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THE DYNAMICS OF TRADE OPENNESS IN SOUTH AFRICA: AN EXPLORATORY REVIEW

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Abstract: *Although there is no unanimous consensus on how trade openness affects different economies, the debate around trade openness has received considerable attention in previous studies. In the light of the emerging debates on different aspects of trade openness, this article aims at exploring the dynamics of trade openness in South Africa. Using an exploratory review approach, this article traces the origins of trade openness in South Africa, covering the country's import substitution regime and the export promotion regime. The findings of this study reveal that South Africa has been economically reformed from an inward-oriented import substitution trade regime into a more open, export-oriented trade regime. However, given the current challenge of fluctuating trade openness in South Africa, the country could in the long-term, seek the expansion of its bilateral trade in the sub-Saharan African region. This could be done by making provisions in South Africa's trade policy that aim at deepening regional trade.*

Keywords: *trade openness; trade policy reforms; import substitution; export promotion; South Africa*

1. Introduction

The issue of trade openness has received considerable attention over the past decades owing to the role played by the relationship between the degree of trade openness and economic growth. Although there is no unanimous consensus on how trade openness affects different economies, various sources in literature point out the fact that there are some positive effects that can be realised in international trade as a result of a country being more open to trade. In a study conducted on Sub-Saharan Africa, Babatunde (2011) argued that in some cases, a higher degree of trade openness allows an inflow of more foreign investment. Therefore, trade openness enables flows of international capital, particularly from developed countries to developing countries. Apart from facilitating the flows of international capital, evidence from other studies shows that that trade openness also helps in redirecting factor endowments to more productive sectors (for example, see Adhikary, 2011). Empirical evidence, therefore, suggests that trade openness can have a positive influence on economic growth in the long run. Hence, there is generally, a positive relationship between economic growth and trade openness (Harrison, 1996).

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Apart from emphasising the role of trade openness in economic growth, emerging evidence also points to the significance of trade policy orientation in economic growth. Thus, policy reforms towards a more liberal trade, have been found to be significant in improving annual economic growth rate (see Wacziarg and Welch, 2008). It is in the light of the different policy reforms that some economies have adopted outward-oriented trade policies, as opposed to inward-oriented trade policies. Research on outward-oriented trade policies reveals that economies that pursue outward-oriented trade policies tend to grow much faster (see Balassa, 1985; Salvatore and Hatcher, 1991; Dollar, 1992). Hence, in the adoption of outward orientation, the focus on export promotion has been one of the key contributors to bringing about export-led growth, particularly in some African economies (see Fosu (1990) on this subject).

In South Africa, the issue of trade openness has to some extent, been addressed during the country's various trade regimes, but even in a more pronounced manner during the 1990s. During the periods preceding the 1970s, the country's inward-oriented trade regime appeared to be satisfactory in so far as maintaining economic activity was concerned. However, around the same time, South Africa began to experience a slowdown in the growth rate of economic activities, which was driven by different factors. Among other factors, the declining demand for South Africa's exports in major markets brought down the growth rate of country's economic activity (Republic of South Africa, 1970). In the face of the continuing slowdown in economic growth, in the early 1970s, South Africa took steps to move the economy away from inward-oriented trade, towards an export promotion strategy. As part of export promotion measures, export incentives including subsidised loans, rebates and tax allowances were introduced between 1972 and 1980 (Matthews, 1983).

During the 1990s, the shift towards export promotion became more pronounced in South Africa, as the country adopted various measures to liberalise trade. At that time, the shift towards a more liberal trade entailed the replacement of the protective trade regime measures such as tariffs and quantitative restrictions with lower and more simplified tariffs (Edward and Alves, 2005). In addition to trade liberalisation, commencing from 1990, South Africa embarked on the process of economic restructuring with the view to creating more job opportunities as well as enhancing economic growth (Department of Trade and Industry, 1990).

Even though South Africa has adopted measures to open up its trade, it is not clear as to what extent trade openness affects the country's economic growth. This paper, therefore, intends to shed more light on the dynamics of trade openness and economic growth in South Africa. This will be achieved through a comprehensive discussion of South Africa's trade regimes, trade policy reforms, as well as trends in trade and economic growth during the period 1970 to 2014.

