

Occasional Paper: Towards an export economic drive for South Africa, built on a cohesive and streamlined landscape

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Introduction

The overall business and trading environment plays a pivotal role in establishing new businesses in South Africa and the behaviour of local manufacturers. However, just as important is the linkage between the different factors and institutions that uphold such a conducive trading environment and how they interact. This paper delves into what building blocks need to be overcome to move the economy forward for the long term by focusing on an export drive and simplifying the trading environment.

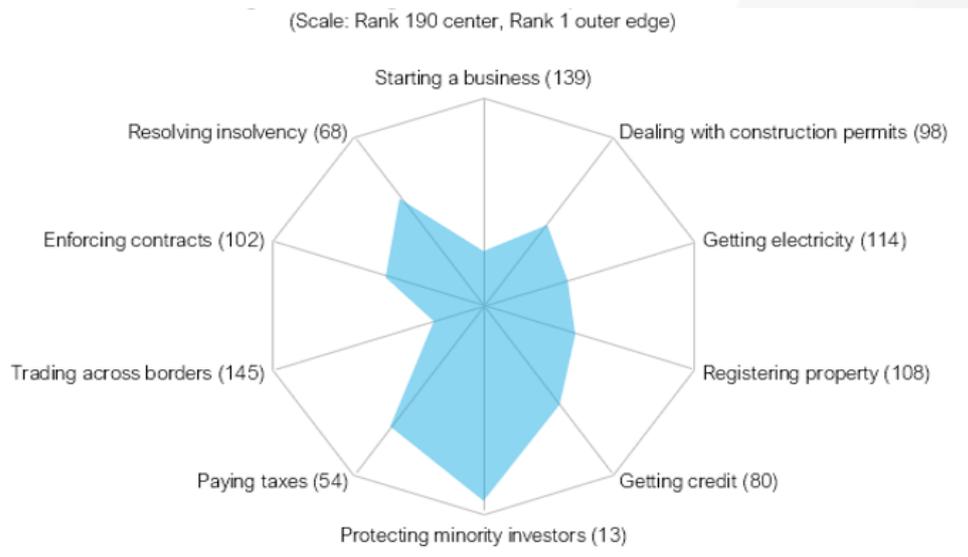
The outlined of this paper is as follows: (1) The Ease of Doing Business in South Africa, (2) The building blocks for an export-driven economy, and (3) The Ultimate Goal.

The Ease of Doing Business in South Africa

For South Africa's economy to grow, there needs to be a paradigm shift favouring trade facilitation and the widespread adoption of the WTO FTA and the AfCFTA. The current trading environment of South Africa and its neighbouring countries is not optimally conducive for business development, trade, and competition. Unfortunately, in many cases, the business environment negatively influences cargo owners' and traders' behaviour. More often, cargo owners tend to look for either international service providers or products or inputs which are not always necessarily cheaper by value, but easier and faster to obtain, which effectively makes it more affordable for business processes.

As the name suggests, the World Bank's *Ease of Doing Business Report* (EODB) analyses regulation that encourages efficiency and supports the freedom to do business. In the latest EODB report published in 2020, South Africa scored 84th out of 190 countries. Below is an illustration of South Africa's respective rankings regarding the various topics analysed by this report.

Figure 1: South Africa's rankings on Doing Business topics.



Source: World Bank

Of all the topics analysed by the EODB, South Africa scores the worst in "Trading across borders" (ranked 145th out of 190 countries, down two spots from 2019, where South Africa ranked 143rd). Another area of concern revolves around "Starting a business" (ranked 139th out of 190 countries). South Africa needs to start realising the seriousness of the effects of these limitations on job creation and economic growth and work to overcome them.

Significant regression has occurred when comparing the current situation to yesteryear, as shown by the World Bank in an earlier report published in 2014 titled: "South Africa Economic Update: Focus on Export Competitiveness". South Africa has been falling short on its export potential, primarily due to reliance on a few mega-export firms losing dynamism. There is also an overall focus on capital intensive exports, which contribute minimally to job creation. However, various opportunities will ignite South Africa's export growth and create more jobs and further economic growth. These opportunities include greater competition among firms in South Africa, resolving infrastructure bottlenecks and cutting logistics costs, and deeper regional integration in goods and services¹.

By encouraging exports through policies and regulations, strengthening logistics supply chains, removing NTBs (Non-Tariff Barriers), fostering a "SMART" OSBP concept and building MRA (Mutual Recognition Agreements) have the potential to increase entrepreneurial innovations, create new employment opportunities, and create an environment that is conducive to growth and Fourth

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¹ World Bank 01/02/2014. [South Africa Economic Update: Focus on Export Competitiveness](#)

Industrial Revolution (4IR) leapfrogging. Then, what are the building blocks to encourage growth in South Africa, and how do we connect the dots to ensure such growth?

