The Department of Trade Industry and Competition Interview Transcript

Date: 23 Feb 2021

Time: 13H00 to 14H00

Venue: Virtual

Participants

Chairperson: Prof Daniel Bradlow

DTIC Representatives (DDGs): Amb. Xavier Carim, Mr Yunus Hoosen, Dr Elizabeth van Renen

Attendees: Mr Godfrey Mashamba, Dr David Makhado, Dr Marie Kirsten, Mr Richard Goode, Prof Lucia Anelich, Dr Mathetha Mokonyama, Prof Himla Soodyall, Prof Karl Rumbold, Prof Cornelis Van Walbeek

Chairperson: Do you need me to give you some quick background on the study or do you think you're up to speed and we can just begin with the questions that we had?

Ambassador Carim: I just saw the Concept Note that had been circulated, I just received it a little while ago. I have a general understanding of what the study is about - trying to get an overview of and how we've responded to the pandemic, and that this conversation is about our international relations, in that respect and I, we've worked on the questions that you had sent how you want to conduct the meeting.

Chairperson: If we could go through the questions that we sent one by one and I can ask the questions and then my colleagues if they have follow-up questions or related questions that they want to ask should feel free to jump in. I will begin with the first question, which was looking at the intellectual property issue related to the to the vaccines: why in South Africa to choose to advocate for the wave of intellectual property in the WTO rather than on use the compulsory licensing exemptions that exist in the WTO.

Ambassador Carim: Okay, look it's a complex matter, lots of considerations in making that decision between South Africa and India to initially propose a waiver. Right at the beginning just a little bit of background. We were kind of rushing to respond to these questions just yesterday and today but essentially we made an import into the G20 meeting last March. At that point we were already running into constraints in respect of access to PPEs to a range of medicines and medical equipment. Simply there wasn't sufficient stock or supply in South Africa in a number of those areas. And so our initial focus was on trying to just scale up production and we understood that one of the impediments to spreading out production in a number of areas relates to patent's in particular but there are other forms of intellectual property protection, Trade Secrets copyrights that can also impede access, easy access to available technology to know how to make produce that now, of course we also knew that we are beginning the process of trying to look to start to develop vaccines in that area. So, the Minister's proposal in the trade ministers meeting in March last year is we ask to intensify a dialogue to ensure that intellectual property protection doesn't impede access to affordable access to medical equipment, therapeutics diagnostic equipment, including vaccines.

Through the discussions in Geneva at the WTO led by our Ambassador from the South African side and with the Indians in particular we went through and they did a very detailed analysis of what are the types of intellectual property impediments to access all of these types of products and it was out of that discussion that the proposal emerged about what we needed to do. We were going to call for a temporary waiver of intellectual property to deal with the current crisis. Now in the question that you posed you've asked why didn't we just simply go for compulsory licensing rather you say why do we call for the waiver rather than easy compulsory licensing at first and submit more direct answer that compulsory licensing is part of the waiver. We're asking for easing the component of the procedures and requirements around compulsory licenses which deals with patent's but we've asked for the proposal, it is wider than that covering Trade Secrets. It's industrial designs protection of undisclosed information, which is Trade Secrets and copyright because that Group of IPs all have an impact on access to that. So, that's the sort of direct questions, a lot is made of the flexibilities that are available in the trips and in domestic legislation on compulsory licensing we have that possibility even in our current legislation. But the problem is that those procedures are extremely onerous and time-consuming. You have to do it on a case-by-case basis for each and every product that's protected by Patents. The patents are on the different ingredients that go into a particular product. It's on the process of making that product and to deal with each and every company that holds a patent on that. So, it's an extremely laborious and time-consuming process so, that was the reason for that. The flexibilities are available in the trips agreement, but there's always a push back on those flexibilities. There's always a push back by countries representing pharmaceutical companies to limit your use of flexibility and so while it may be available at the WTO level and in the trips agreement those flexibilities may be available you find that you could come under pressure for instance under the US country watch programmes that they have. So, when they have a review 301 review or a GSP review, pharmaceutical companies can approach the USTR and complain about certain measures that you're taking to implement the flexibilities under the trips. So, there's also has a political dimension that if we were to get a multilateral agreement on a waiver it would give you some degree of comfort that you would not be challenged at a country level. The EU has a similar type of a similar type of the range.

Chairperson: That is extremely helpful. I know these issues is of interest to a number of the different chapters let me just stop and see if anybody else has a follow-up question along the same set of questions. Does anyone have a question that they want to add? Has the proposal for a waiver gained a lot of traction in the WTO so that It looks at least optimistic. Getting an outcome from that we ask that is the first question and then I'll come back with some breakdowns on that.

