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COMMENTARY

China's Zero-Tariff Policy, AfCFTA, and the Future of Industrialisation in South Africa and Africa

MOSES KOTANE RESEARCH INSTITUTE
RESEARCH SERVICES UNIT

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1. Introduction and Background

On 1 May 2026, China implemented a landmark zero tariff policy that extends duty-free access on 100 percent of tariff lines to all 53 African countries with which it maintains diplomatic relations, covering some 9,000 product lines and making China the first major economy to offer unilateral, full zero tariff access to its African partners (SA News, 2026). The policy builds on a phased approach: since December 2024, China has already granted zero tariffs to the 33 least developed African countries; the May 2026 expansion covers the remaining 20 countries, including South Africa, Nigeria, Egypt, and Kenya, under a two-year arrangement from 1 May 2026 to 30 April 2028. For South Africa, this means that qualifying goods exported to China during that period will be exempt from customs duties, subject to compliance with applicable tariff schedules and rules of origin (SARS, 2026).

China-Africa trade has grown from about US$10 billion in 2000 to a record US$348 billion in 2025, an increase of 17.7 percent year on year, with African exports to China reaching US$123 billion. In the first quarter of 2026, total bilateral trade reached 646.56 billion yuan (approximately US$89 billion), rising 23.7 percent. For South Africa, bilateral trade with China totalled nearly US$54 billion in 2025, a year-on-year increase of 2.2 percent, with South Africa exporting approximately US$13.5 13.6 billion to China, making China the country's largest single export destination. South Africa exported 11.1% of its goods to China in March 2026 (SARS, 2026). However, more than two thirds of these exports consist of metals and other raw materials such as iron ore, platinum group metals, manganese, and coal, highlighting a highly concentrated and low value-added export structure.

Chinese Foreign Minister Wang Yi has described the initiative as an "arithmetic equation": using the "subtraction" of tariffs to drive the "addition" of trade and achieve the "multiplication" of livelihoods (Yan, 2026). Under the new regime, previously tariffed items such as South African apples (previously subject to a 10 percent duty), wine, citrus, and beef will now enter China duty free, and Chinese wine importers have estimated they could save up to 300,000 yuan annually and increase volumes by more than 50 percent (eNCA, 2026). South African Minister of Agriculture John Steenhuisen has called the zero-tariff treatment an "absolute game changer" for wine and citrus exporters, particularly as the policy levels the playing field with competitors such as Australia that already enjoy similar access.