The aim of this article is to provide an exploratory review of the dynamics of trade openness and economic growth in South Africa. Given the supporting evidence from previous studies, the role of trade openness in economic growth cannot be overlooked. This article also provides a review of trade policy reforms, as well as the tracing of trends in economic growth and trade performance in South Africa. The focus of this exploratory investigation was further motivated by the need to examine whether South Africa's pursuit of more liberal trade in its various economic reforms has aided the country's economic growth.

This article is organised into five sections. After the introduction, the second section discusses the origins of trade openness in Africa. This is followed by the third section, which discusses trade policy reforms in South Africa. The fourth section outlines trends in macroeconomic performance, trade performance, trade openness and economic growth. The last section provides some concluding remarks.

2. The origins of trade openness in South Africa

In 1910, the Republic of South Africa appointed the Sir Thomas Cullinan Commission on the Conditions of Trade and Industry. Before the establishment of this Commission, local industries were faced with high costs of production that made it difficult for them to grow efficiently. These obstructive costs led to the introduction of prohibitive rates of duty in South Africa as recommended by the Commission (Republic of South Africa, 1912).Even though the South African government had taken steps to protect local industries from foreign competition, a decade afterwards was characterised by pressure on local industries, which came from a rapid decline in international price levels. With South African industries facing stiff competition from foreign competitors, the 1925 Customs Tariff and Excise Duty Amendment Act was later introduced, with amendments to the existing tariff structure. The amendments allowed for duty rates to be levied on goods from the agriculture, manufacturing and mining sectors, but also granted duty free admittance to selected imports of manufacturing industry (Republic of South Africa 1925, 452).

In later years, after the Second World War, South Africa joined the World Trade Organisation (WTO) and the WTO's General Agreement on Tariffs and Trade (GATT) in 1947. Following its GATT membership, South Africa adopted import licensing as the main instrument of industrial policy in place of tariffs. During the system of import licensing, about 75 percent of imports to South Africa were subjected to licensing, with a few quotas from time to time (Fine and Rumstomjee, 1996).

In 1958, South Africa's established the Commission of Enquiry into Policy relating to the Protection of Industries, also known as the Viljoen Commission. The Commission emphasised the need for protection of infant industries so as to encourage better income and welfare levels associated with innovation (Republic of South Africa 1958, 1). To this effect, the Commission called for the selective application of tariff duties.

In the 1970s, it became evident that South Africa's export sector did not play a major role in determining South Africa's economic activity as the country's economic growth prospects largely depended on imports (Republic of South Africa 1972, 7). With this situation, the country was prompted to change the focus of its trade policy away from import substitution industrialisation towards export promotion. Driven by the desire to move towards export-oriented industrialisation, the Commission of Inquiry into Export Trade of the Republic of South Africa, also known as the Reynders Commission was established in 1972.

On completion of the inquiry, a specific emphasis was on the need for South Africa to diversify its exports from manufactured exports into non-gold exports in general. Subsequently, South Africa introduced the relaxation of quantitative restrictions, reduction of tariffs and direct export promotion measures (Bell, 1997). In lien with the developments in trade policy, the Export Development Assistance Scheme, introduced in 1972, became one form of export promotion assistance provided by the South African government.

Although South Africa had introduced measures to promote exports, it became evident towards the end of the 1970s that a further export assistance was necessary in order to stimulate the exports. In line with this emerging need, in 1977, the Van Huyssteen Committee recommended export development. This was followed by an introduction of a double set of export incentives in 1980. These export incentives provided a tax allowance of 50 percent of the duty payable on dutiable inputs into manufactured exports, and a 10 percent tax allowance on the value added in manufacturing (Matthews, 1983).

Around 1983, the Kleu Study Group was appointed to deliberate on South Africa's industrial policy and development strategy. The Kleu Study Group firstly criticised the use of export incentives as these incentives were perceived to have some discrimination in favour of imported inputs (Republic of South Africa 1985, 17). On the issue of protection of local industry, the Kleu Study Group recommended that the protective measures be continued, though with caution to avoid cost-push effects that could be brought about by tariffs (Republic of South Africa 1985, 12).

