

RINCO

edinamandi
nani elihle!

YHCO



TIPS

TRADE & INDUSTRIAL POLICY STRATEGIES



Contribution to Trade Policy Review

Overview of Africa and SADC Trade 2006-2008

June 2009



Australian Government
AusAID



indigenous growth

P.O. Box 11214
Hatfield, 0028
Pretoria
SOUTH AFRICA

Phone: + (0) 12 431 7900
Fax: + (0) 12 431 7910



Contribution to Trade Policy review

Overview of trade 2006-2008

Institution: Trade & Industrial Policy Strategies (TIPS)

Date: 18 June 2009

1. Trade trends – Focus on Africa

1.1 Top 10 Individual Import Partners – By Share of Total Trade

Table 12 – Top 10 Import Partners 1994 - 2008 (R-million)

1994			2006		
Country	Value (R mil)	Share (%)	Country	Value (R mil)	Share (%)
Zimbabwe	1031	41%	Nigeria	9286	29%
Democratic Republic of the Congo (DRC)	360	14%	Zimbabwe	4633	14%
South Africa*	270	11%	South Africa*	2689	8%
Malawi	189	7%	Angola	2486	8%
Côte d'Ivoire	120	5%	Libyan Arab	2430	8%
Zambia	105	4%	Zambia	1842	6%
Mozambique	99	4%	Botswana	1803	6%
Egypt	91	4%	Gabon	1156	4%
Togo	62	2%	Liberia	1144	4%
Kenya	29	1%	Namibia	911	3%
2007			2008		
Country	Value (R mil)	Share (%)	Country	Value (R mil)	Share (%)
Nigeria	12480	28%	Angola	22350	36%
Angola	11585	26%	Nigeria	15744	25%
Zimbabwe	6034	14%	Zimbabwe	6306	10%
South Africa*	3478	8%	South Africa*	3795	6%
Zambia	2490	6%	Mozambique	3306	5%
Mozambique	2389	5%	Zambia	2388	4%
Botswana	1539	3%	Botswana	1368	2%
Namibia	928	2%	Egypt	1116	2%
Malawi	647	1%	Malawi	972	2%
Mauritius	437	1%	Namibia	676	1%

Source: Quantec

*please refer to "Data notes" section at the end for details on this anomaly

Whereas in 1994 Zimbabwe clearly dominated as South Africa's (SA) most important source of imports from the African continent, by 2006 imports from oil producers Angola and Nigeria had gained dominance. Imports from Zimbabwe today account for around 10% of SA imports from Africa, and whilst in 1994 SA seemed to have a more diverse source of African import partners, today almost all seem to be in close geographical proximity, such as Zimbabwe. With regards to composition, imports from Zimbabwe have become more concentrated and dominated by metals, not as in the past by cotton, wood and tobacco. Today, imports of *HS75: Nickel and articles thereof* and *HS26: Ores, slag and ash* account for 77% of total SA imports from

Zimbabwe. In the case of Mozambique too, the import basket has become less diversified since 1994, moving away from products such as cotton, fish, oil seed and grain, as well as rubber. Imports from Angola, Nigeria, Mozambique and Egypt are at present entirely dominated by imports of *HS27: Mineral fuels, oils, distillation products, etc*, accounting for between 80% and 98% of total imports from these countries. Close SACU neighbours, Namibia and Botswana, have become key import partners compared to 1994. Today these countries feature among the top 10 import sources in Africa, although the import basket is concentrated almost entirely on imports of *HS71: Pearls, precious stones, metals, coins, etc*.

