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## **An assessment of the Trade and Development Cooperation Agreement**

*by Ron Sandrey and Tania Gill<sup>1</sup>*

The Trade and Development Cooperation Agreement (TDCA) between South Africa and the European Union (EU) is an important trade agreement for South Africa, as it enables preferential access to its largest market for many product lines. The Department of Trade and Industry (dti) reports that it was signed in October 1999 after five years of negotiations. It was provisionally but only partially applied from 1 January 2000 and fully entered into force on 1 May 2004 albeit with phasing periods. The TDCA had several objectives that included strengthening dialogue between the parties, supporting South Africa in its economic and social transition process, promoting regional cooperation and the country's economic integration in southern Africa and in the world economy, and expanding and liberalising trade in goods, services and capital between the parties. It is the trade objective that we concentrate upon here, with an emphasis upon the agricultural trade.

While it is natural that South Africa should be focusing upon the opportunities it has been afforded through its relationship with the newly-emerging BRIC (Brazil, Russia, India and China) countries it is crucial to look back and assess the TDCA against the prospects of an enhanced trading and economic relationship with the BRICs. This is especially so in the present policy environment where the Economic Partnership Agreements (EPAs) between the EU and African countries are being vigorously negotiated.

### **Background on the EU-SADC EPA and how it relates to the TDCA**

Preferential market access agreements have long been in existence between the European Union and the African Caribbean and Pacific (ACP) group of countries. From 2000 the Cotonou Partnership Agreement between the ACP countries and the EU has been governing relations; however, following its perceived incompatibility with the World Trade Organisation's (WTO) Article XXIV of the General Agreement on Tariffs and Trade (GATT) 1947, new agreements that are WTO-compatible are currently being negotiated. These are the EU-ACP Economic Partnership Agreements (EPAs). The key

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principles for the EPAs are reciprocity, differentiation, deeper regional integration and coordination of trade and aid (Grant 2006).

In order to facilitate the negotiations of EPAs, the ACP countries have divided themselves into six regional groups of which the Southern African Development Community (SADC) EPA group is one. The EU-SADC EPA is a single negotiated agreement governing how the two regions will cooperate on a wide range of trade-related issues, and negotiations on this EPA began formally in 2004 in Windhoek, Namibia. The countries that decided to negotiate under the SADC configuration were initially Angola, Botswana, Lesotho, Mozambique, Namibia, Swaziland and Tanzania, with the latter opting out and choosing to negotiate under the East African Community EPA group. South Africa initially participated in an observatory and supportive capacity, but finally joined in 2007. Negotiations have long been delayed and initial deadlines for completion missed. To date, a controversial interim agreement (IEPA) has been signed by some of the ACP countries. In the SADC-EPA group, Namibia, South Africa and Angola are the only three countries that have not yet signed the interim agreement (meaning that Botswana, Lesotho, Mozambique and Swaziland have signed).

South Africa considers that the three areas of i) tariff negotiations, ii) rules of origin negotiations, and iii) other outstanding contentious issues are the main issues to be addressed. On tariff negotiations, South Africa is seeking improved market access to the EU market over and above what has been agreed under the TDCA. This relates to one line of industrial products (aluminium) and agro-processed products including ethanol, cut flowers and wine. The EU is considering the request, but has indicated that it requires reciprocity on products that are currently excluded from South Africa's TDCA offer, which include meat, dairy, honey, certain cereal products, wine and certain cheeses. Currently under the TDCA, South Africa offered 81% market access of agro-products compared to the EU's 61%. On Rules of Origin (RoO) the two fundamental issues of regional cumulation and the RoO relating to fish remain unresolved. Other concerns from South Africa relate to the introduction of additional issues regarding intellectual property (including geographical indications), sustainable development and cooperation on taxation matters. For the SADC EPA group, the three main issues of the Most Favoured Nation (MFN) clause (Art. 28), special provision on administrative cooperation (Art. 29), and the inclusion of an agricultural safeguard clause are proving to be contentious and remain unresolved.

## The TDCA

Importantly there are several exemptions to the TDCA. For South African exports to the EU, these are exclusively (excepting some minor cases in aluminium products) in the agricultural sector. Here, there are limited or no concessions for the sensitive beef products, the entire fish sector (a food product), most of the dairy products, many fruits, many cereals and cereal products, sugars, many prepared foods, and many alcohol and tobacco products. Similarly, for EU imports into South Africa, there are many exemptions concentrated in the agricultural products, but, conversely, there are many agricultural lines where product enters duty-free. Other exemptions from TDCA concessions are concentrated in the clothing and textile sectors, while the auto sector is treated separately with significant concessions but no duty-free.

The staged implementation phasing period of the TDCA makes it hard to assess the progress of the TDCA, as it really gives no clear starting point for comparative analysis. To overcome this we have taken the average of the 1999 and 2000 December years as the starting point for our pre-TDCA trade and the average of the 2010 and 2011 December years as the final fully implemented period. This should avoid problems associated with the phasing periods that would have distorted any earlier analysis as well as lessen any variations in annual in trade data. As South Africa's major export-oriented trade agreement, albeit one with considerable exemptions, it behoves analysts to examine the trade effects over a decade later. This paper will provide such an analysis. All trade data is sourced from the Global Trade Atlas, although we have used US dollars for South African data and rand for EU data. Note that, as the analysis is all about relative trade performance and is not absolute, the use of dollars rather than rand currency is immaterial.