In the light of deteriorating international competitiveness experienced during the 1980s, together with the need to establish an employment-creating international competitiveness, South Africa had to restructure its trade and industrial policies further, with more inclination toward tariff reforms and supply-side measures. As a result, the government introduced a package of supply-side measures in view of stimulating industrial investment, job opportunities and exports. These supply-side measures were perceived to help assist in fostering a more outward orientation South African Reserve Bank, 1997).

The introduction of the supply-side measures in South Africa assisted production in the country. These supply-side measures particularly helped to encourage domestic firms to invest in products and processes that are internationally competitive (Gouws, 2005). Following the adoption of the outward-oriented measures in the 1990s, the South African economy experienced some trade-led growth. This trade-led growth was something the country had never experienced before (Jones, 2003).

Apart from reductions in tariffs, the other supply-side measure that was introduced during the 1990s was the General Export Incentive Scheme (GEIS), which was adopted with the aim to stimulate exports. The GEIS was a performance-based scheme that offered qualifying exporters assistance based on a given formula as supplied in the general guidelines governing the scheme (Department of Trade and Industry, 1992). However, the GEIS was later phased out in 1997 due to the requirements of the General Agreement on Trade and Tariffs (Van den Heever, 1994). Table 1 presents the various interventions that affected South Africa's trade openness through the period 1910-2011.

Table 1. Sequencing of trade policy interventions in South Africa (1910-2011)

Year(s)	**Policy intervention**
1910	Sir Thomas Cullinan Commission introduced.
1925	Implementation of the 1925 Customs Tariff and Excise Duty Amendment Act.
1947	Signing of the General Agreement on Tariffs and Trade (GATT).
1948	Introduction of quantitative restrictions as the main instrument of protection.
1949	Adoption of the import licensing system. About 75 percent of imports to South Africa were subjected to licensing.
1958	Establishment of the Commission of Enquiry into Policy relating to the Protection of Industries (the Viljoen Commission).
1972	Establishment of the Commission of Inquiry into Export Trade of the Republic of South Africa (Reynders Commission).
1972	Introduction of the Export Development Assistance scheme: Tax allowance for marketing expenses incurred in connection with exporting.
1976	Generalised System of Preferences (United States of America)

Table 1. Sequencing of trade policy interventions in South Africa (1910-2011) (continued)

Year(s)	**Policy intervention**
1977	Recommendation of export development by the Van Huyssteen Committee.
1979 - 80	Rise in gold price resulting in sharp appreciation of rand.
1980	Introduction of a reinforced system of export incentives.
1983	Recommendation of a move away from import substituting industrialisation by the Kleu Study Group.
1983	Abolishment of the dual exchange rate system.
1983 - 85	Relaxation of import permits by switching from a positive list to a negative list. Real depreciation of rand.
1985	Recommendation of a dual system of import substitution industrialisation and export promotion by Government white paper.
1985	Dual-exchange rate system re-introduced.
1985	Introduction of 10% import surcharge on all imported goods not bound by GATT.
1987	Proactive move towards trade policy reform by the Board of Trade and Industry.
1989	Introduction of structural adjustment programmes involving export incentives for motor vehicles and textiles and clothing industries.
1990	Introduction of the General Export Incentives Scheme (GEIS).
1990	The phasing out of import surcharges commences.
1994	Import surcharges abolished for capital and intermediate goods.
1994	The conversion of quantitative restrictions to tariffs is completed.
1995	Elimination of the remaining import surcharges is completed.
1995	Enactment of SA’s GATT Uruguay Round mandate.
1996	Formulation of the new Tariff Rationalisation Process (TRP).
1996	Signing of the new bilateral trade agreement between Zimbabwe and South Africa.
1996	Signing of the SADC Free Trade Protocol.
1997	Termination of export subsidies provided under GEIS.
2000	Implementation of SA-EU Trade, Development and Cooperation Agreement (TDCA).
2000	Granting of preferential access to the US for clothing and selected products under the Africa Growth and Opportunity Act (AGOA).
2000	Implementation of the Southern African Development Community Free Trade Protocol.
2002	Inception of the 2002 SACU Agreement.
2004	Signing of the preferential trade agreement between SACU and MERCUSOR.
2006	Signing of the EFTA-SACU Free Trade Agreement.
2008	Signing of the SACU Trade, Investment and Development Cooperation Agreement (TIDCA) with the USA.
2008	Negotiations on SADC-EAC-COMESA Tripartite FTA commence.
2011	Signing of the Brazil, Russia, India, China and South Africa (BRICS) partnership.