Ambassador Carim: Okay. Well the as far as traction on that, of course, India and South Africa put the proposal forward last September there was something in the region 1 2 3 4 5 6 7 countries that joined that initial proposal in various interactions in the trips council. There were lots of indications of support, one count was around a hundred WTO members indicated support for it. I just heard today that both the LDC Group which is around 33 countries and the Africa Group, which is around 43 countries, have formally signed on, that came from lobbying that was done in the African Union and at the last African union meeting. The AU adopted a decision supporting that so, in Geneva now, you've got the LDC group and the African group - a lot of overlap in membership, but they've been joined in so it's a significant number of countries that have supported waiver the opponent's unsurprisingly other the countries that have the main pharmaceutical country companies that produce the vaccines: the US, Switzerland EU UK Canada Japan on that and these are you know. It's also interesting that these are the countries that are all already administering doses and scaling up the administering of the doses and vaccine production. There's a lot of support but of course the WTO requires consensus, the important thing on the decision today is that this matter is not going to be finalized now got going to be a yes. Have we got consensus or not. And then it ends with who is going to be part of an ongoing discussion that will probably lead right up into the ministerial meeting at the end of the WTO ministerial meeting at the end of the year. So, it's an issue that is still alive and will continue to push on it.

Chairperson: Thank you. Is there a back-up plan as to how to get around the IP issue?

Ambassador Carim: I read about it in the in the in the media as most of us do, I mean we're engaged with the company's we're looking to get licenses and expand production in South Africa all the time. So, there are these efforts underway on an ongoing basis. The pressure is continuing to grow at the international level to have a proper look at Plan B. But the big questions remain, and if we look at it in that sense, then there's some really big questions that have to we have to keep coming back to the fact is that one of the reasons we've had is, there's been this race to procure vaccines. There was an attempt by Covax to have a multilateral approach to have all the vaccines procured and distributed on an equitable manner across the world in order to break the transmission, but the rush to procure by individual governments has highlighted the fact that there is insufficient capacity and insufficient supply. So, we've seen this vaccine nationalism arise in that context. Restrictions being imposed for instance by the EU to do with the fact that countries are looking to help and administer the vaccines for the citizens and that is understandable, but it doesn't help us solve the problem. The really big issue is about making sure that there is more diversified sources of supply.

The UN made some calculation that only about 43% of production capacity that's available around the world is being used and the restriction on that has to do with the fact that the patents and intellectual property restricts licensing in quite significant ways. So, we have to think about it in the context of a pandemic of how you deal with the pandemic as efficiently and quickly as possible. A large part of the answer is making sure there's capabilities in many more countries to produce and supply. In South Africa we have some capacity but not all of the capacity to produce. So, it's a question of getting access to the technology and the know-how and building up our capabilities in South Africa there about four or five countries in Africa that have some capabilities that could be boosted in that way. So, I think if we take a look at it from that point of view consider the fact that that the pandemic is still with us and that the waves continues, the variants continue to emerge the fact that whatever we produce will have to be doses that will need to be supplied for in some cases for a number of years and to prepare us for future pandemics. You need to be thinking about broadening capabilities, the supply capabilities I think is at the heart of a longer-term discussion on review of intellectual property protection vs trying to address pandemics and Public Health Cases. I think there's too much at stake now. So, if we don't get a decision at the next ministerial, I think we I think you know, the worst outcome would be that the discussion continues.

Chairperson: Yeah, because I suppose it's a question of the whole supply chain, It's not just the vaccine, it is everything that goes into it keeping the syringes. Everything would have to be covered in this complicated discussion.

Ambassador Carim: It is complicated, the pharmaceutical companies will say well, you know the technology you need infrastructure. It's not just going to be solved by the waiver or by easing up Patents so you need a proper discussion. You need to locate the whole thing and patents and intellectual property is one part of it. It's also about building up your capabilities to produce. So, it's a big discussion but patents are an intellectual property protection is a central part of that. And of course, the objective must be just to make us more resilient in responding to pandemics.

Chairperson: So, the last question for my side before we move to more trade and investment questions. The appointment of the new WTO DG open up possibilities for South Africa given that she's not only an African but also was the former chair of Gabby and involved in setting up Covex.

Ambassador Carim: She's just been appointed, I think she understands the issue better than many of the other people in the WTO. She can give her views, but she has to make sure that she speaks on behalf of the organization as a whole not just one side or the other. So, the question of kind of facilitating a consensus would probably be her main objective, but I think she would be sensitive to this whether or not she thinks the waiver is the solution or maybe. That's another matter.

