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TRADE & INDUSTRIAL POLICY STRATEGIES



Contribution to Trade Policy Review

Overview of South Africa's Trade 2006-2008

June 2009



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Contribution to Trade Policy review

Overview of trade 2006-2008

Institution: Trade & Industrial Policy Strategies (TIPS)

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1. Trade trends

1.1 Top 10 Individual Trading Partners - Total Trade

Table 1 – Top 10 Trading Partners 1994 - 2008 (R-million)

1994				2006			
Country	Total	Trade	Share of Total	Country	Total	Trade	Share of Total
Germany	17,414		10.5%	Germany	84,182		9.9%
United States	15,735		9.5%	United States	75,491		8.9%
United Kingdom	15,461		9.3%	Japan	71,177		8.4%
Japan	13,490		8.1%	China	60,360		7.1%
Switzerland	8,203		4.9%	United Kingdom	54,351		6.4%
Italy	4,904		3.0%	Saudi Arabia	26,195		3.1%
Taiwan Province of China	4,543		2.7%	Netherlands	24,873		2.9%
Belgium	4,375		2.6%	France	24,246		2.9%
Netherlands	4,109		2.5%	Italy	23,137		2.7%
France	3,876		2.3%	Iran (Islamic)	19,763		2.3%
2007				2008			
Country	Total	Trade	Share of Total	Country	Total	Trade	Share of Total
Germany	99,595		9.6%	Germany	127,241		9.4%
United States	95,016		9.2%	United States	122,201		9.0%
Japan	87,068		8.4%	China	115,567		8.5%
China	84,768		8.2%	Japan	106,111		7.8%
United Kingdom	61,462		5.9%	United Kingdom	69,027		5.1%
Netherlands	28,593		2.8%	Saudi Arabia	48,674		3.6%
France	27,822		2.7%	Netherlands	36,909		2.7%
Saudi Arabia	27,640		2.7%	India	36,794		2.7%
Italy	25,852		2.5%	Italy	32,131		2.4%
Iran (Islamic Republic of)	22,339		2.2%	France	30,584		2.3%

Source: Quantec

Germany and the United States have consistently been South Africa's first and second most important trading partners respectively, since 1994. This said, their share of total trade has been decreasing over this period, with other countries, principally China, and to a lesser extent India, for now, are growing in importance as South Africa's trading partners. Furthermore, whilst Japan remains an important trading partner for the country, it appears to be increasingly being eclipsed by China in the last year.

1.2 Key Trading Regions - Total Trade

Table 2 – Top 10 Trading Partners by Region 1994 - 2008 (R-million)

1994				2006			
Region	Total	Trade	Share of Total	Region	Total	Trade	Share of Total
European Union	56,757		34.2%	European Union	283,522		33.4%
Eastern Asia	25,785		15.5%	Eastern Asia	170,384		20.1%
NAFTA	17,532		10.5%	NAFTA	85,125		10.0%
SADC	9,417		5.7%	Western Asia	52,111		6.1%
Western Europe Rest	8,250		5.0%	SADC	49,040		5.8%
South-eastern Asia	5,817		3.5%	South-central Asia	38,613		4.6%
Western Asia	3,836		2.3%	South-eastern	34,036		4.0%
South-central Asia	3,544		2.1%	South America	21,881		2.6%
South America	3,211		1.9%	Australia and New	20,075		2.4%
Australia and New	2,047		1.2%	Western Africa	19,232		2.3%
2007				2008			
Region	Total	Trade	Share of Total	Region	Total	Trade	Share of Total
European Union	334,328		32.2%	European Union	410,591		30.2%
Eastern Asia	215,278		20.8%	Eastern Asia	273,273		20.1%
NAFTA	108,391		10.5%	NAFTA	137,178		10.1%
SADC	71,936		6.9%	SADC	110,090		8.1%
Western Asia	60,487		5.8%	Western Asia	101,296		7.5%
South-central Asia	47,596		4.6%	South-central	69,250		5.1%
South-eastern Asia	39,248		3.8%	South-eastern	54,934		4.0%
South America	29,271		2.8%	South America	34,938		2.6%
Western Africa	22,676		2.2%	Western Africa	30,996		2.3%
Australia and New	22,007		2.1%	Australia and	28,494		2.1%

Source: Quantec

The European Union continues to be South Africa's most important regional trading partner, followed by Eastern Asia and then NAFTA. What is interesting to note is that although Eastern Asia accounts for a large portion of total South African trade, this appears to be declining, with South Africa forming progressively stronger trading relationships with other parts of Asia. Furthermore, there are indications of more integrated trade within SADC as the proportion of total South African trade accounted for by this region has been increasing since 1994.

