The Costs and Benefits to South Africa of joining the SADC EPA

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Executive Summary

This study has been a limited desk based investigation into the costs and benefits of South Africa (SA) joining the SADC EPA which the EU is finalizing with five South African countries (SADC5). This would of course necessitate South Africa scrapping the TDCA agreement which currently governs its trade with the European Union countries (EU). At the outset it is necessary to understand that the TDCA and the EPAs currently being negotiated by African countries with the EU are a consequence of the Cotonou agreement being WTO inconsistent.

Our approach has been to look first at the economic costs to SA as it moves from one preferential trading arrangement (the TDCA) to another (the SADC EPA). Our economic costs are defined in terms of the standard treatment of trade creation, trade diversion and terms of trade effects that countries face in negotiating a free trade agreement (FTA). The question asked is how these costs increase or decrease as SA switches to the TDCA.

Our analysis of traditional trade creation and trade diversion effects of FTAs indicates that the economic costs are likely to be limited. In particular, SA's trade with its SADC5 neighbours is largely vertical in that SA exports industrial goods to these countries in return for inputs like energy, cotton and precious stones. Hence, expansion of SA trade with the EU could actually boost its regional trade subject to supply constraints.

In its trade with the EU, SA faces little competition from the SADC5 countries. The SADC5 countries mainly export minerals, precious stones and agricultural products like fruits and sugar to the EU. It is only in Aluminium that SA exports are in competition with Mozambique. However, the EU market is large enough to accommodate both countries exports and SA could actually benefit from the tariff advantage in the SADC EPA.

There are some possibilities of trade diversion for SA as the EU gets better access to its markets under the SADC EPA. It could therefore end up importing from EU what it was earlier importing from the rest of the world at lower cost. However, our study shows that two commodities where these fears are reasonable are medium sized vehicles and parts of such vehicles. These could be accommodated under the exclusions permissible under preferential agreements.

As far as the issue of the terms of trade effects for SA, it is our contention that SA and the SADC5 exports to the EU are such a small part of EU's total imports that no terms of trade impacts are likely for either the South African countries or the EU even if the EU was to expand its preferences under the SADC EPA to include SA.

In the case of industrial goods, EU's MFN tariffs are already so low that lower preferential tariffs in the SADC EPA relative to the TDCA can hardly offer major price advantages. hence it would seem that the main tariff benefits in switching to the SADC EPA seem to lie in agricultural exports to the EU. However, here supply constraints in SA (mainly land and water) are crucial and it is probably necessary to look at less land intensive products like some fruits and wines. One must also keep in mind that , for political reasons, the SADC EPA is unlikely to offer the same benefits to SA as to the other SADC5 countries. Such similar treatment is likely to be resisted by the agricultural producers in Europe. However, our analysis also indicates that there is not much economic basis for such differential treatment as there is little competition among the SADC 5 countries and SA in agricultural products which cannot be accommodated by the EU market without serious market disruption.

Second, this study also looks at the issue of the rules of origin in the TDCA and the SADC EPA. There are only minor differences in treatment of rules of origin in the two preferential systems. The SADC EPA goes beyond diagonal cumulation to allow for cumulation of non-originating products. This is closer to full cumulation. However, this is probably necessary to accommodate the smaller economies like Lesotho which otherwise might never be able to satisfy the origin critieria. In addition, the SADC EPA also extends to overseas territories of the EU which is not the case in the TDCA.

Third, a simple econometric investigation of the factors influencing selected important exports of SA to the EU indicates that only in the case of Aluminium and Iron Ores has there been any significant and consistent increase in exports after 2004. However, neither of these trends can be attributed to the tariff advantages of the TDCA. For aluminium, the main influence seems to be secular demand expansion in the EU while iron ore trends are probably due to trade facilitation in the TDCA even though EU demand actually has a negative impact on iron ore exports. Finally, in the case of automobiles, there has been a secular decline in exports mainly explained by

supply side constraints in SA. In the case of another major export item, auto parts, these same supply side constraints are crucial.

The main SA concern seems to lie in the political costs of switching to the SADC EPA. Of this an important cost lies in Article 28(7) of the SADC EPA which restricts SA's freedom to conclude other FTAs with non-EU major trading countries defined as those with a share of world merchandise trade of more than 1 percent. This would certainly constrain SA's ability to conclude agreements with countries like Brazil, Russia, China and India. SA's partnership with these countries has become an important part of the political economy of multilateral agreements at the WTO and more recently in multilateral climate negotiations.

On the other hand, the benefit of a switch to the SADC EPA seems to lie in enabling SA to proceed with its regional trade agenda. This has an important political dimension. Here the dilemma for SA is that either the TDCA would have be harmonized with the SADC EPA (and thus become irrelevant) or rules of origin would have to be so defined to make regional FTAs difficult to implement.

Finally, SA has backloaded its tariff reduction commitments in the TDCA so that it would now be preparing for the tariff reductions to be phased in. For SA, the TDCA transition period ends in 2012 while for the SADC EPA it varies from 2020 to 2023 for various countries. In switching to the SADC EPA, SA could bargain for an extended transition period.

Costs and Benefits to South Africa of joining the SADC EPA.[1]

The Background.

In looking at the possibility of South Africa joining the SADC EPA, it is first necessary to establish the setting in which the EU is currently negotiating EPAs with various countries of the African Carribean Pacific (ACP) region. This will also help in putting South Africa's own trade agreement with the EU, the TDCA, in the proper perspective.

Traditionally the European Union (EU) has had preferential tariff arrangements for countries of the ACP. The preferences normally entail special duty privileges for imports from these countries at tariff rates below the EU's MFN rates. In sensitive areas (like agricultural commodities) the EU sometimes also imposes quotas on some items under preferential imports. For the least developed countries of the South African Development Community (SADC) the preferential access was enshrined in the Four Lome Conventions beginning with the first convention of 1976. This agreement was subsequently renewed three times largely because of the changing geography of the EU specially after 1992. In particular as the weaker East European countries were integrated into the EU some primary and agricultural commodities (for example, bananas) were protected from competition by imposing quotas on imports of such items into the EU. The main items that have been extended such protection are beef,

[1] I would like to thank Mr. Amit Sadhukhan for research assistance in preparing this report.

sugar and bananas. Apart from such special items duty free access was generally granted to least developed countries (LDCs) of the ACP.

Following the setting up of the WTO in 1995, the US successfully challenged the Lome Convention IV as being violative of the MFN principle. This led to replacement of the Lome Convention by the Cotonou agreement of 2000. The Cotonou agreement continues to provide preferential access to the ACP countries under a waiver obtained from the WTO in the 2001 Doha round of trade negotiations. The trade component of Cotonou, however, agrees to replace the preferential agreements by Economic partnership Agreements (EPAs) which satisfy conditions laid down in Article XXIV of the GATT agreement. The waiver was to expire in 2007. In other words, unilateral preferences were to be replaced by a system of bilateral/regional preferential trade under restricted free trade agreements (FTAs) which are permitted under Article XXIV. Under the GATT, unilateral preferential access is still permissible to the LDCs under the Enabling Clause established during the Tokyo round of trade negotiations in the 1970s. However, these unilateral preferential arrangements cannot discriminate between developing countries. In 2001, the EU extended unilateral duty free access to all developing countries in most items except for arms under the Everything but Arms (EBA) agreement. Since the EBA applies to most LDCs, the EU has tried to give special preferential access to the ACP countries by drawing up EPA agreements which are typically bilateral FTAs which conform to WTO norms set out in Article XXIV of GATT. The current SADC EPA being finalised with Mozambique, Botswana, Lesotho, Swaziland and Namibia (hereafter called SADC 5) is part of the Cotonou process outlined above. It may be noted that the EBA only applies to the world's 50 least developed countries of

which 33 are in sub-Saharan Africa. Of the SADC 5, Lesotho and Mozambique are the only LDCs that would qualify for EBA.

Pending the finalization of the EPAs, the EU has announced various preferential schemes. Under the GSP plus scheme, poorly diversified countries ('vulnerable' countries) have duty free access (or access at Cotonou tariff levels) in the EU for a large number of product tariff lines including those in primary sectors like horticulture, agriculture and fishery. However, exports of countries using this route must be less than one percent of EU's GSP imports, the exports of the five largest section headings must constitute more than 75 percent of GSP exports and countries must ratify and implement 27 international conventions. Hence market access under GSP plus faces a lot of conditionalities (Brussels, 2005).

Since South Africa (SA) preferred to list itself as a developed country (DC) during the WTO negotiations of 1995 it does not have preferential access to the EU market under the EBA agreement. Its access under the GSP plus since 2007 is also not guaranteed (its exports constituted more than 1 percent of EU imports in 2007). In 1999, South Africa negotiated its own FTA with the EU known as the Trade and Development Cooperation Agreement (TDCA) which was to be fully operative by 2012 starting in 2000. Signed on 11 October 1999 in Pretoria, the TDCA entered fully into force on 1 May 2004. However, some provisions which fall within Community competence have been applied since 1 January 2000. This remains SA's best preferential access to the EU market. It may be noted that SA is also a member of the South African Customs Union (SACU) with Botswana, Namibia, Lesotho and Swaziland (the BNLS countries). This is a customs union (CU) implying that all trade between these

countries is duty free and these countries have a common external tariff (CET) with the rest of the world. Hence, technically, the SACU countries are bound to the same import duty rates as agreed to by SA in the TDCA.

Finally, as part of the Cotonou process the BLNS countries along with Mozambique have concluded an EPA with the EU though Namibia has not formally signed on the dotted line. As part of the SACU charter, SA has to be kept linked to any EPA signed by other members of SACU. Hence the issue today for SA is whether to continue with the TDCA process or join the SADC EPA with the SADC 5.

It may be noted that the EPA process also involves other ACP countries in the 'spaghetti bowl' of regional trade arrangements (RTAs) already operative in these countries. Given the preferential trade arrangements of intra-SADC trade these new EPAs will also complicate decision making. However, in this study we will concentrate on the issue of the trade offs facing SA in joining the SADC EPA currently under finalisation or remain with the TDCA.

This study has four parts. In part A, we present a brief literature review on what various commentators indicate are the possible pitfalls of SA joining the SADC EPA. Then, in part B, we will focus on trade patterns between SA and the SADC 5 from the point of view of traditional theoretical issues of trade creation, trade diversion and terms of trade impacts of FTA formation on SA. The essential question asked is what are possible positive or negative impacts on SA trade? Some of the issues raised in the literature review of Part A will be taken up here. One important issue in the context of FTAs is the specification of rules of origin (RoO) that are an integral part of all FTAs. In Section C we will look particularly at the RoOs of the GSP plus, the SADC EPA and the

TDCA from the point of view of the issues of bilateral, diagonal and full cumulation. This issue is important as various commentators have argued that most FTAs remain stillborn due to onerous conditions in RoOs. In Section D, a simple econometric exercise is then attempted for major SA items exported to the EU to see to what extent the TDCA has been beneficial to SA. In the following Section E, we will make some general observations on SA particularly in relation to its supply side constraints and domestic conditions of growth rates, structure of production, employment etc. which impinge on the political economy of SA's regional integration efforts. Finally, in Section F we will suggest possible options for SA from the point of view of its concerns in joining the SADC EPA.

A. Literature Review.

There is a large set of studies which have looked at the implications of the SADC EPA for SA in particular and for the SADC countries in general. While a comprehensive review is beyond a scope of this study, here we will look at some of the studies which have focused on the possible losses and gains to SA in joining the SADC EPA.

The quantitative studies of the likely implications of EPAs establishing Free trade Areas (FTAs) between the EU and the various African RTAs show that **full reciprocity will be very costly for Africa, while deepening integration with a view to enhancing intra-African trade would provide positive results** (Karingi, S. et al, 2005*)*. Again, it has been argued that an EPA leads to adjustment costs which **dampen the regional integration processes in the continent** (Stevens, 2006). Another set of studies highlight the fact that **an EPA could lead to potential tariff revenue losses** that the poorer African countries will have to bear (see, for example, Stevens &

Kennan, 2005; Greenberg, 2004; Sandrey,2005). Given the importance of EU imports into these countries and the reliance of the poorer African countries on tariff revenues, the tariff cut results in all cases in significant revenue shortfalls. It is only in the SACU countries where tariff losses appear to be limited. Some studies have argued that **the EU stands to gain significantly in terms of expanded trade into these RTAs markets.** While part of this trade expansion will result from trade creation, which is welfare improving, on the other hand a **significant proportions of the trade gains will also be due to trade diversion** from the rest of the world and from within the various EPAs groupings (ATPC, 2005).

Some studies deal specifically with the issue of the **conflict between the SADC EPA and the TDCA.** One set of studies refer to the possibility of transshipment of EU commodities via the SADC 5 due to arbitrage possibilities between the SADC EPA and the TDCA tariff regimes (see, Woolfrey,2009) or the inherent **problem of differential rules of origin** (see Woolfrey, op.cit., Estevadeordal and Suominen, 2008). Finally, some studies have argued that the **EPA process itself will lead to contradictions within the SADC** as some countries may be members of more than one FTA. For example, COMESA is itself planning to become a CU in the future. However, with some members of COMESA belonging to the SADC it is not legally or technically possible for countries to become members of more than one CU (see, for example, Jakobeit et.al., 2005; TRALAC, 2009).

While this survey is not exhaustive, it does take into account many of the concerns of SA when they contemplate becoming part of the SADC EPA. We will try to look at some of these issues in the quantitative analysis of the next section.

B. Trade Between SA, EU and the TDCA 5.

B.1. Data Sources.

In looking at intra region trade we have relied entirely on the UN-Comtrade data base. This is publicly available and provides data at the 6-digit level of classification. This is essential to look at specific commodity level issues. The primary complication is that SA's detailed commodity data is, in most cases, only available at the 2-digit level. Hence, in obtaining data we have looked at the EU as the reporting country when looking at EU-SADC5-SA trade and at the SADC 5 member country data when looking at SADC 5-SA trade. This must be kept in mind given known differences between country's reporting on the same trade flow as also the differences between valuation of exports and imports. Finally, in compiling data we have tried as far as possible to obtain HS 7 classification data but have gone back to earlier classifications when necessary. Our reference year for Section B is 2007 as for that year all the data we needed was available.

Since we are also concerned with the political economy of FTA formation, we will also restrict our attention to exports and imports greater than one percent of the reporting country's trade flows or one million dollars

whichever is smaller. The assumption is that if exports or imports of any commodity are less than one percent of the total in value terms, then political resistance to the FTA should be limited.

For data on tariffs we have relied on previously published data or on data as reported to the WTO. All tariff data relates to nominal and not effective rates unless specifically stated otherwise.

B.2. Trade Creation

(a) Trade Creation for SA and the SADC 5.

For members of an FTA, trade creation results from an increase in intra regional trade as tariffs between countries fall to zero. However, the fall in tariffs also results in structural adjustment problems. Those producers who fear imports tend to lobby for a list of commodities where imports are either excluded (the 'negative list') or subject to reduced tariff reduction commitments or onerous RoO's. **It is generally seen that the success of FTA agreements rests on the extent of intra country trade prior to the formation of the FTA.** This is mainly because a high level of intra country trade reduces political resistance to the FTA. It is also clear that the extent of trade creation is a function of the level of tariffs prior to the formation of an FTA: the higher the tariffs the greater are the potential benefits (price gains) from an FTA (Bhagwati and Panagariya, 1996).

