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International Trade and Poverty: A Critical Analysis of Trade Policy and Poverty Alleviation in South Africa

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Abstract

International commerce is a crucial driver of economic growth in developing nations and is frequently recommended as a means of reducing poverty. This study analyses the complex relationship between trade liberalisation and poverty alleviation, using South Africa as a case study. It critically evaluates trade policies and their consequences, as well as the role of domestic structural issues like inequality, education, and governance in influencing trade's distributive impact. While South Africa has pushed commercial liberalisation and regional integration, poverty and inequality have persisted. The study finds that without inclusive and supportive domestic policies, trade liberalisation is insufficient for long-term poverty alleviation.

Keywords: *International trade, Poverty, Trade policy, South Africa, Economic inequality, Trade liberalisation, Development*

1. Introduction.

International trade is crucial in determining a country's economic environment, especially in developing nations where it can have a big impact on initiatives to combat poverty. Trade agreements, tariffs, and subsidies can all have a positive or negative impact on income distribution, job creation, and economic growth. International trade and poverty alleviation have a complicated relationship, particularly in developing countries whose economic systems are frequently susceptible to changes in the world market.

A fundamental component of economic theory is the idea that trade encourages specialisation and comparative advantage, thus enabling nations to focus on their most productive industries. Poverty may be lessened as a result of increased money, the development of jobs, and technical advancement (Krugman, 1997). The World Bank asserts that trade openness plays a major role in promoting economic expansion, especially for countries that are strategically incorporated into international supply chains (World Bank, 2020). As millions of people moved from rural agricultural to urban industrial jobs over the past few decades, trade openness in nations like China and India has significantly reduced poverty (Ravallion, 2007).

South Africa makes an interesting case study. Particularly after apartheid ended in 1994, South Africa, one of Africa's biggest economies, has advanced significantly in its integration into the global economy. South Africa has broadened its international trade networks by implementing trade liberalisation policies and taking part in international trade agreements. This has been particularly evident through its membership in the World Trade Organisation (WTO) and regional programs such as the Southern African Development Community (SADC). But in spite of these initiatives, the nation still faces significant unemployment, inequality, and poverty rates. Nearly 55% of people live below the poverty line, with poverty disproportionately affecting Black South Africans and those living in rural regions, according to Statistics South Africa (2021).

The above statistics imply that not everyone in the nation profits equally from international trade. Some businesses, including mining and agriculture, have benefited from export-driven growth, but other industries, especially those that depend on labour-intensive production, have found it difficult to compete in the global market (Gumata &

Ndou, 2020). This instance brings to light a significant issue regarding the connection between trade and poverty. Whereas trade policies may promote economic expansion, they do not always result in decreased levels of poverty or inequality unless inclusive measures are incorporated into their design (Rodrik, 2018).

Trade liberalisation is frequently promoted as a way to improve access to markets, boost economic activity, and eventually reduce poverty (Wenwen, 2020). Typically, trade liberalisation liberation entails lowering tariffs, quotas, and other trade obstacles. The relationship between international trade and poverty alleviation is complicated, showing varying outcomes across different settings and geographical areas. One of the main topics of discussion in South Africa has been trade liberalisation. To Winters (2000), trade liberalisation has weakened local industries and widened income gaps, while others say it has boosted the economy and improved access to goods and services (Klein & Hadjimichael, 2020). South Africa's participation in regional and international trade agreements, like the African Continental Free Trade Area (AfCFTA), presents both opportunities and challenges for ensuring that the most disadvantaged groups benefit from trade (Raza, 2020).

A number of perspectives, including the consequences of trade liberalisation, market access, and foreign direct investment (FDI) flows, can be used to examine how trade policies affect poverty in South Africa (Obuobi et al., 2022). For instance, extending markets through trade liberalisation is frequently viewed as a means of promoting economic growth, but it can also have unfavourable effects if domestic businesses are unable to compete with global industries. Furthermore, while the export-driven growth strategy may help some industries, it may not reach underserved groups, which exacerbates inequality. With an emphasis on the benefits and difficulties that come with trade, this study investigates how South Africa's trade policies have affected the fight against poverty. This paper aims to provide insights into how policy changes could enhance the relationship between trade and poverty alleviation in South Africa and comparable developing countries by examining the effects of trade liberalisation, international agreements (such as the African Continental Free Trade Area, or AfCFTA), and global trade dynamics.

