

NEWSLETTER #5/2018



RESEARCH FOCUS AREA –
SPECIALISTS IN INTERNATIONAL
TRADE AND ECONOMIC
DEVELOPMENT

TRADE



Welcome from Prof Wilma Viviers, director of TRADE

South Africans have grown used to high levels of uncertainty. Yet the changes sweeping through the country in recent months, particularly on the political front, have been nothing short of breath-taking and, for better or worse, will have a significant impact on the country's economic fortunes going forward. It is gratifying to see how many people are trying to understand and make a positive contribution towards the changing landscape in South Africa, but it will require immense effort by society as a whole to ensure that the vision of a better life for all becomes a reality.



Of course, change is occurring all over the world – not just in South Africa – and this is what makes our work at TRADE so interesting.

We continue to take a very strong interest in Africa and the many opportunities and challenges presented by this vast continent. For example, the potential of services trade and e-commerce to fast-track growth in many African countries and the role of regional trade agreements in Africa's development have been the focus of several of TRADE's research initiatives of late. We have also been studying the economic and trade policies of a number of South American countries and have been struck by how that continent and Africa face many similar challenges.

Along with many others, we are concerned about how the United States' increasingly chilly attitude towards many of its longstanding trading partners will play out as protectionist barriers rise on the other side of the Atlantic, despite the existence of negotiated trade preferences. South African exporters of products that currently attract AGOA preferences are beginning to look vulnerable. South Africa cannot afford to be left behind as more and more countries start to look for new trade allies as traditional ties with the US falter.

It is disappointing that the WTO Ministerial Conference staged in Buenos Aires in December 2017 produced no breakthroughs which would have broken the deadlock in the Doha Development Round. But it is a sign of the times. To a large extent the stalemate in the multilateral trade talks can be attributed to countries (even within the same

geographical region) becoming increasingly heterogeneous as they develop new and more distinctive competitive advantages. Not surprisingly, tailor-made bilateral trade deals are now in vogue, while plurilateral trade agreements could also gain traction in time.

Our flagship [WTO Chairs Programme](#), [Master's and PhD programmes](#) and [TRADE-DSM®](#) market selection service have kept us busy in recent months and we continue to fine-tune them to ensure that they remain fresh and market responsive. You will read more about these and other research and outreach activities in this newsletter.

Please do not hesitate to contact me if you feel we could assist you (whether you are in South Africa or further afield) with your trade and development efforts. You also may like to visit our webpage (<http://commerce.nwu.ac.za/trade>) for more information about the work that we do.

All the best

Willem Nienies

[TRADE shines at ESSA](#)

TRADE has had a long and fruitful association with the Economic Society of South Africa (ESSA), a forum for economic information-sharing and debate among academics, business people and government representatives. At its Biennial Conference held in Grahamstown from 30 August to 1 September 2017, TRADE staff members presented a total of [11 papers](#) on a variety of themes, ranging from the informal economy and gender-based time usage in households, to spatial development challenges and emerging trade potential under regional trade agreements.



It was during the ESSA Conference that top honours were bestowed on two members of the TRADE team. [Prof Waldo Krugell](#), director of the NWU School of Economic Sciences, was elected to serve as the next president of ESSA. Waldo is the first NWU academic to take up this prestigious position, making his appointment particularly praise-worthy. In another first for the university, [Prof Raymond Parsons](#), from the NWU School of Business, was conferred [Honorary Life Membership of ESSA](#) 'in recognition of distinguished service to the economics profession and the Economic Society of South Africa'. Prof Parsons has become a leading authority and commentator on South Africa's political economy, gained through his involvement over many years in organised business and policy-making structures. Previous recipients of this rare award include former Finance Minister, Trevor Manuel, and former SA Reserve Bank Governor, Tito Mboweni.

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[TRADE and the WTO](#)

The [WTO Chairs Programme](#), now in its fourth year, continues to expose TRADE team members to the latest conversations about trade and development opportunities and challenges in different parts of the world and allows them to rub shoulders with experts in a wide range of fields. Over the past few months, two events in the Chairs Programme calendar have stood out: the [WTO Public Forum in Geneva, Switzerland](#) and the [WTO Chairs Conference in Buenos Aires, Argentina](#).



The annual WTO Public Forum brings together policymakers, analysts, development specialists, academics and business people to debate the most pressing issues impacting the pace and direction of global trade and to look at how economies are faring in a fast-changing world. The theme of the 2017 Public Forum, which took place from 26-28 September, was '[Trade behind the headlines](#)' in recognition of the need to move beyond generalities and, in the words of WTO director-general Roberto Azevêdo, 'get into the heart of the issues at hand'.