1.3 Top 10 Individual Trading Partners - Imports

Table 3 – Top 10 Trading Partners 1994 - 2008 (R-million)

1994			2006		
Country	Imports (Rm)	Share of Total Imports	Country	Imports (Rm)	Share of Total
Germany	13,259	17.0%	Germany	57,827	12.4%
United Kingdom	9,271	11.9%	China	46,712	10.1%
United States	9,141	11.7%	United States	35,156	7.6%
Japan	7,960	10.2%	Japan	30,260	6.5%
Italy	3,141	4.0%	Saudi Arabia	24,545	5.3%
France	2,934	3.8%	United Kingdom	23,059	5.0%
Taiwan Province of	2,640	3.4%	Iran (Islamic Republic)	18,329	3.9%
Switzerland	1,975	2.5%	France	16,939	3.6%
Iran (Islamic Republic)	1,967	2.5%	Italy	13,885	3.0%
Netherlands	1,938	2.5%	Republic of Korea	11,873	2.6%

2007			2008		
Country	Imports (Rm)	Share of Total Imports	Country	Imports (Rm)	Share of Total Imports
Germany	65,562	11.7%	Germany	81,420	11.3%
China	60,270	10.7%	China	81,213	11.3%
United States	43,102	7.7%	United States	56,893	7.9%
Japan	36,975	6.6%	Saudi Arabia	45,955	6.4%
United Kingdom	27,241	4.8%	Japan	40,510	5.6%
Saudi Arabia	25,360	4.5%	United Kingdom	29,526	4.1%
Iran (Islamic Republic)	20,803	3.7%	Iran (Islamic Republic)	27,116	3.8%
France	18,839	3.3%	Angola	22,350	3.1%
Italy	15,604	2.8%	France	20,488	2.8%
Republic of Korea	12,616	2.2%	India	18,799	2.6%

Source: Quantec

Whilst Germany has consistently remained South Africa's top source of imports since 1994, its share of total South African imports has continued to decrease over the past years. In contrast, China has replaced the United Kingdom as the second most important trading partner for South Africa in relation to imports and its share is currently almost equivalent to that of Germany. It is likely that China will become South Africa's top source of imports soon. Furthermore, since 2008, India has also featured as an important trading partner for South Africa, as has Angola. In general terms, it would appear that South Africa is increasingly

diversifying its imports away from its traditional sources, which have tended to be developed countries, mostly from Europe, towards less traditional developing country partners.

1.4 Key Trading Regions - imports

Table 4 – Top 10 Trading Partners by Region 1994 - 2008 (R-million)

1994			2006		
Country	Imports (Rm)	Share of Total	Country	Imports (Rm)	Share of Total Imports
European Union	36,350	46.7%	European Union	160,818	34.6%
Eastern Asia	14,501	18.6%	Eastern Asia	99,308	21.4%
NAFTA	10,293	13.2%	NAFTA	40,510	8.7%
South-eastern Asia	2,697	3.5%	Western Asia	38,624	8.3%
South-central Asia	2,552	3.3%	South-central Asia	30,449	6.6%
SADC	2,115	2.7%	South-eastern Asia	25,228	5.4%
Western Europe Rest	2,012	2.6%	South America	17,559	3.8%
South America	1,694	2.2%	SADC	15,845	3.4%
Western Asia	1,472	1.9%	Western Africa	11,601	2.5%
Australia and New Zealand	1,216	1.6%	Australia and New Zealand	10,479	2.3%
2007			2008		
Country	Imports (Rm)	Share of Total	Country	Imports (Rm)	Share of Total Imports
European Union	189,306	33.7%	European Union	224,176	31.1%
Eastern Asia	120,697	21.5%	Eastern Asia	145,051	20.1%
NAFTA	50,433	9.0%	Western Asia	79,059	11.0%
Western Asia	44,556	7.9%	NAFTA	66,982	9.3%
South-central Asia	34,601	6.2%	South-central Asia	47,513	6.6%
SADC	29,999	5.3%	SADC	42,361	5.9%
South-eastern Asia	28,913	5.1%	South-eastern Asia	38,289	5.3%
South America	23,401	4.2%	South America	26,876	3.7%
Western Africa	12,916	2.3%	Western Africa	17,171	2.4%
Australia and New Zealand	11,335	2.0%	Australia and New Zealand	15,070	2.1%