Trade liberalisation is commonly seen as a development policy that boosts economic growth, creates jobs, and helps countries integrate into the global economy. The World Bank (2020) highlights the link between trade openness and long-term growth, and research in China and India shows that trade can reduce poverty when combined with domestic investment and policy assistance (Ravallion, 2007).

However, in nations such as South Africa, which have profound historical disparities and uneven industrial capacity, the relationship between trade and poverty is neither direct nor assured. Post-apartheid economic reforms, such as tariff reductions and regional trade agreements, have produced mixed results: economic gains are visible in some sectors, but unemployment and poverty remain high, particularly among historically marginalised groups (Bhorat & Tarp, 2016; Statistics South Africa, 2021).

This study critically analyses how trade policies have influenced poverty dynamics in South Africa. It examines ancient and contemporary trade theories, empirical facts, and institutional frameworks to determine if international commerce has alleviated or reinforced poverty and inequality.

2. Theoretical Framework for Trade, Growth, and Poverty

The link between trade, economic growth, and poverty reduction has long been a focus of both classical and modern economic theory. At the heart of this debate is David Ricardo's theory of comparative advantage, which contends that countries can profit mutually from trade by specialising in the most efficient production of commodities and services. This specialisation results in improved production, more effective resource allocation, and potentially reduced consumer prices, all of which should boost economic growth and, eventually, eliminate poverty.

According to classical theory, neoclassical growth models argue that trade openness provides access to wider markets, sophisticated technologies, and foreign investment, all of which increase productivity and income. This method, if inclusive, has the potential to raise populations out of poverty. For example, proponents such as Krugman (1997) and Bhagwati (2004) claim that global integration generates job and income prospects, particularly in emerging economies' export-oriented sectors.

However, empirical evidence shows that trade liberalisation does not guarantee equal growth or poverty reduction. Scholars in contemporary trade theory and endogenous growth models recognise that trade advantages are dependent on a number of domestic factors, including infrastructure, institutional quality, education, and governance. These factors influence a country's ability to engage in and benefit from international commerce.

Joseph Stiglitz (2002) and Dani Rodrik (2001, 2018) are prominent sceptics of the notion that trade liberalisation helps all elements of society. They contend that, while globalisation might boost aggregate national income, it frequently worsens income inequality if suitable redistributive mechanisms are not in place. Trade tends to benefit skilled over unskilled workers and urban over rural locations, particularly in developing countries such as South Africa, where structural inequities exist.

Rodrik's Globalisation Paradox (2011) emphasises how unrestrained market integration can hinder national development objectives by limiting governments' ability to protect weak sectors and build social safety nets. This is consistent with McKay and Round's (2010) call for a "strategic integration" strategy, which combines market liberalisation with proactive social policies to ensure that the poor and excluded do not fall behind.

According to structuralists, international commerce has the potential to exacerbate historical disparities between the Global North and Global South. According to Prebisch and others' dependency theory, developing countries are frequently forced to export low-value primary goods while importing high-value manufactured goods, perpetuating poverty and underdevelopment.

These theories are especially applicable in South Africa. The country's experience with trade liberalisation since the end of apartheid exemplifies both the benefits and drawbacks of international economic integration. Despite large gains in trade volume and foreign direct investment, poverty and inequality have persisted due to long-standing structural difficulties and unequal access to economic opportunities.

Classical economic theory, particularly Ricardo's concept of comparative advantage, posits that trade helps all participants by allowing countries to specialise in their most efficient industries (Siddiqui, 2018). However, recent development economics debates have acknowledged that these gains are not automatic or evenly dispersed (Rodrik, 2001; Stiglitz, 2002).

The globalised economic paradigm frequently advantages capital-rich, skilled-labour-intensive sectors while hurting vulnerable businesses like small-scale agriculture and labour-intensive manufacturing (Winters, 2000). As a result, the influence of trade on poverty depends on a country's structural readiness, education levels, infrastructure, governance, and redistributive policies (McKay & Round, 2010).

To summarise, the theoretical framework reveals that, while trade can be a tremendous economic engine, it is not always beneficial to the poor. Its influence on poverty alleviation is strongly dependent on complementary domestic policies, such as investments in education, health, infrastructure, and labour market reforms, which allow for greater participation in trade gains. Consequently, a critical understanding of the multifaceted interplay among trade, economic growth, and poverty is essential for developing countries to formulate successful and equitable economic policies.

