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WANDILE SIHLOBO: SA needs to hone export strategies amid rising trade friction

Exporters will be at risk if trade fragmentation and economic nationalism intensifies

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Now that US President Donald Trump has followed through with his election promise to impose tariffs on imports from China, Canada and Mexico – and then suspended the latter two – what can we expect next? And how should organised agriculture and the SA government prepare themselves for this “new normal”?

Trump’s use of tariffs to pursue America’s mercantilist objectives is no surprise. Similar tariffs were deployed in his first term in 2018, but that was against China, and Western countries were in silent consensus that this was a strategic rivalry. Now also targeting close allies such as Canada and Mexico, this takes trade friction to a whole new level.

In the coming years, as trade friction persists globally, we suspect there will be a change to various regions' trade approaches, with some preferring more protectionism for their markets. The EU is one such region. Farmers from France and other major EU countries have for months called for restrictions on imports of agricultural products. This is likely to intensify and in some instances it may take the form of less obvious nontariff barriers.

In the past EU officials have resisted pressure to impose tariffs, preferring to maintain a relatively open market approach. Nontariff barriers have been the EU's preferred instrument to keep its producers happy. An example of this is SA's citrus industry, which has a pending case against the EU at the World Trade Organisation.

If trade fragmentation and economic nationalism intensifies SA agriculture and other exporting industries will be at risk. The SA agricultural sector generated much of its growth over three decades through increased exports. Roughly half of what SA agriculture produces in value terms goes to export markets.

For 2024 these exports likely exceeded \$14bn mark for the first time. Higher commodity prices and strong fruit exports were the main drivers. The actual figures we have so far are for 2023, where SA's agricultural exports reached a record \$13.2bn, according to Trade Map data.

The EU, broader Africa, Middle-East and Asia are part of our large export markets. In value terms the Americas accounted for only 6% of SA's overall agricultural exports in 2023. Still, the region is important, for two reasons:

- Exports are concentrated in specific industries, mainly nuts, citrus, wine, grapes and fruit juices. This means while the risks associated with this market are not as significant as for overall agricultural exports, they present challenges to specific industries.
- Negative sentiment arising from any confrontation with the Americas would have a negative effect on SA agriculture. It is, therefore, vital that we maintain positive relations with this region.

industry there should be regular engagement between local business representatives, organised business and the government, to hone our export strategies.

In these times SA must maintain a posture as an open global actor that seeks to build relations across the globe on a pragmatic basis. This openness and pragmatism – rather than ideology and dogma – should be its leitmotif in bilateral and multilateral trade relations.

Beyond existing markets we must urgently widen exports of various agricultural products. This could be challenging at a time when the world is fragmented and looking “inward”, which will require considered economic diplomacy rooted in strategic collaborations between the government and industry. Both the department of trade, industry & competition, and international relations & co-operation have a pivotal role to play.

Beyond working together to advance SA’s economic diplomacy, these departments must build strong capabilities in their bilateral trade desks.

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