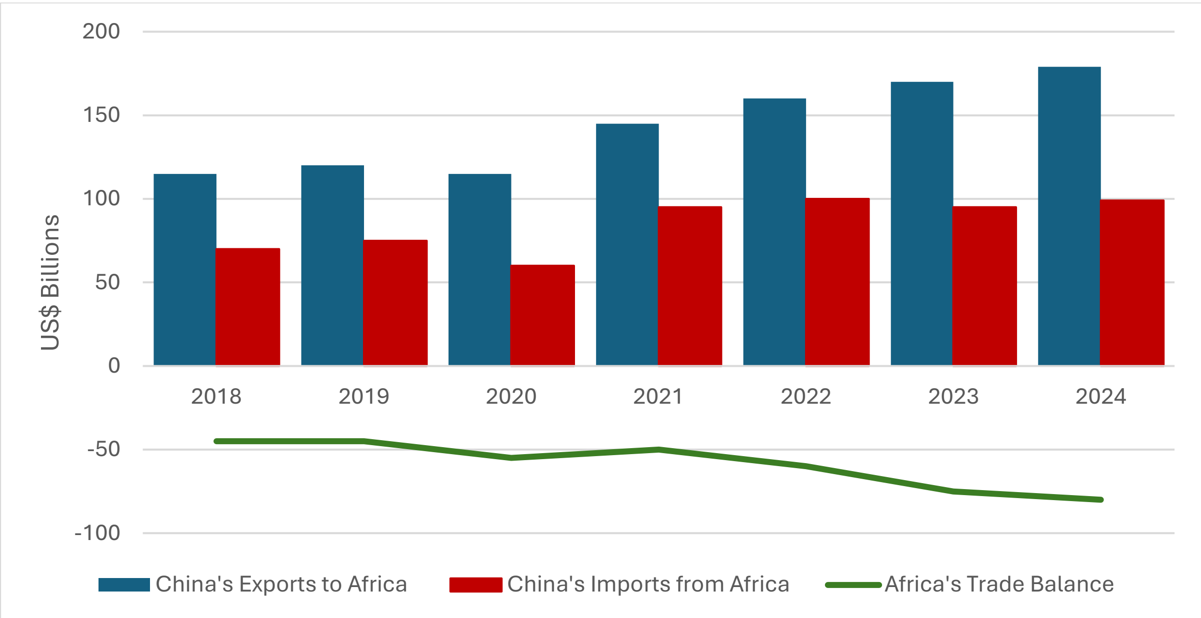
At the same time, the policy presents significant challenges. South Africa currently maintains a substantial trade deficit with China, estimated at US$17 billion in 2025, and the zero tariff scheme, while an important gesture, is not an unconditional "blanket" opening of the Chinese market (Ngundu, 2025). Exporters must comply with strict rules of origin, product-specific conditions, and tariff rate quotas that apply to certain product categories, and retrospective certification procedures place an administrative burden on smaller producers. More fundamentally, independent economists caution that as long as South Africa's export basket remains concentrated in raw minerals, which largely already enter China at near zero effective rates, the immediate material gains for the economy may be limited. As Dawie Roodt, chief economist at Efficient Group, notes, "the benefits to South Africa and sub-Saharan Africa, generally speaking, are actually quite limited because we do not manufacture that much and we certainly do not manufacture goods that we export to the Chinese".

Therefore, while China's zero tariff policy opens a genuine and valuable window of market access, its ultimate impact on South Africa and other African economies will depend on the continent's ability to overcome deep seated structural constraints, diversify export baskets away from raw commodities, move up the value chain, and absorb the policy's benefits within a broader strategy of industrial development. The commentary examines the opportunities and challenges of the zero-tariff policy for African economies, with particular focus on South Africa. It argues that while the initiative offers meaningful market access, especially for agricultural and value-added products, it risks reinforcing commodity dependence and structural imbalances unless accompanied by complementary industrial and diversification strategies.

2. Overview of China-Africa Trade Relations

China-Africa trade has experienced robust growth over the past decade, with bilateral flows reaching a record of around US$348 billion in 2025, driven largely by China's imports of African raw materials and exports of manufactured goods, machinery, and electronics. In 2024, Africa's exports to China stood at approximately US$99 billion (up 10% year-on-year), while imports from China reached US$179 billion, resulting in a persistent trade deficit for the continent according to Figure 1. Key African exporters include the Democratic Republic of Congo, Angola, South Africa, Guinea, and Zambia, primarily shipping minerals, oil, metals, and some agricultural products. The zero-tariff trade policy, fully implemented on May 1, 2026, extends duty-free access to 100% of tariff lines for goods from 53 African countries with diplomatic ties to China (excluding Eswatini). This builds on earlier preferences for least developed countries and aims to rebalance trade by enhancing market access for African products.

