trends in recent years where volumes were declining and average prices rising.
- Cooperation of SARS customs in enforcing strict monitoring through risk engine critical.
- In this regard, business eagerly awaits the commencement of the work of the Nedlac task team on customs fraud & illegal imports.

# Current trade negotiations: Additional considerations

- Business broadly supportive of TFTA and CFTA process and encourages the DTI to further publicise information relating to developments so as to position SA business to take advantage of opportunities. EPA an example, but early publicising important. Often, large capital and /or marketing commitments are required on the part of businesses.
- To take advantage of opportunities upon conclusion of TFTA and eventually CFTA, many companies have requested export credit guarantees. More affordable export credit insurance offered by State would solve problem of expensive credit insurance (particularly onerous for emerging and / or small business.
- In many cases, companies cannot buy export insurance on sales to certain African countries due to high country and customer risk profiles. Limits potential for export growth.

# Agricultural and other Trade Concerns

- Increase in litigation in the trade arena
  - Issue of Substance: Baked into system with technical complex issues and consequences
  - Issue of Procedure: Deals with system itself – major area of concern
- For a trading system to work, we need a clear set of rules: Rationale for WTO formation
- When we have a functional and transparent rule-based trading system, markets become more predictable and we see business increasing. The trading environment in South Africa has become increasingly opaque and irrational and with this we see the levels of conflict increasing.
- Various examples to substantiate
- Implication: Communication between private sector and government fails almost completely
- Implication: Poorly negotiated agreements – various examples
- Tariff Triggers under the Variable Duty Formula Models for Wheat, Maize & Sugar: Major problems!
- SASA judgement: All the parties, including Minister of Finance, to sit down together and agree on a workable administrative procedure.
- “Trigger Indaba” essential – Call on Minister Davies to convene.

# Private sector participation in the National Committee on Trade Facilitation (NCTF)

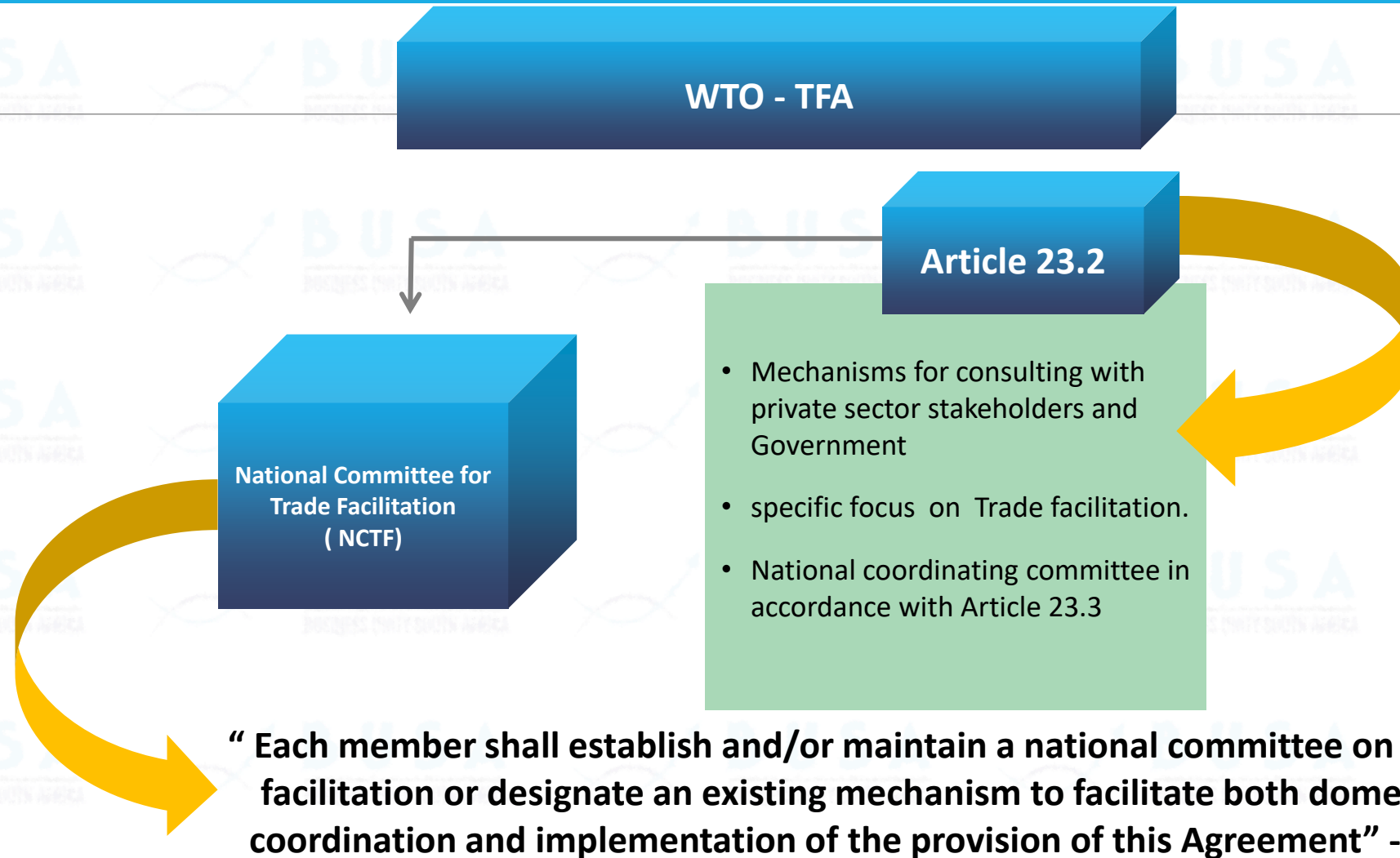
“In December, 2003, The World Trade Organization (WTO) Trade Facilitation Agreement (TFA) was signed and with it, WTO members committed themselves to create or maintain a National Trade Facilitation Committee.”