On the other hand, for poorer countries there is the problem of a fall in revenues from import duties. This is not unimportant. For example, Lesotho derives about 60 percent of its government revenues from tariffs (see, R**aw**

Deal: South Africa - European Union Trade Pact by Stephen Greenberg, Southern Africa Report, SAR, Vol 15 No 4, May 2000). Since the SADC EPA is bilateral it is clear that the smaller SADC countries could suffer substantial loss of import duty revenues as tariffs on EU imports fall. However**, t**hese concerns have already been addressed in Article 17 of the SADC EPA (2007).

Of the SADC 5 countries, Mozambique has average import duties of 9 percent and the BNLS countries are currently bound to the duties specified by SA in the TDCA (see Annex, Table 1.*)*. Hence, it is clear that duty free access to EU exporters could result in some competition to the import substituting producers in these countries. However, since Mozambique has already signed the SADC EPA these issues have already figured in specification of exclusions and product coverage in the final SADC EPA agreement. The same holds for the BLNS countries. Since some of these concerns are already addressed in the SADC EPA we will restrict our attention here to SA's fears.

In Table 1 below we list the share of exports and imports of SADC 5 and SA in their trade with the EU.

Table 1: SADC 5 and SA Trade With The EU

Percentage Share of Total Imports from EU to Total Imports from the World in 2007	
Importing Country	**Percentage Share of Each Country's Total Imports from EU to their total Imports from the World**
Botswana	5.57

Mozambique	11.6
Namibia	6.42
South Africa	35.18
Swaziland	3.01
Percentage Share of Total Exports to EU to Total Exports to the World in 2007	
Exporting Country	Percentage Share of Total Exports to EU to Total Exports to the World in 2007
Botswana	23.84
Mozambique	79.27
Namibia	32.6
South Africa	44.82
Swaziland	20

Source: UN- Comtrade data base.

From table 1 it is clear that **barring South Africa and Mozambique, none of the other countries face serious threats of imports from the EU their imports from the EU are a small part of their total imports**. In addition, a significant share of these countries exports are destined for the EU so that they would have some interest in keeping their duty free status intact in the SADC EPA. Given the low share of imports from the EU, it is clear that the import lobby forces are likely to be weak in resisting an FTA with the EU. It is also clear from Table 2 below that neither the SADC 5 nor SA export any significant quantities from the EU point of view so that **even doubling of exports from these countries to the EU is unlikely to have any impact on EU producers.** Hence, there seems little possibility of adverse impact on the EU of the SADC EPA even with SA included.

Table 2: Share of EU's **Imports from SADC 5 and SA in its total Imports**

Percentage Share of EU's Total Imports from SADC 5 and SA to its total Imports from the World in 2007		
Partner	**Imports (Million US$)**	**Percentage Share of EU's Total Imports**
World	1953969	**100**
Botswana	1209	0.062
Lesotho	169	0.009
Mozambique	1912	0.098
Namibia	1317	0.067
South Africa	28695	1.469
Swaziland	216	0.011

Source: UN- Comtrade data base

There are, however, some sectoral issues which we will take up later. Our conclusion is also supported by the 2005 study commissioned by DFID.

Box 1.

Trade Creation for the SADC 5 countries.

The relatively small share of the imports of the SADC 5 countries from the EU and the relatively much larger share of exports from these countries going to the EU implies that the political resistance to the SADC EPA in these countries should be limited. The actual large concerns expressed are surprising as EU accounts for only 3-6 percent of the value of these countries imports. Hence,

logically, even zero duty imports from the EU should result in only a small drop in customs revenues. For countries like Mozambique where about 11 percent of imports come from the EU, its existing negative commodity list in the SADC EPA should be able to protect import revenues. On the other hand, given the infinitesimal share of these countries in the imports of the EU it is clear that giving these countries zero tariff access to the EU markets in even agricultural products should have limited disruptive effects on the EU's domestic market. This is important as, in the current state of development of these countries, free access in industrial exports to the EU will confer little economic benefits.

Market access concern is obviously important for producers in the EU as the TDCA tariffs on SA's imports from the EU (and vice versa) are to remain positive on a large number of agricultural, fish and industrial exports even at the end of the TDCA transition period of 12 years (see Annex, Table 1). At the aggregate level it is clear that 45 percent of SA exports are to the EU so that there is a fairly strong constituency which could benefit from SA joining the SADC EPA if the tariff reductions are significant compared to the TDCA. However, given the much higher trade between SA and the EU (relative to the SADC 5) possibilities of trade creation are highest between these two. We will discuss this in more detail in the sectoral, disaggregated level analysis.

However, for agricultural products the simple average duty in the EU is about 5 times that of non-agricultural products and about **32 percent of agricultural imports carry duty rates higher than 10 percent** (see, Annex, Table 2). As Annex, Table 2 indicates, there are also significant variations in duty levels for agricultural products with average applied duties above 20 percent for animal products (26 percent), dairy products (63 percent) and cereals and preparations (20 percent) and relatively lower levels of duty free access in these

product groups. **From the SA point of view, additional access to EU markets in non-agricultural products is likely to be limited as over 92 percent of tariff lines in the EU accounting for about 93 percent of imports carry applied duty rates less than 10 percent.**

Inspection of Annex, Table 3 indicates that the SA's major trade with the EU consists of both agricultural and non-agricultural products. **However, at least in the short run, trade creation for SA will depend on their market access in agricultural products as tariff level is higher in agricultural products than non-agricultural products**. Here, the primary concern for SA is the progress by the EU in dismantling the agricultural subsidies under the CAP. There is some evidence that the WTO negotiations in this connection have started the process of

Box 2.

Trade Creation for South Africa

The EU is SA's largest trading partner. For the EU also, SA is the most important market in Southern Africa. Hence, given that trade between these countries is already significant, the possibilities of trade creation is largest for them. The possibilities of trade creation are greater the larger the possible tariff reductions between countries. While SA would benefit from the lower EU tariff schedules of the SADC EPA (see Annex, Table 1), the EU MFN tariffs on industrial exports are already fairly low (see, Annex, table 2). The EU MFN tariffs thus act as an upper bound to the TDCA tariffs on SA's exports to the EU. Hence, it seems that SA's major gains in trade with the EU would lie in exporting agricultural commodities as the EU lowers agricultural protectionism over time. Hence, the SADC EPA must give SA better tariff concessions than the current TDCA particularly in agricultural commodities. Given the small share of SA in EU's imports, this access is unlikely to disrupt domestic markets in the EU.

reversal of agricultural protectionism in the EU especially in items like beef and sugar which are important export items for some of the SADC 5 members (see, DFID,2005 study).

Would SA and SADC 5 exports be in competition? This could be one concern for SA. This concern however is easy to dismiss. In Annex, Tables 4-8 we present exports from SADC 5 to the EU in 2007 disaggregated at the 6-digit HS7 level of classification. Inspection of the Annex Tables 4-9 indicates that SA and SADC 5 exports to the EU are largely noncompetitive.

- The only common item of export to the EU is **unworked diamonds** which account for over 90 percent of exports of Botswana and Lesotho and about 25-30 percent for Namibia and SA. The dominant supplier to EU is SA (Annex, Table 9) with a 17.5 percent share of the EU market. The nearest competitor is Botswana with a 2.3 percent share. All the rest have shares of well under one percent of total EU imports. Hence, it is unlikely that SA's dominant position will be challenged by any of the SADC 5 countries.

In other important cases exports are non-competitive.

- One major export item is **metals.** Here Mozambique exports aluminium and alloys (84 percent of exports), Namibia exports Copper and Uranium (10 percent) and Zinc (25 percent) and SA exports Iron and Steel and Ores (15 percent).

- In **fishery** products Mozambique exports shrimp and prawns (4 percent of exports) and Namibia, fish fillets (14 percent).

- In **agricultural** products, meat and meat products are important for Botswana and Namibia (about 3 percent of exports), fruits for SA (5.5 percent) and Swaziland (15.5 percent) . For Swaziland there is a further sub division into Oranges (8 percent), Grapefruit (4 percent) and citrus (3.5 percent).

- In agriculture, S**waziland** is the most specialised with 44 percent of exports consisting of raw and processed sugar and 22 percent of steroidal hormones.

Box 3.

Statistics Hide More Than they Reveal!

In agricultural products percentages can often distort the true picture. This is particularly true for the import lobbies of the EU. For example, in 2007, SA exports of oranges accounted for about 38 percent of EU imports of oranges. Yet this value of about Euros 392 million accounts for about 1.5 percent of SA exports and a negligible fraction of EU's total imports of almost $ 2 trillion. The USDA estimates that production of oranges in the EU (80 percent coming from Spain, Italy and Greece) in 2007-08 was about 7 million tons. Hence, SA exports of 1 million tons would account for only about 14 percent of EU production. More generally, citrus fruit sales in the EU in 2006 were valued at about Euros 1.4 billion (see, Lemanowicz et.al., 2009; USDA,2009). Hence, it is unlikely that even a 50 percent increase in imports from Swaziland and SA into EU

will create any disruption of the domestic market for citrus fruits though there could be some price implications for oranges in particular. It is thus difficult to understand why the EU had duties as high as 16 percent ad valorem plus a specific duty on imports of oranges in both the Cotonou and the TDCA agreements. Even more surprising, the TDCA tariffs on oranges are not to be phased out by the end of the transition period unlike far more important imports like avocados and tobacco . There does exist at least some possibility of bringing oranges in the TDCA under the same tariff regime as the Cotonou (see, Annex, Table 1).

- Of all the countries, **only SA exports manufactured goods** to the EU. These consist of Fuels, mineral oils and products (12 percent), nuclear reactors, boilers and mechanical machinery (11 percent) and motor vehicles (3.5 percent). Less consequential items are aluminium articles, beverages (2 percent of exports) and electrical machinery and equipment (1.7 percent). As Annex. Table 1 shows, the only significant tariffs on non-agricultural imports into the EU are on cars (10 percent) and these are due to fall to zero by the end of the TDCA transition period. Hence, **in the case of cars SA can expect a reasonable degree of trade creation in a duty free regime. This duty free regime is agreed on in the TDCA and will also exist in the SADC EPA.**

Box 4.

Industrial Exports from South Africa

South Africa faces no competition from the SADC 5 countries in exports of manufactured goods to the EU. While MFN tariffs on industrial imports are already fairly low in the EU,

an inspection of Annex, Table 1 indicates that there are significant advantages to SA if offered zero or close to zero level tariffs in items like *Iron and Steel* which under the TDCA are to remain under import quotas even at the end of the transition period. Similarly, there are advantages to SA exports of *Aluminium* products and *automobile parts*, which are important to the economy and where under the TDCA there is no planned tariff reduction in the EU by the end of the transition period. These are three products where gains for SA can accrue under the SADC EPA but not under the TDCA. In other important industrial exports like apparel and cars SA will be no worse off under the SADC EPA relative to the TDCA as EU tariffs on these items are also scheduled to be phased out in the EU by 2010.

(b) **Trade creation for the EU.**

In quantitative terms SA trade is important for the EU (Eurostat news release, Dec, 2007).

- Between 2000 and 2006, EU27 exports of goods to Africa rose from 66 billion euros to 92 bn, while imports increased from 85 bn to 126 bn. The EU27 deficit in trade with Africa rose from 19 bn. euros in 2000 to 35 bn in 2006. This constituted 18 percent of the overall EU deficit.
- Among the African countries, SA (20 bn euros, or 22% of the total) was the leading destination for **EU27** exports in 2006.
- Of the countries considered in this study, the only country with which the EU recorded a trade surplus in 2006 was SA.

- Inspection of Annex, Tables 10-15 indicates that the common items imported by the SADC 5 and SA from the EU are **pharmaceutical products** (4-10 percent of imports), **medical instruments** (Lesotho and Namibia, 8 percent and 5 percent respectively), **Mechanical machinery** (Botswana and SA, 15 percent and 25 percent, respectively) and **telecom products** (Botswana, Mozambique and Namibia, 3, 6 and 5 percent, respectively).
- Quantitatively, the most important market is **SA** with total imports of about $ 28 billion followed by **Botswana** ($ 3.3 bill.) and **Namibia** ($ 3.1 bill.).
- In Mechanical machinery, **earth moving and excavating equipment** is exported to all the SADC 5 in varying importance. This includes parts for such items.
- The major market for **motor vehicles** is SA.

As the Annex, Table 1 shows, even the TDCA has a provision that by the end of the transition period (2012) tariffs would drop to zero for trade in both automobile and automobile parts. However, much of SA's trade in this industry is of the intra-industry variety. Here while EU specializes in one type of cars, SA specializes in other types and in automotive parts. Thus, neither SA nor EU is likely to suffer any problems of structural change as trade expands.

Box 5.

Trade Creation for the EU.

Quantitatively, the only important markets for the EU are South Africa, Botswana and Namibia with SA alone being nine times the size of the other two. The main items of interest are *pharmaceutical products, mechanical mining machinery and motor vehicles*. The most important here is the motor vehicles market in SA but this access is unaffected by whether SA joins the SADC EPA or not. Duty free access for SA to the EU motor vehicles market by the end of the TDCA transition period has already been agreed on (see, Annex, Table 1). However, given that much of the trade between SA and EU in the automotive market is intra industry trade, there are unlikely to be major problems of structural adjustment in the EU. Under the TDCA, however, SA is not committed to duty free access to EU exports in the automotive sector. However, as shown in Annex, Table 15, SA's imports of automobiles and parts from the EU accounted for almost 19 percent of its imports. Since under the TDCA, SA can exclude only about 14 percent of its imports from tariff cut commitments, it will have to work out the most sensitive of its imports in the automotive sector. (For more details, see Box 8 below).

(c) Trade Creation within SADC 5-SA.

One of the dominant concerns expressed in the Cotonou agreement and the recent SADC EPA is the need to preserve South African regional integration efforts. The BLNS are already members of the oldest Customs Union with SA, the SACU. It is the need to preserve the SACU that dictated the need for close association of SA in

formulation of the SADC EPA. Under the SADC EPA, the BLNS and Mozambique will liberalise 80-85 percent of their imports mainly in industrial and fisheries products. Exclusions are mainly for agricultural, textile and processed agricultural products. The SADC EPA (which will maintain the Cotonou tariff levels in the EU) will thus substantially benefit the member countries as EU duties on fishery, textiles, metals and car and car parts are zero subject to the rules of origin (see, Annex, Table 1). Even on agricultural items most duties are zero except for transition periods for rice (2010) and sugar (2015).

Box 6.

Regional Trade Creation in SADC

One of the concerns for SA is whether their exports and exports of the SADC 5 countries would compete in the EU market. *This concern seems unfounded.* A detailed commodity level analysis of intra SADC-SA trade indicates that while the SADC 5 countries export mainly inputs like rough diamonds, energy and cotton, SA in turn exports manufactured goods like oil products, mechanical and electrical machinery, iron and steel and articles therof and motor vehicles. It also exports limited amounts of paper and plastic articles. There is almost no trade in agricultural products. Hence, SA's trade with the SADC is in the nature of vertical trade rather than horizontal trade in final goods. Hence, if SA joined the SADC EPA its increased trade with EU could boost its imports of inputs from the SADC 5 countries. This is of course

subject to supply constraints in these countries. In other words, increased SA-EU trade might actually boost regional trade in inputs.