Figure 1. China Africa-Trade



Source: UNComtrade Data

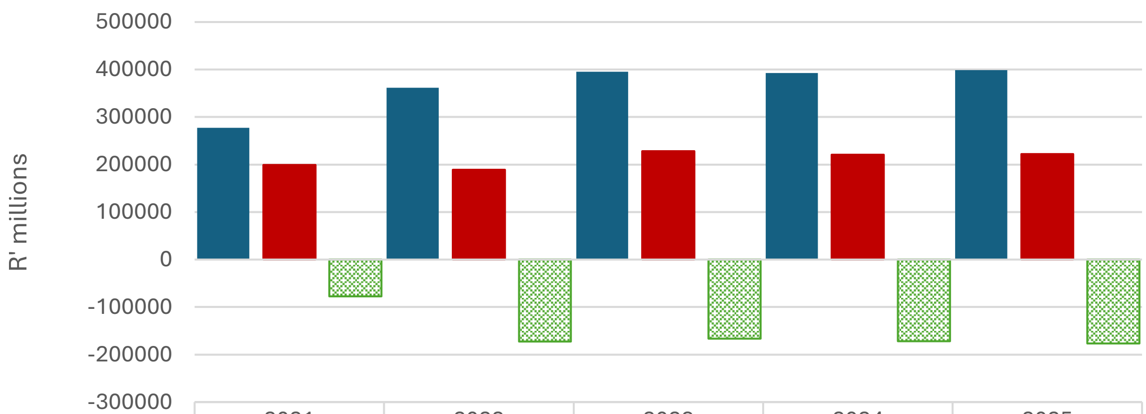
The zero-tariff agreement is poised to benefit African exports by removing duties ranging from 8% to 30% on many value-added and agricultural goods, thereby boosting competitiveness in China's vast market and encouraging diversification beyond raw commodities. Sectors like South African fruits, wine, and citrus; Kenyan avocados, coffee, and tea; Ghanaian and Ivorian cocoa; and other processed foods and light manufactures stand to benefit significantly through higher export volumes, improved rural incomes, and job creation. Early signs include rapid customs clearance for the first shipments, such as South African apples. While minerals and fuels will continue to dominate in the short term, the policy supports industrialization, value addition, and supply chain development across Africa, potentially narrowing the trade deficit over time if complemented by investments in infrastructure, standards, and productive capacity. However, challenges such as non-tariff barriers, limited export readiness in many countries, and the risk of reinforcing primary commodity dependence remain key considerations for realizing full benefits.

3. South Africa's Trade Relationship with China

Bilateral trade between South Africa and China has shown robust growth but remains structurally imbalanced in China's favour. As depicted in the figure, South African imports from China (in million Rands) increased from 277,003 in 2021 to 398,839 in 2025, driven primarily by manufactured goods such as machinery, electronics, and vehicles. Exports to China, in contrast, grew more modestly from 199,329 million Rands in 2021 to 221,930 million Rands in 2025, largely consisting of mineral commodities including iron ore, platinum, and gold. This disparity has produced a widening trade deficit, rising from -77,675 million Rands in 2021 to -176,910 million Rands in 2025, according to Figure 2.

China's zero-tariff policy for African Least Developed Countries and select developing economies, extended to South Africa and effective from May 2026, offers a strategic opportunity to address this asymmetry. By removing tariffs (previously as high as 20%) on a broad range of agricultural and value-added products, such as wine, citrus, apples, and processed foods, the initiative aims to diversify South African exports beyond traditional minerals. Early indications, including the first duty-free shipments of South African apples, suggest potential gains for the agricultural sector.

Figure 2. South Africa- China trade balance



	2021	2022	2023	2024	2025
Imports	277003.4482	361502.7114	395193.0174	392847.1665	398839.4017
Exports	199328.8875	189102.9811	228391.9589	220806.3917	221929.7256
Trade balance	-77674.56078	-172399.7303	-166801.0585	-172040.7748	-176909.6761