The building blocks for an export-driven economy

Addressing the limitations experienced by network industries such as electricity, transport and telecommunications underpin the productivity and growth of South Africa's trade and manufacturing industries. For South Africa to reap the benefits of an export-driven economy, emphasis should be put on strengthening the corridor logistics network by ensuring infrastructure bottlenecks are confronted and unnecessarily high transport-related costs are reduced. Removing NTBs (Non-Tariff Barriers) will help new domestic products become more lucrative and help domestic manufacturers be more profitable going forward. Furthermore, stimulating entrepreneurial ideas and structuring a policy that offers guidance and support (technical or financial) could help more people enter the business environment and create jobs. Incentives like SEZ (Special Economic Zones) or IDZ (Industrial Development Zones) tailored for manufacturing and storing minerals and products will boost beneficiation, investment, economic growth, and, most importantly, skills and employment development. South Africa should grasp the opportunity and leapfrog under 4IR with a growing export economic structure.

a. Creating a strong logistics network

The effects of Covid-19, the recent civil unrest in KwaZulu-Natal, and the cyber-attack on Transnet's operating systems in the last two years highlighted the enormous reliance of business, industry, and the community on an effective logistics network. It is crucial that the main supply chains and corridors remain open and effectively operating to ensure a stable economy. Trucks that have been targeted and burnt, together with the looting of various shops, manufacturers, and depots, caused significant disruptions for business and the broader community's food security and healthcare provisions. Therefore, more focus should be drawn towards the safekeeping of the environment of logistics role players, such as truckers who keep cargo moving. Furthermore, resolving infrastructure chokepoints and reducing logistic and border costs present a valuable opportunity to support export growth. Furthermore, reducing exporter charges incurred for the use of ports, rail and telecommunications would promote competitiveness and benefit small and medium-sized exporters and non-traditional export sectors².

Many concerns have been raised due to the coal industry, one of South Africa's primary exporting industries, losing substantial money due to the challenges posed by TFR (Transnet Freight Rail),

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² The World Bank. 01/02/2013. [Export Competitiveness, Regional Trade Integration Could Spur South African Export Growth](#)

a division of Transnet. Coal exports were unable to make international markets in 2021 when prices were favourable due to derailments, vandalism, and other associated issues currently hindering the commercial rail service in South Africa. South Africa's commercial rail services are too unreliable for cargo owners to consider, causing too many trucks on roads, fuelling congestion and a vicious cycle of related issues. Furthermore, many concerns have been raised by the Citrus growers of South Africa who struggled to export their goods via Durban port due to capacity constraints and were subsequently forced to look for alternatives such as exporting via Mozambique. This situation shows potential for growth in South Africa, but certain logistic bottlenecks prevent the economy from reaping the benefits.

Continued delays and issues at South Africa's border posts hinder the free flow of goods and people. Due to poor infrastructure, communication, and management causing significant delays for goods to move through the borders, many South African manufacturers become uncompetitive compared to neighbouring countries. As a result, even domestic service providers lose the opportunity to grow and expand. In addition, ongoing corruption and crime at border posts cause business owners to lose valuable money, time, and possible growth opportunities to create employment.

Unfortunately, these issues are not new but rather an incipient factor in trading across borders in Africa. If not addressed, local manufacturers will search for more accessible international markets to fulfil business requirements or trade. As a result, South Africa will lose out on growth opportunities that bring about income, technology, skills transfer, and employment. Therefore, it is paramount to turn the corner on these ongoing issues, as Africa's time is now. Unless these matters are resolved, as a continent, we cannot expect to make the most of the African Continental Free Trade Area (AfCFTA) - the "largest free trade agreement" in the process of being negotiated, with the success thereof being viewed as critical to the growth of Africa's economy.

The difficulties experienced over July 2021 in Durban highlighted the importance of a robust logistics environment. The situation showcased how inter-connected the domestic and global supply chain is, how important it is that supply chains are agile and that the logistic environment allows for quick adaptability. Furthermore, establishing SEZs or IDZs will promote socio-economic development through skills development, technology transfer and job creation. In addition, actively removing NTBs could bring about various positive opportunities for traders and cargo owners.

b. Focus efforts on removing NTBs

Shippers and cargo owners need high performing corridors that reduce cost and time spent on transport and are reliable and predictable. Intra-regional trade is often hindered by the lengthy procedures involved in passing through two sets of identical controls on each side of the border. Lengthy transit times increase the cost of trade and make African businesses less competitive. Given that Africa comprises 54 countries, 16 of which are land-locked, the negative impact of inefficient border controls on Africa's economy is significant³.