## The key points from the analysis

The overall trade data between South Africa and the EU shows that despite the tariff preferences accorded to the bilateral partners the relative importance of the EU both as an export destination and import source for South Africa has declined.

For agricultural trade, the EU has remained South Africa's most important export market although its importance has declined in recent years, while, similarly, it is the main source of agricultural imports and here these imports are increasing their relative share.

Examining South Africa's performance in the EU we find that it has not met the average European growth rates for either total imports or agricultural imports as the South African trade shares have slowly declined after an initial post-TDCA increase.

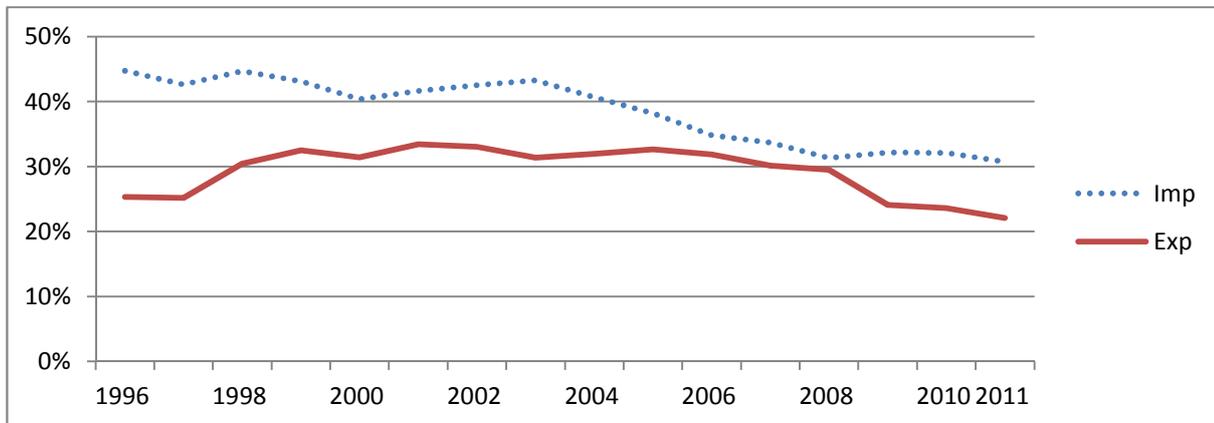
For the detailed performance assessment we analysed the growth rates for trade lines at the HS 6 digit levels using the pre-TDCA 1999/2000 average trade as the starting point and the 2010/2011 trade as the end point. These changes were benchmarked against the overall growth rates for both (a) total import market and (b) the South African or EU import share as appropriate, and the trade lines assigned to a series of categories developed. These categories looked at how well both the overall market and the relevant the South African or EU import share were performing. These changes were then assessed against the tariff preferences from the TDCA Agreement to seek a linkage between market share growth and tariff preferences.

The overall conclusions were that there appears to be limited evidence that the TDCA has resulted in any significant trade creation.

## 1. Bilateral trade – the big picture

There are two ways in which we can examine the relative changes to the bilateral trade. The first is by looking at growth rates over a period, while the second is by looking at relative market shares. It is the first that we concentrate upon in this analysis, although the second gives a better overall perspective. This overall perspective is shown in Figure 1 for the big picture of the **South African data** for the bilateral trade from 1996, expressed in percentage shares of South Africa's merchandise trade. In general, the EU is becoming relatively less important to South Africa as an overall trading partner from the early years of this century. For South African imports, the EU market share started at 40% in 1999, was stable through to 2003 but steadily declined to 31% in 2011. The percentage of South African exports destined for the EU rose initially to be over 30% through to 2008 but declined to 22% in 2011 after the impact of the global crisis of 2009 became apparent. Note that there is a possible underestimation of the percentage of the South African exports destined for the EU as South Africa does not report individual destinations of the exports of some precious metals, and the EU reports significant imports of gold from South Africa.

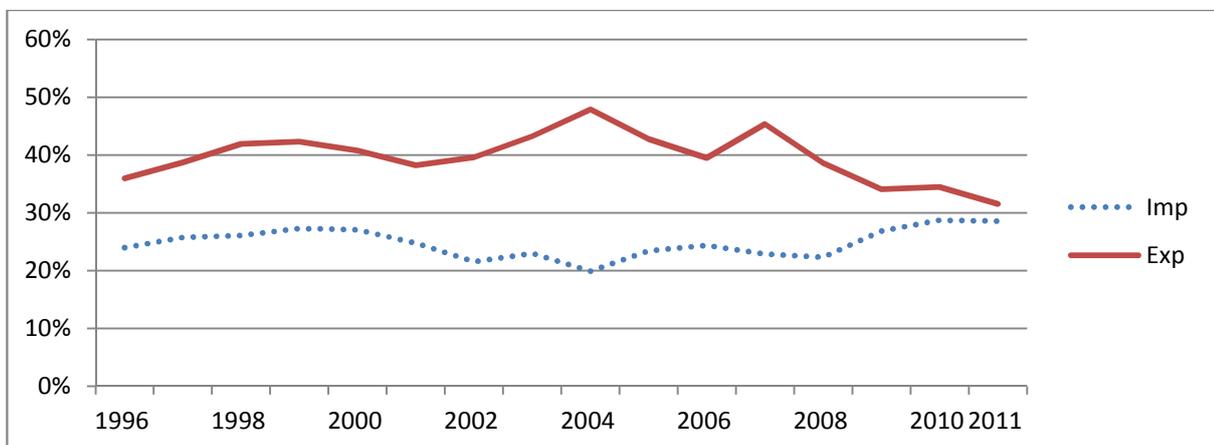
**Figure 1: Bilateral EU-South African trade, 1996 to 2011 % share of all merchandise trade, exports to the EU and imports from the EU**