3. Trade Liberalisation and Poverty Reduction in the Global South: Empirical Findings

Trade liberalisation has helped to alleviate poverty in many Global South nations, particularly when changes are supported with supporting domestic policies and institutional frameworks. Several developing countries' experiences show that the influence of trade on poverty varies depending on the context, but beneficial outcomes are attainable when inclusion is stressed.

East Asia includes China and Vietnam

China joined the WTO in 2001, and decades of trade liberalisation fuelled significant expansion in manufacturing and exports. From 1990 to 2015, about 800 million individuals were pulled out of poverty.

Vietnam's Doi Moi reforms of the late 1980s liberalised commerce, drew foreign direct investment, and revolutionised the economy. Poverty declined from 60% in the 1990s to less than 10% by 2020. Labour-intensive export sectors (such as textiles and electronics), rural development, and educational investment were key drivers.

Latin America includes Chile and Mexico

Chile's liberal trade regime promoted export diversification, particularly in agriculture and mining. Combined with conditional cash transfers and rural development projects, this helped reduce poverty from 45% in 1987 to less than 10% in 2017 (OECD, 2018).

Mexico, as a member of NAFTA, saw higher wages and employment in export-oriented sectors in the northern areas. However, gains were inconsistent due to inadequate rural assistance programmes.

Africa: Mauritius, Ethiopia

Mauritius coupled export development with social welfare initiatives, resulting in job growth in textiles, tourism, and ICT. Poverty declined while income distribution remained reasonably egalitarian (Subramanian, 2001).
Ethiopia implemented trade liberalisation to boost agricultural exports (coffee, flowers), while also investing in rural infrastructure and extension services. This improved smallholder incomes (Dorosh & Thurlow, 2014).

Key Mechanisms of Impact:

Employment increases in tradable industries, particularly manufacturing and agriculture.

Increased labour demand leads to higher salaries.

Imports are cheaper, resulting in lower consumer pricing.

Foreign direct investment provides greater market access and technology transfer.

Rural development occurred when trade was combined with infrastructure and land reform.

While the results differ, the primary takeaway is that trade liberalisation only benefits poverty reduction when combined with inclusive initiatives like education, infrastructure, and safety nets. Without these, gains often skip the poor, and liberalisation can aggravate inequality.

4. South African Trade Liberalisation: A Historical Overview.

South Africa's approach to trade liberalisation must be considered in light of its political and economic change in the early 1990s. Before 1994, the apartheid system implemented extremely protectionist policies such as import substitution industrialisation (ISI), high tariffs, and considerable state control of the economy. These policies cut South Africa off from most of the global trading system, particularly because of economic sanctions and trade embargoes implemented by several nations in response to apartheid.

With the advent of democracy in 1994, South Africa undertook significant trade policy reforms as part of its broader economic restructuring. The Growth, Employment, and Redistribution (GEAR) strategy introduced in 1996 emphasised macroeconomic stability, export-led growth, and integration into the global economy. Trade liberalisation was central to this strategy, and it involved:

- A reduction in average tariff rates and simplification of the tariff structure.
- The removal of quantitative restrictions and import licensing schemes.
- Encouragement of foreign direct investment (FDI) and participation in global value chains.
- Signing and strengthening of trade agreements with regional and global partners.

While South Africa's Growth, Employment, and Redistribution (GEAR) strategy has been widely criticised for having little impact on poverty and inequality, there are international and African examples of similar export-led, market-oriented macroeconomic reforms that have had pro-poor outcomes when combined with inclusive policies and targeted interventions.

Since the 1986 Doi Moi reforms, Vietnam has evolved from a centrally planned to a market-oriented economy, with a significant emphasis on trade liberalisation, export promotion, and foreign direct investment (FDI) recruitment, much like GEAR.
Pro-poor results:

Poverty decreased from 60% in the 1990s to less than 10% by 2020 (World Bank, 2020).

Wages and job creation rose, particularly in labour-intensive industries (such as textiles and electronics).

The government combined liberalisation with huge investments in education, rural infrastructure, and land reform to ensure widespread participation.

Vietnam's experience demonstrates that reducing poverty requires a combination of macroeconomic stability, trade growth, equitable social policies, and rural development.

Following apartheid, South Africa pursued aggressive trade liberalisation with the Growth, Employment, and Redistribution (GEAR) agenda in the 1990s. It reduced tariffs, opened up to foreign direct investment (FDI), and joined global and regional trade organisations such as SADC, SACU, and AGOA (Vickers, 2012).