1.2 Top 10 Individual Export Partners – By Share of Total Trade

Table 13 – Top 10 Export Partners 1994 - 2008 (R-million)

1994			2006		
Country	Value (R mil)	Share (%)	Country	Value (R mil)	Share (%)
Zimbabwe	2355	27%	Zambia	7269	15%
Mozambique	1696	19%	Zimbabwe	6951	14%
Zambia	910	10%	Mozambique	6025	12%
Kenya	706	8%	Angola	3917	8%
Mauritius	697	8%	Nigeria	3845	8%
Malawi	628	7%	Kenya	3060	6%
United Republic of Tanzania (Tanzania)	318	4%	Tanzania	2597	5%
Democratic Republic of the Congo (DRC)	299	3%	DRC	2450	5%
Angola	298	3%	Mauritius	1898	4%
Réunion	151	2%	Ghana	1623	3%
2007			2008		
Country	Value (R mil)	Share (%)	Country	Value (R mil)	Share (%)
Zambia	9283	14%	Zambia	15411	16%
Mozambique	8670	14%	Zimbabwe	13547	14%
Zimbabwe	7964	12%	Mozambique	13026	13%
Angola	4947	8%	DRC	8005	8%
Nigeria	4559	7%	Nigeria	7086	7%
Kenya	4367	7%	Angola	6730	7%
Democratic Republic of the Congo (DRC)	4357	7%	Kenya	5683	6%
United Republic of Tanzania (Tanzania)	2604	4%	Tanzania	3926	4%
Ghana	2176	3%	Malawi	3585	4%
Malawi	2026	3%	Ghana	3066	3%

Source: Quantec

Whilst South African imports from Africa appear to be concentrated around a few key partners, on the export side it would seem there are a more diverse range of destinations. This has become even more apparent if one compares the situation to 1994.

Zambia appears to have eclipsed Zimbabwe as the most important export partner, but in overall terms the top 3 receivers of South African exports have remained the same since 1994. Zambia, however, is the only one who has increased its share since 1994, with both Zimbabwe and Mozambique seeing declining shares. Again comparing the trade situation to that of 1994 it is apparent that whilst most export destinations remain the same, Nigeria and Ghana have gained significance, with the Indian Ocean Islands of Réunion and Mauritius no longer featuring in the top 10.

With regards to composition of exports, in 1994 for the primary destinations, namely Zimbabwe, Zambia and Mozambique, the export basket was dominated by *HS84: Nuclear reactors, boilers, machinery, etc* and *HS87: Vehicles other than railway, tramway*, for the former two, and *HS27: Mineral fuels, oils, distillation products, etc* and *HS48: Paper & paperboard, articles of pulp, paper and board*, for the latter. By 2008, this has changed somewhat with exports of *HS27: Mineral fuels, oils, distillation products, etc* being the most prominent among the 3, except in the case of Zimbabwe where exports of *HS10: Cereals* have been marginally higher. Mozambique and Zambia are also an important source of demand for South African exports of *HS84: Nuclear reactors, boilers, machinery, etc*; and for the former, also of *HS72: Iron and steel*. In the case of the Democratic Republic of the Congo (DRC) and Angola, exports are primarily of *HS84: Nuclear reactors, boilers, machinery, etc*, though exports of *HS27: Mineral fuels, oils, distillation products, etc* and *HS73: Articles of iron or steel* feature as important, particularly in relation to the DRC, today South Africa's 4th most important destination of exports to Africa.

1.3 Top Individual Import Partners – By Growth

Table 14 – Top Fastest Growing Import Partners 2006 - 2008 (R-million)

Country	2006 Value (R mil) Imports	2007 Value (R mil) Imports	2008 Value (R mil) Imports	Annual Average Weighted Growth Rate (2006 – 2008)
Africa	32,112	44,359	62,195	39.17
Angola	2,486	11,585	22,350	199.83
Nigeria	9,286	12,480	15,744	30.21
South Africa*	2,689	3,478	3,795	18.80
Zimbabwe	4,633	6,034	6,306	16.66
Zambia	1,842	2,490	2,388	13.85

Source: Quantec (The cut-off used was R1 billion of trade in 2006)

*please refer to "Data notes" section at the end for details on this anomaly

Angola is clearly South Africa's fastest growing source of imports from Africa. Again, this is predominantly of *HS27: Mineral fuels, oils, distillation products, etc*. A similar situation is evident in the case of Nigeria, which is currently South Africa's second fastest growing source of imports from the continent. Some growth in the imports of *HS71: Pearls, precious stones, metals, coins, etc* from Angola is evident over the period, though this is off a low base. For Nigeria, robust growth has been recorded in South Africa's imports of *HS85: Electrical, electronic equipment*. For the other countries significant growth markets appear to still be at low levels of trade, including *HS24: Tobacco and manufactured tobacco substitutes* for Zimbabwe and *H26: Ores, slag and ash* and *HS85: Electrical, electronic equipment* for Zambia. *HS26: Ores, slag and ash*, a key import from Zimbabwe is also growing

at a healthy rate, however. Similarly, for Zambia, imports of *HS74: Copper and articles thereof*, which accounts for the greatest share of total SA imports from Zambia, have grown steadily over the period.