Annex, tables (16)–(19) give detailed **trade between SADC 5 and SA** in 2007. Inspection of the tables gives the following information.

- For SA, the most important **export markets** in value terms are Botswana and Namibia ($ 3.3 billion and $ 3.1 bill., respectively).
- SA mainly exports **mechanical and electrical machinery** and **motor vehicles** to the SADC 5 (Sections 84, 85 and 87).
- Next in importance are **mineral fuels, oil and products** (Section 27).
- Third in importance are **Iron and Steel and articles** thereof (Sections 72 and 73).
- Fourth, Paper and Paper board (Section 48) mainly to Namibia and Botswana and Plastics and articles thereof (Section 39) to Swaziland.
- There are **limited exports of primary products**. Mainly cereals (Botswana), Sugar and confectionery (Namibia) and processed vegetables and fruits and nuts (Mozambique).

- **SA's imports** from the SADC are **mainly of inputs**. **Diamonds** (Botswana and Namibia, 99 percent of their exports) and **Gas, Electricity and Petroleum** products and **cotton** (Mozambique, 79 and 2.5 percent, of exports respectively). Other imports are negligible.
- Hence **intra SA-SADC 5 trade is typically vertical trade**—SA exports finished goods and imports inputs.

Traditional trade creation deals with trade in final goods. Here we see that the intra-regional trade is not of this kind. It would thus seem that **if SA-EU trade in final goods increases it is likely that this will also boost SA trade with the SADC 5.**

B.3. **Trade Diversion.**

Typically trade diversion occurs when members of an FTA replace cheap imports from the rest of the world (ROW) by more expensive imports from members of the FTA. The quantitative significance of trade diversion is obviously greater, the greater are the post-FTA tariff of members with the rest of the world. Rigorous measures of trade diversion would require knowledge of item wise costs of production in various countries and product wise price elasticities of demand. However in the absence of requisite data and time constraints, we will restrict our attention to inferences based on data patterns and unit values of imports.

In section B.1 we have seen that the SADC 5 and SA exports to the EU are so small in relation to the total level of EU imports that the **quantitative significance of trade diversion for the EU is limited**. In the case of the

SADC 5, given the limited volume of imports from the EU the possibilities of trade diversion from the ROW via the EU are also limited. In this study we will concentrate on possible trade diversion fears for SA.

It is also now recognized that **trade diversion can occur due to onerous specification of the rules of origin.** This issue we will deal with in a later section.

Trade diversion for SA.

Trade diversion for SA cannot occur via *increase* in imports *originating* in the BLNS countries. Since SA is a part of the SACU customs union all these countries have the same tariff rate on imports from the rest of the world as SA does. De facto these tariffs would be those specified in the TDCA agreement. Since Article XXIV of GATT requires that in the new FTA no country has a higher tariff vis a vis the ROW, all the SADC 5 countries will have to adopt the TDCA tariffs as their own. Hence, none of the BLNS countries get any new absolute or relative tariff advantages vis a vis the rest of the world in their exports to SA. Hence, **for SA trade diversion can arise only due to replacement of imports from ROW by imports from Mozambique and/or EU.**

- **Trade diversion possibilities via Mozambique are limited.** This is obvious from the trade flows analysed in Section B.2 (c). We have noted that Mozambique mainly exports energy inputs to SA. These are not substitutes for imports from ROW sourced by SA.

Trade diversion via the EU.

There are two possibilities. One, the EU diverts its exports to SA via the SACU customs union and thus avoids the current tariffs specified in the TDCA. This is a real possibility as the SADC EPA and the TDCA represent two different tariff regimes. We have already noted that the SADC 5 have agreed to liberalise all their imports from the EU barring exceptions for processed and unprocessed agricultural goods and textiles. In other words, the SACU and the TDCA represent two different tariff regimes. These concerns have been adequately addressed in Woofrey (2009). (see 'South Africa's Concerns over the Interim Economic Partnership Agreement", Trade law Centre for Southern Africa, 2009). Here we will summarise the arguments.

- There are 21 tariff lines of mainly **processed agricultural goods** for which the tariff phase out period would need to be extended by 2 years to align with the TDCA. This has been agreed to in the Swakopmund Declaration.
- Classification of 51 textile tariff lines would have to be harmonized in the SADC EPA and the TDCA. Both systems require a 40 percent preference below MFN tariffs.
- There is **no duty on fishery products in the SADC EPA but there is no tariff liberalization in the TDCA** (see, Annex, table 1). However, SA and the EU are not in agreement on what qualifies origin of fishery products in the EU and SA. The EU requires ownership of ships and 75 percent of crew belonging to the country of origin as prerequisite which SA has not agreed to. **Hence, whether SA gets duty free preference or not in fishery products is irrelevant because of the disagreement on rules of origin.** In addition, three of the BLNS countries are land locked and for commercial viability products would have to come via SA.

- The **trade diversion in the event of both the SADC EPA and the TDCA coexisting would require SA to bring in stringent border controls** (to keep out EU originating goods under the SADC EPA) unless rules of origin are harmonized in the two regimes (we will comment on this in a later section).

Box 7.

Trade Diversion for South Africa

One of the fears is that SA might find trade diverted from other countries to EU as the latter gets tariff preferences in the SA market under the SADC EPA. One problem is transshipment from the EU via the SADC 5 and in particular the SACU countries. *This problem exists mainly because the SADC EPA and the TDCA represent two different tariff regimes*. However, this problem can be eliminated by simple harmonization of textile tariff lines and the phase out period for tariffs on processed agricultural goods. The latter has already been announced in the Swakopmund Declaration. The main problem seems to be that cooexistence of the SADC EPA and the TDCA would require stringent border controls to prevent transshipment of EU goods. This would endanger the SACU structure. If however, the two tariff regimes are completely harmonized then there seems no reason why both should exist. Finally, since SA imports mainly diamonds and energy inputs from Mozambique it is unlikely that any trade diversion could result via Mozambique exports to SA.

Hence, there are some legitimate fears of transshipment of EU goods via the SADC 5. However, this problem would not exist if SA joined the SADC EPA. Otherwise, some changes will need to be made to the SACU rules of origin which might make SACU itself unviable. In other words, **existence of the SADC EPA along with the TDCA can create a conflict between the need to prevent transshipment of EU goods and the basic objective of preserving the SACU.**

Could SA end up importing more expensive commodities from the EU if it becomes part of the SADC EPA?

This is a reasonable concern given that in 2007, SA imports from the ROW were about 67 percent of its total imports. A quick approximation for trade diversion would be to compare the unit values for imports into SA from EU and the ROW. If the former is greater, one could infer that the tariff benefits to the EU in the SADC EPA could result in trade diversion from the ROW.

Unfortunately, data on SA imports from the EU are not available at a disaggregated level beyond 2-digit classification. In addition, we do not have data on ROW imports into SA. However, we can compare unit values between SA imports from EU and the World. If the former are higher, then they must also be higher than unit values from ROW.

What we have done is to first find out the common items of imports (at the 2-digit level) of SA from the EU and the World. We then look at some selected main imports and compare unit values of EU exports to SA and SA imports from the World. In making comparisons, we have to keep in mind that export unit values tend to be lower than import values due to inclusion of insurance and freight in import data. Hence our conclusions can only be indicative and only drastically differences in value should be taken as indicative of cost differences.

In Table 3 we indicate (in descending order of importance in value) those 2-digit commodities which account for more than one percent of SA's imports (in value terms) from EU and the World and are imported from both the EU and the World.

Table 3: Common Commodities Imported from EU and World by SA

Commodity Code	Commodity List at HS 2 Digit Level
TOTAL	
87	Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof
30	Pharmaceutical products
39	Plastics and articles thereof
71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals cladwith precious metal, and articles thereof; imitation jewellery; coin
48	Paper and paperboard; articles of paper pulp, of paper or of paperboard
38	Miscellaneous chemical products

73	Articles of iron or steel
72	Iron and steel
29	Organic chemicals
88	Aircraft, spacecraft, and parts thereof
40	Rubber and articles thereof
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes

However, to get price comparisons we need to disaggregate to the 6-digit HS level. Since this would imply hundreds of commodities we have picked some major items of import. In choosing the commodities we first selected the top three 2-digit items from Table 3 which accounted for about 36 percent of SA's imports from the EU. For each 2-digit item selected we picked the 4-digit commodities which accounted for 20 percent or more of the total imports at the 2-digit level. From this list we picked those 6-digit items which accounted for at least around 10 percent of the 4-digit value of imports. The commodities included thus accounted for about 15 percent of SA's imports of those 2-digit items imported from both the EU and the ROW. We then compared the unit values (per unit and per unit weight) for these imports from both the EU and World. The results are shown below in Table 4.

Table 4: Comparing Price Difference and Tariffs for SA's Imports from EU and the World.

Commodity	EU Price relative to World		SA's No of Tariff Lines	Average Tariff	Minimum Tariff	Maximum Tariff
	Per Unit	Per KG				
H3-901890	NA	NA	1	0%		
H3-901839	0.20	NA	1	0%		
H3-901819	**NA**	**1.20**	**1**	**0%**		
H3-851780	NA	2.20	NA	NA		
HS-851790	1.57	1.57	NA	NA		
H3-870323	**1.43**	**1.28**	**2**	**25%**	**20%**	**30%**
H3-870332	1.01	0.87	2	25%	20%	30%
H3-870333	1.09	0.81	2	25%	20%	30%
H3-870829	0.99	0.99	1	20%	20%	20%
H3-870899	**3.01**	**3.01**	**9**	**8.30%**	**0%**	**20%**
H3-870840	**1.98**	**1.98**	**5**	**10%**	**0%**	**20%**

Note: Tariffs are sourced from the WTO tariff data base.

The details of the calculations are shown in Annex, Table 20. However, the summary is shown in table 4 above. The second and third columns of table 4 indicate the relative prices of exports from the EU to SA and SA's imports from the WORLD. Since the EU prices are export prices, they would need to be scaled up by the cost of insurance and freight to make them comparable to WORLD prices. However, from the point of view of possible trade diversion for SA, we need to worry only about those items where SA's applied tariffs are significantly positive. Under the SADC EPA, SA would need to reduce its tariffs to 40 percent of the MFN levels (see,

Woolsey, 2009). However, it is not clear whether this applies to the bound tariffs or the applied tariffs. In table 4 in the last two columns we have given SA's applied tariffs. The items shown in bold in table 4 are those where the per unit import costs are substantially higher for EU imports and where trade diversion is possible. Since tariffs must be positive for trade diversion to occur **the sensitive items are mainly two: medium sized motor vehicles (HS Code 870323), parts of motor vehicles (HS codes 870840 and 870899) where preferential tariffs to the EU could give them 8-12 percent tariff advantages vis a vis ROW exporters.**

Box 8.

Trade Diversion of SA's Trade from the Rest of the World to EU.

Since SA imports 67 percent of total value from outside the EU, there is a fear that as EU gets tariff preferences in SA vis a vis rest of the world it could increase expensive trade with the EU at the expense of cheaper trade with the rest of the world. Rigorous test of this hypothesis would require detailed commodity level information on cost of production and price elasticities of demand. In the absence of such information, a simpler procedure would be to compare unit values of imports into SA from the EU and the rest of the world. If the latter is higher, then there can be some substance to SA fears of trade diversion. Such a comparison using data at the 6-digit HS classification level indicates that there is some substance to these fears. These fears would mainly extend to *imports of medium sized motor vehicles and parts of such vehicles.*

We may note here that we have looked at only a few items and a more exhaustive calculation is necessary for SA policy workers. More generally, there is some substance to SA fears of trade diversion form the ROW if it joins the

SADC EPA. This is important given that SA has been actively pursuing FTA agreements with many developing countries like India, Singapore etc (see, DFID 2005 study).

However, one qualification needs to be added. There is possibly too much aggregation even at the 6-digit level of disaggregation. Hence, there could be quality differences or we may be including some heterogenous commodities in any 6-digit classification. This is particularly clear from table 4 where, even at the 6-digit disaggregation about 14 further tariff lines can be disaggregated at the 8-digit level in the case of automobile parts. However, the data base did not permit any further disaggregation. For a clearer picture, disaggregation at the 8-digit CTN tariff nomenclature level may be in order.

B 4. **Terms of Trade Effects**

One impact normally neglected in the study of FTAs is the impact of any increase (decrease) of trade on the prices of exports or imports. In general, most of the traditional argument on trade creation/diversion are based on the assumption that the change in trade volumes has very little impact on prices of exports and imports. This is called the 'small country" assumption in the literature on international trade.

However, in the context of SA it is reasonable to assume that the small trade assumption is valid as we have already seen that SA accounts for only about 1.5 percent of EU imports in 2007. Hence, it is unlikely that the increase or decrease of SA's exports to the EU will have any impact on prices. Similarly, SA is only a small buyer of EU products in relation to EU's exports to the world. Hence, it is also unlikely that greater or smaller imports to the EU would have any impact on SA's terms of trade with the EU.

C. Rules of Origin.

It is now commonly known that an otherwise liberal tariff regime may be exceptionally restrictive when the rules of origin (RoOs) are taken into account. Today, many developing countries find that the restrictivness of a tariff regime is far less than that of the RoOs. This is particularly true for countries which otherwise have relatively low tariff on imports. Some authors even argue that RoOs are now non-tariff barriers and can be challenged in the WTO as violative of Article XXIV of GATT which constrains members of an FTA from raising their tariff barriers via vis the rest of the world (see, for example, Jackson, John (1997), " The World Trading System: law and Policy of International Economic Relations:, Cambridge: MIT Press).

Rules of origin are defined for both non-preferential and preferential trade. Discussions on harmonization of the RoOs began as far back as the 1940s as part of GATT discussions. This resulted in some consensus on non-mandatory RoOs enshrined in the International Convention on the Simplification and harmonization of Customs Procedures (Kyoto Convention) adopted in 1974 which is currently applied by various customs authorities. However, it was only in the Uruguay round of trade negotiations of the WTO in 1995 that any attempt was made to make some of the principles laid down in the Convention mandatory via the Agreement on Rules of Origin and the Harmonised Work Program. However, even this development will only lead to standardisation of the non-preferential RoOs and there is currently no coordinated effort to harmonise preferential RoOs which are normally applied in most FTAs. With overlapping FTA having

different RoOs, the transaction cost of complying with different rules of origin may be prohibitive for traders. Many may prefer to trade under the normal MFN tariff route thus making the FTA meaningless.

An important issue in RoOs is the definition of how the issue of **"substantial transformation"** of a product qualifying for preferential treatment is defined. This could be based on change in tariff nomenclature, percentage of value added or change in the process of production.

Apart from the RoOs, the other crucial issue is the **degree of cumulation** permissible in determining "origin" of any commodity. This is particularly important in FTAs (like the SADC EPA) comprising of more than two countries. The choice of bilateral, diagonal or full cumulation will crucially determine the effectiveness of any preferential tariff regime. This is particularly important for the smaller countries of the FTA which otherwise find it difficult to satisfy RoO requirements. Bilateral cumulation applies between two partners of an FTA so that firms in one country can use products originating in the other country and still qualify for preferential treatment. In diagonal cumulation, countries tied to the same set of preferential origin rules can use products that originate anywhere in the common rules of origin zone as if they originated in the exporting country. In full cumulation, diagonal cumulation is extended to products processed in any country in the common zone even if the product is non-originating.