Source: Global Trade Atlas

Figure 2 extends the analysis to show the percentage share of South African **agricultural** trade that is conducted with the EU. The imports from the EU have been relatively stable over the period albeit with a decline in the middle period. The share of agricultural exports destined for the EU was initially stable, and then rose during the early years of this century before falling away.

**Figure 2: Bilateral EU-South African agricultural trade, 1996 to 2011 % share**

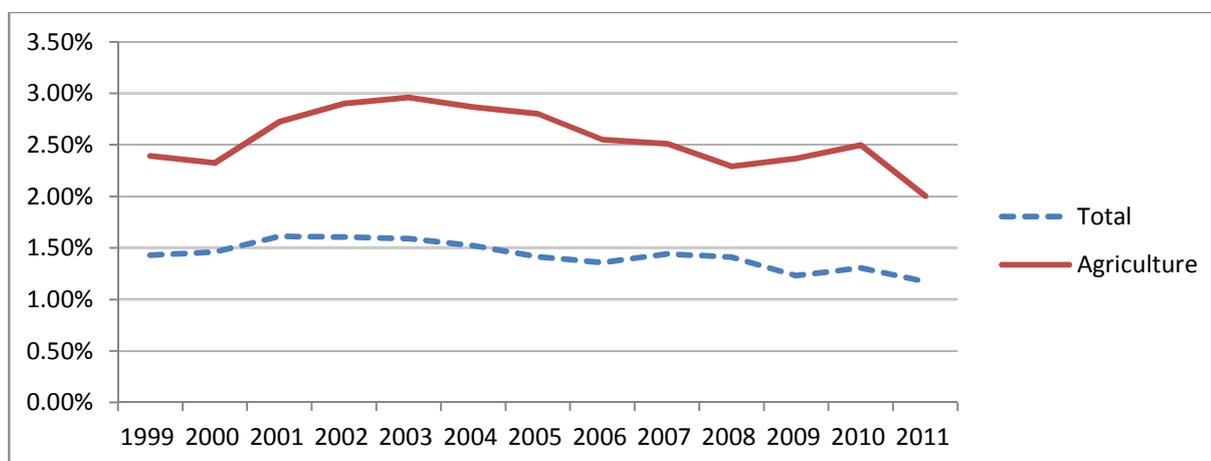


Source: Global Trade Atlas

We now turn to EU import data to assess the overall performance of South Africa in that market. This is shown in Figure 3 for both total imports from South Africa and agricultural imports from South Africa, both expressed as the overall share in their respective categories. In both instances the shares rose initially before declining to finish at lower market shares than the starting period. While, of course, indicative only, this is an early indication that South Africa has perhaps not benefited from

the TDCA, but such a cursory view ignores the counterargument that South Africa may have done even worse without TDCA preferences. For total merchandise, the South African market share was 1.45% during 1999/2000 but this had declined to 1.23% at 2010/2011. Similarly, agriculture’s share declined from 2.36% to 2.23% over the same period. From this starting point we can assume that as South Africa has underperformed in the EU market overall, the individual trade lines may similarly underperform overall, but this general assessment conceals the variation in HS trade lines that we are seeking to explore.

**Figure 3: EU imports from RSA, % share, both total and agriculture**



Source: Global Trade Atlas

Table 1 shows the alternative representation, that of growth rates, expressed as the average of 2010/2011 data divided by the 1999/2000 data. Total South African merchandise imports from all sources in the final period were 3.53 times the earlier figure, while imports from the EU increased by a lesser 2.66 times. Agricultural imports increased by 3.93 times, while from the EU the increase was by a greater 4.15 times. South African total merchandise exports increased to the world by 3.13 times while those to the EU increased by a much lower 2.23 times. For agricultural exports, the global figure increased by 2.35 times, while the exports to the EU increased by a higher 3.45 times. Also shown is the **EU data** where total global imports increased 2.87 times while those from South Africa increased by a lesser 2.50 times. For agricultural imports, the global figure increased by 2.45 times while South African agricultural imports increased by a similarly lesser 2.36 times.