In keeping with this theme, the WTO Chairs session at the Public Forum (attended by [Prof Wilma Viviers](#) and two colleagues from TRADE, [Dr Carli Bezuidenhout](#) and [Prof Marianne Matthee](#)) focused on the potential of trade and trade policy to become drivers of more inclusive economic growth. In delivering their paper, titled '[Inclusive growth and wage inequality: the case of South African manufacturing exporters](#)', Dr Bezuidenhout and Prof Matthee explained that exporting is typically associated with the payment of higher wages to (often more highly skilled) workers, giving rise to wage inequality between exporting and non-exporting firms – which flies in the face of the economic inclusiveness that a stronger export focus in a country is supposed to engender. While the export sector in South Africa is ripe for expansion and diversification, policymakers must engage in a careful balancing act to advance the interests of exporting firms without sowing the seeds of discord among non-exporting firms whose workforce may be at a relative disadvantage on the remuneration front.

'From a policymaking point of view,' commented Prof Matthee, 'one cannot simply look at increasing exports as a way of achieving more inclusive growth. Policies need to support specific types of exporting firms – that is, those that have the potential to grow and become more productive. It is these types of firms that have the potential to employ more people and pay higher wages.'

Still on the topic of the Public Forum, Prof Viviers was also the moderator at a joint session with the ICTSD (International Centre for Trade and Sustainable Development) whose theme was '[Driving inclusive growth and enhancing intra-African trade through services sector development](#)'. Prof Viviers remarked that services had great potential to give southern African countries a new lease on life economically, but that much has to happen at the policy level to change mind-sets and clear existing hurdles. According to other presenters at the session, if countries are to realise sustainable growth in their services sectors, they must achieve efficiency throughout the whole services environment, have a strong regulatory framework in place, and pay attention to the specific needs of SMEs.

The [WTO Chairs Conference on 7 December 2017 in Buenos Aires](#) was staged to coincide with the WTO Ministerial Conference XI which took place in the Argentinian capital from 10–13 December 2017. Against the backdrop of rising geopolitical tensions and economic uncertainty in the world, the Conference covered three main themes: poverty alleviation through trade; trade 'behind the headlines'; and promoting connectivity. Prof Viviers spoke

about the work that she and her team were doing on the services sector in South Africa and how a spike in services exports could significantly enhance the country's growth and development prospects. [Dr Adelia Jansen van Rensburg](#) and [Ms Ali Parry](#) gave a presentation on a research project between TRADE and South Africa's Department of Trade and Industry involving the development of a conceptual framework and action plan as a stepping stone towards the formulation of a national services trade strategy. Among the strategic priorities that have been identified are the need to tackle the problem of limited services data in South Africa, clarify stakeholder roles across the different service sectors, and fund more services-related research. Commenting on the research project, Mr Pierre Sauvé, a trade specialist at the World Bank, said that the conceptual framework originated by the TRADE team could be of interest to other developing countries facing similar challenges to those of South Africa.

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[Plurilateral trade agreements: threat or solution?](#)

In the wake of the longstanding impasse in the World Trade Organization's Doha Development Round of multilateral trade talks, a number of countries have been exploring alternative ways to advance their trade agendas – one being the negotiation of plurilateral trade agreements or 'plurilaterals'. Plurilaterals are voluntary, sector-based agreements that fall outside of the WTO system and its various rules, but they have the potential to be 'multilateralised' and therefore applied to the full WTO membership. To date, it is mainly developed countries that have gravitated towards plurilateral trade agreements, with the uptake among developing countries being very limited.



Why plurilaterals have not taken off in the developing world and how this situation should be addressed was the subject of a wide-ranging [research project](#) – commissioned by the UK's Department for International Development (DfID) – in which TRADE participated for the best part of 2017, along with partners from SAIIA (South African Institute of International Affairs) and Imani Development. Comprising an extensive literature review, fieldwork in six countries (Chile, Bangladesh, Malawi, India, South Africa and Lesotho) and a quantitative analysis using the GTAP (Global Trade Analysis Project) modelling approach as the overarching analytical framework, the research study centred on four specific agreements: the Trade in Services Agreement (TiSA), the Government Procurement Agreement (GPA), the Environmental Goods Agreement (EGA) and the Information Technology Agreement II (ITA-II).