Sources: Department of Trade and Industry (1990); Jenkins et al (1995); Lachman (1974); Republic of South Africa (1958); Republic of South Africa (1972); Southern African Customs Union (2008); World Trade Organisation (1998) and (2009)

3. Trade policy reforms in South Africa

South Africa's trade policy has undergone some reforms, which were largely intended to open up the economy to trade. The process of trade liberalisation normally incorporates two things: first, the removal of barriers to trade, and second, the introduction of export promotion measures (Bell, 1992). In the context of South Africa, by 1993, the country had gone through two trade liberalisation episodes: the first beginning in 1972 corresponding to the report of the Reynders Commission of Inquiry into South Africa's export trade, and the second, beginning in 1983, corresponding to the programme to replace quantitative restrictions with equivalent tariffs (Jenkins, 2001).

The trade policy reforms that were adopted by South Africa initially during the early 1970s primarily aimed at moving the economy away from import substitution industrialisation toward a more liberal, export-oriented industrialisation. The measures that were adopted during the trade policy reform in the 1970s included the relaxation of quantitative restrictions and the introduction of the Export Development Assistance Scheme. Likewise, the trade policy reforms of the early 1980s supported the system of export incentives. Thus, the reform measures adopted during the early 1980s could be viewed as being in agreement with the intention to move the economy towards export orientation.

Despite the efforts to open up the economy through a more liberal trade, South Africa's level of protection in the trade sector was raised again around the mid-1980s following the introduction of import surcharges in 1985. As pointed out by Edwards (2006), South Africa's trade policy still remained protectionist in nature. However, towards the end of the 1980s, South Africa took steps towards another trade policy reform. One of the developments that affected trade policy was that in 1989, export incentives were introduced for clothing and textiles, and automobile components through the Structural Adjustment Programme (Jenkins et al., 1995).

During the 1990s, South Africa commenced the trade liberalisation process with the phasing out of import surcharges starting from 1990. This was followed by the abolishing of import surcharges for capital and intermediate goods in 1994. Also, during 1994, the process of converting quantitative restrictions to tariffs was completed. A year later, in 1995, the process of eliminating the remaining import surcharges was finalised. The major trade liberalisation process that took place in South Africa during the 1990s was partly driven by the commitment to the World Trade Organisation, which binds members to liberalise trade.

With regard to the commitments of the World Trade Organisation (WTO), the WTO GATT Uruguay Round Protocol commits its members to eliminate or reduce tariff rates and non-tariff measures applicable to trade in goods (News of the Uruguay Round, 1993:6). Following this commitment to the mandate of the WTO GATT Uruguay Round Protocol, South Africa enacted the GATT Uruguay Round Mandate in 1995. In its offer to the WTO, South Africa agreed to bind 98 percent of all tariff lines and reduce the number of tariff lines to six, to rationalise tariff lines and to replace quantitative restrictions on agricultural products with tariffs (Edwards and Alves 2005, 5).

Another related development in South Africa's trade policy was that in line with the requirements of the WTO GATT Uruguay Round, South Africa had to terminate the export subsidies that used to be provided under the General Export Incentive Scheme. The process of terminating the export subsidies in South Africa was carried out 1997. In addition to the WTO GATT Round Mandate, during the second half of the 1990s, South Africa signed other trade agreements. These trade agreements included the bilateral trade agreement signed with Zimbabwe in 1996, and the Southern African Development Community (SADC) Free Trade Protocol that was signed in 1996 and implemented in 2000. The SADC Trade Protocol aims to ensure liberalised trade flows between its member countries through the elimination of barriers to trade in the SADC region (Southern African Development Community 1996).

In 2000, South Africa signed two trade agreements with the European Union and the United States of America (USA). The SA-EU Trade, Development and Cooperation Agreement (TDCA) aimed at promoting the expansion of a more liberal trade between South Africa and the European Union (TDCA, 1999). On the other hand, the agreement signed with the USA, namely the African Growth and Opportunity Act (AGOA), made provisions for enhanced market access to the products of the qualifying Sub-Saharan African countries into the USA.