1.4 Top Individual Export Partners – By Growth

Table 15 – Fastest Growing Export Partners 2006 - 2008 (R-million)

Country	2006 Value (R mil) Exports	2007 Value (R mil) Exports	2008 Value (R mil) Exports	Annual Average Weighted Growth Rate (2006 – 2008)
Africa	49,957	64,213	98,713	40.57
Democratic Republic of the Congo	2,450	4,357	8,005	80.77
Malawi	1,591	2,026	3,585	50.09
Mozambique	6,025	8,670	13,026	47.04
Zambia	7,269	9,283	15,411	45.60
Zimbabwe	6,951	7,964	13,547	39.61
Ghana	1,623	2,176	3,066	37.44
Kenya	3,060	4,367	5,683	36.28
Nigeria	3,845	4,559	7,086	35.76
Angola	3,917	4,947	6,730	31.07
Algeria	1,092	869	1,827	29.32

Source: Quantec

It is apparent from the table above that the Democratic Republic of the Congo (DRC) is the fastest growing destination for South African exports to Africa. Exports of *HS84: Nuclear reactors, boilers, machinery, etc*, *HS27: Mineral fuels, oils, distillation products, etc* and *HS73: Articles of iron or steel* are key contributors to the total export basket, with the latter being one of the fastest growing export categories in the total export basket to the DRC. Of the 10 fastest growing African export markets for South Africa, six are SADC countries. With regards to the countries of Western Africa, namely Ghana and Nigeria, exports to the former are predominantly of *HS84: Nuclear reactors, boilers, machinery, etc*, *HS73: Articles of iron or steel* and *HS87: Vehicles other than railway, tramway*, whilst for the latter these are mainly of *HS87: Vehicles other than railway, tramway* and *HS73: Articles of iron or steel*. Exports to Kenya are principally of *HS72: Iron and steel*, followed by *HS10: Cereals*. In the case of Algeria, exports of *HS87: Vehicles other than railway, tramway* seem to dominate, and have also registered healthy growth over the period under review. Further specific analysis on the SADC countries is revealed below.

2. Trade trends – Focus on SADC

2.1 Top 5 Individual Import Partners – By Share of Total Trade

Table 16 – Top 5 Import Partners 1994 - 2008 (R-million)

1994			2006		
Country	Value (R mil)	Share (%)	Country	Value (R mil)	Share (%)
Zimbabwe	1031	49%	Zimbabwe	4633	29%
Democratic Republic of the Congo	360	17%	South Africa*	2689	17%
South Africa*	270	13%	Angola	2486	16%
Malawi	189	9%	Zambia	1842	12%
Zambia	105	5%	Botswana	1803	11%

2007			2008		
Country	Value (R mil)	Share (%)	Country	Value (R mil)	Share (%)
Angola	11585	39%	Angola	22350	53%
Zimbabwe	6034	20%	Zimbabwe	6306	15%
South Africa*	3478	12%	South Africa*	3795	9%
Zambia	2490	8%	Mozambique	3306	8%
Mozambique	2389	8%	Zambia	2388	6%

Source: Quantec

*please refer to "Data notes" section at the end for details on this anomaly

As is apparent from the Table above and previous analysis, Angola has become South Africa's predominant source of imports from both Africa and the SADC region. As mentioned previously such imports are primarily of *HS27: Mineral fuels, oils, distillation products, etc.* Imports from Zimbabwe, the second most important source of imports from SADC, include *HS75: Nickel and articles thereof* and *HS26: Ores, slag and ash*. This is a marked contrast to the past where imports were dominated by *HS52: Cotton* and *HS24: Tobacco and manufactured tobacco substitutes*, and the import basket was much more diversified than is the case today. Imports from Zambia are concentrated in the category *HS74: Copper and articles thereof*, whilst for Mozambique these are primarily of *HS27: Mineral fuels, oils, distillation products, etc.* Imports of cotton from Zambia have decreased markedly since 1994.