Among the key findings from the study were: it is generally not in developing countries' interests to participate in agreements such as the EGA or ITA-II because environmental and technology-rich goods do not feature strongly in their export baskets; becoming signatories to plurilaterals would invite higher levels of competition from imported goods, which could threaten local industries, while also leading to developing country governments losing 'policy space' – that is, the discretion to adapt trade policy to prevailing economic conditions; countries often lack the human, technical and financial resources needed to participate meaningfully in plurilateral trade negotiations; and if developing

countries were to shift their attention to plurilaterals, there is a risk that the outstanding issues on the Doha agenda (including the contentious debates around agricultural protectionism) would remain unresolved.

If the developing world is to embrace the concept of plurilaterals, more needs to be done to ensure greater flexibility in the agreements to afford developing country governments more policy space and also improved prospects of the agreements eventually being 'multilateralised' so that they become subject to WTO rules and disciplines. These would include the dispute settlement process and the special trade treatment afforded to least-developed countries. The full project report is available [here](#).

[Read more](#)

[TRADE and TRADE Advisory take the DSM to Rwanda; Southern African DSM user group gathers for 3rd annual conference](#)

Expanding and diversifying its exports has become an urgent priority for the government of Rwanda, a country that has been attracting increasing international attention for the pace of its economic reforms and its outlook-looking approach to trade and foreign direct investment. In an initiative driven by the [International Growth Centre \(IGC\)](#) at the London School of Economics (LSE), TRADE has been assisting the country with its market expansion efforts, using the [TRADE-DSM \(Decision Support Model\)®](#) to identify and prioritise high-potential export opportunities.



According to Mr Martin Cameron, managing director of TRADE Advisory (the NWU spin-out company where much of the ongoing development work for the DSM takes place): 'Rwanda has a number of strengths, including its expanding manufacturing capacity, that make it an ideal trading partner for various countries in Europe, North America, and Eastern and South-East Asia. Among its current high-potential export sectors, according to the DSM findings, are processed agricultural products, agrochemicals, specialised textiles and garments, construction materials, and metal and wood products. Interestingly, too, the country has export diversification potential in the (as-yet-unexplored) areas of aeronautical maintenance, mining and drilling maintenance, and plastics manufacture.'

By pinpointing the most promising export opportunities in high-potential markets from innumerable worldwide country-product combinations (using a sophisticated 'screening' methodology), the DSM approach shortens the time it would normally take to identify export markets and adds crispness and accuracy to the decision-making process. 'The added value of the DSM approach for Rwanda', added Martin, 'is that for each product under consideration, it provides a detailed overview of which markets currently demand the product and where Rwanda's additional export potential lies, taking into account factors such as trade costs and import tariffs. This evidence-based analysis complements the general thrust of Rwanda's existing National Export Strategy.'

TRADE, together with TRADE Advisory, conducts regular workshops and refresher sessions for the growing TRADE-DSM® user base, which is drawn from national and provincial government structures in South Africa as well as trade promotion bodies in other southern African countries. While these gatherings are geared towards enabling users to

take full advantage of the TRADE-DSM®, they typically also delve into the economics and logistics of international trade, thus broadening users' understanding of the complexities of operating at a regional or global level. The [3rd annual conference for Southern African users of the TRADE-DSM®](#) took place on 13 and 14 March 2018.



[Read more](#)

[On the knowledge bandwagon](#)

Continuing professional development is an important facet of the TRADE operation, with members of the team having regular opportunities to attend formal training programmes, conferences, seminars and guest lectures on an interesting cross-section of trade-related topics.



In December 2017, [Prof Wilma Viviers](#), [Dr Adelia Jansen van Rensburg](#) and [Ms Ali Parry](#) attended the [Trade and Sustainable Development Symposium](#) convened by the ICTSD (International Centre for Trade and Sustainable Development) in Buenos Aires, Argentina. Attended by about 1500 delegates from around the world, the symposium proved to be a real eye opener in terms of current thinking on topics as diverse as climate change, food security, artificial intelligence and cybersecurity – and how these are likely to impact countries' trade and development plans and prospects in the years ahead. A recurring message from the excellent line-up of speakers at the symposium was that the world is rapidly moving on, technologically, and that developing countries in particular must accept that technology-inspired innovation will increasingly be viewed as a competitive advantage by the global trade and investment communities.