Apart from rules of origin and cumulation, the other important issues are the **de minimis rule** which specifies definition of a non-originating product and the **method of certification** in claiming preferential access. This method could be self certification by exporters, certification by exporting country or some

certifying agency or a combination of the three. This certification also determines the transaction cost of exporters applying for preferential treatment in the importing country. Finally, sometimes **products are given special treatment** on grounds of sensitivity. This has been found to be specially true worldwide in the case of agricultural products and textile and apparels which are given more restrictive treatment (see, for example, Estevadeoral and Suominen, 2005).

While a full treatment of rules of origin is beyond the scope of this paper a few points may be worth noting as being particularly important in the context of the SADC countries. First, as between countries that are part of a customs union the rules of origin are irrelevant. Since they have a common external tariff, firms cannot gain from "tariff shopping" between countries. Second, low de minimis requirements are particularly harmful for small countries which cannot add enough value locally. Third, too many product specific rules can lead to harmful and inefficient production shifts between countries. Fourth, if small countries in particular are members of two or more FTAs then diagonal cumulation is sensible otherwise the cost of l with the RoO requirement can become prohibitive for traders of these countries. Fourth, for the weakest countries full cumulation may be the only reasonable policy.

It is with this background we will analyse the four regimes relevant to SA: the SADC, the GSP, the TDCA and the SADC EPA. The detailed RoOs of the four agreements are given in Annex, Table 21. Table 5 below summarises a comparison of the four trade regimes we are considering. While the last three are

presently important for SA, SA must also pay attention to the SADC agreement as other African countries are linked to the EU via their own or similar EPA agreements.

Table 5.

Comparison of the SADC, SADC EPA, TDCA and GSP Agreements

Preferential Trade Arrangements	Coverage	De-Minimis rule	Cumulation	Certification
TDCA	. Beef, sugar, dairy, corn, maize and products, starches excluded. In addition rice and products, some fruits, some cut flowers, processed tomatoes, some processed fruits and juices, vermouth, some fish, ethyl alcohol excluded for EU. For SA, barley and products,	Products wholly obtained from the exporting country, Total non-originating value does not exceed 15 per cent of the ex-works price of the product except for few products (see Appendix 20).	**Bilateral Cumulation:** Materials originating either in the EC or SA provided that such materials have undergone sufficient working or processing. **Cumulation with ACP States:** Materials originating in an ACP State and SACU shall be considered as originating in the Community or South Africa when corporated into a product obtained there.	Products originating in the Community shall, on importation into South Africa and products originating in South Africa shall, on importation into the Community need Movement certificate, A declaration, the text of which is given by the exporter on an invoice, a delivery note or any other commercial document which describes the products concerned in sufficient detail to

	wheat and products chocolate and ice cream are excluded.			enable them to be identified.
SADC	All goods that meet the requirements of the SADC Rules of Origin qualify for preferential tariff treatment when they are traded within SADC.	Products wholly obtained from the exporting country, Materials undergone a substantial transformation of those materials such that: i) c.i.f. value of those materials does not exceed 60 per cent of the total cost of the materials used in the production of the goods; or (ii) the value added resulting from the process of production accounts for at least 35 per cent of the ex-factory cost of the goods; or iii) Goods are undergone a change in the tariff heading of a product arising from a processing carried out on the non-originating materials.	Raw materials or semi-finished goods originating in any of the Member States and undergoing working or processing either in one or more States shall for the purpose of determining the origin of a finished product be deemed to have originated in the member State where the final processing or manufacturing takes place.	The following documentary evidence to support the fulfillment of the above conditions should be produced to the Customs authorities of the importing Member State: (a) Certificate of Origin duly signed by the exporter and authenticated with a seal and signature by the designated authorities of the country of export: (i) giving an exact description of the products; (ii) Origin criteria (iii) Consignee and consignor. (b) a single transport document covering the passage from the

				exporting member State through the country of transit; or (c) a certificate issued by the Customs authorities of the country of transit: (i) giving an exact description of the products; (ii) stating the dates of unloading and reloading of the products, and where applicable, the names of the ships or other means of transport used; and (iii) Certifying the conditions under which the products remained in the transit country.
SADC-EU EPA	1. Falling within Chapters 01 to 97, with the exception of Chapter 93, set out in each Party's respective tariff nomenclature in	Products wholly obtained from the exporting country, b) Total non-originating value does not exceed 15 per cent of the ex-works price of the product.	a) Products shall be considered as originating in the Community if they are obtained there, incorporating materials originating in the SADC EPA States, in the other ACP States or in the Overseas Countries and	Products originating in the SADC EPA States shall, on importation into the Community and products originating in the Community shall, on importation into the SADC EPA

	conformity with the rules of classification applicable to the Harmonised Commodity Description and Coding System (HS); and 2. originating in the European Community or in the SADC EPA States.		Territories (OCTs), provided the products are transformed more than insufficient working of processing operation. b) The product obtained shall be considered as originating in that SADC EPA State only where the value added there is greater than the value of the materials used originating in any one of the other countries or territories.	States, benefit from the provisions of the SADC-EC EPA upon submission of either: (a) a movement certificate; or (b) a declaration, subsequently referred to as the 'invoice declaration', given by the exporter on an invoice, a delivery note or any other commercial document which describes the products concerned in sufficient detail to enable them to be identified.
GSP	The EC GSP does not cover each and every product. Basically, all products of Chapters 25 - 97 of the HS that are subject to duty upon entry into the EC (raw	Products wholly obtained from the exporting country, Products undergone a sufficient transformation which is defind as: The **change of heading criterion at the HS 4 digit level,** The **value or ad valorem criterion,** The **specific process criterion,**	a) **Bilateral Cumulation:** Under bilateral cumulation, materials originating in the EC, within the meaning of the EC GSP RoO, and further worked or processed in a beneficiary country, are considered to originate in the beneficiary country. b) **Regional Cumulation**:	There are three principal forms of proof used in the context of the EC GSP: The certificate of origin Form A, used as proof of origin at import into the EC and in regional cumulation, ii)The Invoice

	materials are, generally, duty-free) are covered, but coverage of agricultural products (Chapters 1 - 24) is restricted.		This operates between the countries of one of the regional groups recognised by the EC GSP5. Materials originating in one country of the group which are further worked or processed in another beneficiary country of the same group are considered to originate in the latter country,	Declaration, and which can be used for low value GSP exports □□□The Movement Certificate, which may be used as may an invoice declaration, when goods are exported to beneficiary countries from the EC in the context of bilateral cumulation,

Inspection of Table 5 allows us to draw the following main conclusions.

- **By and large there is very little difference between the TDCA and the SADC EPA**. The differences lie in product coverage and cumulation.
- However, in **product coverage, SA and EU sensitivities can be easily accommodated** in that the present exclusions of the TDCA imply that the product coverage extends to 97.5 percent of all imports by value for the EU and 89.5 percent for SA. This satisfies the requirement of "substantially all trade" of Article XXIV of GATT. In addition the exclusion of sugar and rice for the EU will be covered by the phase out of restriction for these two products already announced in the product protocols (see, also Section B of this report). In addition, the SADC EPA also allows

the SADC 5 countries exclusions for basic and processed agricultural products which can be extended to SA.

- **Both the TDCA and SADC EPA allow for diagonal cumulation** across ACP states except that the SADC EPA extends this cumulation to overseas territories of the EU as long as the imported products show some processing in SADC EPA states beyond "insufficient working" or value added in SADC EPA states is more than 50 percent. Hence the cumulation is closer to full cumulation as non-originating products can also be cumulated.
- The SADC **agreement specifies somewhat stricter de minimis requirements** and also extends the definition of substantial transformation to change in tariff heading.
- **The GSP agreement is the most restrictive in terms of coverage**. This reflects the usual sensitivity of the EU to agricultural imports. This is particularly important in the GSP as this extends to all developing countries. Changes here are more likely in the context of wider WTO negotiations rather than in bilateral FTA agreements. In fact the de minimis rules for definition of originating products allows for all three possibilities- by value added criterion, by process change or by the reasonably weak change in tariff heading.

Box 9.

Rules of Origin in the TDCA and SADC EPA

There seem to be very little difference in terms of product coverage, de minimis equirements, cumulation or certification procedures. The SADC EPA goes a little beyond the diagonal

cumulation of the TDCA in allowing for non-originating products from the overseas territories of the EU. The differences in product coverage can easily be accommodated in the exclusions in agricultural and processed agricultural products via the percentage of coverage of SA imports from the EU. The present TDCA coverage of 86 percentage of SA imports matches the present coverage of the SADC 5 countries.

D. An Econometric Analysis of the TDCA and its Impact on SA's Trade with the EU

The purpose of the econometric analysis is to investigate if SA's exports to the EU have been affected by the TDCA. The main constraint for such an exercise is the availability of data. For such an exercise to be meaningful for policy purposes we need to look at disaggregated data. In line with the rest of the study we need to look at commodity level data at the HS 6-digit level of disaggregation. As we have already noted, we do not have easily available data on SA's exports to the EU at this level of disaggregation in the Comtrade data base. We have hence used data on EU's imports of commodities from SA. However, our data points are limited as such data is only available on a comparable, continuous basis from 2000. We have thus used the year 2000 as our starting point and the end year of our analysis is 2008.

In choice of commodities we have selected those commodities where SA could benefit from tariff reduction in the EU. We have used Annex, table 1 for our selection. In agricultural commodities we have chosen *oranges* and *wine, sparkli*ng as these are important agricultural exports for SA. Both commodities

are also important for SA from the employment point of view. However, in both these commodities there is no proposal in the TDCA to reduce tariffs on SA's exports to the EU and the objective of the econometric exercise would be to identify the relative importance of supply side and demand side factors in exports of these commodities rather the impact of the TDCA per se.

Similarly, in the case of industrial exports we have chosen *iron ore* concentrates (HS 260111) and *Iron and Steel* (HS 720219). These are important items of export from SA. While there are no import duties on iron ore, tariff reduction is to be applied in the TDCA to Iron and Steel exports from SA(see, Annex, Table 1). For non-ferrrous metals we have chosen another important export *aluminium unwrought* (HS 760110) where tariff benefits under TDCA would be substantial over the period of implementation. Finally, we have chosen *medium sized automobiles* (HS 870323) and *parts of these vehicles* (HS 870829) which are again important exports. In the case of the former, EU's TDCA tariffs are fairly large and to fall to zero by the end of the transition period but in the latter tariffs are low and the TDCA offers no tariff reduction.

In modeling the econometric exercise we argue that the exports of SA are a function of its own GDP (SAGDP) on the supply side, the GDP of the EU (EUGDP) on the demand side, time (t) and a dummy variable for the TDCA (DUMTDCA). Since the TDCA was operative from 2004 the dummy variable is defined as one for observations after 2004. Since, in most cases the EU implementation of tariff cuts was front loaded (applying from 2004 itself), this dummy variable is a reasonable approximation for the impact of tariff cuts, improved rules of origin etc. which would kick in from 2004. The tested model is defined as

$EXPSA = a_0 + a_1 EUGDP + a_2 SAGDP + a_3 t + a_4 DUMTDCA + u$

Here the EU and SA variables and t are the control variables and u the usual error variable. The usual econometric tests of multicollinearity, serial correlation etc. were performed for the final regressions. Since we have a limited number of observations, extreme observations can have large impacts on results. To control for this, the variable EXPSA was deflated by SA's exports to the EU (SAEXPEU) and , EUGDP and SAGDP were deflated by world GDP (WGDP). We ran simple Ordinary Least Squares (OLS) regression for each of the commodities.

The hypothesis tested then is to see if the coefficient a_4 is statistically significant. Otherwise it can be concluded that SA's exports to EU are affected more by demand side or supply side factors rather than the TDCA per se. Where the TDCA does not offer any tariff or other benefits, our econometric exercise would indicate the relative importance of demand and supply side factors.

Box 10.

Econometric Analysis of Impact of the TDCA on SA's Exports to the EU

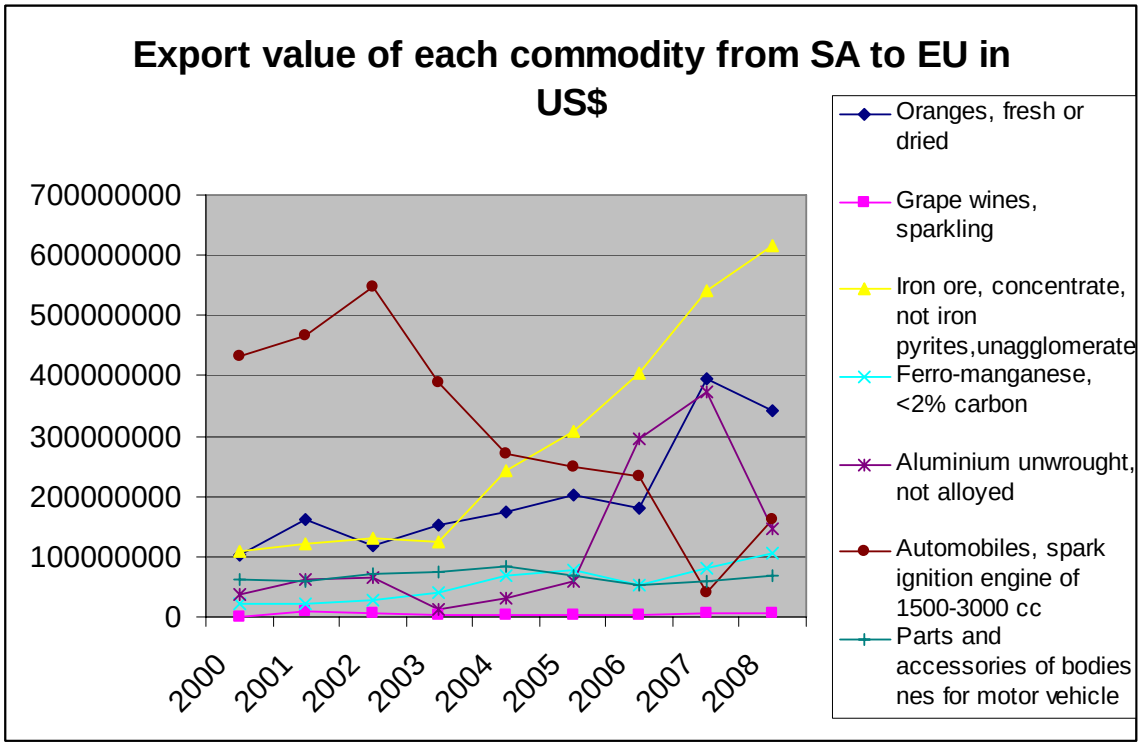
A simple econometric analysis of the impact of the TDCA on SA's exports was conducted to control for non-TDCA factors that influenced these exports. The most important non-TDCA factors are the supply side effects in SA and the demand side factors in the EU. In general, exports may be a function more of supply or demand side factors rather than the tariff or other trade facilitation benefits conferred by any preferential trade arrangement. Such an econometric exercise was

conducted noting the data constraints at the HS 6-digit level. The econometric exercise was conducted for seven commodities which are important exports for SA or where the TDCA is expected to offer reasonable tariff benefits. The exercise indicates that the TDCA per se was important only for SA's exports of *iron ore concentrates* but these benefits are of the trade facilitation kind rather than due to tariff preferences. For important exports like *automobiles and auto parts* supply side constraints in SA have led to a stagnation or secular reduction in exports since 2000. For *Aluminium unwrought,* SA's exports are mainly a function of the rising demand in the EU. For another important industrial item, *Iron and Steel,* exports have been stagnant since 2000 and cannot be explained by supply side, demand side factors or the TDCA preferences. Finally, for two important agricultural exports, *oranges* and *grape wine, sparkling* quotas and EU agricultural import restrictions are probably the most important factors influencing SA's exports to the EU.