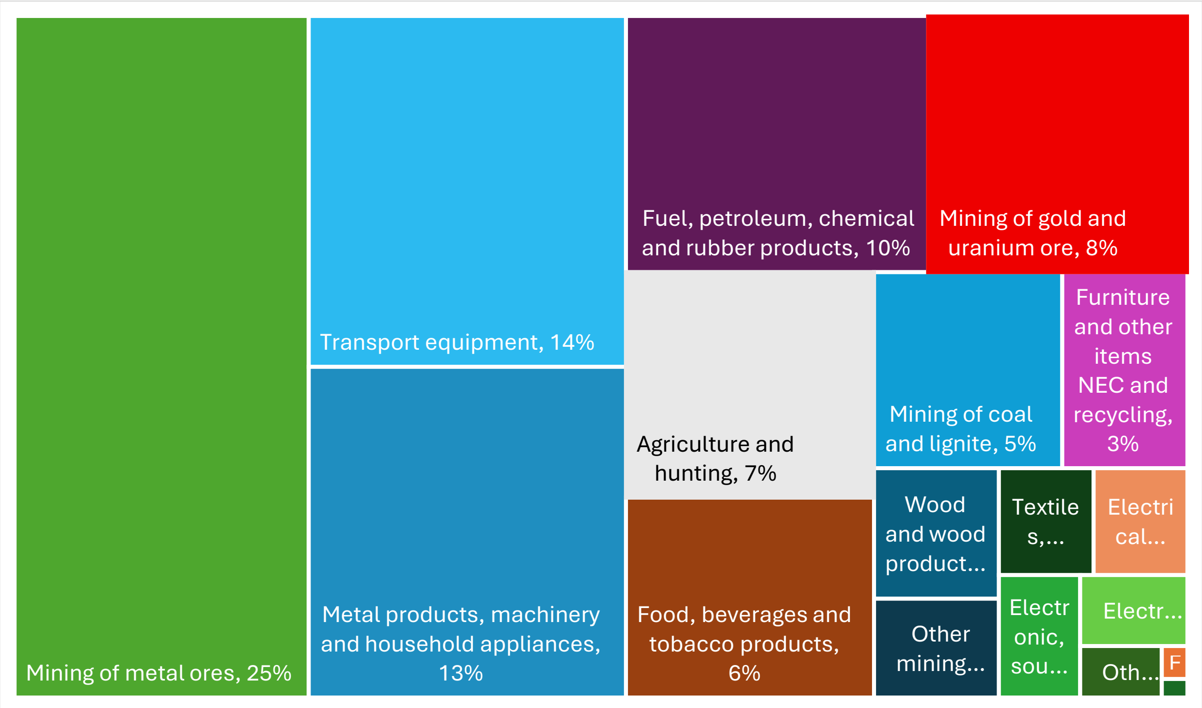
Source: South Africa Regional Explorer Data

Nevertheless, zero tariffs are unlikely to fully rebalance trade on their own. Many of South Africa's key mineral exports already benefit from low or zero duties, limiting additional gains on the intensive margin. Realising sustained export growth will require addressing supply-side constraints, enhancing productive capacity, improving logistics, and advancing value addition in targeted sectors. Complementary industrial cooperation and investment will thus be critical to transforming the policy into meaningful structural rebalancing. Overall, while the zero-tariff arrangement strengthens South Africa's market access and supports export diversification objectives, narrowing the persistent trade deficit with China will demand deeper domestic reforms alongside bilateral collaboration.

3.1.South Africa's Economic Exports to China by Economic Category

South Africa's exports to China in 2025, as shown in the provided treemap chart in Figure 3, are heavily dominated by the mining sector, with mining of metal ores accounting for the largest share at 25%, followed by transport equipment at 14%, metal products, machinery and household appliances at 13%, and fuel, petroleum, chemical and rubber products at 10%. Significant contributions also come from mining of gold and uranium ore (8%), agriculture and hunting (7%), food, beverages and tobacco products (6%), and mining of coal and lignite (5%), while smaller categories include wood and wood products (2%), furniture and other items (3%), and various niche segments such as textiles, electronics, and electricity-related goods . This export profile underscores South Africa's role as a key supplier of raw materials, minerals, and semi-processed industrial goods to China, reflecting the complementary nature of the two economies where South Africa provides resource inputs that support China's manufacturing and energy needs.

Figure 3. SA Exports to China by Economic Category



Source: SARS

A zero-tariff trade agreement with China would benefit South Africa by eliminating import duties on these key export categories, thereby reducing costs for South African producers, enhancing price competitiveness in the massive Chinese market, and potentially driving higher export volumes and revenues, especially for mineral resources and agricultural products that already form the backbone of bilateral trade. This could stimulate job creation in mining, manufacturing, and agribusiness sectors, encourage investment in value-adding industries like metal processing and transport equipment, and support economic diversification efforts while improving South Africa's trade balance. Broader gains might include technology transfers, infrastructure development tied to stronger economic ties and increased foreign exchange earnings that bolster the rand and fund public services, though South Africa would need to manage risks such as import competition in sensitive sectors through complementary policies.