Source: Quantec

The European Union has consistently been South Africa's key source of imports since 1994, though its share of total imports has decreased quite substantially in this period accounting for almost 50% of total imports to around 31% today. Eastern Asia is the second most important region with respect to South African imports, although its share of the total has decreased slightly of late.

Greater movements are observed with respect to the other regions in Asia, such as Western Asia, which became a more important trading partner than NAFTA. A positive development has been the increasing number of imports from the SADC region, which now accounts for around 6% of total imports. It would also appear that in recent years South Africa is also increasing the amount of imports from Western Africa. South America has also grown in importance as a source of imports in this time.

1.5 Top 10 Individual Trading Partners - exports

Table 5 – Top 10 Trading Partners 1994 - 2008 (R-million)

1994			2006		
Country	Exports (Rm)	Share of Total Exports	Country	Exports (Rm)	Share of Total Exports
United States	6 594	7.5%	Japan	40 917	10.7%
Switzerland	6,228	7.0%	United States	40,335	10.5%
United Kingdom	6,190	7.0%	United Kingdom	31,292	8.2%
Japan	5,531	6.3%	Germany	26,355	6.9%
Germany	4,155	4.7%	Netherlands	17,295	4.5%
Belgium	2,570	2.9%	China	13,648	3.6%
Zimbabwe	2,355	2.7%	Switzerland	10,214	2.7%
Netherlands	2,172	2.5%	Spain	9,992	2.6%
Taiwan Province of China	1,903	2.2%	Belgium	9,904	2.6%
Italy	1,763	2.0%	Italy	9,252	2.4%
2007			2008		
Country	Exports (Rm)	Share of Total Exports	Country	Exports (Rm)	Share of Total Exports
United States	51,914	10.9%	Japan	65,601	10.3%
Japan	50,093	10.6%	United States	65,308	10.3%
United Kingdom	34,220	7.2%	Germany	45,821	7.2%
Germany	34,033	7.2%	United	39,501	6.2%
China	24,498	5.2%	China	34,354	5.4%
Netherlands	19,598	4.1%	Netherlands	26,890	4.2%
Spain	12,924	2.7%	India	17,996	2.8%
Belgium	12,099	2.6%	Belgium	16,130	2.5%
Italy	10,248	2.2%	Spain	15,435	2.4%
Australia	9,920	2.1%	Zambia	15,411	2.4%

Source: Quantec

Whilst it is apparent that with respect to imports, South Africa is relying more heavily on developing countries such as China and India, on the export side, this is not as clear cut. In fact, recent experience would serve to suggest that certain traditional trading partners, including certain European countries, particularly Germany, as well as the United States and Japan remain important destinations for South African exports. China, and most recently India, appear to be growing in importance, however, and may well occupy the top slots in coming years.

1.6 Key Trading Regions - exports

Table 6 – Top 10 Trading Partners by Region 1994 - 2008 (R-million)

1994			2006		
Region	Exports (Rm)	Share of Total	Region	Exports (Rm)	Share of Total Exports
European Union	20,407	23.1%	European Union	122,703	32.0%
Eastern Asia	11,284	12.8%	Eastern Asia	71,076	18.5%
SADC	7,302	8.3%	NAFTA	44,615	11.6%
NAFTA	7,239	8.2%	SADC	33,196	8.7%
Western Europe Rest	6,238	7.1%	Western Asia	13,487	3.5%
South-eastern Asia	3,120	3.5%	Western Europe Rest	10,215	2.7%
Western Asia	2,364	2.7%	Australia and New Zealand	9,596	2.5%
South America	1,517	1.7%	South-eastern Asia	8,807	2.3%
Eastern Africa Rest	1,044	1.2%	South-central Asia	8,164	2.1%
South-central Asia	991	1.1%	Western Africa	7,631	2.0%