Hence, in the case of important SA exports to the EU, only in the case of Iron Ore concentrates does our study indicate any positive impact of the TDCA on South Africa exports.

The detailed econometric results are shown in Annex, Table 22. Before looking at the econometric results it would be useful to look at the behaviour of exports of these items. This is shown in Graph 1 below. Inspection of the Graph indicates that a spurt in exports is only visible in the case of Iron Ores and Aluminium. There has also been some upward movement in exports of oranges particularly after 2005. On the other hand, in the case of medium sized automobiles there has been a continuous decline in exports since 2000 while exports of wines, auto parts and Iron and Steel are stagnant.

Graph 1



Some more information can be obtained from the econometric results shown in the Annex, table 22. Our results indicate that there seems to be *no perceived tariff benefits* to SA from the TDCA per se. Thus, while tariff benefits under the TDCA were to accrue to **Aluminium, the exports are mainly explained by demand expansion in the EU and the TDCA itself conferred no benefits**. On the other hand, the TDCA dummy is statistically significant for Iron Ores but these benefits are not tariff benefits. It is also seen that

EU's GDP expansion seems to have a negative impact on SA's exports of iron ore. This is probably a reflection of the declining demand for fossil fuels in the EU. Our results therefore indicate that **the non-tariff benefits of the TDCA (rules of origin, trade facilitation etc) are significant in explaining the surge in exports of iron ore from SA to the EU.**

Second, **in the case of automobiles, there are strong supply side effects and the decline in exports over time are mainly due to the supply constraints**. It would seem that growing domestic demand constraints in SA constrain the availability of export supply. Third, **in the case of auto parts, while the EU demand effect on SA's exports is positive, the SA supply side has a strong negative impact on exports** so that overall exports are stagnant. Finally, in the case of the agricultural exports and Iron and Steel, our study is unable to find any statistically significant explanatory variable. While **in the case of Iron and Steel it is likely that non-EU markets are more important for South Africa, for agricultural exports EU restrictions are probably making other export destinations more profitable.**

E. Some General Observations.

In determining entry into preferential trade arrangements the primary objective of SA must remain to continue some kind of FTA with the EU given that the EU is still its largest trading partner. This must have motivated SA to conclude the TDCA agreement. However, since then WTO restrictions on discriminatory preferential trading arrangements has necessitated that EU must also end such preferences

for other African countries and renegotiate Economic Partnership Agreements (EPAs) with them. The SADC EPA with Mozambique and the BNLS countries is the first step in this direction. With Angola also poised to enter into the agreement at some point and as other SADC countries negotiate their own EPAs, the problem will be the emergence of a plethora of EPAs which will all need to be harmonized. It is also important to remember that the SADC countries have their own agenda towards a regional free trade arrangement. The SADC free trade agreement has already been launched and, from August 2008, 12 countries have agreed on a zero tariff regime. South Africa and the BNLS countries have yet to join. A South African free trade area with a number of overlapping EPAs will imply emergence of complicated rules of origin agreements that may make the move to a regional free trade area either impossible or too cumbersome to implement.

Hence, the SA approach to preferential trade arrangements must try to reconcile the issue of a preferential trade arrangement with the EU and the political and economic need to foster a free trade area in its neighbourhood. The latter is probably guided more by political than purely economic considerations. However, it is necessary for regional stability. It is with this view in mind that SA must approach the issue of whether to continue with the TDCA or scrap it altogether and become part of the SADC EPA.

In this decision, SA must also approach the issue from the point of view of the implications for its domestic economy. Given its current state of development, a primary concern for SA will be domestic

employment both in the agricultural and industrial sectors. In the agricultural sector, SA has very limited land area and only about 13 percent of its land area is cultivable. This implies the need to focus on less land intensive production like horticulture and floriculture. The agricultural sector is constrained also by availability of water. It is not then surprising that agricultural products contribute only about 5 to 7 percent of exports. The main products are fruits, sugar cane and grapes for wines. The main concern here then is supply constraints as exports at the expense of domestic availability would create political instability. A possible exception is wine. Agriculture is also important for employment with the wine producing sector alone employing over 50,000 people.

In the industrial sector the motor vehicles industry needs special mention. It is with this in veiw that the SA government has been pushing its Motor Industry Development Programme (MIDP). It is an important employer but majority of employment is in the distribution and other ancilliary production units. The motor vehicles production itself employs less than 15 percent of workforce. The sensitivity of this sector is well known.

F. Conclusion and Options for South Africa.

The objective of this study has been mainly to look at the concerns of SA if it were to scrap the TDCA and join the free trade arrangement of the SADC EPA along with 5 other South African neighbours. Since the SADC EPA is likely to come into force the issue is whether there are any serious economic costs to SA of

staying outside the SADC EPA. Our analysis of traditional trade creation and trade diversion effects of FTAs indicates that the economic costs are likely to be limited. In particular, SA trade with its SADC5 neighbours is largely vertical in that SA exports industrial goods to these countries in return for inputs like energy, cotton and precious stones. Hence, expansion of SA trade with the EU could actually boost its regional trade subject to supply constraints.

In its trade with the EU, SA faces little competition from the SADC5 countries. The SADC5 countries mainly export minerals, precious stones and agricultural products like fruits and sugar to the EU. It is only in Aluminium that SA exports are in competition with Mozambique. However, the EU market is large enough to accommodate both countries exports and SA could actually benefit from the tariff advantage in the SADC EPA.

There are some possibilities of trade diversion for SA as the EU gets better access to its markets under the SADC EPA. It could therefore end up importing from EU what it was earlier importing from the rest of the world at lower cost. However, our study shows that two commodities where these fears are reasonable are medium sized vehicles and parts of such vehicles. These could easily be accommodated under the exclusions permissible under preferential agreements.

There are some fears in SA of market disruption as EU gets access to its domestic market. However, this is also true for the tariff reductions for SA under the TDCA which are backloaded to the end of the transition period of the TDCA. In any case, under the SADC EPA the transition period for the SADC5 countries

ends between 2020 and 2023. Hence, SA could benefit from the SADC EPA by postponing its tariff reduction commitments under the TDCA from 2012 to a later date.

In general, the traditional economic costs of SA switching to the SADC EPA are very limited. Our analysis of the economic benefits to SA indicates that the main tariff benefits in switching to the SADC EPA seem to lie in agricultural exports to the EU. However, here supply constraints in SA are crucial and it is probably necessary to look at less land intensive products. One must also keep in mind that the SADC EPA is unlikely to offer the same benefits to SA as to the other SADC5 countries. Such similar treatment is likely to be resisted by the agricultural producers in Europe. However, our analysis also indicates that there is not much economic basis for such differential treatment as there is little competition among the SADC 5 countries and SA in agricultural products which cannot be accommodated by the EU market without serious market disruption.

The study of the rules of origin of the two agreements indicates that the differences in the two are limited to cumulation. The SADC EPA goes beyond diagonal cumulation to allow for cumulation for non-originating products. This is closer to full cumulation. However, this is probably necessary to accommodate the smaller economies like Lesotho which otherwise might never be able to satisfy the origin critieria. In addition, the SADC EPA also extends to overseas territories of the EU which is not the case in the TDCA.

Third, a simple econometric exercise of SA's exports to the EU indicates that the TDCA per se has not been of any specific advantage to SA's main exports which seem to be constrained more by supply side issues in SA and demand factors in the EU. The tariff advantages of the TDCA thus seem limited.

The main SA concern seems to lie in the political costs. Of this an important cost lies in Article 28(7) of the SADC EPA which restricts SA's freedom to conclude other FTAs with non-EU major trading countries defined as those with share of world merchandise trade of more than 1 percent. This would certainly constrain SA's ability to conclude agreements with countries like Brazil, Russia, China and India. SA's partnership with these countries has become an important part of the political economy of multilateral agreements at the WTO and more recently in multilateral climate negotiations.

The main benefit of a switch to the SADC EPA seems to lie in enabling SA to proceed with its regional trade agenda. This has an important political dimension. However, here either the TDCA would have be harmonized with the SADC EPA (and thus become irrelevant) or rules of origin would have to be so defined to make regional FTAs difficult to implement.

ANNEXURES

Table 1

SADC exports for which Cotonou and TDCA regimes are different: agriculture

CN code	Description	Cotonou	TDCA[a]
02013000	Fresh or chilled beef	303.4€/100kg net	12.8% + 303.4€/100kg net
06031010	Cut roses	0%	Min. 8.5%; max. 12%
06031080	Cut flowers	0%	Min. 8.5%; max. 12%
08044000	Avocados	0%	**Min. 0%; max. 12%**
08051030	Navel oranges	Min. 0%; max. 16%+7.1€/100 kg net	Min. 3.2%; max. 16%+7.1€/100 kg net
08051050	Sweet oranges	Min. 0.6%; max. 16%+7.1€/100 kg net	Min. 3.2%; max. 16%+7.1€/100 kg net
08094005	Plums	Min. 5.4%; max. 12%+10.3€/100 kg net	**Min. 0%; max. 12%+10.3€/100 kg net**
17011110	Sugar for refining	Protocol 0%	33.9€/100 kg net
17011190	Sugar not for refining	Protocol 0%	41.9€/100 kg net
24012010	Virginia tobacco	0%	**10.4% min. 12.4€/100 kg net max. 13.5€/100 kg net**
24012020	Burley tobacco	0%	**10.4% min. 12.4€/100 kg net max. 13.5€/100 kg net**

Note:
(a) Items in **bold** will be tariff- and quota-free by the end of the transition period.
Source: UNCTAD TRAINS.

SADC exports for which Cotonou and TDCA regimes are different: fish

CN code	Description	Cotonou	TDCA
03026966	Fresh/chilled Cape hake	0%	15%
03037811	Frozen Cape hake	0%	15%
03037981	Frozen monkfish	0%	15%
03041019	Fresh/chilled misc. fillets	0%	9%
03042055	Frozen Cape hake fillets	0%	7.5%
03061350	Frozen shrimps	0%	12%
03074931	Frozen squid	0%	6%
16041418	Prepared tuna	0%	24%

Source: UNCTAD TRAINS.

SADC exports for which Cotonou and TDCA regimes are different: manufactures and industrial

CN code	Description	Cotonou	TDCA[a]
61051000	Male knitted shirts	0%	**4.3%**
61102099	Female jerseys	0%	**4.6%**
72021180	Ferro-manganese	0%	**2.7%**
72021900	Ferro-manganese	0%	**2.7%**
72023000	Ferro-silico-manganese	0%	**3.7%**
72024191	Ferro-chrome	0%	*4%*
72024199	Ferro-chrome	0%	*4%*
76011000	Aluminium	0%	6%
87032319	Cars	0%	**10%**
87033219	Cars	0%	**10%**
87082990	Parts	0%	2.2%
87087050	Wheels	0%	2.2%
87089998	Vehicle parts	0%	1.7%

Note:
(a) Items in **bold** will be tariff- and quota-free by the end of the transition period; those in *italics* will be tariff-free within a TQ.
Source: UNCTAD TRAINS.

Source: Taken from Stevens et.al. (2005a)

Table 2: European Union's Tariff and Trade Profile

Part A.1 Tariffs and imports: Summary and duty ranges

Summary		Total	Ag	Non-Ag	WTO member since		1995
Simple average final bound		5.4	15.1	3.9	Binding coverage:	Total	100
Simple average MFN applied	2007	5.2	15.0	3.8		Non-Ag	100
Trade weighted average	2006	3.0	11.8	2.4	Ag: Tariff quotas (in %)		15.1
Imports in billion US$	2006	1,529.2	81.6	1,447.6	Ag: Special safeguards (in %)		29.2

Frequency distribution		Duty-free	0 <= 5	5 <= 10	10 <= 15	15 <= 25	25 <= 50	50 <= 100	> 100	NAV
		Tariff lines and import values (in %)								in %
Agricultural products										
Final bound		32.7	9.6	15.5	12.2	10.2	10.1	6.4	1.4	32.0
MFN applied	2007	29.9	9.7	17.0	12.8	11.2	9.7	5.4	1.4	31.1
Imports	2006	39.7	11.2	17.7	12.2	4.6	7.7	6.0	0.9	26.7
Non-agricultural products										
Final bound		28.4	37.2	26.6	6.9	0.9	0.0	0	0	0.6
MFN applied	2007	31.0	36.6	24.7	6.7	0.9	0.0	0	0	0.6
Imports	2006	62.3	19.7	11.1	6.1	0.8	0.0	0	0	0.4

Part A.2 Tariffs and imports by product groups

Product groups	Final bound duties				MFN applied duties			Imports	
	AVG	Duty-free	Max	Binding	AVG	Duty-free	Max	Share	Duty-free
		in %		in %		in %		in %	in %
Animal products	26.8	20.6	*215*	100	25.9	23.6	*215*	0.4	15.2
Dairy products	66.8	0	*237*	100	62.4	0	*215*	0.1	0
Fruit, vegetables, plants	10.7	22.8	*231*	100	11.6	18.5	*231*	1.6	11.4
Coffee, tea	6.9	27.1	*88*	100	6.9	27.1	*88*	0.7	80.4
Cereals & preparations	24.3	6.3	*116*	100	19.8	10.7	*116*	0.4	26.7

Oilseeds, fats & oils	5.6	48.2	*113*	100	6.0	43.1	*113*	1.2	69.1
Sugars and confectionery	29.5	0	*133*	100	29.8	0	*133*	0.2	0
Beverages & tobacco	23.2	23.0	*210*	100	20.0	19.8	*191*	0.6	15.3
Cotton	0.0	100.0	0	100	0.0	100.0	0	0.0	100.0
Other agricultural products	5.1	67.1	*120*	100	5.6	65.1	*119*	0.5	68.3
Fish & fish products	11.2	10.7	26	100	10.6	14.1	26	1.1	6.9
Minerals & metals	2.0	49.6	12	100	2.0	50.7	12	17.4	70.8
Petroleum	2.0	50.0	5	100	2.3	41.1	5	21.7	96.4
Chemicals	4.6	20.0	7	100	3.8	34.4	13	9.6	60.5
Wood, paper, etc.	0.9	84.1	10	100	0.9	81.3	10	3.1	90.3
Textiles	6.5	3.4	12	100	6.6	2.1	12	2.4	1.9
Clothing	11.5	0	12	100	11.5	0	12	4.8	0
Leather, footwear, etc.	4.2	27.8	17	100	4.1	26.1	17	2.5	19.6
Non-electrical machinery	1.7	26.5	10	100	1.7	27.3	10	13.1	67.6
Electrical machinery	2.4	31.5	14	100	2.6	28.3	14	6.3	39.5
Transport equipment	4.1	15.7	22	100	4.1	17.0	22	6.1	22.9
Manufactures, n.e.s.	2.5	25.9	14	100	2.5	24.2	14	6.3	56.8