Furthermore, various NTBs (Non-Tariff Barriers) between borders hinder trade and make it hard for traders to be profitable in South Africa and neighbouring countries. NTBs arise from different measures taken by governments and authorities in the form of prohibitions, conditions, or specific market requirements that make importation or exportation of products difficult and / or costly. NTBs also include unjustified and improper application of Non-Tariff Measures (NTMs) such as sanitary and phytosanitary (SPS) measures and other technical barriers to Trade (TBT). In many instances, NTBs can be resolved relatively quickly as the neighbouring country never had protectionist intentions. Also, having SARS (South African Revenue Service) and OGAs (Other Government Agency) collaborate on a more efficient platform could remove unnecessary repetitive measures. To actively identify and erase NTBs between borders calls for the effective implementation of a OSBP together with a SWS (Single Window System).

Improvement of the border and associated procedures can have a significant impact on the logistics environment. The OSBP policy, along with a SWS, will go a long way in addressing the time and cost of moving goods (and people) across borders. Furthermore, improving processes by simplifying and harmonising processes by different government agencies will also serve this point.

c. Prioritise the implementation of OSBPs, together with the SWS concept

Repetitive, manual processes are still in place at all South Africa's border posts. There is a real need to establish an effective OSBP that allows for a single point of border management activities across all border posts of South Africa. Slow border procedures greatly exacerbate costly transportation of goods, long transit times, and heavy congestion, all of which make regional products uncompetitive. They also lead to the growth of criminal activity and other undesirable practices in the vicinity of the border posts. In addition, a OSBP needs to incorporate a SWS concept that allows all required documentation to be processed and submitted online once (in a chronicle and standardised format) to all the parties necessary for assessment before arrival.

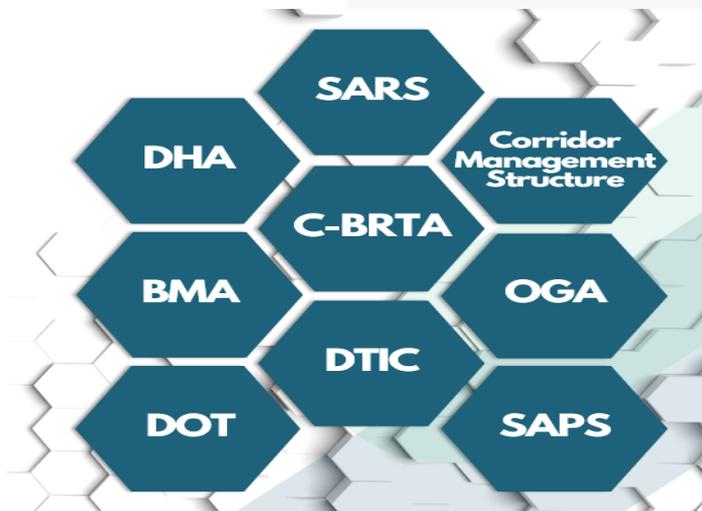


³ African Union. Virtual PIDA Information Centre. [Africa has it all! One Stop Border Post \(OSBP\) as an Instrument to Trade Facilitation](#)

A SWS can digitise all the touchpoints where government interact with regional and international supply chains and vice versa. SARS managed to capitalise on digital processes, unfortunately, without incorporating OGA's essential tasks. Cargo is therefore released via SARS's online risk-engine system but detained or stopped for further physical examination or assessment by OGAs at the border, which are all manual processes. Therefore, it is critical to integrate the procedures carried out by OGAs onto the SARS electronic system to share essential information and expedite the process.

The link between SARS and OGAs needs to be effectively wired and streamlined to create a trading environment that is predictable and measurable. With the help of blockchain technology that integrates risk methodologies, a SWS can effectively streamline border management operations, simultaneously ensuring a more compliant and secure trading environment. Furthermore, piloting the AEO programme can help push associated risks downstream and help domestic manufacturers become more competitive in regional and international trading environments while fostering better bilateral agreements. The figure below illustrates the different OGAs, and entities involved within the broader supply chain and how linking them together could create a better and faster collaboration that will enable trade facilitation and a more compliant trading environment.