These reforms were inspired not only by internal concerns but also by South Africa's 1995 entry into the World Trade Organisation (WTO). Commitments under the WTO framework required the government to gradually decrease protectionist barriers and adopt open market principles. In this effort, South Africa simplified more than 13,000 tariff lines while simultaneously enhancing the transparency of its trade policy.

South Africa strengthened its regional ties through the Southern African Development Community (SADC) and the Southern African Customs Union (SACU). The SADC Free Commerce Area was established in 2008 to further liberalise commerce among member states, providing South Africa with preferential market access throughout Southern Africa. South Africa also entered into bilateral agreements with the European Union (EU), the United States, and, later, the African Continental Free Trade Area (AfCFTA) agreement, which was signed in 2018 and will go into effect in 2021.

These initiatives paid off in terms of increased trade volumes, diversification of exports, and higher investor trust. South Africa's trade-to-GDP ratio increased dramatically, indicating more openness. The industrial and mining sectors gained most from enlarged export markets.

However, the effects of trade liberalisation were not always good. Several labour-intensive sectors, including clothes and textiles, faced intense competition from cheaper imports, particularly from Asia, resulting in massive job losses. Between 1994 and 2023, the country lost nearly 120,000 jobs in the textile industry alone (Bonnin, 2023). While trade liberalisation boosted macroeconomic statistics and increased South Africa's global competitiveness, it worsened existing disparities and aided deindustrialisation in some places.

Critics contend that South Africa's liberalisation process was too fast and insufficiently protective of vulnerable sectors, with no meaningful transition support or retraining programmes for displaced workers. Furthermore, rural areas and historically excluded populations did not profit equally from new trade prospects because of structural constraints such as inadequate access to infrastructure, skills, and finance.

The National Industrial Policy Framework (NIPF) was introduced in the 2000s with the goal of correcting some of these inequities by encouraging industrial diversification and equitable trade participation. More recently, the AfCFTA has created new prospects for intra-African commerce, but its success will be significantly dependent on South Africa's ability to solve persisting obstacles in logistics, infrastructure, and inequality.

While exports in mining and high-value agriculture increased, sectors reliant on low-skilled labour, such as textiles, fell as a result of cheap imports, primarily from China. This resulted in the loss of almost 120,000 jobs between 1994 and 2023 (Bonnin, 2023). The textile industry's demise demonstrates how liberalisation may displace workers and exacerbate inequality.

To summarise, while South Africa's trade liberalisation strategy aided the country's reintegration into the global economy and fuelled export-led growth, its historical trajectory reveals a critical tension: liberalisation without strong domestic support mechanisms can exacerbate unemployment and inequality. As a result, South Africa's experience emphasises the significance of combining trade reforms with inclusive economic policies that protect vulnerable groups while ensuring broader developmental benefits.

Poverty Reduction through Multilateral Trade Agreements

While many trade agreements signed by South Africa, such as AGOA, the SADC Free Trade Area, and AfCFTA, are largely intended to improve trade flows and investment, they also include measures for development and poverty reduction. AGOA, for example, gives African exports priority access to US markets in order to promote sub-Saharan African manufacturing and job development. Similarly, AfCFTA extends beyond tariff reductions to include protocols on trade in services, intellectual property, and investment, with the goal of increasing intra-African commerce, value chain growth, and SMEs' involvement. However, the efficacy of these accords in alleviating poverty is dependent on their national implementation, which includes complementary investments in infrastructure, human capital, and equitable trade policies. Without these, trade agreements may benefit only large, export-ready enterprises, leaving marginalised communities behind (UNECA, 2020; Vickers, 2012).

5. Trade, Inequality, and Structural Challenges.

South Africa is one of the world's most unequal societies, with a Gini score of 0.63 in 2024. Although trade enhanced GDP growth, the benefits went disproportionately to urban and skilled people. Rural and unskilled labourers frequently lack access to markets, education, and capital (Turok 2014).

Trade liberalisation in South Africa has boosted economic growth and strengthened international competitiveness in key industries. However, these achievements have not led to widespread poverty reduction or equality. Instead, South Africa remains one of the world's most unequal societies, with a Gini value of 0.63 in 2024 (UNU-WIDER, 2018). This continuing discrepancy indicates that the benefits of trade have been unequally dispersed among regions, socioeconomic classes, and racial groupings.