Part B Exports to major trading partners and duties faced

Major markets	Bilateral imports		Diversification		MFN AVG of		Pref.	Duty-free imports	
		in million	95% trade in no. of		traded TL		margin	TL	Value
		US$	HS 2-digit	HS 6-digit	Simple	Weighted	Weighted	in %	in %
Agricultural products									
1. United States	2006	15,963	28	128	5.9	1.6	0.0	23.9	46.0
2. Switzerland	2006	6,067	28	338	42.1	15.7	0.0	15.0	10.0
3. Japan	2006	5,709	29	135	16.4	8.3	0.0	25.1	27.4
4. Norway	2006	2,596	26	221	46.7	27.1	0.0	41.1	41.9
5. Saudi Arabia	2006	1,977	25	107	4.6	12.6	0.0	21.0	20.2
Non-agricultural products									

1. United States	2006	299,127	68	1,564	3.6	1.5	0.0	44.4	56.8
2. Switzerland	2006	104,574	72	1,748	2.0	1.3	0.0	16.9	36.9
3. Japan	2006	53,439	71	1,279	3.8	1.7	0.0	47.4	71.7
4. Norway	2006	41,176	68	1,502	0.7	0.2	0.0	94.0	98.4
5. Mexico	2006	26,635	67	1,606	12.6	11.2	0.0	17.3	33.4

Source: WTO

Table 3: SA's Tariff and Trade Profile

Part A.1 Tariffs and imports: Summary and duty ranges

Summary		Total	Ag	Non-Ag	WTO member since		1995
Simple average final bound		19.1	40.8	15.7	Binding coverage:	Total	96.6
Simple average MFN applied	2007	7.8	9.2	7.6		Non-Ag	96.1
Trade weighted average	2006	6.4	9.6	6.3	Ag: Tariff quotas (in %)		10.2
Imports in billion US$	2006	57.9	3.1	54.8	Ag: Special safeguards (in %)		38.7

Frequency distribution		Duty-free	0 <= 5	5 <= 10	10 <= 15	15 <= 25	25 <= 50	50 <= 100	> 100	NAV
		Tariff lines and import values (in %)								in %
Agricultural products										
Final bound		23.0	2.4	1.8	1.5	9.8	35.7	22.2	3.3	0
MFN applied	2007	45.0	10.7	12.3	7.0	16.4	8.4	0.2	0	14.3
Imports	2006	33.2	16.8	22.0	2.2	12.6	13.2	0.0	0.0	22.4
Non-agricultural products										
Final bound		13.6	5.4	21.5	20.9	19.7	15.0	0	0	0
MFN applied	2007	61.8	2.3	6.6	8.9	12.9	7.5	0	0.0	0.4
Imports	2006	69.9	4.4	3.2	3.2	7.2	12.0	0	0.0	3.8

Part A.2 Tariffs and imports by product groups

Product groups	Final bound duties				MFN applied duties			Imports	
	AVG	Duty-free	Max	Binding	AVG	Duty-free	Max	Share	Duty-free
		in %		in %		in %		in %	in %
Animal products	43.6	21.0	160	100	13.1	53.0	*40*	0.6	36.6
Dairy products	92.2	0	96	100	16.9	20.0	*34*	0.1	4.0
Fruit, vegetables, plants	26.4	22.1	99	100	9.8	34.1	*99*	0.4	35.2

Coffee, tea	67.3	20.8	170	100	8.3	45.8	*33*	0.3	39.9
Cereals & preparations	49.7	5.2	597	100	9.9	34.8	*99*	1.4	49.7
Oilseeds, fats & oils	47.6	6.1	81	100	7.9	18.1	20	1.1	6.4
Sugars and confectionery	73.4	0	105	100	3.9	87.5	37	0.2	39.8
Beverages & tobacco	119.2	5.0	597	100	18.9	11.6	45	0.7	11.8
Cotton	60.0	0	60	100	5.3	66.7	*19*	0.1	2.3
Other agricultural products	11.9	56.0	72	98.7	2.0	86.4	25	0.5	83.9
Fish & fish products	24.7	33.3	37	2.8	4.6	76.0	30	0.2	58.7
Minerals & metals	11.8	16.0	30	95.9	3.8	71.9	30	10.7	79.2
Petroleum	-	-	-	0	0.8	66.7	15	20.4	85.5
Chemicals	12.3	7.1	37	99.6	2.9	78.7	22	11.2	75.8
Wood, paper, etc.	10.9	12.1	30	100	6.5	56.6	30	3.1	60.0
Textiles	22.2	4.0	30	99.2	18.1	12.8	> *1000*	2.2	14.8
Clothing	45.0	0	45	100	37.9	2.1	40	1.7	0.1
Leather, footwear, etc.	20.9	0	30	97.9	13.3	35.3	43	2.6	21.7
Non-electrical machinery	9.2	39.9	30	100	1.5	90.2	30	18.9	94.3
Electrical machinery	17.4	5.4	30	99.6	5.3	62.1	25	5.1	56.4
Transport equipment	18.4	17.2	50	100	6.1	66.8	30	13.5	26.5
Manufactures, n.e.s.	12.7	25.0	30	96.1	3.8	78.4	30	4.8	92.5

Part B Exports to major trading partners and duties faced

Major markets	Bilateral imports		Diversification		MFN AVG of traded TL		Pref. margin	Duty-free imports	
		in million	95% trade in no. of					TL	Value
		US$	HS 2-digit	HS 6-digit	Simple	Weighted	Weighted	in %	in %
Agricultural products									
1. European Communities	2006	2,129	15	65	11.2	10.2	2.4	45.2	24.2
2. Namibia	2006	380	22	187	9.6	14.2	14.2	100.0	100.0
3. Swaziland	2005	286	26	191	9.4	11.3	11.3	100.0	100.0
4. United States	2006	283	12	36	4.6	3.1	3.1	94.9	99.4

5. Japan	2006	203	7	22	10.2	85.7	0.3	50.5	12.6
Non-agricultural products									
1. European Communities	2006	19,209	44	263	3.7	1.2	1.2	100.0	100.0
2. United States	2006	7,069	39	150	2.6	0.9	0.8	95.4	99.4
3. Japan	2006	6,418	10	19	2.3	0.4	0.2	80.3	90.7
4. China	2006	3,518	18	64	7.6	2.3	0.0	14.8	54.6
5. India	2006	2,459	15	50	15.2	15.2	0.0	4.3	0.1

Source: WTO

Table 4: Top Export Items from Botswana to EU			
Code	**Commodity Names at 6 Digit level**	**Trade Value**	**% Share of each commodity Exported to EU in Total Exports to EU**
Total		$1,209,180,493	100
710231	Diamonds, non-industrial, unworked/simply sawn/cleaved/bruted	$1,064,377,254	88.02
710239	Diamonds, non-industrial other than unworked/simply sawn/cleaved/bruted	$42,672,650	3.53
20130	Meat of bovine animals, fresh/chilled, boneless	$39,243,593	3.25
260400	Nickel ores & concentrates	$18,929,746	1.57
20230	Meat of bovine animals, frozen, boneless	$17,522,376	1.45

Table 5: Top Export Items from Mozambique to EU			
Code	Commodity List at 6 Digit level	Trade Value	% Share of each commodity Exported to EU in Total Exports to EU
TOTAL		$1,912,021,638	
760110	Aluminium, not alloyed, unwrought	$1,516,854,774	79.33
240120	Tobacco, partly/wholly stemmed/stripped	$95,751,578	5.01
760120	Aluminium alloys, unwrought	$87,360,291	4.57
30613	Shrimps & prawns, whether/not in shell, frozen	$83,279,831	4.36
170111	Cane sugar, raw, in solid form, not containing added flavouring/colouring matter	$55,978,075	2.93
251611	Granite, crude/roughly trimmed	$25,876,480	1.35

Table 6:Top Export Items from Namibia to EU			
Code	**Commodity List at 6 Digit level**	**Trade Value**	**% Share of each commodity Exported to EU in Total Exports to EU**
TOTAL		$1,316,985,345	
710231	Diamonds, non-industrial, unworked/simply sawn/cleaved/bruted	$348,392,474	26.45
790111	Zinc, not alloyed, unwrought, containing by weight 99.99%/more of zinc	$336,929,286	25.58
30429	Fish fillets&other fish meat (excl. of 0304.21-0304.92, whether/not minced), frozen fillets	$191,905,835	14.57
740200	Unrefined copper; copper anodes for electrolytic refining	$79,870,600	6.06
284410	Natural uranium & its comps.; alloys, dispersions (incl. cermets), ceramic products & mixtures containing natural uranium/natural uranium comps.	$53,556,219	4.07
30379	Fish (excl. of 0303.71 - 0303.78),n.e.s., frozen (excl. fillets/other fish meat of 03.04/livers & roes)	$33,299,875	2.53
20130	Meat of bovine animals, fresh/chilled, boneless	$33,264,915	2.53
80610	Grapes, fresh	$30,002,932	2.28
30269	Fish,n.e.s. in 03.02, fresh/chilled(excl. fillets/other fish meat of 03.04/livers & roes).	$27,554,417	2.09

790112	Zinc, not alloyed, unwrought, containing by weight <99.99% of zinc	$27,523,573	2.09
252922	Fluorspar, containing by weight >97% of calcium fluoride	$25,133,631	1.91
30499	Fish fillets&other fish meat (excl. of 0304.11-0304.29, whether/not minced),n.e.s.	$24,177,799	1.84
30378	Hake (Merluccius spp., Urophycis spp.), frozen (excl. fillets/other fish meat of 03.04/livers & roes)	$19,818,691	1.50

Table 7: Top Export Items from Swaziland to EU			
Code	**Commodity List at 6 Digit level**	**Trade Value**	**% Share of each commodity Exported to EU in Total Exports to EU**
TOTAL		$216,405,844	
170111	Cane sugar, raw, in solid form, not containing added flavouring/colouring matter	$87,037,985	40.22
293729	Steroidal hormones, their derivatives & structural analogues (excl. of 2937.21-2937.23)	$47,521,192	21.96
80510	Oranges, fresh/dried	$17,937,377	8.29
220710	Undenatured ethyl alcohol of an alcoholic strength by volume of 80% vol.	$17,270,593	7.98
80540	Grapefruit, fresh/dried	$9,318,360	4.31
170199	Cane/beet sugar & chemically pure sucrose, in solid form, not containing added flavouring/colouring matter	$7,905,131	3.65
200830	Citrus fruit, prepared/preserved, whether/not containing added sugar/other sweetening matter/spirit, n.e.s.	$7,715,076	3.57

200820	Pineapples, prepared/preserved, whether/not containing added sugar/other sweetening matter/spirit, n.e.s	$5,626,845	2.60
470311	Chemical wood pulp, soda/sulphate, other than dissolving grades, unbleached, coniferous	$3,475,377	1.61
540262	Yarn other than sewing thread, mult./cab., of polyesters, not put up for retail sale	$2,781,111	1.29

Table 8: Top Export Items from Lesotho to EU			
Code	**Commodity List at 6 Digit level**	**Trade Value**	**% Share of each commodity Exported to EU in Total Exports to EU**
TOTAL		$169,421,353	
710231	Diamonds, non-industrial, unworked/simply sawn/cleaved/bruted	$160,964,895	95.01
710210	Diamonds, unsorted	$5,039,297	2.97

Table 9: SA's Major Trade Items with EU			
SA's top Export Items to EU			
Code	**Commodity Names at 2 Digit level**	**Trade Value**	**% Share of each commodity Exported to EU in Total Exports from SA to EU**
TOTAL		$28,694,778,628	100
71	Diamonds, non-industrial, unworked/simply sawn/cleaved/bruted	$8,585,604,078	29.92
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	$3,608,741,430	12.58
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	$3,235,843,487	11.28
72	Iron and steel	$2,576,402,475	8.98
26	Ores, slag and ash	$1,874,335,118	6.53
8	Edible fruit and nuts; peel of citrus fruit or melons	$1,566,653,936	5.46
87	Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof	$991,283,859	3.45
76	Aluminum and articles thereof	$616,614,804	2.15

22	Beverages, spirits and vinegar	$609,766,226	2.13
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	$479,332,018	1.67
94	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included; illuminated signs, illuminated name-plates and the like; prefabricated buildings	$388,253,540	1.35
3	Fish and crustaceans, molluscs and other acquatic invertebrates	$303,914,700	1.06
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes	$286,486,761	1

SA's Top Import Items from EU

Code	Commodity Names at 2 Digit Level	Trade Value	% Share of each commodity Imported from EU in Total Imports from EU
TOTAL		$28,095,371,452	100

84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	$6,951,425,137	24.74
87	Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof	$5,265,189,532	18.74
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	$3,716,271,817	13.23
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	$1,035,304,789	3.68
30	Pharmaceutical products	$1,034,105,388	3.68
39	Plastics and articles thereof	$884,340,083	3.15
71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals cladwith precious metal, and articles thereof; imitation jewellery; coin	$761,018,434	2.71

27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	$591,967,643	2.11
48	Paper and paperboard; articles of paper pulp, of paper or of paperboard	$552,620,154	1.97
38	Miscellaneous chemical products	$546,629,708	1.95
73	Articles of iron or steel	$474,426,562	1.69
72	Iron and steel	$443,019,947	1.58
22	Beverages, spirits and vinegar	$400,244,782	1.42
29	Organic chemicals	$389,681,473	1.39
88	Aircraft, spacecraft, and parts thereof	$326,859,295	1.16
40	Rubber and articles thereof	$304,556,061	1.08
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes	$292,712,493	1.04

Table 10: Top Imports Items from EU to Botswana			
Code	Commodity List at 6 Digit level	Trade Value	% Share of each commodity Imported from EU to Total Imports from EU
TOTAL		$222,220,385	100
710231	Diamonds, non-industrial, unworked/simply sawn/cleaved/bruted	$52,180,291	23.48
842952	Self-propelled mechanical shovels & excavators with a 360¦ revolving superstructure	$17,450,108	7.85
300490	Medicaments (excluding goods of heading 30.02/30.05/30.06/3004.10-3004.50) consisting of mixed/unmixed products for therapeutic/prophylactic uses, put up in measured doses (including those in the form of transdermal administration systems)/in forms/packings for retail sale	$16,893,890	7.60
847410	Sorting/screening/separating/washing machines for earth/stone/ores/other mineral substance, in solid (incl. powder/paste) form	$11,952,343	5.38

851770	Parts of telephone sets, incl. telephones for cellular networks/for other wireless networks; other apparatus for the transmission/reception of voice, images/other data, incl. apparatus for communication in a wired/wireless network (such as a local/wide ar	$7,275,935	3.27
999999	Commodities not specified according to kind	$5,783,574	2.60
851762	Machines for the reception, conversion & transmission/regeneration of voice, images/other data, incl. switching & routing apparatus	$4,670,973	2.10
847490	Parts of the machinery of 84.74	$3,962,373	1.78
851761	Base stations for transmission/reception of voice, images/other data, incl. apparatus for communication in a wired/wireless network (such as a local/wide area network)	$3,731,206	1.68
847150	Processing units other than those of sub-heading 8471.41/8471.49, whether/not containing in the same housing one/two of the following types of unit : storage units, input units, output units	$3,211,073	1.44
392690	Articles of plastics&articles of other materials of headings 39.01 to 39.14, n.e.s. in Ch 39	$3,119,193	1.40