In addition to the trade agreements mentioned above, South Africa's trade policy has also been reformed by the country's membership to the Southern African Customs Union (SACU). Currently South Africa and four other SACU members are governed by the 2002 SACU Agreement, which replaced the 1969 SACU Agreement. Most importantly, the 2002 SACU Agreement brought on board a new institutional structure as well as the issue of trade facilitation. Trade facilitation is a key component of the 2002 SACU agreement, introduced with the view to improve the trade environment (Southern African Customs Union, 2010).

From the above discussion, the indication is that the various economic reforms that South Africa adopted since the 1970s have brought the country to a more liberal position compared to where it was four decades ago. As it is currently, the tariff structure has been simplified. However, despite the efforts that have been made to simplify the tariff structure, South Africa's tariff structure still remains discriminatory and complex. In particular, in the case of ad valorem tariff rates, there are thirty eight ad valorem rates applied by South Africa as opposed to the six offered in the 1994 GATT/WTO Uruguay Round (Mabugu 2005, 9). This situation points out to the need for an additional simplification of the South Africa's tariff structure.

4. Trends in economic performance and trade performance in South Africa

4.1. Macroeconomic performance in South Africa

The imbalance between savings and investments in South Africa during the 1970s coexisted with deterioration in external balance, as reflected in Table 2, particularly during the period between 1970 and 1980. Table 2 reveals that despite the deterioration in the external balance, there was an increase in South Africa's trade openness between 1970 and 1975 during which trade openness increased by about 10 percent. This increase in trade openness corresponded to the export incentives measures that had been introduced in 1972. Table 2 shows that while South Africa's economic growth performed exceptionally well in the 1960s, this performance could not be maintained throughout the 1970s. As the table shows, by 1975 the country's economic growth rate had fallen as low as 1.7 percent per annum, reflecting a considerable decline in economic activity. Apart from declining economic growth rate, one other issue that South Africa faced during the 1970s was an imbalance between domestic savings and investment that made the country to depend considerably on foreign capital (Republic of South Africa 1979, 54).

Table 2. Selected macroeconomic indicators for South Africa, 1960–2016

Year	GDP Growth rate (%)	Trade Openness (% of GDP)	External Balance (% of GDP)
1960	..	55.9	5.3
1965	8.9	54.1	-1.1
1970	5.2	47.1	-3.5
1975	1.7	57.8	-2.5
1980	6.6	62.7	8.0
1985	-1.2	53.9	8.8
1990	-0.3	42.9	5.5
1995	3.1	44.9	0.7
2000	4.2	52.8	2.9
2005	5.3	55.2	-0.5
2010	3.1	56.1	0.6
2015	1.3	61.8	-1.1
2016	0.3	60.5	0.1

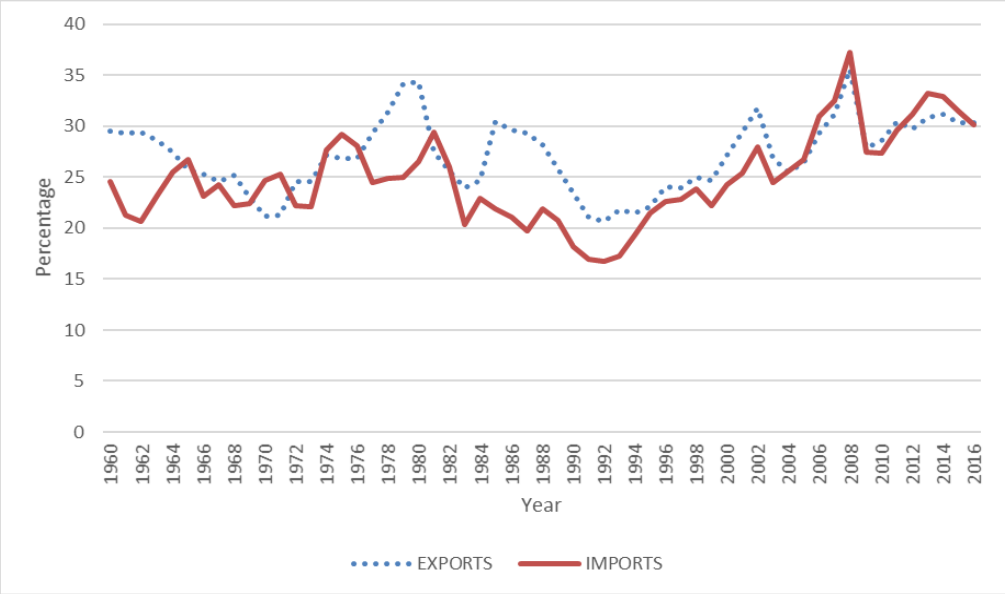
Source: Constructed from World Bank World Development Indicators (2016)