Figure 3 - Creating a cohesive landscape



d. The private sector to work in collaboration with SARS to pilot the AEO programme that builds influential bilateral agreements

The AEO accreditation programme can strengthen bilateral trade agreements that effectively reduce barriers to trade on a much broader platform and introduce various trade opportunities. For example, labelling known traders as authorised exporters, importers, brokers, freight forwarders, trucking companies, etc. (upon acceptance) and equipping them with the necessary measures to trade responsibly could effectively remove all associated risks that customs administration together with other OGAs need to manage, downstream. In addition, a community of AEOs would foster consistency, security integrity, and the identification of security system requirements and will further allow for identifying operators acting against the system.

Implementing the AEO programme can ensure that more and more countries adopt the WCO Data Model and other international tools. The WCO Data Model provides data sets for different customs procedures and information required by other Cross-border Regulatory Agencies for the cross-border release and clearance at the border. Furthermore, the WCO Data Model supports implementing a SWS as it allows for reporting information to all government agencies through the unique way it organizes regulatory information. Promoting the furtherance of the WCO SAFE Framework of Standards, an international instrument that provides the baseline of standards tested and proven while establishing a new approach to working methods and partnerships, could lead to a much broader, cohesive, and mature trading landscape.

The furtherance of the WCO International instruments like the SAFE Framework of Standards and the WTO Trade Facilitation Agreement could effectively speed up a favourable environment for inter-regional trade via the AfCFTA and eventually strengthen other international trade agreements. Incorporating the SAFE Framework Pillar II concept, which promotes public and private partnerships, adds a layer of protection and opportunity within the supply chain. Furthermore, a bilateral MRA (Mutual Recognition Agreement) promotes cross-border stakeholder confidence, regulatory compliance, and the acceptance of accredited conformity assessment bodies⁴. In addition, it could also assist with the backtracking of information and especially post-clearance audits.

By piloting the AEO programme and or the SWS will promote regional integration and further simplify and harmonize procedures on a regional level that relates to synchronized and recognised practices on an international level. Digitalisation and technology can serve as powerful tools to implement these changes successfully. Technology can efficiently help combat NTBs by reducing



⁴ UNITED NATIONS. ESCAP. 05/03/2015. [Mechanism for cross-border mutual recognition of trade-related data and documents in electronic form.](#)

the need for human interaction (and potential criminal activity), improving record-keeping, and improving risk management and inspection systems. Furthermore, a technological mechanism must be implemented to ensure the integrity, authentication, confidentiality, and legal validity of electronic trade-related data and documents, ultimately achieving mutual recognition. It is important to note that attaining cross-border paperless trade will need close collaboration between all parties of associated countries.

e. Use technology and innovation as guidance towards the implementation of each building block

Technology offers such a vast number of opportunities for application within all industries. In collaboration with allegeable private sector role players, the government can integrate artificial intelligence (AI), robotics, the Internet of Things (IoT), 3D printing, genetic engineering, quantum computing, and other technologies within key industries of South Africa. Furthermore, technology can drastically change the way business in South Africa is conducted. Port and border operations, for example, can be enhanced through technological transformation. The opportunities and applications are almost limitless. These include using big data analytics for predictions and forecasting or sensors and computers for better deployment of resources or blockchain to better manage associated risks, high-tech X-ray screening, and wholly automated machines and cranes managed by Artificial Intelligence and antennas. Private-public partnerships can also help implement a OSBP with a SWS that will bring about numerous long term growth opportunities within the trading and business environment. A SWS can be created and implemented through technology that creates a virtual interactive environment for traders, SARS and all other OGAs, successfully streamlining processes via the guidance of the WCO's International instruments.