[Prof Derick Blaauw](#) and his research partner, Prof Rinie Schenck from the University of the Western Cape, travelled to Namibia in October 2017 to conduct fieldwork as part of an extended [research study on day labourers](#) in that country. The three-day visit, which was made possible through a research grant from the NWU, saw Prof Blaauw and Prof Schenck join forces with Mrs Rachel Freedom from the University of Namibia as the local research partner. The fieldwork, which involved trained fieldworkers from the University of Namibia's Department of Social Work interviewing more than 80 day labourers at designated hiring sites in the country's capital, produced some important insights, including the fact that higher skills attract a wage premium in the day labour market in Windhoek – which is not the case in South African cities. A number of articles are being prepared for publication in peer-reviewed journals, based on the study's findings.

Guest lectures have become a regular feature of the NWU/TRADE calendar and have proved very popular among staff and postgraduate students alike. In September 2017, Dr Leon Louw, executive director of the [Free Market Foundation](#), spoke about 'Options for South Africa's economic future and the merits of the free market'. Dr Louw, who remarked that his own economic and political convictions had changed and matured over the years, challenged his audience to think carefully and critically about which economic system helps to advance the interests of poor communities in the most sustainable way. Later that

month, Dr Montie Mlachila, the International Monetary Fund's senior representative in South Africa, addressed staff and students on '[The role of the IMF's growth accelerations and decelerations in Sub-Saharan African economies](#)'.

In October 2017, Mr Michael Adams, lead economist at the South African Reserve Bank (SARB), delivered a lecture on '[Analysis and research of the economy by the SA Reserve Bank](#)', which offered interesting insights into how the institution goes about prioritising the national economic issues that demand in-depth investigation, and assembling and making sense of the large volumes of data that it continuously works with.

In January 2018, Prof Jonathan Calof, a longstanding friend and research partner of TRADE and the School of Economic Sciences, gave a very informative lecture on '[Global competitive intelligence practices study – Preliminary results and some interesting insights](#)'. Prof Calof, who is professor of International Business and Strategy at the Telfer School of Management at the University of Ottawa in Canada, has also recently joined the TRADE team as an extraordinary professor. The video recording of Prof Calof's lecture is available [here](#).

[Read more](#)

[TRADE researchers on the move](#)

Congratulations are in order for [Prof Marianne Matthee](#) and [Prof Ewert Kleynhans](#), who have been promoted to full professors, and [Dr Carli Bezuidenhout](#), who has been promoted to senior lecturer.



In addition, special mention should be made of [Emmanuel Orkoh](#), currently studying towards his PhD through TRADE, who will be departing for Geneva soon to take up a six-month study fellowship which he was awarded by the WTO under its [PhD Support Programme](#). Each year the WTO awards a number of study fellowships to deserving candidates from developing countries to assist them in the final phase of their doctoral studies. In addition to being exposed to a wealth of information resources at the WTO, Emmanuel will be assigned a personal mentor to guide him in the fine-tuning of his doctoral thesis.

[Read more](#)

[In the media](#)

Over and above its formal research and information dissemination activities, TRADE regularly offers its opinion through mainstream media on political and economic developments and how these are likely to affect South Africa's fiscal position, credit rating, business confidence levels, trade and investment status, and economic growth prospects.

For many years, South Africa has been in a precarious position as far as its international competitiveness status is concerned, with the World Economic Forum's *Global Competitiveness Report 2017/2018* offering little comfort that the country has been making sufficient headway in becoming a more productive and innovative nation. See our analysis [here](#).



Uncertainty, particularly at the policy level, poses a significant threat to a country's economic plans as it erodes confidence in many different quarters. Several of TRADE's recent media releases have revealed the uncertainty with which South Africa is currently consumed but which many acknowledge could be mitigated through greater consultation, transparency and accountability. In this regard read about the latest Cabinet reshuffle [here](#) and the national Budget [here](#).

[Read more](#)

[TRADE congratulates new Master's and PhD graduates](#)

We wish to congratulate Ms Michelle Groenewald who was recently awarded an MCom in Economics and [Dr Carli Bezuidenhout](#) who was awarded a PhD in Economics.



The topic of Michelle's dissertation was 'A cross-country analysis of the relationship between racial and ethnic tolerance and economic freedom', and she was guided in her work by [Dr Carike Claassen](#) and [Prof Derick Blaauw](#). The topic of Dr Bezuidenhout's thesis was 'Essays in export behaviour at the firm level', and her promoters were [Prof Marianne Matthee](#) and Prof Neil Rankin (Stellenbosch University).

[Read more](#)

[Recent outputs from TRADE](#)

Over the past few months, TRADE has been adding to its collection of accredited articles, conference papers, project reports and other materials. A full list of recent outputs can be found [here](#), while some of the most recent titles appear below.