It can be further deduced that even though economic growth had significantly recovered by the beginning of the 1980s, it fell dismally to negative levels around mid-1980s. Likewise, trade openness decreased by more than 7 percent between 1980 and 1985. However, it should be noted that during the 1980s, the growth rate in trade openness did not slow down to the same extent as the economic growth. The table further shows that until the beginning of the 1990s, the performance South Africa's economic growth remained relatively poor, with a record low of -0.3 percent recorded in 1990. It is also evident that in recent years, particularly between 2015 and 2016, South Africa's GDP growth rate has fallen considerably whereby the annual average growth rate has remained below 3 percent. Despite this poor performance in economic growth rate, the performance of South Africa's trade openness has been improving recently compared to where it was around 1990 and in the mid-1980s. Table 2 presents some selected macroeconomic indicators in South Africa during the period 1960 to 2016.

4.2. Trade performance in South Africa

Figure 1 shows trade performance in South Africa, as depicted by the shares of exports and imports in GDP. The figure reveals that South Africa's exports and imports made quite differing contributions to GDP during the period 1960–2013. There are indications that while the shares of both the exports and imports in GDP remained below 40 percent throughout, the share of imports was entirely above 20 percent, reaching a peak of 38.9 percent in 2008. It is also evident from the figure that during the 1960s until the early 1970s, a downward trend was experienced in the share of exports to GDP. This downward trend coexisted with a slowdown in economic activities at that time, which caused a decline in South Africa's exports.

As depicted in Figure 1, from 1972 onwards, South Africa's share of exports in GDP improved. This improvement in exports performance is consistent with the changes that were made in South Africa's trade policy at that time that encouraged export promotion.



Source: Constructed from World Bank World Development Indicators (2016)

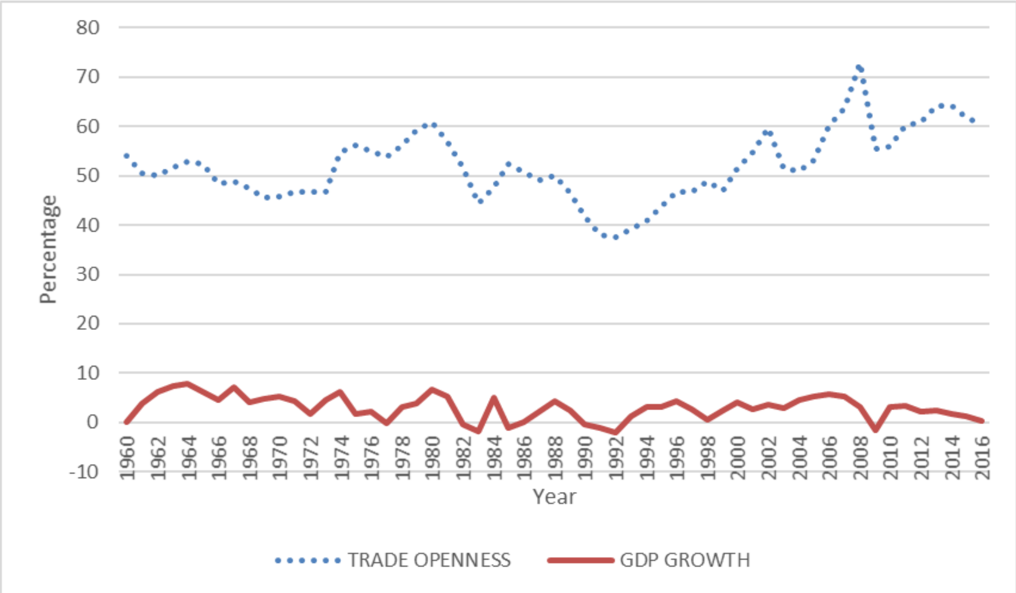
Figure 1. South Africa's exports and imports as percentage of GDP, 1960 – 2016