853690	Electrical apparatus for switching/protecting electrical circuits,/for making connections to/in electrical circuits, n.e.s. in 85.36, for a voltage not >1000V	$2,983,680	1.34
847310	Parts & accessories (excl. covers, carrying cases & the like) suit. for use solely/principally with the machines of 84.69	$2,923,493	1.32
741999	Other articles of copper, other than chain & parts thereof/cast, moulded, stamped/forged, but not further worked	$2,902,561	1.31
844313	Other offset printing machinery	$2,631,343	1.18
853890	Parts suit. for use solely/principally with the apparatus of 85.35/85.36/85.37 (excl. of 8538.10)	$2,353,495	1.06
854449	Other electric conductors, for a voltage not > 1,000 V, not fitted with	$2,312,976	1.04
842129	Filtering/purifying machinery & apparatus for liquids (excl. of 8421.21-8421.23)	$2,280,817	1.03

Table 11: Top Imports Items from EU to Lesotho			
Code	Commodity List at 6 Digit level	Trade Value	% Share of each commodity Imported from EU to Total Imports from EU
TOTAL		$17,243,921	100
300490	Medicaments (excluding goods of heading 30.02/30.05/30.06/3004.10-3004.50) consisting of mixed/unmixed products for therapeutic/prophylactic uses, put up in measured doses (including those in the form of transdermal administration systems)/in forms/packings for retail sale	$1,657,961	9.61
901890	Instruments & appliances used in medical/surgical/veterinary sciences, incl. other electro-medical apparatus & sight-testing instr., n.e.s. in 90.18	$1,424,639	8.26

Table 12:Top Imports Items from EU to Mozambique			
Code	**Commodity List at 4 Digit level**	**Trade Value**	**% Share of each commodity Imported from EU to Total Imports from EU**
TOTAL		$353,765,107	100
7302	Railway or tramway track construction material of iron or steel, the following : rails, check-rails and rack rails, switch blades, crossing frogs, point rods and other crossing pieces, sleepers (cross-ties), fish-plates, chairs, chair wedges, sole plates	$26,410,660	7.47
8517	Telephone sets, including telephones for cellular networks or for other wireless networks; other apparatus for the transmission or reception of voice, images or other data, including apparatus for communication in a wired or wireless network	$21,367,982	6.04
8545	Carbon electrodes, carbon brushes, lamp carbons, battery carbons and other articles of graphite or other carbon, with or without metal, of a kind used for electrical purposes.	$18,717,589	5.29
4901	Printed books, brochures, leaflets and similar printed matter, whether or not in single sheets.	$15,753,207	4.45

3004	Medicaments (excluding goods of heading 30.02, 30.05 or 30.06) consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses (including those in the form of transdermal administration systems) or in forms or packin	$11,529,196	3.26
9999	Commodities not specified according to kind	$8,497,613	2.40
8473	Parts and accessories (other than covers, carrying cases and the like) suitable for use solely or principally with machines of headings 84.69 to 84.72.	$7,134,300	2.02
8544	Insulated (including enamelled or anodised) wire, cable (including co-axial cable) and other insulated electric conductors, whether or not fitted with connectors; optical fibre cables, made up of individually sheathed fibres, whether or not assembled with	$6,992,020	1.98
8464	Machine-tools for working stone, ceramics, concrete, asbestos-cement or like mineral materials or for cold working glass.	$6,778,202	1.92
6309	Worn clothing and other worn articles.	$6,463,638	1.83

2204	Wine of fresh grapes, including fortified wines; grape must other than that of heading 20.09.	$5,619,717	1.59
8504	Electrical transformers, static converters (for example, rectifiers) and inductors.	$5,365,779	1.52
1107	Malt, whether or not roasted.	$5,110,386	1.44
8438	Machinery, not specified or included elsewhere in this Chapter, for the industrial preparation or manufacture of food or drink, other than machinery for the extraction or preparation of animal or fixed vegetable fats or oils.	$5,045,422	1.43
8703	Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 87.02), including station wagons and racing cars.	$5,015,089	1.42
9018	Instruments and appliances used in medical, surgical, dental or veterinary sciences, including scintigraphic apparatus, other electro-medical apparatus and sight-testing instruments.	$4,258,463	1.20

8471	Automatic data processing machines and units thereof; magnetic or optical readers, machines for transcribing data onto data media in coded form and machines for processing such data, not elsewhere specified or included.	$4,240,715	1.20
8430	Other moving, grading, levelling, scraping, excavating, tamping, compacting, extracting or boring machinery, for earth, minerals or ores; pile-drivers and pile-extractors; snow-ploughs and snow-blowers.	$4,116,196	1.16
6902	Refractory bricks, blocks, tiles and similar refractory ceramic constructional goods, other than those of siliceous fossil meals or similar siliceous earths.	$4,101,249	1.16
8431	Parts suitable for use solely or principally with the machinery of headings 84.25 to 84.30.	$3,678,019	1.04

Table 13: Top Imports Items from EU to Namibia			
Code	Commodity List at 4 Digit level	Trade Value	% Share of each commodity Imported from EU to Total Imports from EU
TOTAL		$258,564,799	100
2603	Copper ores and concentrates	$22,815,365	8.82
9999	Commodities not specified according to kind	$20,196,238	7.81
9018	Instruments and appliances used in medical, surgical, dental or veterinary sciences, including scintigraphic apparatus, other electro-medical apparatus and sight-testing instruments.	$12,865,346	4.98
8517	Telephone sets, including telephones for cellular networks or for other wireless networks; other apparatus for the transmission or reception of voice, images or other data, including apparatus for communication in a wired or wireless network	$12,351,622	4.78
7102	Diamonds, whether or not worked, but not mounted or set.	$12,151,036	4.70
1107	Malt, whether or not roasted.	$11,273,336	4.36

2710	Petroleum oils and oils obtained from bituminous minerals, other than crude; preparations not elsewhere specified or included, containing by weight 70 % or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic con	$9,830,551	3.80
8429	Self-propelled bulldozers, angledozers, graders, levellers, scrapers, mechanical shovels, excavators, shovel loaders, tamping machines and road rollers.	$7,542,542	2.92
8529	Parts suitable for use solely or principally with the apparatus of headings 85.25 to 85.28.	$6,126,426	2.37
2503	Sulphur of all kinds, other than sublimed sulphur, precipitated sulphur and colloidal sulphur.	$5,616,313	2.17
8409	Parts suitable for use solely or principally with the engines of heading 84.07 or 84.08.	$5,209,842	2.01
8426	Ships' derricks; cranes, including cable cranes; mobile lifting frames, straddle carriers and works trucks fitted with a crane.	$4,780,078	1.85
8902	Fishing vessels; factory ships and other vessels for processing or preserving fishery products.	$4,658,153	1.80

8430	Other moving, grading, levelling, scraping, excavating, tamping, compacting, extracting or boring machinery, for earth, minerals or ores; pile-drivers and pile-extractors; snow-ploughs and snow-blowers.	$3,581,761	1.39
9027	Instruments and apparatus for physical or chemical analysis (for example, polarimeters, refractometers, spectrometers, gas or smoke analysis apparatus); instruments and apparatus for measuring or checking viscosity, porosity, expansion, surface tension or	$3,133,221	1.21
8704	Motor vehicles for the transport of goods.	$3,088,132	1.19
8471	Automatic data processing machines and units thereof; magnetic or optical readers, machines for transcribing data onto data media in coded form and machines for processing such data, not elsewhere specified or included.	$3,063,577	1.18
2836	Hydrogen chloride (hydrochloric acid); chlorosulphuric acid.	$3,032,351	1.17

8438	Machinery, not specified or included elsewhere in this Chapter, for the industrial preparation or manufacture of food or drink, other than machinery for the extraction or preparation of animal or fixed vegetable fats or oils.	$2,691,132	1.04

Table 14: Top Imports Items from EU to Swaziland			
Code	Commodity List at 6 Digit level	Trade Value	% Share of each commodity Imported from EU to Total Imports from EU
TOTAL		$38,205,103	100
330210	Mixtures of odoriferous substances and mixtures (including alcoholic solutions) with a basis of one or more of these substances, of a kind used as raw materials in industry; other preparations based on odoriferous substances, of a kind used for the manufa	$6,169,717	16.15
960720	Parts of the slide fasteners of 9697.11 & 9607.19	$3,359,639	8.79
300490	Medicaments (excluding goods of heading 30.02/30.05/30.06/3004.10-3004.50) consisting of mixed/unmixed products for therapeutic/prophylactic uses, put up in measured doses (including those in the form of transdermal administration systems)/in forms/packings for retail sale	$3,254,775	8.52
841430	Compressors of a kind used in refrigerating equip.	$1,317,511	3.45

382490	Chemical products&preparations of the chemical/allied industries (including those consisting of mixtures of natural products, excl. of 3824.30 - 3824.83)	$1,260,975	3.30
110710	Malt, not roasted	$1,079,151	2.82
851761	Base stations for transmission/reception of voice, images/other data, incl. apparatus for communication in a wired/wireless network (such as a local/wide area network)	$1,076,406	2.82

Table 15: Top Imports Items from EU to SA			
Code	**Commodity List at 2 Digit Level**	**Trade Value**	**% Share of each commodity Imported from EU to Total Imports from EU**
TOTAL		$28,095,371,452	100
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	$6,951,425,137	24.74
87	Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof	$5,265,189,532	18.74
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	$3,716,271,817	13.23
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	$1,035,304,789	3.68
30	Pharmaceutical products	$1,034,105,388	3.68
39	Plastics and articles thereof	$884,340,083	3.15

71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals cladwith precious metal, and articles thereof; imitation jewellery; coin	$761,018,434	2.71
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	$591,967,643	2.11
48	Paper and paperboard; articles of paper pulp, of paper or of paperboard	$552,620,154	1.97
38	Miscellaneous chemical products	$546,629,708	1.95
73	Articles of iron or steel	$474,426,562	1.69
72	Iron and steel	$443,019,947	1.58
22	Beverages, spirits and vinegar	$400,244,782	1.42
29	Organic chemicals	$389,681,473	1.39
88	Aircraft, spacecraft, and parts thereof	$326,859,295	1.16
40	Rubber and articles thereof	$304,556,061	1.08
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes	$292,712,493	1.04

Table 16: SA's Major Trade Items with Mozambique

SA's Top Exports Items to Mozambique

Code	Commodity List at 2 Digit level	Trade Value	% Share of each commodity Exported to Mozambique to Total Exports to Mozambique
H1-TOTAL	ALL COMMODITIES	$970,795,002	100
H1-27	Mineral fuels, oils, distillation products, etc	$152,056,910	15.66
H1-84	Nuclear reactors, boilers, machinery, etc	$113,798,222	11.72
H1-99	Commodities not elsewhere specified	$105,197,877	10.84
H1-87	Vehicles other than railway, tramway	$90,758,269	9.35

H1-85	Electrical, electronic equipment	$73,841,670	7.61
H1-73	Articles of iron or steel	$48,678,313	5.01
H1-72	Iron and steel	$35,986,541	3.71
H1-20	Vegetable, fruit, nut, etc food preparations	$26,786,814	2.76
H1-39	Plastics and articles thereof	$25,785,559	2.66
H1-38	Miscellaneous chemical products	$25,365,591	2.61
H1-48	Paper & paperboard, articles of pulp, paper and board	$19,433,725	2.00
H1-40	Rubber and articles thereof	$16,006,832	1.65

H1-90	Optical, photo, technical, medical, etc apparatus	$13,584,978	1.40
H1-94	Furniture, lighting, signs, prefabricated buildings	$13,317,050	1.37
H1-34	Soaps, lubricants, waxes, candles, modelling pastes	$13,179,523	1.36
H1-07	Edible vegetables and certain roots and tubers	$10,047,168	1.03

SA's Top Imports Items from Mozambique

Code	Commodity List at 6 Digit level	Trade Value	% Share of each commodity Imported from Mozambique to Total Imports from Mozambique
TOTAL		$340,048,461	$100
271111	Natural gas, liquefied	$118,337,397	34.80

271600	Electrical energy (optional heading)	$105,649,651	31.07
271011	Light petroleum oils & preparations	$43,298,118	12.73
520100	Cotton, not carded/combed	$8,371,213	2.46
230230	Bran, sharps & other residues, whether/not in the form of pellets, derived from the sifting/milling/other working of wheat	$6,508,032	1.91
120220	Ground-nuts, not roasted/othw. cooked, shelled, whether/not broken	$3,450,359	1.01

Table 17: SA's Major Trade Items with Swaziland

SA's Top Exports Items to Swaziland

Code	Commodity List at 2 Digit level	Trade Value	% Share of each commodity Exported to Swaziland to Total Exports to Swaziland
H1-TOTAL	ALL COMMODITIES	$1,081,083,733	100
H1-27	Mineral fuels, oils, distillation products, etc	$181,934,277	16.83
H1-84	Nuclear reactors, boilers, machinery, etc	$72,868,104	6.74
H1-10	Cereals	$69,829,021	6.46
H1-85	Electrical, electronic equipment	$62,854,567	5.81

H1-87	Vehicles other than railway, tramway	$58,747,640	5.43
H1-39	Plastics and articles thereof	$46,560,170	4.31
H1-73	Articles of iron or steel	$39,700,836	3.67
H1-33	Essential oils, perfumes, cosmetics, toileteries	$28,064,907	2.6
H1-48	Paper & paperboard, articles of pulp, paper and board	$26,308,853	2.43
H1-72	Iron and steel	$22,850,156	2.11
H1-25	Salt, sulphur, earth, stone, plaster, lime and cement	$20,172,343	1.87
H1-04	Dairy products, eggs, honey, edible animal product nes	$19,037,411	1.76

H1-29	Organic chemicals	$18,856,687	1.74
H1-22	Beverages, spirits and vinegar	$18,046,564	1.67
H1-31	Fertilizers	$17,477,295	1.62
H1-94	Furniture, lighting, signs, prefabricated buildings	$17,196,321	1.59
H1-34	Soaps, lubricants, waxes, candles, modelling pastes	$16,068,663	1.49
H1-40	Rubber and articles thereof	$15,851,470	1.47
H1-23	Residues, wastes of food industry, animal fodder	$15,086,634	1.4
H1-61	Articles of apparel, accessories, knit or crochet	$15,078,237	1.39

H1-64	Footwear, gaiters and the like, parts thereof	$14,172,760	1.31
H1-21	Miscellaneous edible preparations	$13,912,306	1.29
H1-62	Articles of apparel, accessories, not knit or crochet	$13,617,683	1.26
H1-44	Wood and articles of wood, wood charcoal	$13,268,424	1.23
H1-38	Miscellaneous chemical products	$13,145,050	1.22
H1-20	Vegetable, fruit, nut, etc food preparations	$12,743,309	1.18
H1-17	Sugars and sugar confectionery	$12,102,870	1.12
H1-19	Cereal, flour, starch, milk preparations and products	$11,753,600	1.09