4. Opportunities Presented by the AfCFTA or China's Zero-Tariff Policy

The African Continental Free Trade Area (AfCFTA) represents one of the most significant structural reforms in Africa's development agenda. It has the potential to deepen regional integration by reducing tariff and non-tariff barriers, balancing trade rules, and improving cross-border economic coordination (AfCFTA Secretariat, 2026). From a theoretical standpoint, this aligns with neo functionalist arguments, suggesting that trade integration creates spillover effects into production, investment, and governance systems. A key opportunity within the AfCFTA lies in developing regional value chains (RVCs). Currently, Africa's trade is largely externalised, with limited intra-continental industrial linkages. The AfCFTA provides a framework for countries to specialise in different stages of production and exchange intermediate goods, which supports industrial upgrading (Nkosi & Zina, 2025). This is consistent with global value chain theory, which emphasises that participation in production networks is essential for industrial development (WTO, 2019).

In terms of industrialisation, the AfCFTA expands Africa's effective market size to over 1.4 billion people. This scale is vital, as industrial development requires demand certainty and economies of scale. Structural transformation theory suggests that shifting from primary commodities to manufacturing is central to long-term development (African Union, 2026). Therefore, the AfCFTA creates conditions that can support industrial expansion and diversification (Makoka, 2024). Additionally, the agreement has the potential to significantly increase intra-African trade, which remains relatively low compared to other regions globally. By reducing tariffs and simplifying trade procedures, the AfCFTA lowers transaction costs and encourages diversification away from reliance on raw materials (Afreximbank, 2025).

For South Africa, these dynamics present several strategic opportunities, including leveraging Chinese investment for infrastructure development. Chinese-financed infrastructure can help alleviate Africa's logistics constraints, thereby improving connectivity between production hubs and markets, especially in transport and energy systems (He, 2023). South Africa can also expand manufacturing exports into African markets, enhancing its exports in automotive, chemicals, agro-processing, and consumer goods to meet increasing African demand (Mothibi et al., 2025). Furthermore, the country can integrate African supply chains by positioning itself as a mid- to high-value manufacturing hub within regional production networks (Mensah & Van Biesebroeck, 2023). With relatively advanced ports, financial systems, and industrial capacity, South Africa can serve as a logistics gateway for continental trade flows (Swift Worldwide

Logistics, 2026). The opportunities are further reinforced by the zero-tariff liberalisation under the AfCFTA, which reduces the cost of intra-African trade (African Union, 2026). When combined with improved access to external markets such as China, this creates incentives for South African firms to scale production. This scaling effect can enhance competitiveness and deepen integration into both African and global value chains (CNBC Africa, 2026).

5. Challenges and Risks

Despite its potential, the African Continental Free Trade Area (AfCFTA) faces several structural constraints that may limit its developmental impact. One major challenge is the unequal distribution of trade power, where stronger economies dominate intra-African trade flows. Countries like South Africa and Egypt possess more advanced industrial bases, which may reinforce asymmetrical dependencies rather than alleviate them. Additionally, regional integration can erode national cultures and foster a perceived loss of sovereignty, potentially leading to increased nationalism, trade protectionism, and populism among member countries (Debra et al., 2024).

Another concern is the risk of deindustrialisation, particularly in economies with weak manufacturing sectors. Without robust industrial policies in place, tariff liberalisation may expose local firms to competition from more productive African economies, resulting in job losses and a decline in industrial capacity (Sundaram, 2026). Infrastructure bottlenecks are also a critical limitation. Poor transport systems, weak logistics networks, and energy shortages substantially increase the cost of trade within Africa, undermining the effectiveness of tariff removal (Nkosi & Zina, 2025).