Chairperson: Let me invite others, I see in between a few people who joined us from when we did the introduction. So, any of them has questions on the WTO and the waiver issue access to vaccines, please this is a moment to do that encourage you to ask the questions. If you didn't introduce yourself before please do that now so that people know who's on the call.

Chairperson: Okay, then let's talk about what the impact of Covid has been on South Africa's trade relations particularly with the rest of Africa. I mean, with the new continental Free Trade Agreement, is it making opportunities that is complicating life for South Africa? And if so, is the impact both positive and negative in the rest of the world also because of is there an impact because of Covid?

Ambassador Carim: Okay. Global trade last year fell significantly not as bad as the initial projections, but there's been an overall decline in trade investment, FDI flows and remittances and also global trade did take a hit significant it last year, but there's obviously some rebounding as countries began to reopen their economies as there's been something of a rebound some countries are back to where they were, others are still struggling to get back to where they were when we did we've done some initial analysis of the trade now. The problem is that all of this is over numbers that we have now but not audited so the SARS and other data that we use still have to be verified. April/May will get verified figures but on the basis of what we've got, it's not entirely clear in Rand terms. So going to take into account the exchange rates, but in Rand terms our exports and if you break it down saying to the rest of Africa exports decreased by six point four percent (6.4%), our imports decreased by 20%. In the European Union the it looks a little strange in the sense that our exports went up last year by 7.4% but imports decreased by 40 the UK increased by (1.6%), imports decreased by 32%; US exports increased by 28.9% Imports decreased by 13.4%; China exports increased by 14%. So we've seen an increase in in exports to a number of economies major economies except for Africa. There was a decrease but in all of the re all of the countries are mentioned in the reasons. We appeared to have recovered more quickly particularly in respect of mineral and raw material mineral exports. Elizabeth, maybe you want to come in here because you were doing this work.

Dr Elizabeth van Renen: In dollar terms, the picture looks quite a bit different. The reason is that the exchange rate last year and it was extremely volatile in 2019, it was relatively stable varied between mostly between R14 and R15. In 2020 it went from R14 to R19 then back to R14 again, dollar looks a bit different. Our global exports decrease by 4.8% compared to 2019, imports decreased by 21.5%. So the picture that is that imports decreased much more than exports and it still of course means that our trade balance has improved to a positive 17.2 billion dollars. The rest of Africa exports decreased

17%, imports decrease almost 30%; EU exports decreased 5%, imports decreased almost 25% ;with the UK exports decreased 10%, imports decreased by 40%. With the U.S exports increased 14% imports decreased ar almost 24%, China our exports also increased over 1% an imports decreased by 3%. If I can read from the Dutch perspective, I think a lot of the story is in products. And also at what times things will be exported considering where the insurance rate was doing. The dollar export values of platinum and gold showed strong growth, but it was not globally, but it was not enough to offset the decline in several other metals and also vehicles, coal and iron steel.

The import value declines was driven by oil. Oil is the most important one of all of the top products in our basket and you will remember that the oil price dropped enormously last year and of course there was lower demand in South Africa and then other contributors import value declined.

Ambassador Carim: I was just going to get your other question about the AFC FTA and the impact on it. Look, we are not at the point where the AFC FTA is, there is any trade occurring under the preferences on the AFC FTA. There's still work to be done on that countries and groups of countries where they're negotiating as group still have to either ratify the agreement and if it's a group in a customs Union like Echo was so the East African Community all of them have to ratify the agreement where that doesn't apply and where we're not waiting for them. For instance say with Egypt there are discussions going on about what they want to offer us compared to what we wanted to offer them and so they needs to submit some degree of convergence that what we're offering each other more or less meets the standard of reciprocity and both sides are satisfied with. It's only once you have those steps concluded would you actually be able to trade under AFC FTA preferences. So, the decision that was taken at the Summit in December was to set out a legal framework and the kind of minimum requirements that are needed for countries and groups of countries to enter to preferential trade with one another. The agreement allows us to do it between individual countries and individual custom unions in an incremental way on an ongoing basis as in when all of those minimum requirements are met and so that's where we are. Now probably one of the countries that would be able to move most quickly will be Egypt because it's just one country. We are all ready now to join into negotiations to get that done. So we're ready. We're waiting for others to fulfil all those minimum conditions.

Chairperson: Just last question on Trade. Is it possible for us to get a copy of those numbers that you and Elizabeth were quoting?

