Contribution to Trade Policy Review

Overview of Africa and SADC Trade
2006-2008

June 2009

Australian Government
AusAID
Contribution to Trade Policy review

Overview of trade 2006-2008

Institution: Trade & Industrial Policy Strategies (TIPS)

Date: 18 June 2009
1. Trade trends – Focus on Africa

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

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

<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Value (R mil)</td>
<td>Share (%)</td>
<td>Value (R mil)</td>
<td>Share (%)</td>
<td></td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>1031</td>
<td>41%</td>
<td>Nigeria</td>
<td>9286</td>
<td>29%</td>
</tr>
<tr>
<td>Democratic Republic of the Congo (DRC)</td>
<td>360</td>
<td>14%</td>
<td>Zimbabwe</td>
<td>4633</td>
<td>14%</td>
</tr>
<tr>
<td>South Africa*</td>
<td>270</td>
<td>11%</td>
<td>South Africa*</td>
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<td>8%</td>
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<tr>
<td>Côte d'Ivoire</td>
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<td>5%</td>
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<td>Botswana</td>
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<tr>
<td>Egypt</td>
<td>91</td>
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<td>Gabon</td>
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</tr>
<tr>
<td>Togo</td>
<td>62</td>
<td>2%</td>
<td>Liberia</td>
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<tr>
<td>Kenya</td>
<td>29</td>
<td>1%</td>
<td>Namibia</td>
<td>911</td>
<td>3%</td>
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<table>
<thead>
<tr>
<th>Country</th>
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<th>Country</th>
<th>2008</th>
<th></th>
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<tr>
<td></td>
<td>Value (R mil)</td>
<td>Share (%)</td>
<td>Value (R mil)</td>
<td>Share (%)</td>
<td></td>
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<tr>
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<td>29%</td>
<td>Annola</td>
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<td>11585</td>
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<tr>
<td>Zimbabwe</td>
<td>6034</td>
<td>14%</td>
<td>Zimbabwe</td>
<td>6306</td>
<td>10%</td>
</tr>
<tr>
<td>South Africa*</td>
<td>3478</td>
<td>8%</td>
<td>South Africa*</td>
<td>3795</td>
<td>6%</td>
</tr>
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<td>6%</td>
<td>Mozambique</td>
<td>3306</td>
<td>5%</td>
</tr>
<tr>
<td>Mozambique</td>
<td>2389</td>
<td>6%</td>
<td>Zambia</td>
<td>2388</td>
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<tr>
<td>Botswana</td>
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<td>Botswana</td>
<td>1368</td>
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<td>Namibia</td>
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<td>Mauritius</td>
<td>437</td>
<td>1%</td>
<td>Namibia</td>
<td>676</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: Quantec

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

Whereas in 1994 Zimbabwe clearly dominated as South Africa’s (SA) most important source of imports from the African continent, by 2006 imports from oil producers Angola and Nigeria had gained dominance. Imports from Zimbabwe today account for around 10% of SA imports from Africa, and whilst in 1994 SA seemed to have a more diverse source of African import partners, today almost all seem to be in close geographical proximity, such as Zimbabwe. With regards to composition, imports from Zimbabwe have become more concentrated and dominated by metals, not as in the past by cotton, wood and tobacco. Today, imports of HS75: Nickel and articles thereof and HS26: Ores, slag and ash account for 77% of total SA imports from
Zimbabwe. In the case of Mozambique too, the import basket has become less diversified since 1994, moving away from products such as cotton, fish, oil seed and grain, as well as rubber. Imports from Angola, Nigeria, Mozambique and Egypt are at present entirely dominated by imports of HS27: Mineral fuels, oils, distillation products, etc, accounting for between 80% and 98% of total imports from these countries. Close SACU neighbours, Namibia and Botswana, have become key import partners compared to 1994. Today these countries feature among the top 10 import sources in Africa, although the import basket is concentrated almost entirely on imports of HS71: Pearls, precious stones, metals, coins, etc.

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

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

<table>
<thead>
<tr>
<th>Country</th>
<th>1994 Value (R mil)</th>
<th>1994 Share (%)</th>
<th>Country</th>
<th>2006 Value (R mil)</th>
<th>2006 Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zimbabwe</td>
<td>2355</td>
<td>27%</td>
<td>Zambia</td>
<td>7269</td>
<td>15%</td>
</tr>
<tr>
<td>Mozambique</td>
<td>1696</td>
<td>19%</td>
<td>Zimbabwe</td>
<td>6951</td>
<td>14%</td>
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<tr>
<td>Zambia</td>
<td>910</td>
<td>10%</td>
<td>Mozambique</td>
<td>6025</td>
<td>12%</td>
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<tr>
<td>Kenya</td>
<td>706</td>
<td>8%</td>
<td>Angola</td>
<td>3917</td>
<td>8%</td>
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<tr>
<td>Mauritius</td>
<td>697</td>
<td>8%</td>
<td>Nigeria</td>
<td>3845</td>
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<tr>
<td>Malawi</td>
<td>628</td>
<td>7%</td>
<td>Kenya</td>
<td>3060</td>
<td>6%</td>
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<tr>
<td>United Republic of Tanzania (Tanzania)</td>
<td>318</td>
<td>4%</td>
<td>Tanzania</td>
<td>2597</td>
<td>5%</td>
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<tr>
<td>Democratic Republic of the Congo (DRC)</td>
<td>299</td>
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<td>DRC</td>
<td>2450</td>
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<tr>
<td>Angola</td>
<td>298</td>
<td>3%</td>
<td>Mauritius</td>
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<td>Réunion</td>
<td>151</td>
<td>2%</td>
<td>Ghana</td>
<td>1623</td>
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</table>