**Table 1: relative changes to RSA-EU bilateral trade, 2010/2011 average over 1999/2000**

	All merchandise	Agriculture
<b>South African imports</b>		
Total	3.53	3.93
from the EU	2.66	4.15
<b>South African Exports</b>		
Total	3.13	2.35
to the EU	2.23	3.45
<b>EU Imports</b>		
Total	2.87	2.5
from SA	2.45	2.36

Source: Global Trade Atlas

In summary, the overall data show that through to the 2007 year the EU maintained its share of South African total merchandise exports but declined from there, while the EU market share of South African imports has steadily declined since 2004. For agricultural trade, the EU has remained South Africa's most important market although its importance has declined in recent years, while, similarly, it is the main source of agricultural imports; and in contrast to the other market shares shown these imports are increasing their relative share. Looking at the reciprocal of South Africa's performance in the EU we find that it has not met the average all-imports growth rates for either all imports or agricultural imports as the trade shares have slowly declined after an initial rise.

## 2. The detailed analysis

Following on from this big-picture presentation we will examine (a) the performance of South Africa in the EU market and (b) the EU in the South African market and assess the extent to which the TDCA has influenced this performance. Our methodology is to examine the performance of each HS line and assess the performance of those lines against the benchmark of the overall average increase. As outlined above, we take the average of the 1999 and 2000 December years as the starting point for our pre-TDCA analysis and assess the relative change for the average of the 2010 and 2011 December years as the final fully implemented period. In this way we avoid some of the fluctuations by taking a two-year average, and by using the percentage change for the overall average we have that benchmark to assess individual lines against. There are, in essence, two benchmarks. The first is

the average increase for all imports into the EU from all sources, while the second is the overall change in South African imports into the EU: **we then apply the 2011 trade data to the assessed categories to complete the analysis.** We provide statistics for firstly total merchandise trade and then secondly for agricultural trade as defined by the WTO. Finally, we assess changes to the individual tariff lines to see if preferential access is influencing these changes. In adopting this approach we have worked with the following eleven separate categories of HS 6 trade lines:

- The **'real stars'**: where the line was increasing as a percentage of EU from both the world and South Africa, and furthermore the increase from South Africa was above the corresponding increase from the world – South Africa is gaining market share in a strongly growing EU market.
- The **'basic stars'**: where these are similar to the above except that South Africa's share in these lines was above its overall import share but not above the comparable competitor share in this line. South Africa is doing very well in a growing EU market. Both 'real stars' and 'basic stars' are doing well.
- Two combinations where the increases in the EU lines **are above the EU average**: (a) where the South African line increase is still positive but below the South African average and (b) where the South African increase is negative.
- Three categories where the increases in the EU lines are still positive but **below the EU average**: (a) where the South African line increase is above the South African average, (b) where the South African increase is below the average but still positive and (c) where the South African increase is negative.
- Two combinations where the **increases in the EU lines are negative**: (a) where the South African line increase is above the South African average, and (b) where the South African line increase is negative.
- The bottom category (**'real dogs'**): where this particular line is declining overall in both EU imports from the world and from South Africa.
- Finally, **'Undetermined'**: where imports from South Africa were zero for one or more of the years under consideration, such that performance could not be assessed.

In summary, these categories are:

- 1 'Real Stars'
- 2 'Basic Stars'
- 3 'Growing Slowly in a Growing Market'
- 4 'Shrinking in a Strongly Growing Market'
- 5 'Growing Strongly in a Slowly Growing Market'
- 6 'Growing Slowly in a Slowly Growing Market'
- 7 'Shrinking in a Slowly Growing Market'
- 8 'Growing Strongly in a Shrinking Market'
- 9 'Growing Slowly in a Shrinking Market'
- 10 'Real Dogs'
- 11 'Undetermined'

We emphasise that this is a market share analysis – it states little about the relative profitability of the categories or individual lines. In general, however, we can hypothesise that it is better to be higher on the list than lower. With the South African imports into the EU we were able to work with 4,529 HS lines for all merchandise trade and 587 lines for agricultural trade. For EU imports into South Africa we were able to work with 3,240 lines for all trade and 263 lines for agricultural trade.

## 2.1 South Africa's performance in the EU

Table 2 shows how well South Africa has performed in the EU market since the inception of the TDCA, firstly by overall trade and then by agricultural trade. As discussed, the categories are the relative growth rates (which effectively equate to market share) for an average of 2000/2011 over 1999/2000, using the actual imports for 2011. For **all merchandise trade**, South Africa has done well using these criteria: some 25% are 'real stars' while another 24% are 'basic stars'. Recall that for 'Real Stars, South Africa is gaining market share in a strongly growing EU market, while for 'Basic Stars' South Africa's growth rates in these lines are above their overall average in lines where the global EU imports are similarly above their average, but where South Africa's growth rates are not as good as the overall competition. Another 8.8% is in the good position of at least growing in an overall market that is strongly growing, while some 29% is sitting comfortably but not spectacularly in Categories 5 and 6 where they are at least growing in a market that is itself growing. Limited trade is positioned in Categories 7 to 10, and especially so in the lower categories of 9 and 10. For **agricultural** imports, there is less concentration in the 'real' and 'basic stars', more in the middle

sections of Categories 5 and 6, but less in the lower segments where the growth rates are much lower. Both total merchandise and agriculture have around 5% in the 'undetermined' category where the comparisons are not possible. Overall, this detailed analysis provides a better outcome for South Africa than seemed possible by just looking at the big picture.