The unequal distribution of trade gains

Although international trade can generate wealth and promote innovation, it does not always result in equitable consequences. In South Africa, trade liberalisation has primarily benefited capital-intensive and highly skilled sectors such as banking, mining, and certain segments of manufacturing. These industries are concentrated in cities and are controlled by businesses that have greater access to finance, technology, and trained personnel.

On the other hand, labour-intensive businesses like textiles and small-scale agriculture have struggled to stay competitive. These sectors, which have traditionally employed lower-skilled workers and rural people, have experienced job losses as a result of an inflow of cheaper imports, mainly from Asia. Between 1994 and 2023, the South African textile sector lost around 120,000 jobs (Bonnin, D. (2023). Transformations of work: a discussion of the South African workplace. Journal of Contemporary African Studies, 41(3), 253-268.). This reflects a larger worldwide trend in which trade liberalisation might displace workers in import-competing industries that lack effective social protection or retraining programmes.

Structural constraints

Several structural difficulties exacerbate the inequalities connected with trade. This includes:

> Apartheid left historical legacies that deprived the bulk of the Black community of economic opportunities and adequate education.
> Geographic differences exist between urban and rural areas, resulting in unequal access to infrastructure, markets, and services.
>
> Skill mismatches in the labour market, when trade-related growth helps skilled workers but disadvantages unskilled and semi-skilled workers.

Capital and resource ownership is concentrated, limiting inclusive trade participation.

The outcome is a parallel economy, with one portion integrated into global markets and competitive, and the other marginalised, informal, and reliant on subsistence activities or government assistance. According to the World Bank (2006), the gains of trade frequently go to those who are already well-positioned to take advantage of them, typically urban-based, better-educated, and capital-rich individuals or businesses.

Regional and racial inequalities

Trade liberalisation has also exacerbated preexisting racial and geographical disparities. The majority of export-oriented sectors are concentrated in economic hubs such as Gauteng, the Western Cape, and KwaZulu-Natal, leaving periphery provinces with limited access to trade benefits. Rural communities, primarily populated by Black South Africans, confront issues such as inadequate infrastructure, a lack of funding, and low human capital development.

Furthermore, despite gains made through policies such as Broad-Based Black Economic Empowerment (BBBEE), wealth and trade benefits are still excessively concentrated. Because of apartheid-era ownership patterns, a small minority continues to own the majority of productive assets. Consequently, a significant number of Black South Africans still do not realize the full benefits of international trade.

Trade Policies and Social Exclusion

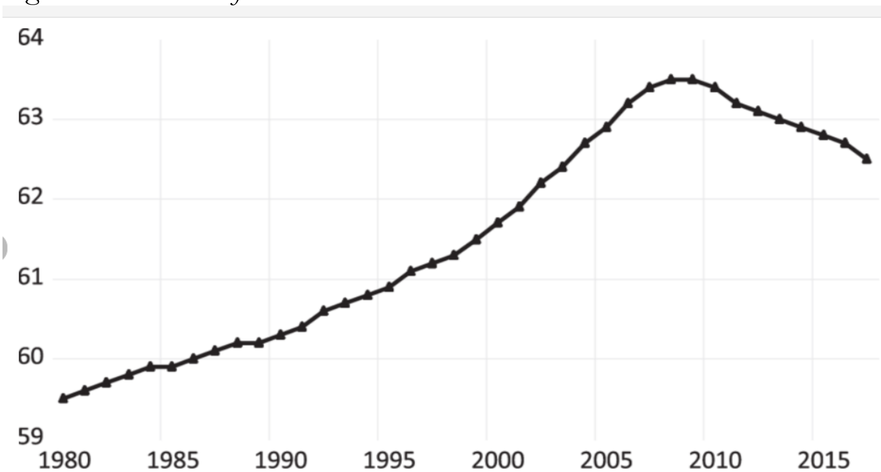
South Africa's trade discussions are primarily led by the Department of Trade, Industry, and Competition (DTIC), in collaboration with other relevant ministries and diplomatic agencies. While the National Economic Development and Labour Council (NEDLAC) provides a formal framework for stakeholder engagement, which includes representatives from business, labour, government, and the community sectors, participation in trade policy procedures is uneven. Civil society organisations, rural producer associations, and informal sector actors frequently encounter challenges to meaningful engagement due to limited access to information and technical expertise. Critics contend that, despite formal consultative mechanisms, many trade agreements, such as those under SADC or AfCFTA, are negotiated with little grassroots participation, raising concerns about the inclusivity and legitimacy of South Africa's trade policy-making process (Vickers, 2012; TIPS, 2021).