<table>
<thead>
<tr>
<th>Country</th>
<th>2007 Value (R mil)</th>
<th>2007 Share (%)</th>
<th>Country</th>
<th>2008 Value (R mil)</th>
<th>2008 Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zambia</td>
<td>9283</td>
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<td>Zambia</td>
<td>15411</td>
<td>16%</td>
</tr>
<tr>
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<td>8670</td>
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<td>Zimbabwe</td>
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<tr>
<td>Zimbabwe</td>
<td>7964</td>
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<td>13026</td>
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</tr>
<tr>
<td>Angola</td>
<td>4947</td>
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<td>DRC</td>
<td>8005</td>
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<tr>
<td>Nigeria</td>
<td>4559</td>
<td>7%</td>
<td>Nigeria</td>
<td>7086</td>
<td>7%</td>
</tr>
<tr>
<td>Kenya</td>
<td>4367</td>
<td>7%</td>
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<td>6730</td>
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</tr>
<tr>
<td>Democratic Republic of the Congo (DRC)</td>
<td>4357</td>
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<td>Kenya</td>
<td>5683</td>
<td>6%</td>
</tr>
<tr>
<td>United Republic of Tanzania (Tanzania)</td>
<td>2604</td>
<td>4%</td>
<td>Tanzania</td>
<td>3926</td>
<td>4%</td>
</tr>
<tr>
<td>Ghana</td>
<td>2176</td>
<td>3%</td>
<td>Malawi</td>
<td>3585</td>
<td>4%</td>
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<tr>
<td>Malawi</td>
<td>2026</td>
<td>3%</td>
<td>Ghana</td>
<td>3066</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: Quantec

Whilst South African imports from Africa appear to be concentrated around a few key partners, on the export side it would seem there are a more diverse range of destinations. This has become even more apparent if one compares the situation to 1994.
Zambia appears to have eclipsed Zimbabwe as the most important export partner, but in overall terms the top 3 receivers of South African exports have remained the same since 1994. Zambia, however, is the only one who has increased its share since 1994, with both Zimbabwe and Mozambique seeing declining shares. Again comparing the trade situation to that of 1994 it is apparent that whilst most export destinations remain the same, Nigeria and Ghana have gained significance, with the Indian Ocean Islands of Réunion and Mauritius no longer featuring in the top 10.

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

1.3 Top Individual Import Partners – By Growth

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>32,112</td>
<td>44,359</td>
<td>62,195</td>
<td>39.17</td>
</tr>
<tr>
<td>Angola</td>
<td>2,486</td>
<td>11,585</td>
<td>22,350</td>
<td>199.83</td>
</tr>
<tr>
<td>Nigeria</td>
<td>9,286</td>
<td>12,480</td>
<td>15,744</td>
<td>30.21</td>
</tr>
<tr>
<td>South Africa*</td>
<td>2,689</td>
<td>3,478</td>
<td>3,795</td>
<td>18.80</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>4,633</td>
<td>6,034</td>
<td>6,306</td>
<td>16.66</td>
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<tr>
<td>Zambia</td>
<td>1,842</td>
<td>2,490</td>
<td>2,388</td>
<td>13.85</td>
</tr>
</tbody>
</table>

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

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

Angola is clearly South Africa’s fastest growing source of imports from Africa. Again, this is predominantly of HS27: Mineral fuels, oils, distillation products, etc. A similar situation is evident in the case of Nigeria, which is currently South Africa’s second fastest growing source of imports from the continent. Some growth in the imports of HS71: Pearls, precious stones, metals, coins, etc from Angola is evident over the period, though this is off a low base. For Nigeria, robust growth has been recorded in South Africa’s imports of HS85: Electrical, electronic equipment. For the other countries significant growth markets appear to still be at low levels of trade, including HS24: Tobacco and manufactured tobacco substitutes for Zimbabwe and H26: Ores, slag and ash and HS85: Electrical, electronic equipment for Zambia. HS26: Ores, slag and ash, a key import from Zimbabwe is also growing
at a healthy rate, however. Similarly, for Zambia, imports of HS74: Copper and articles thereof, which accounts for the greatest share of total SA imports from Zambia, have grown steadily over the period.