**Table 2: South Africa's overall performance into the EU market in 2011, 2010/2011 compared to 1999/2000**

	All trade		Agriculture	
	R million	%	R million	%
<b>TOTAL</b>	<b>197,994</b>	<b>100</b>	19,908	<b>100</b>
<b>1 'Real Stars'</b>	49,711	25.11	2,855	14.34
<b>2 'Basic Stars'</b>	47,512	24.00	3,894	19.56
<b>3 'Growing Slowly in a Strongly Growing Market'</b>	17,424	8.80	1,010	5.07%
<b>4 'Shrinking in a Strongly Growing Market'</b>	1,531	0.77	165	0.83
<b>5 'Growing Strongly in a Slowly Growing Market'</b>	26,762	13.52	5,016	25.19
<b>6 'Growing Slowly in a Slowly Growing Market'</b>	30,599	15.45	4,977	25.00
<b>7 'Shrinking in a Slowly Growing Market'</b>	9,230	4.66	29	0.15
<b>8 'Growing Strongly in a Shrinking Market'</b>	3,229	1.63	543	2.73
<b>9 'Growing Slowly in a Shrinking Market'</b>	588	0.30	55	0.28
<b>10 'Real Dogs'</b>	1,785	0.90	252	1.27
<b>11 'Undetermined'</b>	9,527	4.81	1,113	5.59

Source: Global Trade Atlas data

The details for total merchandise imports from South Africa into the EU market are shown in Table 3, with the first, second and third import at the HS 6 line ranked by import value shown.

**Table 3: South Africa's overall performance into the EU market in 2011 for total merchandise, 2010/2011 compared to 1999/2000**

All categories	R million 2011	% Share	Import product by rand value 2011		
TOTAL	197,994	100	First	Second	Third
1 'Real Stars'	49,711	25.11	Filter/Purify machine	Ferro-chromium	Iron Ore
2 'Basic Stars'	47,512	24.00	Gold	Platinum	<b>Grapes</b>
3 'Growing Slowly in a Growing Market'	17,424	8.80	Coal	Seat parts	Coal
4 'Shrinking in a Strongly Growing Market'	1,531	0.77	Diamonds	Ferro-chromium	Anthracite coal
5 'Growing Strongly in a Slowly Growing Market'	26,762	13.52	Precious metal ores	Cars 1000-1500Cc	<b>Oranges</b>
6 'Growing Slowly in a Slowly Growing Market'	30,599	15.45	Diamonds	<b>Wine must</b>	Rhodium
7 'Shrinking in a Slowly Growing Market'	9,230	4.66	Gold	Filter/Purify	Fish
8 'Growing Strongly in a Shrinking Market'	3,229	1.63	<b>Wool, greasy</b>	Diamond dust	Copper wire
9 'Growing Slowly in a Shrinking Market'	588	0.30	Whiting & hake	Antennas, etc.	Data processing storage units
10 'Real Dogs'	1,785	0.90	Cars >1500 cc	Granite	<b>Sheep/Lamb skins</b>
11 'Undetermined'	9,527	4.81	Platinum scrap	Nickel ores	Fish fillets, frozen, nesoi

Table 4 repeats this HS 6 line exercise for agricultural imports only.

**Table 4: Agricultural imports**

Agricultural categories	R million	% Share	Import product by rand value 2011		
			First	Second	Third
<b>TOTAL</b>	19,908	<b>100</b>			
1 'Real Stars'	2,855	14.34%	Wine	Corn (Maize)	Vegetable/Fruit/Nuts prep
2 'Basic Stars'	3,894	19.56%	Grapes	Peaches & nectarines	Apricots
3 'Growing Slowly in a Strongly Growing Market'	1,010	5.07%	Avocados	Grapes, dried	Ethyl alcohol
4 'Shrinking in a Strongly Growing Market'	165	0.83%	Fruit mixes, prepared	Mangoes, etc.	Ethyl alcohol
5 'Growing Strongly in a Slowly Growing Market'	5,016	25.19%	Oranges	Pears	Plums
6 'Growing Slowly in a Slowly Growing Market'	4,977	25.00%	Wine, must	Apples	Grapefruit
7 'Shrinking in a Slowly Growing Market'	29	0.15%	Coffee	Tobacco	Pineapple, tins
8 'Growing Strongly in a Shrinking Market'	543	2.73%	Wool greasy	Tobacco	Seeds
9 'Growing Slowly in a Shrinking Market'	55	0.28%	Sheep skins	Citrus fruits other	Raw hides
10 'Real Dogs'	252	1.27%	Sheep/Lamb skins	Orange juice	Animal feed
11 'Undetermined'	1,113	5.59%	Lemons	Macadamia nuts	Grapefruit juice

Source: Global Trade Atlas data

Of special interest to the TDCA analysis is the extent to which the change in South African imports is driven by tariff concessions into Europe. The big picture is shown in Table 5. Firstly, the bands of tariff concessions and the share of agricultural imports in these bands are shown on the left-hand side while the main HS 6 lines in these categories are presented on the right-hand side. The majority of imports (61%) are in the zero to 4% tariff preference points range, but, importantly, some 26% are in the category where the tariff concession has been between 10 and 20 percentage points. Only 1% are in the 'beyond 20 percentage points' range where preferential access would be expected to be significant.