Without intentional intervention, trade liberalisation may exacerbate socioeconomic exclusion. Vulnerable populations, including women, youth, informal traders, and rural areas, frequently lack institutional assistance to participate in formal trading networks. For example:

> Women, who dominate the informal sector, are underrepresented in export businesses and face gender-specific market access restrictions.
>
> Youth unemployment remains frighteningly high, limiting the long-term benefits of trade-induced growth.

Informal businesses lack the resources to satisfy export targets or benefit from trade agreements such as the African Continental Free Trade Area (AfCFTA).

Trade and Gini Index
Figure 1: Gini index from 1980 to 2015



Income inequality (Gini index) in South Africa, 1980-2017. Source: Standardised World Income Inequality (SWIID) Database.

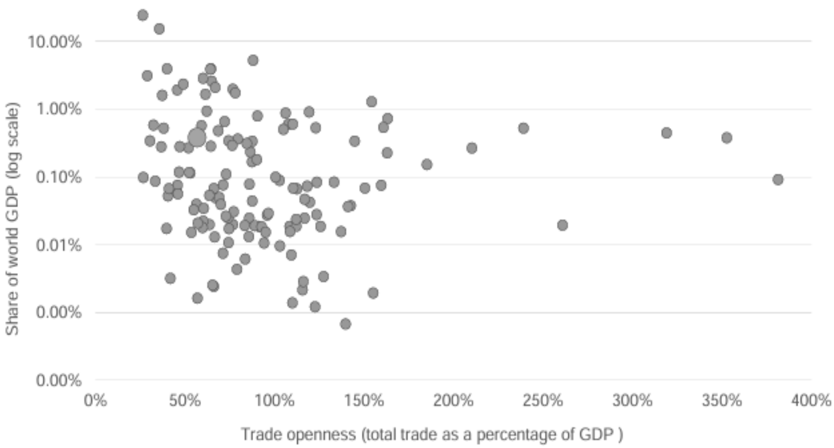
Source: (UNU-WIDER, 2018)

Figure 1 illustrates a paradox: as trade openness increased, inequality remained high. This is due to structural barriers such as differences in education, restrictive labour markets, and exclusionary legacy institutions. As a result, trade has increased rather than reduced socioeconomic disparities.

From the graph, the history of South Africa shows how trade policies can make inequality worse. In 2015 the Gini index was 0.65, which indicates high inequality. The Gini index stretches from 0 to 1, with 0 indicating perfect equality and 1 indicating perfect inequality. In 2024 the Gini index for South Africa stands at 0.63, and this indicates a large gap between the poor and rich. Inequality in the nation has increased over the previous few decades, despite an increase in GDP overall. Inequalities in access to finance, infrastructure, and education are frequently connected to the unequal gains of trade. According to the World Bank (2006), trade may open up new opportunities, but it also helps those who can afford to take advantage of them, such as larger firms or people living in cities. Historical causes of inequality in South Africa include the legacy of apartheid and an unequal distribution of wealth, with a significant amount of wealth remaining concentrated in the hands of a small number of people. Consequently, the economic opportunities created by trade liberalisation have not been enough to lower poverty rates among underprivileged groups, especially among the historically discriminated Black community.

Despite growing commercial openness, South Africa's Gini score has consistently shown severe inequality. The cohabitation of trade-driven prosperity and significant inequality demonstrates that economic expansion alone does not guarantee equity. Trade has increased GDP, but it has not greatly reduced poverty due to structural exclusion from its advantages.

Figure 2: Trade openness and share of world GDP (2019)



Source: (Stern and Ramkolowan, 2021)

From the graph, trade openness has contributed positively to the overall GDP while the Gini index was high during the same period. AGOA has helped some businesses increase their exports, but South Africa's full involvement in these accords necessitates changes to labour regulations and domestic industry, many of which find it difficult to compete globally. Small and medium-sized businesses (SMEs), for example, have had a difficult time breaking into foreign markets, which restricts the wider impact that trade policies could have on reducing poverty.

In summary, South Africa's example demonstrates how trade liberalisation, when pursued in an inherently unequal society, can increase already existing imbalances. Without specific policies to redistribute opportunities and increase capacity among marginalised communities, trade may exacerbate rather than alleviate poverty. Addressing these structural difficulties necessitates further expenditures in education, infrastructure, healthcare, and rural development, as well as active support for inclusive commerce. Finally, trade policy must be part of a larger development strategy that promotes equity, resilience, and shared prosperity.