2007			2008		
Country	Exports (Rm)	Share of Total	Country	Exports (Rm)	Share of Total Exports
European Union	145,021	30.6%	European Union	186,415	29.3%
Eastern Asia	94,581	19.9%	Eastern Asia	128,222	20.1%
NAFTA	57,958	12.2%	NAFTA	70,196	11.0%
SADC	41,936	8.8%	SADC	67,729	10.6%
Western Asia	15,930	3.4%	Western Asia	22,237	3.5%
South-central Asia	12,994	2.7%	South-central Asia	21,737	3.4%
Australia and New Zealand	10,672	2.3%	South-eastern Asia	16,645	2.6%
South-eastern Asia	10,335	2.2%	Western Africa	13,825	2.2%
Western Africa	9,760	2.1%	Australia and New Zealand	13,424	2.1%
Western Europe Rest	8,803	1.9%	Western Europe Rest	12,449	2.0%

Source: Quantec

As per the case for imports, the European Union (EU) is also South Africa's leading destination for exports. Unlike for imports, however, the proportion of total South African exports accounted for by the EU has increased since 1994, though a slight decrease has been evident in recent years. On the continent, SADC has progressively become a more important export partner for South Africa, now accounting for almost 11% of total exports. Beyond the borders, despite Mercosur, South America does not account for a substantial proportion of South African exports. On the contrary, Asia appears to be an increasingly key export market, with Eastern Asia progressively increasing its share of total South African exports over the last few years. Western Asia and South Central Asia have also increased their share over this period, though to a lesser extent.

1.7 Top 10 Individual Trading Partners – composition of trade

Imports

In 1994, across all 10 top import partners, including Germany, the United Kingdom (UK) and the United States (US), the key imports were of: *HS84: Nuclear reactors, boilers, machinery, etc*, *HS85: Electrical, electronic equipment* and *HS87: Vehicles other than railway, tramway*. Whilst by 2006, these categories still remained important, a crucial change was the increasing importance of China as a source of imports. Particularly key in this respect have been imports of *HS62: Articles of apparel, accessories, not knit or crochet*, *HS64: Footwear, gaiters and the like, parts thereof* and *HS61: Articles of apparel, accessories, knit or crochet*. These accounted for around 20% of total imports from China; imports of *HS84: Nuclear reactors, boilers, machinery, etc.* and *HS85: Electrical, electronic equipment* each accounted for a similar share of total imports. Since 2007, however, imports from China of *HS62*, *HS64* and *HS61* are accounting for less of the total import basket, whilst *HS84* and *HS85* are accounting for more, having increased in value terms quite substantially. Over the past 3 years, another key development has been the greater dependence of imports from oil producing countries such as Iran, Saudi Arabia and Angola. The trade composition with these countries indeed reflects that South Africa has been importing more from these countries, particularly in 2008, as imports of *HS27: Mineral fuels, oils, distillation products, etc.* have accounted for at least 90% of total imports from these countries. Another development in the last few years has been the increased significance of imports of *HS98: Special classifications provisions*, particularly from key import markets such as Germany, Japan and the UK. In 2008 India became a top 10 import source for South Africa. Key import categories in this regard include: *HS27: Mineral fuels, oils, distillation products, etc*; *HS85: Electrical, electronic equipment*; *HS30: Pharmaceutical products* and *HS87: Vehicles other than railway, tramway*.

Exports

With respect to exports, in 1994, the US, Switzerland, UK and Japan dominated as South Africa's destination for exports. Exports to the US were predominantly of *HS72: Iron and steel* and *HS28: Inorganic chemicals, precious metal compound, isotopes*, whilst exports to Switzerland were mostly of *HS71: Pearls, precious stones, metals, coins, etc.* Similarly the UK's demand for *HS71: Pearls, precious stones, metals, coins, etc* from South Africa was most dominant within the export basket, although exports of *HS08: Edible fruit, nuts, peel of citrus fruit, melons* were also of importance. At the time, Japan was a key export market with respect to *HS10: Cereals* and *HS72: Iron and steel*. In the period since 2006 Japan, the US, Germany, the UK and China have become the key destinations for South African exports. Among all of this, except for China, a prominent export category is *HS71: Pearls, precious stones, metals, coins, etc.* although for Germany, exports of *H84: Nuclear reactors,*