**Table 5: The overall picture for agricultural imports/tariff concessions resulting from the TDCA**

Tariff concession	R million	% Share	Import product		
<b>TOTAL</b>	19,908	100	First	Second	Third
0 to 4%	12,047	61%	Wine, casks	Oranges	Wine
5% to 9%	1,462	7%	Plums	Meat & offal, other	Fruit, other
10% to 20%	5,184	26%	Grapes	Mandarins	Peaches
Beyond 20%	110	1%	Orange juice	Tobacco	Fruit/Vegetable juices
Undetermined	1,104	6%	Lemons	Macadamia nuts	Grapefruit juice

Source: Global Trade Atlas for trade data and TDCA tariff preferences

Further details of the agricultural imports by category and their associated tariff preferences are given in Table 6. Data is given for the means of the tariff preferences, and their associated largest and smallest concessions within that category. The 'Real Stars' category has the lowest preferences of the significant import categories, with a preference of only 0.04 percentage points on average, while the next category of 'basic stars' has a preference of almost one percentage point.

**Table 6: Tariff concessions in agriculture – the details by our categories of imports**

Categories	R million	% Share	Tariff concessions (Percentage Points)		
			Weighted mean	Largest	Smallest
<b>TOTAL</b>	19,908	<b>100%</b>			
<b>1 'Real Stars'</b>	2,855	14.34%	-0.040	-114	0
<b>2 'Basic Stars'</b>	3,894	19.56%	-0.986	-31	0
<b>3 'Growing Slowly in a Growing Market'</b>	1,010	5.07%	-0.134	-47	0
<b>4 'Shrinking in a Strongly Growing Market'</b>	165	0.83%	-0.240	-64	1
<b>5 'Growing Strongly in a Slowly Growing Market'</b>	5,016	25.19%	-0.298	-57	0
<b>6 'Growing Slowly in a Slowly Growing Market'</b>	4,977	25.00%	-0.080	-81	1
<b>7 'Shrinking in a Slowly Growing Market'</b>	29	0.15%	-0.121	-19	0
<b>8 'Growing Strongly in a Shrinking Market'</b>	543	2.73%	-0.238	-103	0
<b>9 'Growing Slowly in a Shrinking Market'</b>	55	0.28%	-0.001	-13	0
<b>10 'Real Dogs'</b>	252	1.27%	-0.048	-169	0
<b>11 'Undetermined'</b>	1,113	5.59%			

Source: Global Trade Atlas for trade data and TDCA tariff preferences

Final details of the agricultural imports and their associated tariff preferences are given in Table 6. The HS 6 lines are ranked by 2011 import values. A perusal of the list shows that there is a hardly discernible pattern between the mean of the tariff preferences and the performance category. Note that the median, largest and smallest values for tariff concessions are given, as even at the HS 6 line there are different tariff rates into the EU.

**Table 7: Details of the agricultural imports and their tariff preferences into the EU market**

Import products	R million	% Share	Tariff concessions (Percentage points) <sup>2</sup>			Performance category
			Mean	Largest	Smallest	
<b>TOTAL</b>	<b>19,908</b>	<b>100.00</b>				
Grapes, fresh	3,388	17.02	-12.10	-19	0	2 'Basic Stars'
Wine	2,540	12.76	-0.65	-16	0	6 'Growing Slowly in a Slowly Growing Market'
Oranges, fresh	2,235	11.23	-1.74	-16	0	5 'Growing Strongly in a Slowly Growing Market'
Wine	1,425	7.16	-0.35	-12	0	1 'Real Stars'
Apples	980	4.92	-0.62	-8	0	6 'Growing Slowly in a Slowly Growing Market'
Pears and quinces	960	4.82	-1.67	-8	0	5 'Growing Strongly in a Slowly Growing Market'
Grapefruit	619	3.11	-2.33	-3	-2	6 'Growing Slowly in a Slowly Growing Market'
Plums, etc.	578	2.90	-9.60	-14	-7	5 'Growing Strongly in a Slowly Growing Market'
Avocados	542	2.72	-4.67	-6	-4	3 'Growing Slowly in a Growing Market'
Wool	523	2.63	0.00	0	0	8 'Growing Strongly in a Shrinking Market'
Mandarins	511	2.57	-18.27	-32	-16	5 'Growing Strongly in a Slowly Growing Market'
Lemons	390	1.96				11 'Undetermined'
Corn (Maize)	373	1.87	0.00	0	0	1 'Real Stars'
Macadamia nuts	256	1.28				11 'Undetermined'
Meat & edible offal	236	1.19	-7.67	-12	-2	5 'Growing Strongly in a Slowly Growing Market'
Sheep/Lamb skins	220	1.10	0.00	0	0	10 'Real Dogs'
Grapes, dried	194	0.98	-3.00	-3	-3	3 'Growing Slowly in a Growing Market'
Fruit nesoi	179	0.90	-7.33	-9	-6	5 'Growing Strongly in a Slowly Growing Market'
Peaches	163	0.82	-18.30	-19	-18	2 'Basic Stars'
Pears, prepared	149	0.75	-13.08	-27	0	6 'Growing Slowly in a Slowly Growing Market'
Apricots, prepared	148	0.74	-11.38	-25	1	6 'Growing Slowly in a Slowly Growing Market'
Vegetable/Fruit/Nuts prepared	127	0.64	-12.33	-19	0	1 'Real Stars'
Peaches, prepared	123	0.62	-12.38	-30	1	6 'Growing Slowly in a Slowly Growing Market'
Apricots, fresh	114	0.57	-19.60	-21	-19	2 'Basic Stars'
Peanuts	104	0.52	0.00	0	0	6 'Growing Slowly in a Slowly Growing Market'
Import products share < 0.50%	2,834	14.24				

