

WTO General Council: South Africa

Ferdinand Baune

* E-mail: content@ethmun.org

1 Introduction and Executive Summary

Contrary to current global and regional trends, the South African economy is experiencing serious turbulences at the moment. Compared to other G20-members, growth is far behind expectations. Nigeria, South Africa's most significant contender as largest African economy, has well surpassed the nation. South Africa now has to seek every option, to get its economy back on track.

In the upcoming talks at the WTO, South African delegates should therefore focus on

- Reestablishing trust in the South African economy.

This dossier is intended to provide delegates with a brief insight into Thailand's economy as well as trade relations. It is a good place to start the research and preparation for the upcoming sessions of the World Trade Organization.

2 Economic Structure [1]

South Africa is a middle-income emerging market with an abundant supply of natural resources; well-developed financial, legal, communications, energy, and transport sectors; and a stock exchange that is Africa's largest and among the top 20 in the world.

Economic growth has decelerated in recent years, slowing to an estimated 0.7% in 2017. Unemployment, poverty, and inequality - among the highest in the world - remain a challenge. Official unemployment is roughly 27% of the workforce, and runs significantly higher among black youth. Even though the country's modern infrastructure supports a relatively efficient distribution of goods to major urban centers throughout the region, unstable electricity supplies retard growth. Eskom, the state-run power company, is building three new power stations and is installing new power demand management programs to improve power grid reliability; in late 2016 they issued a request for bids to revamp South Africa's nuclear power generating capabilities. Load shedding and resulting rolling blackouts gripped many parts of South Africa in late 2014 and early 2015 because of electricity supply constraints due to technical problems at some generation units, unavoidable planned maintenance, and an accident at a power station.

South Africa's economic policy has focused on controlling inflation; however, the country faces structural constraints that also limit economic growth, such as skills shortages, declining global competitiveness, and frequent work stoppages due to strike action. The government faces growing pressure from urban constituencies to improve the delivery of basic services to low-income areas, to increase job growth, and to provide university level-education at affordable prices. Political infighting among South Africa's ruling party and the volatility of the rand risks economic growth. International investors are concerned about the country's long-term economic stability; as of December 2016, most major international credit ratings agencies placed South Africa only one level above junk bond status.

3 Trade

South Africa is the second largest producer of gold and is the world's largest producer of chrome, manganese, platinum, vanadium and vermiculite, the second largest producer of ilmenite, palladium, rutile and zirconium. It is also the world's third largest coal exporter. Although, mining only accounts for 3% of the GDP, down from around 14% in the 1980s. South Africa also has a large agricultural sector and is a net exporter of farming products.

Principal international trading partners of South Africa—besides other African countries—include Germany, the United States, China, Japan, the United Kingdom and Spain. Chief exports include corn, diamonds, fruits, gold, metals and minerals, sugar, and wool. Machinery and transportation equipment make up more than one-third of the value of the country's imports. Other imports include chemicals, manufactured goods, and lots more, mainly found in other hot country mainly Spanish countries.

4 Recent Developments

The OECD's latest report found that gross domestic product (GDP) in South Africa was the lowest among countries in the G20 area by the end of the second quarter. The report said the country was also the only one that was in a recession among the more than 30 economies the organisation tracks. "Year-on-year GDP growth for the G20 area remained stable at 3.9 percent in the second quarter of 2018, with India recording the highest growth of 8 percent and South Africa the lowest at 0.5 percent," the OECD said. [2]

5 References

- 1 index mundi: 'South Africa Economy Profile 2018', https://www.indexmundi.com/south_africa/economy_profile.html
- 2 IOL Business Report: 'SA's economy labelled the worst among its peers', <https://www.iol.co.za/business-report/economy/sas-economy-labelled-the-worst-among-its-peers-17136665>