### 1.4 Top Individual Export Partners – By Growth

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

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Africa</td>
<td>49,957</td>
<td>64,213</td>
<td>98,713</td>
<td>40.57</td>
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<tr>
<td>Democratic Republic of the Congo</td>
<td>2,450</td>
<td>4,357</td>
<td>8,005</td>
<td>80.77</td>
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<td>1,591</td>
<td>2,026</td>
<td>3,585</td>
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<td>Mozambique</td>
<td>6,025</td>
<td>8,670</td>
<td>13,026</td>
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<td>Zambia</td>
<td>7,269</td>
<td>9,283</td>
<td>15,411</td>
<td>45.60</td>
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<tr>
<td>Zimbabwe</td>
<td>6,951</td>
<td>7,964</td>
<td>13,547</td>
<td>39.61</td>
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<tr>
<td>Ghana</td>
<td>1,623</td>
<td>2,176</td>
<td>3,066</td>
<td>37.44</td>
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<tr>
<td>Kenya</td>
<td>3,060</td>
<td>4,367</td>
<td>5,683</td>
<td>36.28</td>
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<tr>
<td>Nigeria</td>
<td>3,845</td>
<td>4,559</td>
<td>7,086</td>
<td>35.76</td>
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<td>Angola</td>
<td>3,917</td>
<td>4,947</td>
<td>6,730</td>
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<td>Algeria</td>
<td>1,092</td>
<td>869</td>
<td>1,827</td>
<td>29.32</td>
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</table>

Source: Quantec

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

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

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

<table>
<thead>
<tr>
<th>Country</th>
<th>1994</th>
<th>Share (%)</th>
<th>Country</th>
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<tr>
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<td>5%</td>
<td>Botswana</td>
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</tr>
<tr>
<td></td>
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<td></td>
<td></td>
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<td></td>
<td>2007</td>
<td></td>
<td>2008</td>
<td></td>
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</tr>
<tr>
<td>Angola</td>
<td>11585</td>
<td>39%</td>
<td>Angola</td>
<td>22350</td>
<td>53%</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>6034</td>
<td>20%</td>
<td>Zimbabwe</td>
<td>6306</td>
<td>15%</td>
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<tr>
<td>South Africa*</td>
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<td>12%</td>
<td>South Africa*</td>
<td>3795</td>
<td>9%</td>
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<tr>
<td>Zambia</td>
<td>2490</td>
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<td>Mozambique</td>
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<td>8%</td>
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<tr>
<td>Mozambique</td>
<td>2389</td>
<td>8%</td>
<td>Zambia</td>
<td>2388</td>
<td>6%</td>
</tr>
</tbody>
</table>

Source: Quantec

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

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

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

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

<table>
<thead>
<tr>
<th>Country</th>
<th>1994 Value (R mil)</th>
<th>1994 Share (%)</th>
<th>2006 Value (R mil)</th>
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<tbody>
<tr>
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<td>12%</td>
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<td>6025</td>
</tr>
<tr>
<td>Mauritius</td>
<td>697</td>
<td>10%</td>
<td>Angola</td>
<td>3917</td>
</tr>
<tr>
<td>Malawi</td>
<td>628</td>
<td>9%</td>
<td>Tanzania</td>
<td>2597</td>
</tr>
</tbody>
</table>

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

2.3 Top Individual Import Partners – By Growth

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

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>SADC</td>
<td>15,845</td>
<td>29,999</td>
<td>42,361</td>
<td>63.51</td>
</tr>
<tr>
<td>Mozambique</td>
<td>319</td>
<td>2,389</td>
<td>3,306</td>
<td>222.15</td>
</tr>
</tbody>
</table>
Mozambique and Angola are by far the fastest growing sources of SADC imports for South Africa. Key to this, as mentioned earlier, is the growing demand for imports of H27: Mineral fuels, oils, distillation products, etc. In the case of Mauritius, imports have been primarily of HS61: Articles of apparel, accessories, knit or crochet and HS62: Articles of apparel, accessories, not knit or crochet. Imports from Tanzania have been primarily of HS71: Pearls, precious stones, metals, coins, etc, whilst for Malawi imports of HS09: Coffee, tea, mate and spices and HS62: Articles of apparel, accessories, not knit or crochet have been prominent.

### 2.4 Top 10 Individual Export Partners – By Growth

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

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>SADC</td>
<td>33,196</td>
<td>41,936</td>
<td>67,729</td>
<td>42.84</td>
</tr>
<tr>
<td>Democratic Republic of Congo</td>
<td>2,450</td>
<td>4,357</td>
<td>8,005</td>
<td>80.77</td>
</tr>
<tr>
<td>Malawi</td>
<td>1,591</td>
<td>2,026</td>
<td>3,585</td>
<td>50.09</td>
</tr>
<tr>
<td>Mozambique</td>
<td>6,025</td>
<td>8,670</td>
<td>13,026</td>
<td>47.04</td>
</tr>
<tr>
<td>Zambia</td>
<td>7,269</td>
<td>9,283</td>
<td>15,411</td>
<td>45.60</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>6,951</td>
<td>7,964</td>
<td>13,547</td>
<td>39.61</td>
</tr>
</tbody>
</table>

Source: Quantec

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

Intra-SA imports

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

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

Imports from Malawi

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

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