Source: Global Trade Atlas for trade data and TDCA tariff preferences

<sup>2</sup> Only the mean is reported here. The median was investigated but not reported on as it added very little information.

## 2.1 Performance of the EU into the South African market

This section will examine the reciprocal performance of EU imports into South Africa and the influence of the TDCA upon these imports. We start by showing the big picture for firstly these imports into South Africa on the left-hand side of Table 8 and then the South African imports into the EU that we have just discussed on the right-hand side. The 'Real Stars' category suggests that South Africa is doing better into the EU market than the converse of EU imports into South Africa, while 'Basic Stars' are similar. Notable on the penultimate row is that, for agriculture in particular, there is a high percentage of EU imports into South Africa that are in the 'Undetermined' category. These lines are likely to be either new trade or a tariff classification change at the HS 6 line by South Africa in recent years.

**Table 8: The big picture comparing EU imports into South Africa and South African imports into the EU**

Categories	EU imports into South Africa		South African imports into EU	
	Total	Agriculture	Total	Agriculture
<b>TOTAL</b>				
1 'Real Stars'	11.51	9.96	25.11	14.34
2 'Basic Stars'	24.24	24.88	24.00	19.56
3 'Growing Slowly in a Growing Market'	2.32	5.72	8.80	5.07
4 'Shrinking in a Strongly Growing Market'	0.19	0.38	0.77	0.83
5 'Growing Strongly in a Slowly Growing Market'	22.93	5.06	13.52	25.19
6 'Growing Slowly in a Slowly Growing Market'	14.44	15.05	15.45	25.00
7 'Shrinking in a Slowly Growing Market'	1.62	2.17	4.66	0.15
8 'Growing Strongly in a Shrinking Market'	0.07	0.00	1.63	2.73
9 'Growing Slowly in a Shrinking Market'	0.39	0.25	0.30	0.28
10 'Real Dogs'	1.07	0.22	0.90	1.27
11 'Undetermined'	20.69	35.50	4.81	5.59
Trade Value < US\$ 1 million	0.53	0.82		

Source: Global Trade Atlas for data

In Table 9 we show the total imports into South Africa by our performance categories. Again, a significant (35.75%) are in the 'Real Stars' or 'Basic Stars' categories, with passenger vehicles prominent. Again, another significant percentage is also positioned in the 'Slowly Growing Market' categories, with a very small percentage in the 'Shrinking Markets' or 'Real Dogs'.

**Table 9: South African total imports from the European Union for all commodities, 2010/2011**

Categories	US\$ million	% Share	Import product		
			First, by US \$ value	Second, by US \$ value	Third, by US \$ value
<b>TOTAL</b>	<b>28,052</b>	<b>100</b>			
<b>1 'Real Stars'</b>	3,229	11.51	Airplane	Pass Vehicles	Dumpers
<b>2 'Basic Stars'</b>	6,799	24.24	Passenger vehicles	Medicaments	Passenger vehicles
<b>3 'Growing Slowly in a Growing Market'</b>	652	2.32	Data process machinery	Parts boring machinery	Data processing unit
<b>4 'Shrinking in a Strongly Growing Market'</b>	55	0.19	Polystyrene nesoi	Urea	Turkey cuts
<b>5 'Growing Strongly in a Slowly Growing Market'</b>	6,434	22.93	Country specific	Passenger vehicle	Parts motor vehicle
<b>6 'Growing Slowly in a Slowly Growing Market'</b>	4,052	14.44	Parts adp machines	Parts of seats	Books, brochures
<b>7 'Shrinking in a Slowly Growing Market'</b>	454	1.62	Diamonds, unworked	Parts for mechanical appliance	Parts for radio, TV, etc. nesoi
<b>8 'Growing Strongly in a Shrinking Market'</b>	19	0.07	Coal	Franking machinery	Tower cranes
<b>9 'Growing Slowly in a Shrinking Market'</b>	109	0.39	Turbojet parts	Palladium	Aluminium rect plates
<b>10 'Real Dogs'</b>	300	1.07	Digital adp machinery	Adp mac&unts	Polyamide
<b>11 'Undetermined'</b>	5,804	20.69	Light oils	Phones cellular	Turbines, steam

Source: Global Trade Atlas data

Agricultural categories are shown in Table 10, where, as indicated on Table 8, a significant portion of the imports are in the 'Undetermined' category. The dominant import in 'Real Stars' are chicken cuts: there are suggestions that these imports may be associated with a triangulation of Brazilian trade that is creating some controversy in South Africa.