With the new measures put in place, including the export incentives, South Africa's exports increased, but for barely ten years. As displayed in Figure 1, from the early 1980s, the share of exports decreased considerably. However, in subsequent years, the share of exports began to pick up particularly from around mid-1980s until the early 1990s. This improvement in the share of exports to GDP followed the interventions in exchange rate system as well as the introduction of the reinforced export incentive system of the 1980s.

The early 1990s was a period of the manifestation of economic restructuring in which the trade policy was also reformed. The relaxations in policy led to more imports into the country, but also brought about more exports. Hence, the evident increases in the shares of both the exports and the imports in GDP from the mid-1990s reflect the effects of economic restructuring. Even though the share of exports in GDP could not reach its peak value of 35 percent of 1980, it exhibited an upward trend during the 1990s. Likewise, around the same time, the share of imports in GDP also increased.

Around the beginning of the past decade, the shares of exports and imports to GDP fell considerably. This decline in the shares of exports and imports occurred at the time when the South African Rand was volatile. There was, however, a recovery in both the exports and import between 2004 and 2008, as depicted by their rising shares in GDP. This improvement in the shares of exports and imports in GDP corresponded to the stability in the movement of the Rand, in conjunction with the growth-based policies that were introduced. However, a sharp downturn in global economies experienced in 2008 spilled over to South Africa as well. As Figure 1 shows, both the export share and the import share dropped sharply between 2008 and 2009. In recent years, there has been an improvement in the shares of exports and imports in GDP, though the imports have dominated throughout, contributing around 34 percent of GDP in 2013, while exports contributed 31 percent of GDP.

Figure 2 shows the trends in trade openness and economic growth in South Africa during the period 1960–2013. In general, most of the years under review were characterised by levels of trade openness exceeding 40 percent. During the same reviewed period, South Africa's economic growth rate has remained below 10 percent, with a few occurrences of negative growth rates being recorded in certain years.



Source: Constructed from World Bank World Development Indicators (2016)

Figure 2. Trade openness and economic growth in South Africa, 1960-2016

During the early years of the 1970s, South Africa's trade openness increased only marginally compared to its performance in the previous decade. This could be attributed to the fact that during the seventies, the size of the deficit on the current account in relation to the general level of economic activity increased considerably in comparison with sixties (Republic of South Africa 1979, 82). This poor performance in South Africa's trade openness continued until 1974 where a notable upsurge in trade openness was experienced.

The upward trend in South Africa's trade openness during the 1970s is an indication of increases in total trade as percentage of GDP. The increase in South Africa's total trade was driven by the increase in South Africa's volume of imports as well as that of non-gold commodity exports, despite the decline in gold exports (Edwards and Lawrence 2006, 11). As Figure 2 shows, by the end of the 1970s South Africa had recorded GDP growth rates between 3.0 and 6.6 percent in that decade, with the exceptions of 1972, 1975, 1976 and 1977, in which negative growth rates were experienced.

Although South Africa experienced considerable declines in trade openness and in economic growth during the early 1980s, a recovery occurred around the mid-1980s. At that time, the growth in non-gold export volumes was rising faster than the growth in GDP (Kusi, 2002). This increase in non-gold exports helped to maintain an upward trend in trade openness, given that the country's import volumes were declining at that time.

However, as Figure 2 shows, by 1989 trade openness was 48.1 percent, which was 12.9 percent down from its 61.0 percent position in 1979.

During the early 1990s, a continued decline in the South Africa's trade openness was experienced. However, from around 1994 an improvement in the performance of trade openness occurred. Part of this improvement in South Africa's trade performance was due to changes in the country's trade policy that came with trade liberalisation and the reintegration of the South African economy into the global economy (Edwards and Lawrence 2006). With the new trade policy measures being in place, together with the removal of South Africa's international trade sanctions, there was an evident improvement in the country's trade openness.