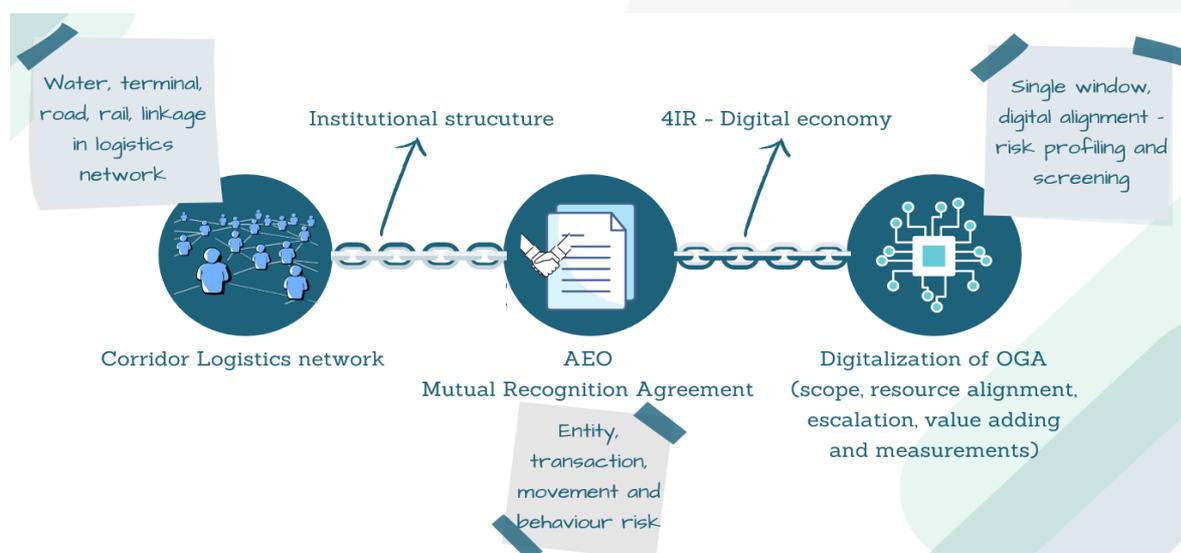
Furthermore, as global trade and business are moving towards digitalisation and transformation, South Africa is now investing in creating an environment that will allow small enterprises and women to participate in the business community via access to technology. Ensuring and pushing for better and easier access to the internet is critical in allowing more people to reap the benefits of technology. In addition, there remains a concerning issue of a lack of skills and capacity in terms of the ability of South Africans to absorb technological advances and associated opportunities. Therefore, establish digital innovation hubs that focus on ICT production and service sectors and digital technologies as enablers in all industries and sectors. For example, the design of ICT applications for the aviation sector, the education, energy, health, and other sectors



is a powerful step in the right direction⁵. A tech hub aims to help tech entrepreneurs take their first steps towards launching a viable company and supporting a growing ecosystem.

South Africa should leapfrog under the 4IR technology by establishing public-private partnerships to address logistics bottlenecks and implement strategies that will help the economy grow for years to come, like a OSBP with a SWS. On a domestic level, however, digitalisation, innovation, and SMME-friendly institutions (such as tech hubs) will grow locally produced goods and exports and create a whole new variety of employment opportunities.

Figure 2 - Different components with their inter-linkage



The figure above illustrates how the corridor logistics network can be strengthened by implementing the AEO (Authorized Economic Operator) accreditation programme and the OSBP (One Stop Border Post) concept and simultaneously enhancing the presence and mandate of public institutions such as SARS. Furthermore, transforming and replacing repetitive manual processes with automated processes using technology can strengthen cooperation among government agencies currently acting solely for the same purpose, making it easier to trade across borders.

The Ultimate Goal

All the different entities and components must work in cohesion to ensure streamlined, compliant, and measurable processes, actively growing industries, employing people and building a trade environment that provides long term growth. The key is aligning policies and regulatory rules that support entrepreneurs, small enterprises, and innovation, strengthening the logistics network, and allowing for transformation using 4IR.



⁵ University of Witwatersrand Johannesburg. 2017. [Briefing Note: The State of Digital "Tech" Hubs in South Africa](#)

The ultimate goal should be to create a Corridor control body that can facilitate the ongoing cooperation of all these different work streams not just for South Africa in Africa but also for South Africa as the gateway to other markets. An effective corridor system is critical for the economic activity of landlocked countries, making it pivotal for the furtherance of the AfCFTA. There is, however, a need to increase awareness of countries' practical experiences of transport corridor development and management. These experiences include many successes but also challenges that can be deployed as both learnings and warnings. These relate to legal, financial, and regulatory frameworks, infrastructure construction and maintenance, harmonization and implementation of transport facilitation systems and establishment of corridor management institutions. A corridor system has multiple components, including infrastructure (roads, railways, ports), transport and logistics services, and regulations. It is, however, essential to appreciate the linkages between them, particularly as the weakest component determines the overall performance of a corridor.

Conclusion

In summary, this paper contained a holistic view of various aspects that impede South Africa's potential to grow. Indeed, for South Africa's economy to grow, there needs to be a paradigm shift favouring trade facilitation and the widespread adoption of the WTO FTA and the AfCFTA. The current trading environment of South Africa and its neighbouring countries is not optimally conducive for business development, trade, and competition. Appreciating and strengthening the link between all the role players in the supply chain can effectively streamline and standardise regional policies and procedures. By nurturing the ease of doing business and trading across borders via public-private partnerships and focusing on simplifying and standardising processes with the guidance of WCO International tools, Time Release Studies provided by the World Bank, SADC Protocols and the incentives provided by the WTO FTA, South Africa will be able to unlock its full potential.