6. Target Groups for Trade-Driven Poverty Alleviation Policies

Poverty alleviation activities in the manufacturing and agricultural sectors have tried to empower historically marginalised populations as part of South Africa's trade and development agenda. In manufacturing, the primary target category has been low-skilled workers, particularly those formerly disenfranchised by apartheid, such as Black South Africans, women, and youth. Policies such as the Broad-Based Black Economic Empowerment (BBBEE) framework, support for Special Economic Zones (SEZs), and government procurement initiatives are intended to integrate these groups into formal value chains and increase employment in labour-intensive industries such as textiles, clothing, and food processing. Agricultural focus has been on smallholder farmers, land reform beneficiaries, and rural cooperatives, groups often excluded from export potential because they lack funding, infrastructure, and access to markets. Programmes such as the Restitution of Land Rights Act, the Agri-Parks project, and the Comprehensive Agricultural Support Programme (CASP) have attempted to connect small-scale producers to trade networks both locally (via SADC) and worldwide (via AGOA). While these policies have a clear pro-poor objective, their impact has been mixed, hampered by implementation gaps, market concentration, and inadequate rural infrastructure. Nonetheless, these measures indicate a deliberate strategy for ensuring that the advantages of trade liberalisation reach the most disadvantaged populations in both sectors.

7. Integrating Value Chain Development into Trade Policy

South Africa's trade and industrial policy have increasingly recognised the significance of a value chain approach to inclusive prosperity. Frameworks like the National Industrial Policy Framework (NIPF) and the Industrial Policy Action Plan (IPAP) aim not only to boost output but also to integrate historically marginalised producers and enterprises into higher-value parts of domestic and global value chains. For example, the Agri-Parks Programme and SEZ (Special Economic Zones) seek to increase value in agro-processing, textiles, and manufacturing by providing infrastructure, training, and market access to SMMEs, cooperatives, and Black-owned businesses. These programs represent a growing recognition that poverty reduction involves more than just export participation it also necessitates rising up the value chain to ensure improved incomes, jobs, and market resilience for poor and rural people (UNCTAD, 2020; DTIC, 2019).

8. Government Intervention and Inclusive Trade

To combat structural exclusion, the South African government enacted a variety of programmes.

Broad-Based Black Economic Empowerment (BBBEE): encourages the involvement of historically disadvantaged groups.

The National Industrial Policy Framework (NIPF) promotes diversification and SMME involvement.

Skills development and preferential procurement policies aim to address capability gaps and promote inclusive growth.
Export aid instruments (e.g., ECIC, SEDA): lower barriers for SMMEs entering international markets.

Issues remain, however, as many of these policies are underfunded or poorly administered. Furthermore, export-driven economic strategies that do not promote rural investment, land reform, or infrastructure hinder poor participation.

9. Employment Effects and Labour Market Reality

The impact of trade liberalisation on employment is both positive and negative. High-tech and mining sectors expanded, whereas manufacturing and agriculture saw a fall in worker absorption (Edwards, 1998). Unemployment exceeds 33.4% (Statistics South Africa, 2023), with unskilled people suffering the most.
Green (2008) contends that South Africa's dual economy, in which the official sector is globally competitive but the informal sector stagnates,

makes trade a limited weapon for poverty reduction unless it is supported with job creation in sectors that employ the poor.

10. Revisiting Export Processing Zones in the aftermath of global disruptions.

Events like the COVID-19 pandemic and persistent geopolitical tensions—including the Russia-Ukraine war and the US-China trade competition—have underscored the fragility of global value chains and their heavy dependence on export-led industrial zones. Export Processing Zones (EPZs) have long been pushed in Africa as a means of attracting foreign direct investment, creating jobs, and increasing exports. However, these zones frequently rely on low-value assembly work, have few local links, and are vulnerable to external demand shocks. During COVID-19, several African EPZs experienced plant closures, supply shortages, and job losses as a result of disruptions in international logistics and demand. As the globe moves toward regional supply chains, automation, and green industrial policy, the long-term viability of EPZs is dependent on how well they are integrated into diverse local economies, which are supported by robust infrastructure, labour rights, and environmentally friendly production models. South Africa and other African countries must reconsider EPZ models, shifting from enclave manufacturing to inclusive, sustainable industrial ecosystems that accord with the AfCFTA and Africa's Agenda 2063 (UNECA, 2022; ILO, 2021).