A certain amount of re-imports appear to be reflected in the trade structure, and these have remained predominantly of *HS71: Pearls, precious stones, metals, coins, etc* and *HS84: Nuclear reactors, boilers, machinery, etc* since 1994. Whereas in 1994 South Africa imported goods, mostly of *HS24: Tobacco and manufactured tobacco substitutes*, *HS62: Articles of apparel, accessories, not knit or crochet* and *HS61: Articles of apparel, accessories, knit or crochet*, today Malawi no longer features among the top 5 sources of imports from South Africa. Furthermore, whilst in 1994 South Africa counted the Democratic Republic of the Congo as its second most important source of imports from SADC, which were mostly of *HS71: Pearls, precious stones, metals, coins, etc*, today this is no longer the case, with Angola gaining significantly in importance.

2.2 Top 5 Individual Export Partners – By Share of Total Trade

Table 17 – Top 5 Export Partners 1994 - 2008 (R-million)

1994			2006		
Country	Value (R mil)	Share (%)	Country	Value (R mil)	Share (%)
Zimbabwe	2355	32%	Zambia	7269	22%
Mozambique	1696	23%	Zimbabwe	6951	21%
Zambia	910	12%	Mozambique	6025	18%
Mauritius	697	10%	Angola	3917	12%
Malawi	628	9%	Tanzania	2597	8%
2007			2008		
Country	Value (R mil)	Share (%)	Country	Value (R mil)	Share (%)
Zambia	9283	22%	Zambia	15411	23%
Mozambique	8670	21%	Zimbabwe	13547	20%
Zimbabwe	7964	19%	Mozambique	13026	19%
Angola	4947	12%	DRC	8005	12%
Democratic Republic of the Congo	4357	10%	Angola	6730	10%

Source: Quantec

As mentioned previously Zambia has become South Africa's most important destination for exports in Africa and in SADC, followed by Zimbabwe and then Mozambique. Whilst previously, in 1994, South Africa counted Mauritius and Malawi as among its top 5 export destinations in the region, today Angola and the Democratic Republic of the Congo (DRC) have gained in prominence. Exports to Mauritius had been mostly of *HS27: Mineral fuels, oils, distillation products, etc* and *HS72: Iron and steel*, whilst to Malawi exports of *HS87: Vehicles other than railway, tramway* and *HS84: Nuclear reactors, boilers, machinery, etc* were most dominant. Today, exports to the DRC and Angola of *HS84: Nuclear reactors, boilers, machinery, etc*, account for a greater share of South African exports as mentioned previously. In the case of Angola, exports of *HS22: Beverages, spirits and vinegar* account for around 11% of total South African exports to the country, the second largest share of the total export basket.

2.3 Top Individual Import Partners – By Growth

Table 18 – Top Fastest Growing Import Partners 2006 - 2008 (R-million)

Country	2006 Value (R mil) Imports	2007 Value (R mil) Imports	2008 Value (R mil) Imports	Annual Average Weighted Growth Rate (2006 – 2008)
SADC	15,845	29,999	42,361	63.51
Mozambique	319	2,389	3,306	222.15

Angola	2 486	11 585	22 350	199.83
Mauritius	260	437	537	43.85
United Republic of Tanzania	305	371	607	41.00
Malawi	531	647	972	35.27

Source: Quantec

Mozambique and Angola are by far the fastest growing sources of SADC imports for South Africa. Key to this, as mentioned earlier, is the growing demand for imports of *HS27: Mineral fuels, oils, distillation products, etc.* In the case of Mauritius, imports have been primarily of *HS61: Articles of apparel, accessories, knit or crochet* and *HS62: Articles of apparel, accessories, not knit or crochet*. Imports from Tanzania have been primarily of *HS71: Pearls, precious stones, metals, coins, etc.*, whilst for Malawi imports of *HS09: Coffee, tea, mate and spices* and *HS62: Articles of apparel, accessories, not knit or crochet* have been prominent.