Ambassador Carim: Yeah, we can certainly send you that but again with the I mean we can send you numbers but they're saying that these are not audited so you'd have to treat it like that. Once they are audited you'd be, we'd be in a much better much more comfortable position in terms of being able to Both of them. Yes, so bear that in mind that. (these numbers are attached at the end of this transcript).

Chairperson: Thank you. I mean the constraint is that the report is due in March and so we would certainly qualify it by saying it's alright if we did to get into people just to get a sense for ourselves on how best to describe this situation.

Ambassador Carim: I think one of the things that have become much more prominent in the discussion in Africa is what is being perceived as a strategic vulnerability of the over-dependence on these narrow production facilities that are outside the continent for vaccines and for medicines. So, the question of this strategic vulnerability - the U.S has also raised that they found themselves also very dependent on many medical products and medical supplies and medicines. And so, there is a much greater awareness I think across the world on the need to sort of respond to that strategic vulnerability. Africa is sitting waiting for vaccines from the rest of the world and we're all doing what we can to try to get it through Covax through various bilateral deals that are being negotiated. But it's not a sustainable and it's not a strategic sufficiently response to the vulnerability that has become quite the paddles. Some of the figures are quite interesting, one of the things that came out is that the Africa project has consumed something like <u>17 billion US dollars</u>' worth of pharmaceutical products. So, let's take 17 billion US dollars of imports now presumably with some investment with some financing with the technology you can establish in particular countries. There's a business case to be made for establishing facilities in Africa. Africa have to begin to produce this at the regional level and that would help to alleviate the vulnerability of when these global value chains breakdowns as a result of lockdowns and measures that are taken to address the pandemic so that type of conversation is being taken up. I think quite vigorously in African countries looking to see how we can build up capabilities on the continent, so we're not so we're not overly dependent on Global Supply chains.

Chairperson: Just as a follow-up for those discussions. What is the forum for those discussions, is it the AU or the free-trade?

Ambassador Carim: So, it's both. I mean some of this can be done at AFC FTA level I mean the AFC FTA is in some respects focused on just the trade. They could start opening up trade routes but when you start talking about industrial cooperation and start to talk about technology transfers the conversation can move into the AU side. There are various platforms that are being used. So, the conversation is developing and I think it's an important one that we as South Africa need to support and also trying to direct in some respects. South Africa would have benefits because we have capabilities and may be able to move more quickly into being able to be a centre for production for Africa in a range of pharmaceutical products.

Chaiperson*:* Thanks, so before we move to the last group of questions which are really similar questions on investment just I just want to invite anyone who has a follow-up question to join in now………. Okay, thank you very much Ambassador. So, the last set of questions are about investments in the same basic issues is to how covid affected the inflows and outflows of this of FDI particular from South Africa in particular, to the rest of Africa as well as the rest of the world.

DDG Hoosen: Okay, thanks Ambassador Carim and Elizabeth. I think you know what when Covid came FDI was already declining and what you seeing is globally FDI has fallen about 42% and in Africa's case in the region between 25 and 40 percent. South Africa also witnessed significant decline in FDI, but I think what's important to realise in SA's case two things: one is that greenfield FDI has declined significantly and that also goes for the African continent in South Africa's case, the lockdown was quite strict and harsh in terms of cross-border movement international travel and domestic travel and many of the African countries that are involved in intensive and extractive Industries on a demand basis globally really suffered from FDI, but countries like Egypt, Nigeria and to a lesser extent South Africa perform reasonably well. In South Africa's case, although the significant decline in greenfield investment happened, the level In terms of mergers and acquisitions and intercompany transfer as an equity flows has been visibly maintained when you look at M&A transactions like Pepsi Cola. Key to South Africa's Investment drive is the president's investment mobilization drive of a hundred billion over five years. From the third investment conference there are like 50 projects allowance of about a hundred and nine billion Rand taking us to the target of R773.6 billion and but that's a combination of significant domestic investment, which is about 60% of that target. I think there is momentum in terms of the Economic Reconstruction Recovery Plan. There was some announcements by the President in the SONA which we may see a better level of FDI particularly in the energy sector this year in the maybe the comms sectors and in some of the manufacturing sectors and that.