11. Integrating Social Policy with Trade Liberalisation to Promote Inclusive Development

To ensure that the poorest groups benefit from trade liberalisation, programmes that emphasise social safety nets, infrastructural development, and skill development are crucial. The significance of a strategic approach that blends economic liberalisation with social measures intended to assist vulnerable populations is emphasised (McKay and Round, 2010). The poorest people in society continue to be excluded from the advantages of global trade in the absence of these accompanying policies. Additionally, the detrimental consequences of trade policies can be lessened with focused assistance for industries like small-scale agriculture, healthcare, and education. The larger dynamics of trade liberalisation, economic growth, and inequality have influenced the relationship between international trade and poverty reduction in South Africa. Although trade has increased GDP and boosted certain economic sectors, the unequal distribution of these benefits has limited efforts to reduce poverty. The deeply ingrained problems of poverty and inequality cannot be solved by trade policy alone without supplementary initiatives like labour market reform and education. The need for a balanced strategy is highlighted by South Africa's experience with trade liberalisation. To guarantee that the advantages of trade reach the most disadvantaged members of society, trade policies must be developed in concert with measures that address employment, inequality, and education. To ensure that the advantages of global integration are distributed fairly, future policy changes should take into account the wider social ramifications of trade liberalisation.

12. Toward a Sustainable and Equitable Trade Policy.

To use trade to alleviate poverty, South Africa must pursue a sustainable and inclusive trade model that includes:

Targeted assistance for agriculture and rural enterprises.
Investments in education and infrastructure to increase labour mobility.
Increasing trade-related climatic and environmental resilience.
Export-led growth models require critical oversight, especially in the face of global disruptions (e.g., pandemics, conflicts, and geopolitical shifts).
Regional integration through AfCFTA must be led by fair trade norms, green value chains, and the protection of vulnerable producers.

13. Conclusion.

International trade and poverty alleviation have a complicated and nuanced relationship, particularly in emerging countries like South Africa. Unquestionably, trade policies, especially trade liberalisation have boosted economic expansion and given some industries the chance to prosper. Trade openness has boosted foreign direct investment (FDI), access to international markets, and industrial productivity in South Africa. However, not all facets of society have benefited equally from trade, and the decline in poverty has not been as noticeable as anticipated. The experience of South Africa highlights a number of important points. First, although trade liberalisation has helped the economy grow, structural disparities, including high unemployment, unequal access to money and education, and the legacy of apartheid, have hampered its ability to reduce poverty. Trade policies that have favoured larger companies or more skilled workers have often left behind the poorest members of society, especially those living in rural areas or those who lack the necessary skills.

Second, the advantages of trade are not always distributed. Trade needs to be supported by policies that address underlying social injustices and encourage inclusive growth in order to be an effective instrument for reducing poverty. In South Africa, the poorest people have benefited greatly from international trade thanks to complementary measures like social safety nets, education and skill development, and targeted assistance for vulnerable sectors. In the absence of these enabling policies, rising inequality may outweigh trade's benefits. Furthermore, there have been conflicting outcomes from South Africa's involvement in trade accords such as the Southern African Development Community (SADC) Free Trade Area and the African Growth and Opportunity Act (AGOA). The difficulties of complete integration into international markets without substantial local support systems are highlighted by the fact that some industries, especially manufacturing and agriculture, have prospered while others have found it difficult to compete.

Although international trade has the potential to foster economic growth, the evidence from South Africa shows that trade policies alone are not sufficient for widespread poverty reduction. To make sure that the advantages of international trade are shared fairly, especially among the most vulnerable and impoverished groups, a comprehensive strategy that blends trade liberalisation with specific social and economic policies is necessary. Future trade and economic policies in poor countries must therefore be designed with sustainability, inclusion, and removing systemic obstacles to poverty alleviation in mind. Trade is a major economic lever, but its impact on poverty reduction in South Africa has been patchy. Liberalisation improved productivity and global connectivity but did not result in widespread poverty reduction due to inequality, unemployment, and structural exclusion.

Policymakers must coordinate trade strategies with redistribution and development initiatives. South Africa's experience demonstrates the value of a comprehensive approach that combines market access with local empowerment, education, and institutional reforms. Only with such a comprehensive paradigm can trade become a meaningful tool for equitable development.

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