boilers, machinery, etc and *HS26: Ores, slag and ash* are also a significant part of the export basket. In comparison, the composition of exports to China is vastly different and dominated by *HS73: Articles of iron or steel*, particularly with respect to 2008, and of *HS45: Cork and articles of cork*. European countries are also key destinations for South African exports, particularly of *HS27: Mineral fuels, oils, distillation products, etc*, *HS72: Iron and steel*, *HS71: Pearls, precious stones, metals, coins, etc*, *HS84: Nuclear reactors, boilers, machinery, etc*. India, which is progressively becoming a key export destination for South Africa demands *HS28: Inorganic chemicals, precious metal compound, isotopes* and *HS27: Mineral fuels, oils, distillation products, etc*. Exports to Zambia are predominantly of *HS27: Mineral fuels, oils, distillation products, etc* and *HS84: Nuclear reactors, boilers, machinery, etc*.

1.8 Key Trading Regions – composition of trade

Imports

As outlined previously, the EU, Eastern Asia, NAFTA and Western Asia are the four most important regional sources of imports for South Africa. In looking at the composition of imports from the EU, Eastern Asia and NAFTA, it is apparent that imports of *HS84: Nuclear reactors, boilers, machinery, etc*, *HS85: Electrical, electronic equipment* *HS87* and *Vehicles other than railway, tramway* are key. In comparison, with respect to Western Asia, imports of *HS27: Mineral fuels, oils, distillation products, etc* predominate substantially, revealing a much less diversified import basket than is the case for the other 3 regions. On the continent, South Africa has been increasing its imports from some African neighbours, particularly within the SADC, as shown previously. Key imports from the region include: *HS27: Mineral fuels, oils, distillation products, etc*, *HS71: Pearls, precious stones, metals, coins, etc* and *HS75: Nickel and articles thereof*. What is of interest to note is that whereas in the past the South Africa's import basket from the SADC region has been somewhat diversified, in 2008 there was a reversal of this and imports were dominated by the category *HS27*. Imports from South America have also been on the rise. *HS27: Mineral fuels, oils, distillation products, etc* and *HS23: Residues, wastes of food industry, animal fodder* being among the more dominant categories of imports.

Exports

The EU, Eastern Asia, NAFTA and SADC are of greatest relative importance with respect to South African exports. Whilst exports to the EU in the past were primarily of *HS71: Pearls, precious stones, metals, coins, etc*, *HS27: Mineral fuels, oils, distillation products, etc* and *HS84: Nuclear reactors, boilers, machinery, etc*, the export basket changed quite dramatically by 2007. Today exports of *HS13: Lac, gums, resins, vegetable saps and extracts nes*, *HS23: Residues, wastes of food industry, animal fodder*, *HS96: Miscellaneous manufactured articles* and *HS90: Optical, photo, technical, medical, etc apparatus* are the top export categories to the EU. In the case of Eastern Asia, *HS71: Pearls, precious stones, metals, coins, etc* have become increasingly more important in the recent past, though other categories such as *HS26: Ores, slag and ash* and *HS72: Iron and steel* continue to remain important. With respect to NAFTA, whilst exports of *HS72: Iron and steel* are still key, its relative importance has been surpassed by other categories, namely *HS71: Pearls, precious stones, metals, coins, etc* and *HS87: Vehicles other than railway, tramway*. Interestingly South Africa's export basket to the SADC region remains primarily unchanged since 1994 with *HS27: Mineral fuels, oils, distillation products, etc*, *HS84: Nuclear reactors, boilers, machinery, etc*

and *HS87: Vehicles other than railway, tramway* remaining as the top 3 export categories to this region. Exports of *HS31: Fertilizers* have, however, been a new introduction in the recent past and appears to be growing in significance. With respect to Western Africa the export basket is more diversified and is dominated by exports of *HS87: Vehicles other than railway, tramway* and *HS73: Articles of iron or steel*. Asia, as mentioned previously, is an increasingly important export destination for South Africa. Of note, over and above Eastern Asia are, Western Asia and South Central Asia. With respect to Western Asia, whereas prior to 2008 exports were dominated by *HS71: Pearls, precious stones, metals, coins, etc*, *HS72: Iron and steel* and *HS27: Mineral fuels, oils, distillation products, etc*, by 2008 the dominant categories were: *HS01: Live animals*, *HS02: Meat and edible meat offal* and *HS03: Fish, crustaceans, molluscs, aquatic invertebrates nes*. This has not been the case for South Central Asia, with exports of *HS28: Inorganic chemicals, precious metal compound, isotopes*, *HS27: Mineral fuels, oils, distillation products, etc* and *HS72: Iron and steel* remaining important to date. *HS 27* appears to have been the most to gain in importance since 1994 among these.