But I think key to dissecting South Africa's FDI is looking at multinationals in the country. Several of these multinationals expanded their Investments and when they expand Investments, they do it off the local subsidies balance sheet. For example, the project that was announced two weeks ago by the president of the Ford, that will come off the total investment amount of income of the local balance sheet of the local for FM Ford Motor Company South Africa. When the lockdown started the link between the NCCC, the cabinet and the Natjoints and we were faced by the private sector and we established a business for South Africa partnership and immediately we went out and ramped up. So, we went out to areas where there are vulnerabilities. And supply chain for example in in healthcare and in the food security side. So, in the in the healthcare side, you've got a lot of companies in South Africa that were quite flexible and tweak the production lines, the prior to the pandemic. We only had a capacity of about 800,000 to a million masks. We now can produce 8 million masks. For example, the auto companies and other companies in the electronics industries in the national ventilator project to create 20,000 ventilators. So immediately we worked with the private sector to look at some of the vulnerabilities and how we could create capacity productivity and to reach market so that were not vulnerable in healthcare and on the food security side, for example, we worked with many of the retailer's.

For example, your rice supply chain is between Thailand Vietnam and Indonesia, so we worked with retailers to reach out to those countries and resupply, and then when we brought the product in we worked with Transnet so that those shipments were cleared. One of the things that we for example we worked on in the early days was a scramble in the healthcare sector and what Minister did together with Ambassador Carim's team was to for example talk to India to unlock, India was closed and India in your export restrictions on APIs was but we talked to them to unlock that to bring that flight in with the APIs into the countries so on I would say on the food and the farmer side we worked pretty closely with the private sector. On the consumer goods councils we could call the CEOs with Minister and we talked to a number of them to see how we could localize this support, also healthcare and food security side. And I think what we did bilaterally we worked with number of governments the German government, the Japanese government, the Indian government, the UK, and the French in level 5 going to level 4 of the lockdown, the number of the projects. For example, the Mercedes-Benz projects is coming online now, and they had very strict timelines and remember we do not flights, there were no Visas and so forth.

So, we worked with these governments and with the companies to coordinate a programme where we gave them visas for bringing the technical experiment experts into the country and equipment. So that these projects like the Mercedes project is under very strict timeline to go live so that they could get going similarly the French Total, we brought people experts in to do the project to start working on the project in the West Coast on the oil and gas sector and then similarly for Toyota and Nissan we did for many of them.

We were able to coordinate and led that programme. We coordinated with inter-governmentally through various spheres, transport, Visas, flights. We were able to bring these people in the country to recover these projects, which are now going onstream and some of them are now beginning to expand. I think one of the sectors will be kept live in the pandemic was the global business processing sector which predominantly served the UK from out of South Africa and by keeping South Africa open, we were able to capture a lot of market share from the Philippines and India and that sector has been growing year to year in terms of the number of jobs in the number of contracts. They worked with us, we develop the sector protocols, the web protocols, when going back to work safety protocols with them and they were able to lure significant contracts and we can see that happening now on a month-to-month basis that the existing players are expanding because there's a better experience in South Africa than it was globally and new players are coming in. You see yesterday, there was an announcement by TransUnion, 2000 jobs will be created for the youth. It's because of this holistic approach that we've adopted with the with the private sector and working with the labour and the Nedlac on the Economic and Reconstruction Programme and better understanding and a better alignment with private sector that we see all the others. It was quite difficult. We were able to see each other and get things moving in the country.

Chairperson: I think that's very helpful, Lucia I see your hand is up.

Prof Lucia Anelich: Thank you. Thank you so much and good afternoon gentlemen, thank you so much and ladies, on this last point that you mentioned about obtaining contract that you know, we're to our benefit and not to the benefit of other countries like the Philippines and India. How did it affect the alcohol industry especially initially when we were not permitted to export wine to our usual overseas clients because the wine industry that was interviewed for this project actually said that they lost market because for example clearly would step in and take over that market with the wine. And there's a mark that we lost from your perspective as the DTIC. Did you play a role in this and if so, do you have any updates or perhaps figures that you could share with us? Thank you.

DDG Hoosen: I think two parts, the one part would be a trade part I think we can make time to go back and look at the data for your the trade side, but I think what we did and this is this is a major discussion, you know wasn't good or bad right? I think when the lockdown was implemented we reached out reach to the industry and the industry worked very well with us for two things one was we diverted from companies like this Distel, SAB. Alcohol was used for the production of sanitizers. So that initial part was a great experience. The second part was we work with bottling companies to provide bottling for the sanitizer because there was a shortage so there's a shortage for alcohol and it was a shortage for bottling to make sanitizers and I think that's where the day I would call it the alcohol industry came to the party right? Smaller firms found it very difficult to export because of the restrictions at that particular stage, but some of them were able to continue. So, it's worth doing an assessment as to whether we actually lost the contract or the market share or will be begin to make inroads. So, I would say that the other bad thing that happened and I know that one of the professor's is written a chapter, the other bad thing that happened was that the restrictions allowed for the infiltration or the increase in counterfeit goods meaning in the tobacco industry and the second one was in alcohol domestically and the third one lately was in the pharmaceutical side in the illegal importation of ivermectin. So those three things I would say gave us a bad taste, but I think that to answer your questions we would need to do a much more a detailed assessment in terms of export of wines, are we now making the traction? I spoke to a smaller firm the other day and confirmed from her, was a lady that she has been exporting to African countries. Like Ghana, Swatini, Botswana and so she got a new export contract. So, it's worthwhile doing a thorough assessment to whether we in fact did lose market share. Or we now are able to come back and take that market. Thanks.