“Trade facilitation involves a wide & diverse range of public and private agents seeking to establish a transparent, consistent and predictable environment for border transactions based on simple and standardised Customs procedures and practices.”

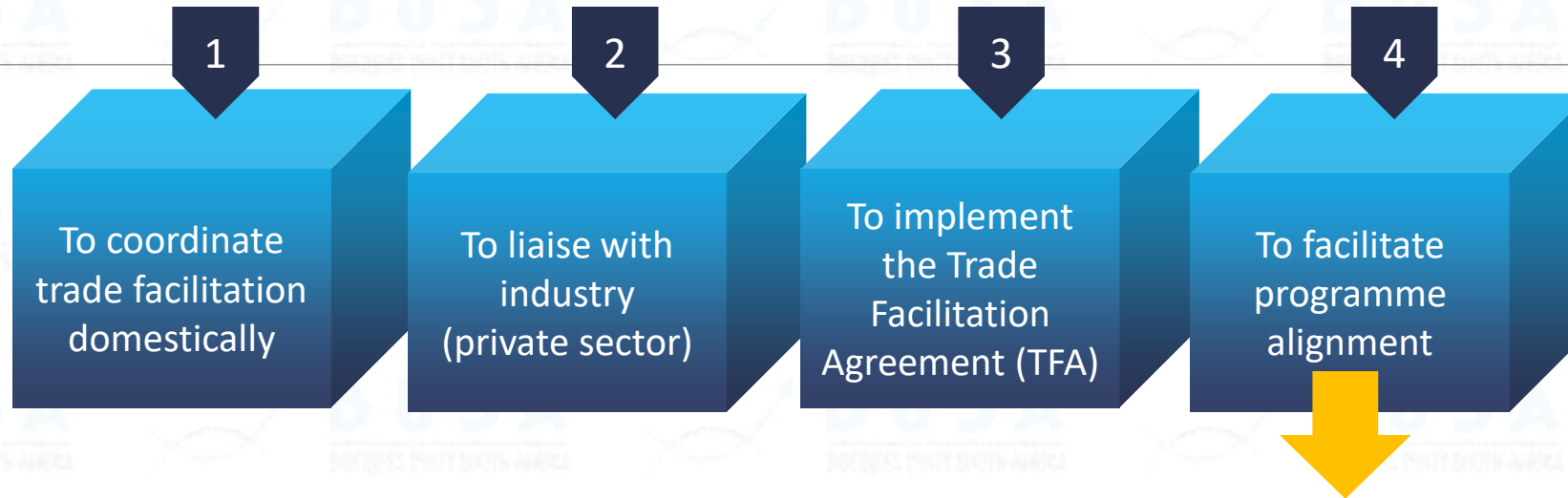
“The cross-sectoral nature of trade facilitation requires coordination mechanisms. Therefore, public-private partnerships are vital to both pinpointing the requirements of traders and government as well as implementing any relevant national or international measures to improve border transactions”

-UNTAC

# National Committee for Trade Facilitation



# Main committee objectives



- New Customs Act ( Act 30 and Act 31)
- WTO TFA ( Trade Facilitation agreement with Articles)
- WCO: SAFE ( 3 Pillars, Customs-to-Customs, Customs-to-Business, and Customs- to – Other Government Agencies
- Revised Kyoto Convention (Harmonization and simplification of processes



# Supplementary to the structure of Committee objectives

1

To provide a national forum equipped with a consultation mechanism for the facilitation of formalities, procedures and documentation used in international trade, multimodal transport, transit, logistics, finance and other related topics (facilitation objectives)

2

To propose, for government approval, draft trade-related regulations and practices.

3

To make policy recommendations on future trade related investments (development objectives)

4

To increase awareness of the methods and benefits of trade facilitation (outreach and capacity building)

5

To support trade facilitation negotiations in bilateral, regional or multilateral levels (negotiations objectives)

# South Africa: Current Status

Ratification:

(Date) at WTO

Category for ratification :

A

B

C

Joint partnership:

As a trade facilitation body – an interdisciplinary committee where private sector managers, public sector administrators and policy makers can work together towards the effective implementation of trade facilitation programmes.