H1-11	Milling products, malt, starches, inulin, wheat gluten	$10,976,298	1.02

Note: SA's Top Imports Items from Swaziland is less than a million US$

Table 18: SA's Major Trade Items with Namibia

SA's Top Exports Items to Namibia

Code	Commodity List at 2 Digit level	Trade Value	% Share of each commodity Exported to Namibia to Total Exports to Namibia
H1-TOTAL	Total	$3,142,968,570	100
H1-87	Vehicles other than railway, tramway	$422,589,221	13.45
H1-27	Mineral fuels, oils, distillation products, etc	$375,176,349	11.94
H1-84	Nuclear reactors, boilers, machinery, etc	$361,853,111	11.51
H1-85	Electrical, electronic equipment	$186,078,568	5.92

H1-73	Articles of iron or steel	$139,601,201	4.44
H1-17	Sugars and sugar confectionery	$114,091,167	3.63
H1-30	Pharmaceutical products	$88,713,290	2.82
H1-39	Plastics and articles thereof	$75,327,809	2.40
H1-48	Paper & paperboard, articles of pulp, paper and board	$69,910,482	2.22
H1-61	Articles of apparel, accessories, knit or crochet	$69,284,855	2.20
H1-22	Beverages, spirits and vinegar	$59,320,744	1.89
H1-94	Furniture, lighting, signs, prefabricated buildings	$52,512,631	1.67

H1-62	Articles of apparel, accessories, not knit or crochet	$51,771,313	1.65
H1-40	Rubber and articles thereof	$49,844,556	1.59
H1-33	Essential oils, perfumes, cosmetics, toileteries	$47,475,215	1.51
H1-70	Glass and glassware	$46,587,438	1.48
H1-90	Optical, photo, technical, medical, etc apparatus	$44,528,352	1.42
H1-34	Soaps, lubricants, waxes, candles, modelling pastes	$43,561,157	1.39
H1-64	Footwear, gaiters and the like, parts thereof	$42,220,708	1.34
H1-44	Wood and articles of wood, wood charcoal	$38,696,358	1.23

H1-72	Iron and steel	$35,843,066	1.14
H1-02	Meat and edible meat offal	$35,357,376	1.12
H1-20	Vegetable, fruit, nut, etc food preparations	$35,128,735	1.12
H1-21	Miscellaneous edible preparations	$31,496,229	1.00

SA's Top Imports Items from Namibia

Code	Commodity List at 6 Digit level	Trade Value	% Share of each commodity Imported from Namibia to Total Imports from Namibia
TOTAL		$131,859,038	100
710231	Diamonds, non-industrial, unworked/simply sawn/cleaved/bruted	$131,297,922	99.57

Table 19: SA's Major Trade Items with Botswana

SA's Top Exports Items to Botswana

Code	Commodity List at 2 Digit level	Trade Value	% Share of each commodity Exported to Botsowana to Total Exports to Botsowana
H1-TOTAL	Total	$3,330,430,872	100
H1-27	Mineral fuels, oils, distillation products, etc	$614,093,683	18.44
H1-84	Nuclear reactors, boilers, machinery, etc	$369,721,578	11.1
H1-87	Vehicles other than railway, tramway	$360,727,846	10.83

H1-85	Electrical, electronic equipment	$182,491,079	5.48
H1-73	Articles of iron or steel	$171,500,465	5.15
H1-39	Plastics and articles thereof	$93,773,384	2.82
H1-30	Pharmaceutical products	$88,479,827	2.66
H1-48	Paper & paperboard, articles of pulp, paper and board	$66,868,004	2.01
H1-94	Furniture, lighting, signs, prefabricated buildings	$65,796,078	1.98
H1-10	Cereals	$63,045,551	1.89
H1-40	Rubber and articles thereof	$60,601,877	1.82

H1-72	Iron and steel	$59,009,064	1.77
H1-34	Soaps, lubricants, waxes, candles, modelling pastes	$57,123,313	1.72
H1-04	Dairy products, eggs, honey, edible animal product nes	$52,847,322	1.59
H1-33	Essential oils, perfumes, cosmetics, toileteries	$46,085,720	1.38
H1-25	Salt, sulphur, earth, stone, plaster, lime and cement	$45,899,557	1.38
H1-22	Beverages, spirits and vinegar	$42,802,140	1.29
H1-62	Articles of apparel, accessories, not knit or crochet	$42,492,844	1.28
H1-20	Vegetable, fruit, nut, etc food preparations	$42,429,589	1.27

H1-44	Wood and articles of wood, wood charcoal	$41,613,434	1.25
H1-15	Animal,vegetable fats and oils, cleavage products, etc	$36,398,226	1.09
H1-21	Miscellaneous edible preparations	$36,198,557	1.09
H1-90	Optical, photo, technical, medical, etc apparatus	$35,307,374	1.06
H1-17	Sugars and sugar confectionery	$35,201,711	1.06
H1-26	Ores, slag and ash	$34,233,851	1.03

SA's Top Imports Items from Botswana

Code	Commodity List at 6 Digit level	Trade Value	% Share of each commodity Imported from Botswana to Total Imports from Botswana

TOTAL		$218,596,242	$100
710231	Diamonds, non-industrial, unworked/simply sawn/cleaved/bruted	$218,489,137	99.95

Table 20

SA's Unit cost of Imports from the World and EU								
Commodity	**Commodity Name**	**Percentage share in 4-digit imports**	**Unit Value of Imports from World**	**Unit Value of Imports from EU**	**Ratio of Unit Value of Imports EU to World**	**Unit Value of Imports Per KG from the World**	**Unit Value of Imports Per KG from EU**	**Ratio of Unit Value of Imports per KG EU to World**
H3-901890	Instruments & appliances used in medical/surgical/veterinary sciences, incl. other electro-medical apparatus & sight-testing instr., n.e.s. in 90.18	53.93	3.42	NA	NA	NA	100.22	NA
H3-901839	Catheters, cannulae & the like	19.39	0.99	0.20	0.20	NA	153.93	NA
H3-901819	Electro-diagnostic apparatus used in medical/surgical/dental/veterinary sciences (incl.apparatusfor functional exploratory examination/for checking physiological parameters), n.e.s. in 90.18	9.55	14.43	NA	NA	226.80	272.07	1.20
H3-851780	Elect apparatus for line	19.43	265.63	NA	NA	165.69	365.21	2.20
HS-851790	Parts of line telephone/telegraph equipment, nes	17.12	142.34	224.02	1.57	142.34	224.02	1.57

H3-870323	Vehicles (excl. of 87.02 & 8703.10) principally designed for the transportof persons, with spark-ignition internal combustion reciprocating piston engine, of a cylinder capacity >1500cc but not >3000cc	42.34	13507.15	19372.82	1.43	11.03	14.15	1.28
H3-870332	Vehicles principally designed for the transportof persons (excl. of 87.02 & 8703.10-8703.24), with C-I internal combustion piston engine (diesel/semi-diesel), of a cylinder capacity >1500cc but not >2500cc	16.15	20921.56	21033.38	1.01	14.61	12.78	0.87
H3-870333	Vehicles principally designed for the transportof persons (excl. of 87.02 & 8703.10-8703.24), with C-I internal combustion piston engine (diesel/semi-diesel), of a cylinder capacity >2500cc	10.14	32230.65	35080.68	1.09	18.11	14.59	0.81
H3-870829	Parts & accessories of bodies (incl. cabs) of the motor vehicles of 87.01-87.05, n.e.s. in 87.08	25.16	8.13	8.01	0.99	8.13	8.01	0.99
H3-870899	Other parts & accessories for the motor vehicles of 87.01-87.05, exclud. 8708.91/92/93/94/95.	24.86	2.73	8.24	3.01	2.73	8.24	3.01
H3-870840	Gear boxes & parts thereof, of the motor vehicles of headings 87.01 to 87.05.	13.87	9.42	18.61	1.98	9.42	18.61	1.98

Table 21

Rules Of Origin and Cumulation in the SADC EPA, SADC, TDCA and GSP Agreements

Preferential Trade Arrangements	**Concept of Originating Products**	**Rules of Cumulation of Origin**
TDCA	Products wholly obtained in the European Community (EC) shall be considered as originating in the EC and products wholly obtained in the South Africa (SA) shall be considered as originating in the SA if the product falls within the meaning of Article 4 of TDCA Protocol 1 on RoW. Products obtained in the EC incorporating materials which have not been wholly obtained there, provided that such materials have undergone sufficient working or processing in the EC shall be considered as originating in the EC and products obtained in the SA incorporating materials which have not been wholly obtained there, provided that such materials have undergone sufficient working or processing in the SA shall be considered as originating in the SA within the meaning of Article 5[2] of this Protocol;	Bilateral Cumulation: Materials originating in the EC shall be considered as materials originating in South Africa when incorporated into a product obtained there and vice versa. It shall not be necessary that such materials have undergone sufficient working or processing (Article 5), provided they have undergone working or processing going beyond that referred to in Article 6[3] of this Protocol. Cumulation with ACP States: I. Subject to the provisions of paragraphs 5 and 6, materials originating in an ACP State shall be considered as originating in the Community or South Africa when corporated into a product obtained there. It shall not be necessary that such

[2] Total non-originating value does not exceed 15 per cent of the ex-works price of the product, except for products falling within Chapters 3 (Fish, crustaceans, molluscs, aquatic invertebrates nes) and 24 (Tobacco and manufactured tobacco substitutes) and HS Headings 1604 (Prepared or preserved fish, fish eggs, caviar), 1605 (Crustaceans, molluscs, etc, prepared or preserved), 2207 (Ethyl alcohol, undenatured and > 80%, or denatured) and 2208 (Liqueur, spirits and undenatured ethyl alcohol <80%) where the total value of the non-originating materials does not exceed 10 per cent of the ex-works price of the product.

[3] Insufficient working or processing operation where products are undergone a changes in packaging, labeling, assembling, screening, sorting, washing, painting, cutting up etc.

		materials have undergone sufficient working or processing. II. Any working or processing carried out within SACU shall be considered as having been carried out in South Africa, when further worked or processed there.
SADC	a) Goods shall be accepted as originating in a Member State if they have been wholly produced as provided for in Rule 4[4] of the Annex 1 of SADC Protocol on Trade. b) Goods have been produced in the Member States wholly or partially from materials imported from outside the Member States or of undetermined origin by a process of production which effects a substantial transformation of those materials such that: (i) the c.i.f. value of those materials does not exceed 60 per cent of the total cost of the materials used in the production of the goods; or (ii) the value added resulting from the process of production accounts for at least 35 per cent of the ex-factory cost of the goods; or c) Goods are undergone a change in the tariff heading of a product arising from a processing carried out on the non-originating materials.	a) Member States shall be considered as one territory. b) Raw materials or semi-finished goods originating in accordance with the provisions of this Annex 1 in any of the Member States and undergoing working or processing either in one or more States shall for the purpose of determining the origin of a finished product be deemed to have originated in the member State where the final processing or manufacturing takes place.

[4] The following are among the products which shall be regarded as wholly produced in the Member States: Mineral products extracted from the ground or sea-bed of the Member States, Vegetable products harvested within the Member States, Live animals born and raised within the Member States, Products obtained from live animals within the Member States, Marine products or sea products taken from the sea outside the territorial waters of the Community or South Africa by "their vessels" etc.

SADC-EU EPA	For the purpose of the SADC-EC EPA, the following products shall be considered as originating in the EC and SADC EPA State: if products wholly obtained in the EC and SADC EPA state respectively within the meaning of Article 5 of Protocol 1 SADC-EC EPA or products obtained in the EC and SADC EPA state respectively incorporating materials which have not been wholly obtained there, provided that such materials have undergone sufficient working or processing in the EC and SADC EPA state respectively within the meaning of Article 6[5].	Products shall be considered as originating in the Community if they are obtained there, incorporating materials originating in the SADC EPA States, in the other ACP States or in the Overseas Countries and Territories (OCTs), provided the working or processing carried out in the Community goes beyond that of the operations referred to in Article 7. It shall not be necessary for such materials to have undergone sufficient working or processing. Where the working or processing carried out in the SADC EPA State does not go beyond the operations referred to in Article 7, the product obtained shall be considered as originating in that SADC EPA State only where the value added there is greater than the value of the materials used originating in any one of the other countries or territories.
GSP	For the purposes of the provisions concerning generalised tariff preferences granted by the EC to products originating in developing countries, the following products shall be considered as originating in a beneficiary country: (a) products wholly obtained in that country within the meaning of Article 68 of Regulation No 2454/93; (b) Products obtained in that country in the manufacture of which products other than those referred to in (a) are used, provided that the said products have undergone sufficient working or processing within the meaning of Article 69 of	**Bilateral Cumulation:** Under bilateral cumulation, materials originating in the EC, within the meaning of the EC GSP RoO, and further worked or processed in a beneficiary country, are considered to originate in the beneficiary country. However the working or processing carried out there has to be more than the "insufficient working or processing". **Regional Cumulation**: This operates between the countries of one of the

[5] Total non-originating value does not exceed 15 per cent of the ex-works price of the product

	Regulation No 2454/93. Basically, the list uses one of three methods, or combinations of these methods, to lay down what amount of working or processing can be considered as "sufficient" in each case: 1) The **change of heading criterion** (also known as the change of tariff heading or tariff jump criterion). This means that a product is considered to be sufficiently worked or processed when the product obtained is classified in a 4-digit heading of the Harmonised System Nomenclature which is different from those in which all the non-originating materials used in its manufacture are classified. 2) The **value or ad valorem criterion,** where the value of non-originating materials used may not exceed a given percentage of the ex-works price of a product. 3) The **specific process criterion,** when certain operations or stages in a manufacturing process have to be carried out on any non-originating materials are used.	regional groups recognised by the EC GSP5. Materials originating in one country of the group which are further worked or processed in another beneficiary country of the same group are considered to originate in the latter country, provided that: - the value added there is greater than the highest customs value of the materials used originating in any one of the other countries of the regional group; and - the working or processing carried out there is more than “insufficient working or processing”.

Table 22:

Dependent variable: SAEXPEU							
Independent variable	**Oranges, fresh or dried**	**Grape wines, sparkling**	**Iron ore, concentrate, not iron pyrites,unagglomerate**	**Ferro-manganese, <2% carbon**	**Aluminium unwrought, not alloyed**	**Automobiles, spark ignition engine of 1500-3000 cc**	**Parts and accessories of bodies nes for motor vehicle**
EUGDP	-.0332516	.0004082	-.1481254**	.0381843	-.3004325	.0970709	.0575445**
SAGDP	.1251027	-.1925146	.1987842	-.3315223	3.283106	-9.616475*	-.9346056**
t	.0006285	-.0000208	.0014721**	-.000125	.0018261	-.0035135**	-.0005622**
DUMTDCA	-.0013029	.0001679	.0038016**	.0015633	-.0033242	.0025038	.0009625
Constant	.0138303	.0010499	.0344553**	-.0044324	.0479736	.0576763*	-.0023617
Adjusted R squared	-0.4718	-0.2633	0.9838	0.6238	0.1420	0.9246	0.9478
F statistics	F(4, 4) = 0.36	F(4, 4) = 0.58	F(4, 4) = 122.44**	F(4, 4) = 4.32*	F(4, 4) = 1.33	F(4, 4) = 25.52**	F(4, 4) = 37.31**
Number of observation	9	9	9	9	9	9	9

Note: *-- 10 percent level of significance

**-- 5 percent level of significance

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