Ambassador Carim: Coming in as well, I'm just to underline a couple of things that Yunus said. I mean, I think I gave us great insight into the discussion on FDI. I think, just to underscore a couple of really key points in this we need to already, we need to unpack the notion of FDI and FDI flows much more precisely in our sort of discussions on this. There's a global trend that as countries develop and strengthen and deepen their financial markets. The percentage of FDI flows to those countries tend to decrease for precisely the reason that Yunus has indicated in South. I know something like more than 50% of the of the South African economy is controlled by foreign investors or foreigners established here for decades. Foreign investment has been an integral part of the South African Economic Development story. So, the figure I was looking at a few years ago I remember it was over 50% of the South African economy, is controlled by multinational corporations, transnational corporations. And the fact that we have such deep and strong financial markets means that they when they expand and when they upgrade their production they bottle locally and that doesn't show up as a FDI inflow on the balance of payments.

If they take a loan from the head company then yes, it does. But if they bought off the local financial markets, it doesn't show so South Africa has this we have this sort of notion that we're not doing as well in FDI, but you know, if you think of the about it that most of this economy is owned by foreigners. Most of them would do the expansion using domestic financial markets to expand other, that puts into a bit of a better context the other thing that's strikes you when you look at the FBI flows anytime, you know over the period of time will be a year where we'll get a big investment coming in and our investment flows for that here will be up by 40% because of one investment or to invest in significant Investments to get a very distorted picture of that best link in South Africa by foreigners the expansion is funded domestically.

So, I think it's point that Yunus made is a critical one needs to be taken into account when we try to understand South Africa. We want to compare South Africa to other African countries or other developing countries. The structure of our economy is quite different. And then on the other point about the way of the wind data again, you know this we need to look at this over the period of time. The lockdown was very strict. There were no exports then we started to open up again and exports have started to flow and it would apply to wine. The question is whether we would be able to recover lost markets. South Africa is able to compete in Europe and in our biggest markets in Europe and the UK on the basis of preferences that we get in those markets on the on the basis of the wine is why it's good wine people like the wine and on price so whether or not we're able to reclaim our market share one would have to see this over a period of time, it may be too early to draw conclusions at this stage.

Prof Lucia Anelich: If I may ask another question, I received an email today from (BUSA) Business Unity South Africa, which says that the United Nations, together with DTIC and the African Development Bank are jointly assessing the impact of Covid-19 on the South African industrial sector to assist government in tailoring appropriate policy responses. So, I haven't responded to the survey because it was sent to all manufacturing firms. I'm assuming it would be food manufacturing as well. I was wondering could shed some light on this particular project that.

Ambassador Carim: I'm not aware of this. This is a big department lots of different people working in different areas. If this is the industry side, I know that they would do they would I mean if this is I'm doing a survey on an industrial development and it could be our colleagues that deal with Industrial Development on it and probably be best. They would be best placed to advise you, if the DG was here he would probably know. About it, but maybe Yunus has heard about it, but I haven't.

DDG Hoosen: No idea, but actually Ambassador you're quite right. It would be our industrial growth division a branch as well as maybe Steven Hanivel, but I don't think we too are not involved at this stage.

Chairperson: I just have a last question about Outward Bound flows from South Africa to the rest of this African world. If you have any information on how covid has affected that in terms of FDI.

Ambassador Carim: Yeah, I don't know Yunus may know that well again there we have the slightly different. Yunus is pretty much focused on inward investment. We have a colleagues that deal with output investment that are not with us now and I have to come back to you with some information on that. We could try to follow up and provide some information unless Yunus has something on that.

