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## Manufacturing lifts SA's exports

THE South African economy has experienced significant trade reforms in the past decade.

Not only have tariffs been cut considerably, but free trade agreements have been concluded with the European Union and the Southern African Development Community, and new trading partners have been engaged.

But have these reforms resulted in a diversification of SA's exports over the past 10 years?

Like many former colonies, a substantial portion of SA's exports traditionally went to a small number of countries, including the UK, with a narrow range of raw materials exported and manufactured goods imported. One of the key objectives of SA's trade policy in the post-1994 era has been to diversify both the country's export basket and destinations to reduce its vulnerability to volatility in key markets.

This strategy known in government circles as the butterfly, because of the increased emphasis on North and South America, south and east Asia plus Australasia (representing the butterfly's wings) and Africa (representing the body) has been actively pursued for the past few years.

However, changes in a country's trade strategy often require significant lead times before a clear impact is discernible. So it is not altogether surprising that SA's trade profile has changed only moderately as a result of government's new trade strategy.

Nonetheless, SA's trading profile has become less concentrated, with the top 10 export products in 2000 to 2002 contributing about 70% of total exports, compared to 75% in 1993 to 1995.

Perhaps most promisingly of all, manufactured exports such as machinery and parts, and vehicles and parts, have doubled and tripled their respective shares of the country's exports.

Country destinations for SA's nonmonetary gold exports remain concentrated. The top 10 markets for exports accounted for 61% of total exports in 1993 to 1995. The top three destinations the UK, US and Switzerland each had a share of 7%, followed by Germany with 6%.

Hanival is executive director of Trade and Industrial Policy Strategies (TIPS) and Van Seventer is the senior economist at TIPS.

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