2.4 Top 10 Individual Export Partners – By Growth

Table 19 – Top 10 Fastest Growing Export Partners 2006 - 2008 (R-million)

Country	2006 Value (R mil) Exports	2007 Value (R mil) Exports	2008 Value (R mil) Exports	Annual Average Weighted Growth Rate (2006 – 2008)
SADC	33,196	41,936	67,729	42.84
Democratic Republic of Congo	2,450	4,357	8,005	80.77
Malawi	1,591	2,026	3,585	50.09
Mozambique	6,025	8,670	13,026	47.04
Zambia	7,269	9,283	15,411	45.60
Zimbabwe	6,951	7,964	13,547	39.61

Source: Quantec

The Democratic Republic of Congo is South Africa's fastest growing export partner in Africa and SADC. Exports to the country are predominantly of *HS84: Nuclear reactors, boilers, machinery, etc.* It appears that whilst Malawi is no longer among South Africa's top destinations for its exports, as was the case in 1994, Malawi is among the fastest growing export markets. Like the DRC, exports of *HS84: Nuclear reactors, boilers, machinery, etc.* dominate the export basket, though exports of *HS87: Vehicles other than railway, tramway*, *HS31: Fertilizers* and *HS72: Iron and steel* are also significant. Mozambique, Zambia and Zimbabwe, which are the key export destinations South African exports to SADC also appear to be growing at a healthy rate.

Notes on data discrepancies

Intra-SA imports

South Africa's data has a problem of showing imports which appear to be originating from South Africa. This problem goes far back to the late 1980s. These imports account for a small share of total SA imports, i.e., less than 0.5% of total imports except in 2001 when this was 0.61% of total imports. The products that are mostly involved include HS 97 (Works of art, collectors pieces and antiques), HS 71 (Pearls, precious stones, metals, coins, etc), HS 86 (Railway, tramway locomotives, rolling stock, equipment) and HS 43 (Furskins and artificial fur, manufactures thereof). The share of imports for these commodities is more than 10% in some years. The highest is HS 97 which reached 67% in 2003.

Although the value of these imports is small relative to SA's total trade, it is substantial when compared to imports from SADC. In 2008 these imports were only second to Angola, and third in terms of all Africa imports, after Angola and Nigeria. An attempt to get an explanation from South African Revenue Services (SARS), Customs and Excise was unsuccessful (see below for an explanation). Quantec (a private institution that maintains and distributes comprehensive sets of data collections covering macro and regional socio-economic, industry and international trade data) suggested that is due to re-exports. We strongly suspect that some of it relates to trade with SACU partners, because re-exports would show on the South African exports and not on the import side. Although officially data between South Africa and SACU members is not supposed to be released, we think some of it gets through the cracks.

Imports from Malawi

In 2008, more than one third of SA's imports from Malawi were of one product, HS 880204: Fixed wing aircraft unladen weight 2,000 – 15, 000kg. This was worth over R350 million. However it is not the first time SA imported that product from Malawi. In 2005 imports of this product was just under R10 million, about R3 million in 2003 and just under R9 million in 2001. SARS was contacted for explanation, but they asked us to send a formal request using a five-page procedure for requesting data and additional information.

Malawi has also reported some exports of HS 88 to South Africa in 2008. The total exports by Malawi to SA was US\$ 78 400, as reported by UNComtrade database, which is approximately R644 000 (Using the middle exchange rate of ZAR 8.25 to US\$1, as reported by the South African Reserve Bank). Furthermore, when one looks further into the detailed product exported at the HS 6 digit, it differs from the one reported by SA. The HS 6-digit product reported by Malawi is HS 80330, Parts of aeroplanes/helicopters, other than propellers, rotors, under-carriages & parts thereof and not HS 880204: Fixed wing aircraft unladen weight 2,000 – 15, 000kg that was reported by SA. There is definitely a discrepancy with this data, and for now there is no sufficient explanation to clear it up.