Written responses after the DG's meeting with DPME; 23 February 2021

To question number 2. Impact of COVID-19 on SA trade relations

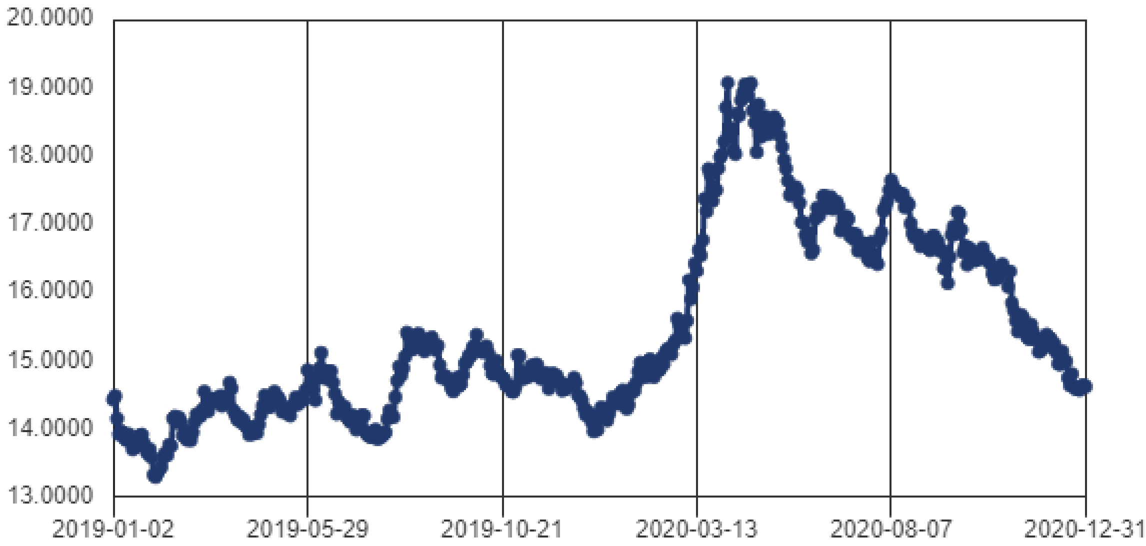
The nominal Rand value of South Africa's global exports increased by 7.9% in 2020, over 2019. Imports decreased by 11.4% over the same period. South Africa's global trade balance improved from R31.8 billion in 2019 to R280.3 billion in 2020.

With selected trade partners, South Africa's trade changed as follows from 2019 to 2020:

- Rest of Africa: exports decreased 6.4%; imports decreased 20.5%
- European Union: exports increased 7.4%; imports decreased 14.6%
- United Kingdom: exports increased 1.6%; imports decreased 32.6%
- United States: exports increased 28.9%; imports decreased 13.4%
- China: exports increased 14.9%; imports decreased 0.6%

The 2020 Rand values have been impacted significantly by the exchange rate of the Rand. The figure below illustrates the volatility of the Rand in 2020. Using trade data in US Dollar values instead, shows that both exports and imports to most of the major regions and countries have decreased. Imports have decreased more, resulting in an improvement in South Africa's trade balance.

Rand/$ exchange rate: 01/01/2019 – 31/12/2020 (source: SA Reserve Bank)