Further, many African economies struggle with weak manufacturing competitiveness. They are often locked into low-productivity sectors with limited technological advancement. From a comparative advantage perspective, this situation confines countries to exporting raw materials rather than developing diversified industrial structures (Mabeba, 2026). Africa's heavy reliance on primary commodity exports leaves economies vulnerable to external shocks, limiting value addition and reducing the AfCFTA's capacity to drive structural transformation. This situation is unlikely to change without accompanying industrial policies (Alemu et al., 2025).

Additional risks include limited value addition, as raw materials are frequently exported without domestic processing (Kaplinsky & Morris, 2016); geopolitical dependency risks, particularly with external partners such as China and the EU (Feher & Zeneli, 2025); debt sustainability concerns, especially when infrastructure projects are financed through external borrowing (OECD, 2021); and pressure from import competition, where low-cost imports undermine local industries (The Witness, 2026). Overall, zero-tariff access alone is insufficient to guarantee industrial development. Without complementary policies, trade liberalisation may increase trade volumes but fail to fundamentally transform production structures.

6. Policy Implications for South Africa

Firstly, industrial policy support is essential. This includes targeted interventions in manufacturing sectors such as automotive, agro-processing, chemicals, and machinery. A developmental state approach is needed to actively guide industrial upgrading (DTI,2007). Additionally, export diversification should be prioritised. South Africa's economy is heavily dependent on minerals and commodities, which makes it vulnerable to global price volatility. Expanding manufactured exports to African markets can help reduce this vulnerability (DTI, 2024).

Further, strengthening beneficiation and local value addition is crucial. Processing raw materials domestically enables South Africa to capture more value within global and regional supply chains, thereby contributing to structural transformation (DMPR, 2025). Infrastructure investment is also critical; efficient ports, rail networks, energy systems, and digital infrastructure are necessary to reduce logistics costs and improve competitiveness across African markets (SA Government,2026).

In addition, trade facilitation reforms under the AfCFTA must be accelerated. This includes simplifying customs procedures, reducing border delays, and enhancing regulatory alignment across African states (UNECA,2023). Finally, South Africa should strategically integrate into the AfCFTA, with access to Chinese markets and investment flows. Chinese investment in infrastructure and industrial zones can support regional production networks, but it must be managed to ensure long-term industrialisation instead of creating dependency on raw materials or external financing (Nkosi & Zina, 2025).

In conclusion, South Africa's position within Africa gives it strong potential to serve as a regional industrial and logistics hub. However, this potential can only be realised through coordinated industrial policy, improved infrastructure, and strategic integration into both African and Chinese-linked value chains.

7. Conclusion

China's zero-tariff policy, effective from May 2026, represents a significant and unilateral expansion of market access for all 53 African countries with diplomatic ties to China. For South Africa, it offers tangible opportunities, particularly for agricultural exporters of wine, citrus, apples, and beef, by removing duties and enhancing competitiveness in the world's second-largest economy. Early indicators, such as duty-free apple shipments, confirm the policy's immediate benefits.

However, the initiative alone cannot resolve the structural asymmetries that have long characterized China-Africa trade. South Africa's persistent trade deficit with China (approximately US$17 billion in 2025) is rooted in an export basket heavily concentrated in raw minerals—many already enjoying low or zero effective tariffs. As economists have cautioned, without a simultaneous push for export diversification, value addition, and industrial upgrading, the policy risks reinforcing commodity dependence rather than driving structural transformation.

Therefore, realising the full potential of zero-tariff access requires complementary domestic policies: strengthening manufacturing and agro-processing, investing in logistics and energy infrastructure, and strategically leveraging the African Continental Free Trade Area (AfCFTA) to build regional value chains. Only then can South Africa and other African economies convert this trade gesture into lasting industrial and developmental gains.

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Moses Kotane Research Institute
Tel: 0312661777
https://mkri.institute/
Email: info@moseskotane.com
Address: 190 K.E Masinga Road, Durban, 4001