Even though South Africa's trade openness had suffered a weaker growth around 1996, trade openness picked up towards 2000. A stronger growth in the volume of merchandise exports partly led to this increase in trade openness. This strong increase in the volume of exports experienced between 1999 and 2000 was driven for the most part by the reform measures that began to improve economic conditions in emerging markets, and also, the real depreciation of the Rand (South African Reserve Bank, 1999, 18). However, with a much slower economic growth experienced towards the end of the 1990s, trade openness remained at the same level in 1999 as it had been ten years previously, in 1989.

During the beginning years of the 2000s, South Africa's trade openness maintained an upward trend, except for the periods between 2003 and 2005, during which a slowdown in the rate of trade openness was experienced. During the period 2003–2005, though improvements in economic growth were observed, South Africa's trade openness deteriorated. This deterioration in trade openness reflected contractions in exports and imports relative to GDP. The strong recovery in the external value of the Rand experienced in 2003 caused a strong contraction in South Africa's merchandise exports (South African Reserve Bank 2004, 31). Furthermore, a considerable decline in the share of the mining imports added was also experienced (South African Reserve Bank 2003, 31). It is therefore not surprising that trade openness fell to from 63 percent in 2002 to 53.4 percent in 2003. In recent years, South Africa's trade openness has shown improvements in performance, with levels above 60 percent per annum being recorded. These improvements have been attributable to the increasing role of manufacturing exports, which accounted for over two-thirds in total exports in 2011 (United Nations 2011, 344).

5. Conclusions

Research examining the significance of trade openness has been growing in the subject area of international trade. Investigations on trade openness tend to emphasise the role of trade policy on economic growth, particularly given that trade policy reforms influence the trade orientation of a country. The aim of this paper was to examine the different dynamics of trade openness in South Africa. The focus of the discussion includes the origins of trade openness in South Africa, trade policy reforms, economic performance, as well as trends in trade openness and economic growth.

The findings from the exploratory review conducted in this study reveal that from around 1925, at the time when South Africa implemented the Customs Tariff and Excise Duty Amendment Act, the need to provide protection to domestic industries arose. It was around that time that South Africa adopted import substitution industrialisation as a strategy for the economy to operate within. At that time, protectionist tariffs were adopted as the main instrument of trade protection. However, it became evident twenty years later that the protectionist tariffs could no longer be used as the main instrument. This resulted in the use of import licenses and quantitative restrictions on imports as the main instruments of trade protection.

The findings from this study also show that although South Africa had relied on import substitution industrialisation for several decades, around the early 1970s, circumstances in the South African economy influenced the need for a policy shift away from the import substituting industrialisation. Consequently, the period around the early 1970s marked an episode of export promotion in South Africa. This period could also be regarded as the commencement of efforts to open up South Africa's economy to trade. In recent decades, further efforts to open up the South African economy to trade have been made. Among others interventions, South Africa approved the signing of trade agreements regionally and in other continents. Regionally, the South African Development Community (SADC) and the South African Customs Union (SACU) became vital in South Africa's trade relations.

Observations based on trends in trade openness in South Africa show that in the past decade, the country's trade openness deteriorated. This deterioration in trade openness could have been partly due to a significant contraction in South Africa's merchandise exports, coupled with a considerable decline in the share of the mining imports. In recent years, there have been some improvements in South Africa's trade openness, although the current levels of trade openness are not as high as those that the country recorded around 1980. The recent improvements in South Africa's trade openness have been attributable to the increasing role of manufacturing exports, which accounted for over two-thirds in total exports in 2011.

Even though South Africa has made progress in opening up its economy to trade, there is yet room for further improvement, particularly considering that the country's economic growth has been on a downward trend in recent years. The policy recommendation for South Africa is that some measures should be introduced to reduce the reliance on primary products for exports. These measures could be applied over the medium term and the long term. In the medium term, the country could focus on policies that widen the export base to include other non-primary export products. In addition to that, the country could in the long term, seek the expansion of its bilateral trade in the sub-Saharan African region. This could be achieved by making provisions in South Africa's trade policy that aim at deepening regional trade.

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