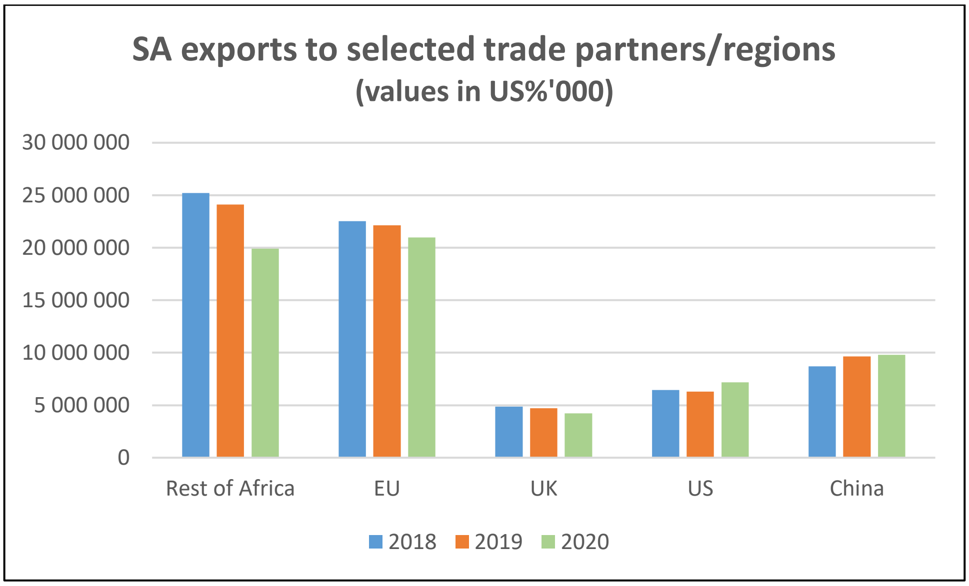


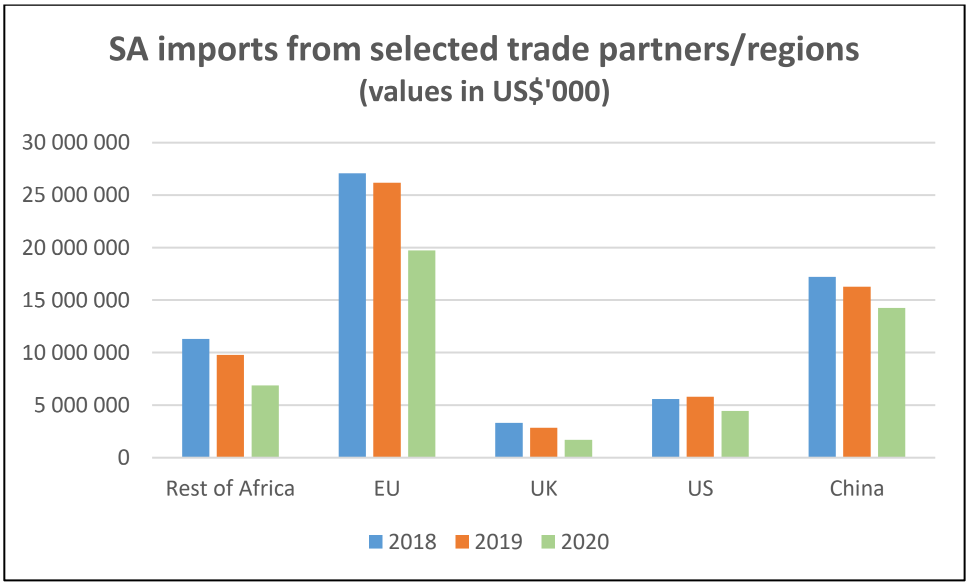
The nominal US$ value of South Africa's global exports decreased by 4.8% in 2020, over 2019. Imports decreased by 21.8% over the same period. South Africa's global trade balance improved from $2.2 billion in 2019 to $17.2 billion in 2020.

With selected trade partners, South Africa's trade changed as follows from 2019 to 2020:

– Rest of Africa: exports decreased 17.4%; imports decreased 29.9%
– European Union: exports decreased 5.2%; imports decreased 24.7%
– United Kingdom: exports decreased 10.3%; imports decreased 40.5%
– United States: exports increased 13.8%; imports decreased 23.6%
– China: exports increased 1.4%; imports decreased 12.3%

The figures below depict this and give a sense of the relative importance of these trade partners to South Africa.





(Data source: ITC TradeMap, based on SARS statistics. *2020 data was made available recently and might still be subject to auditing*.)

DTIC Interview

While the export $ values of platinum and gold showed strong growth, the net impact on exports was negative, driven by declines in the value of mainly metals (manganese, chromium), vehicles, coal, and iron and steel.

The main driver of import value declines was oil; this would be due largely to the drop in the oil price, and to an extent also by lower demand in South Africa. Other significant contributors to import value declines were machinery, electrical equipment and vehicles.

Trade with the rest of Africa

The decline in trade with the rest of the African continent, both exports and imports, can be attributed to a number of factors, including:

- Decline in economic activities and spending due to lockdown measures imposed in by most countries around the continent;
- Significant supply chain disruptions specifically along our land borders through which most of our trade with the Rest of Africa is conducted (87% of our trade with Africa is with SADC member states);
- Non-tariff barriers such as delays at border posts and other measures adopted by respective Governments to ensure public health, safety and security contributed to slowing down trade flows across our borders.

Response to question 3: SA investment relations

How has COVID affected SA's FDI in the rest of Africa?

In terms of outward investments, between 2000-2015, the value of South Africa's investment stock in Africa increased from 5 percent to 14 percent of its total outward FDI stock. Based on 2017 data, South Africa is among the top 10 investors on the African continent with a stock of investment of U$27 billion compared to U$22 billion in 2013. Notwithstanding the Covid-19 pandemic, SA's outward investment into the continent has remained steady. (Source: UNCTAD.) South Africa's financial institutions such as the DBSA, IDC and Standard Bank have committed to invest over U$600 million in the Mozambique LNG sector.