Body	Participation
DTI	✓
SARS	✓
Private Sector	✗

# Private Sector contribution to the NCTF

## Practical examples:

- Create a technical working group to **remove red tape** : (Private sector associations representing diverse sectors)
- Use existing platforms to coordinate TFA monitoring and evaluate “time spending” with “cost-associated” for flow of goods, in/out and transshipment via South Africa.
- Table practical trade impediments ( non tariff barriers) for seamless flow of trade, working with the owners of the supply chain and its operators who manage their activities in the extended supply chain, like airlines, shipping lines, freight forwarders, customs brokers, licensed SARS unpack depots, road freight transporters, warehouse operators and consultants.
- Private sector verify “consultant” practical implementation plans and ensure no additional red tape is created
- View reports informally and focus on assisting legitimate traders in South Africa
- Facilitate effective communication to “all affected parties”

# Government 's role in the National Committee on trade facilitation (NCTF)

1 Collaboration within Inter-governmental existing networks :

2 Consulting with private sector stakeholders to hold parties accountable

3 Coordinate NCTF via existing networks

4 Monitor level of participants

5 Bring together high and mid-level representatives from the private sector in a structured manner with high-level government officials

Effective communication between the departments that are responsible for:

- Import
- Export
- Transit requirements at border

# Optimising the NCTF

## Finding the right size for the committee

- Too big, difficult to manage
- Too small
  - └ Yields input that is not fully comprehensive
- Suggestion:  $\pm 25$  members

## Overcome long tradition , focus on information sharing and awareness

- Collaborative
- Strategic, require strong senior management leadership

## Ensuring equal accountability can be challenging:

- Introducing more rigour to the consultation process
- Proper process mapping expected and measurable for outcomes for deliverables
- Assigning deliverables to industry members (private sector)
- Establishing realistic timelines
- Assigning deliverables to industry members (private sector)

# Possible challenges within the NCTF - continued



Development of a “shared agenda” whereby stakeholders and Government agree on a set of priorities that they will jointly advance is a good practice for ensuring tangible results



Setting a regular meeting schedule well in advance helps ensure maximum participation



Lastly: Another best practice to ensure continuity and engagement is having the same people attend NCTF meetings . Cultivate a relationship for engagement. In this manner we will continue to take advantage of pre-existing well-functioning networks to coordinate trade facilitation domestically, including private sector stakeholders, and to implement the TFA.



If we can create a dynamic working committee of this nature, South Africa will fulfil the TFA requirement to establish its NCTF.

# Conclusion

Optimal balances of NCTF stakeholders will assist understand trade facilitation from the perspective of both the public and private sectors.

Policymakers, trade and investment support institutions and the business community all have a role in determining the best way to work together to promote implementation of this important TFA provision

In 2013 the National Development Plan (NDP) provided the strategic framework to put the economy onto a new growth trajectory with a strong emphasis on lowering the cost of doing business in South Africa, improving competitiveness and exports and link products with other emerging markets. One of the aims of the NDP is to Lower costs of transport and logistics and invest in remedies to address spatial divides.

The NCFT is aimed at improving a country's business and trade environment by looking at streamlining customs, border procedures and related documentation to speed up goods across borders, while reducing trade transaction costs and improving predictability in delivery time.

The WTO call for the establishment of NCTFs serves as a progressive step to implementing (in this instance) the ambitions of the NDP as an important platform for institutional coordination and stakeholders' consultation with balanced private and public sector participation.

They provide a platform for continuous dialogue between governments and trade/business in a partnership format. This enables the design and implementation of border procedures that minimize regulatory costs and inconvenience to trade flows, while enabling governments to pursue public policy objectives related to border controls, consumer protection, public health and revenue collection.

# Efficient and effective operation of the NCTF will need to address:

- Facilitation of required notifications to the WTO Committee on Trade Facilitation;
- coordinate and facilitate the implementation of trade facilitation measures in line with South Africa's obligations under the WTO Agreement on Trade Facilitation;
- provide technical advice on trade facilitation negotiations at the national, regional, interregional and multilateral levels;
- collect and disseminate information on trade facilitation, and sensitize stakeholders on the implications of trade facilitation negotiation measures adopted following different rounds of negotiations;
- monitor and evaluate the implementation of trade facilitation measures arising from different rounds of negotiations and from trade facilitation measures adopted by other WTO Members;
- collaborate with regional and international organizations bodies on trade facilitation issues;
- Identify capacity building needs, and seek assistance from development partners/donor assistance for the implementation of trade facilitation;
- collaborate with National Monitoring Committee on Non-Tariff Barriers to Trade (NTBS);
- analyse barriers and challenges to trade facilitation and make policy recommendations on reform