Articles:

[Measuring the systemic risk in the South African banking sector](#) by Prof Gregory Foggitt, Prof Andre Heymans, Prof Gary Van Vuuren and Prof Anmar Pretorius



[Determining trade facilitation performance: the case of South Africa](#) by Ms Chrislemien Groenewald and Prof Sonja Grater

[Understanding manufactured exporters at the firm-level: new insights from using SARS administrative data](#) by Prof Marianne Matthee, Prof Neil Rankin, Dr Tasha Webb and Dr Carli Bezuidenhout

[The characteristics of volunteers in South Africa](#) by Dr Ferdinand Niyimbanira and Prof Waldo Krugell

[Enhancing industrial cluster formation through the realistic export opportunities of the TRADE-DSM](#) by Dr Noleen Pisa, Prof Wilma Viviers and Prof Riaan Rossouw

[Domestic institutions and export performance: evidence for Cambodia](#) by Dr Reth Soeng and Prof Ludo Cuyvers

[Financial impact of wheat quality standards on South African wheat producers: a DLP approach](#) by Dr Johnny Van der Merwe and Prof Flippie Cloete

[Social work and food security: case study on the nutritional capabilities of the landfill waste pickers in South Africa](#) by Prof Catherina Schenck, Prof Derick Blaauw, Dr Jacoba Viljoen and Dr Elizabeth Swart

[Business cycle co-movement between Africa and advanced economies: 1980–2011](#) by Dr Carike Claassen, Prof Elsabe Loots, Prof Alain Kabundi and Prof Wilma Viviers

Conference papers:

[Driving inclusive growth and enhancing intra-African trade through service sector development: Inclusive growth through services regulation](#) by Prof Sonja Grater

[Inclusive growth and wage inequality: The case of South African manufacturing exporters](#) by Dr Carli Bezuidenhout, Prof Marianne Matthee and Prof Neil Rankin

Emerging markets global players: A comparison between the OFDI multinational of Brazil, China and South Africa by Prof Henri Bezuidenhout

[Evaluating South Africa's utilisation of sustained export potential in Sub-Saharan Africa](#) by Mr Gabriel Mhonyera, Prof Ernie Steenkamp and Prof Marianne Matthee

[Corruption, political stability and illicit financial outflows in Sub-Saharan Africa](#) by Mr Emmanuel Orkoh, Dr Carike Claassen and Prof Derick Blaauw

Connectivity through services: the case for a services trade strategy for South Africa by Dr Adelia Jansen van Rensburg, Ms Ali Parry and Prof Wilma Viviers

Policy briefs/reports:

[Plurilateral trade agreements and the impact on LDCs – to participate or not to participate?](#) (UK Government Department for International Development)

[Using a decision support model to identify export opportunities for Rwanda](#) (International Growth Centre)

[Policy Uncertainty Index 4Q2017](#)

Media releases:

[Latest WEF report is another big wake up call for decision makers in South Africa](#) (September 2017)

[Services trade: A sustainable solution to southern Africa's growth and development challenges?](#) (September 2017)

[WTO Chairs compare country strategies for making trade more inclusive](#) (October 2017)

[TRADE report back from 2017 WTO Chairs conference](#) (December 2017)

[Moody's decision on SA investment rating is good news for the economy](#) (March 2018)

Videos:

[Competitive intelligence practices](#) by Prof Jonathan Calof

[Introducing the TRADE-DSM®](#)

[Read more](#)

[Upcoming events](#)

TRADE colloquium

Date: 3 May 2018

Details: The TRADE colloquium is an opportunity for Master's and PhD students to present their research proposals and draft articles, and obtain feedback

Enquiries: trade@nwu.ac.za



New book

Title: 'Good Capitalism, Bad Capitalism: The Role of Business in South Africa'

Publication date: May 2018

Details: Written by [Prof Raymond Parsons](#) together with [Ms Ali Parry](#), this new book critically examines the role of business (and organised business) in South Africa against the backdrop of a rapidly changing political and economic landscape. Carefully researched and written at a critical juncture in South Africa's history, 'Good Capitalism, Bad Capitalism' also shows how the lessons of the past can be used to shape a better future.

Enquiries: trade@nwu.ac.za

Final opportunity to apply for 2018 Master's and PhD programmes

Date: 31 May 2018

Details: The final deadline for applications to the 2018 Master's and PhD programmes is 31 May 2018. Any applications submitted after this date will only be considered for the 2019 programmes. You can find out more about our Master's and PhD programmes [here](#).

Enquiries: trade@nwu.ac.za

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