1.9 Fastest Growing Trade Partners – total trade

Table 9 – Fastest Growing Trade Partners by Individual Country 1994 - 2008 (R-million)

Country	2006 (Rm)	2007 (Rm)	2008 (Rm)	Annual Average Growth Rate
Yemen	852	1,217	10,967	258.81
Angola	6,403	16,532	29,080	113.10
Democratic Republic of the Congo	2,499	4,412	8,055	79.54
Mozambique	6,344	11,059	16,333	60.46
India	16,128	21,736	36,794	51.04
Poland	2,691	4,013	5,976	49.03
Zambia	9,111	11,773	17,799	39.77
China	60,360	84,768	115,567	38.37
Sweden	8,783	11,013	16,364	36.50
Saudi Arabia	26,195	27,640	48,674	36.31

Source: Quantec

* The cut-off used was R10 billion of total trade over the entire period

In comparison to other countries reflected in the above, South Africa's total trade with Yemen reflects by far the highest growth with respect to the level of total trade. Thereafter it seems that total trade with certain members of the SADC region have been growing robustly, which would serve to underline earlier observations that South Africa's trade with the region has been increasing in recent years. Similarly, total trade with India and China has been increasing rapidly over the last 3 years. Of interest to note is the growth in trade with Poland and Sweden, also.

1.10 Fastest Growing Trade Partners – imports

Table 10 – Fastest Growing Trade Partners by Individual Country 1994 - 2008 (R-million)

Country	2006 (Rm)	2007 (Rm)	2008 (Rm)	Annual Average Growth Rate
Yemen	603	1,017	10,638	320.01
Angola	2,486	11,585	22,350	199.83
Canada	3,419	5,187	7,657	49.64
Sweden	5,875	8,109	13,052	49.06
United Arab Emirates	3,922	4,859	7,438	37.71
Saudi Arabia	24,545	25,360	45,955	36.83
Thailand	7,963	10,319	14,513	35.00
Indonesia	3,005	4,472	5,456	34.75
China	46,712	60,270	81,213	31.86
India	10,960	12,506	18,799	30.96

Source: Quantec

* The cut-off used was R10 billion of total trade over the entire period

As apparent above, total trade with Yemen has increased most robustly in the last year, with the level of imports seeming to account for most of this growth. Similarly, South Africa appears to have been importing increasingly more from Saudi Arabia also. Within the region, imports from Angola have reflected robust growth. The remaining fastest growing trading partners with respect to imports are in Asia, with China and India representing a greater value of trade, and so relatively more important growth prospects.

1.11 Fastest Growing Trade Partners – exports

Table 11 – Fastest Growing Trade Partners by Individual Country 1994 - 2008 (R-million)

Country	2006 (Rm)	2007 (Rm)	2008 (Rm)	Annual Average Growth Rate
India	5,168	9,230	17,996	86.60
Democratic Republic of the Congo	2,450	4,357	8,005	80.77
China	13,648	24,498	34,354	58.66
Malaysia	2,319	2,806	5,298	51.15
Mozambique	6,025	8,670	13,026	47.04
Zambia	7,269	9,283	15,411	45.60
Hong Kong Special Administrative Region	2,577	4,519	5,134	41.15

Brazil	2.701	3.429	5.306	40.17
Zimbabwe	6.951	7.964	13.547	39.61
Kenya	3.060	4.367	5.683	36.28

Source: Quantec

* The cut-off used was R10 billion of total trade over the entire period

On the export side India appears to be an increasingly important destination for South Africa, with China and Malaysia also showing rapid increases over the period. In value terms, again, China appears to be of greatest significance. Of interest is that certain African countries, mostly in the SADC region, are progressively increasing their demand for South African exports. Beyond the continent, the earlier observation related to Mercosur appearing to have not led to any major increases in South Africa's terms of trade vis à vis this region may be somewhat premature considering that South African exports to Brazil have grown around 40% over the last 3 years.