**Table 10: South African imports from the European Union for agricultural commodities, 2010/2011**

Categories	US\$ million	% Share	Import product		
			First, by US \$ value	Second, by US \$ value	Third, by US \$ value
<b>TOTAL</b>	<b>1,592</b>	<b>100</b>			
<b>1 'Real Stars'</b>	159	9.96	Chicken cuts	Beer	Bread, pastry, etc.
<b>2 'Basic Stars'</b>	396	24.88	Whiskies	Meat of swine	Cocoa reparations
<b>3 'Growing Slowly in a Growing Market'</b>	91	5.72	Whey	Liqueurs and cordials	Brandy
<b>4 'Shrinking in a Strongly Growing Market'</b>	6	0.38	Turkey cuts	Vegetables, dried	Natural gums
<b>5 'Growing Strongly in a Slowly Growing Market'</b>	81	5.06	Pet food	Vegetable seeds	Casein
<b>6 'Growing Slowly in a Slowly Growing Market'</b>	240	15.05	Food preparations nesoi	Animal feed	Waters
<b>7 'Shrinking in a Slowly Growing Market'</b>	35	2.17	Animal guts, etc.	Malt	Edible fats & oil
<b>8 'Growing Strongly in a Shrinking Market'</b>		0.00			
<b>9 'Growing Slowly in a Shrinking Market'</b>	4	0.25	Pectin substances	Seeds	
<b>10 'Real Dogs'</b>	4	0.22	Vegetable saps	Flakes, potatoes	Water, aerated
<b>11 'Undetermined'</b>	565	35.50	Soybean oil	Wheat	Soybean oil
<b>Trade Value &lt; US\$ 1 million</b>	13	0.82			

Source: Global Trade Atlas

Table 11 shows the linkages between the tariff reductions under TDCA and their relative share of EU agricultural imports during 2011. Referring back to Table 5, the tariff concessions associated with South African agricultural imports into the EU, we can see that the TDCA has been kinder to EU imports into South Africa than the converse of South African imports into the EU. Table 11 shows that 65% of these imports into South Africa have been granted tariff concessions of 10% or greater in comparison with a significantly lower 33% into the EU from South Africa. Despite endeavours by the

earlier South African trade negotiators to protect South Africa's newly liberalised agricultural sector against European protectionism, the casual evidence suggests that that has not been the case.

**Table 11: Trade preference on EU agricultural imports into South Africa, 2010/2011**

Tariff preference categories	% Share	Import product		
TOTAL	100.00	First	Second	Third
Less than 1%	28.84	Wheat	Meat of swine	Chicken cuts
1% to 9%	6.38	Waters	Beer	Sunflower seeds
10% to 19%	41.03	Whiskies	Soybean oil	Soybean oil
20% to 30%	18.66	Food preparations nesoi	Pet food	Potatoes, frozen
Beyond 30%	5.09	Cheese	Whey	Cigarettes

Source: Global Trade Atlas data and SACU Tariff Schedule

Table 12 extends this tariff preference analysis to present the preferences as measured in percentage points by category.

**Table 12: Average trade preference on EU agricultural imports into South Africa by category, 2010/2011**

Categories	% Share	Tariff preference		
		Mean	Largest	Smallest
<b>TOTAL</b>	<b>100.00</b>	<b>Mean</b>	<b>Largest</b>	<b>Smallest</b>
1 'Real Stars'	9.96	11.60	0	21
2 'Basic Stars'	24.88	22.67	0	96
3 'Growing Slowly in a Growing Market'	5.72	16.40	0	96
4 'Shrinking in a Strongly Growing Market'	0.38	5.60	0	25
5 'Growing Strongly in a Slowly Growing Market'	5.06	18.50	0	96
6 'Growing Slowly in a Slowly Growing Market'	15.05	18.61	-15	96
7 'Shrinking in a Slowly Growing Market'	2.23	7.81	0	96
8 'Growing Strongly in a Shrinking Market'	0.00			
9 'Growing Slowly in a Shrinking Market'	0.25	0.00	0	0
10 'Real Dogs'	0.35	10.89	0	96
11 'Undetermined'	36.13	12.83	0	100

Source: Global Trade Atlas for trade data and SACU Tariff Schedule

The major agricultural imports from the EU ranked by 2010/2011 average import value and their associated tariff preferences and our categories are shown Table 13. Whiskies, the main import, is a 'Basic Star' that enjoys a 15 percentage point tariff advantage, while both soybean oil and wheat are 'new' imports that have a 10 percentage point and no tariff advantage respectively.

**Table 13: Agricultural Imports from the EU, 2010/1011 average value in US \$ and Tariff Preferences**

HS line	Description	EU Av 2010/2011 \$ million	Tariff preference	Categories
	Total	1591.5		
220830	Whiskies	252	15	2
150790	Soybean oil	199	10	n.a.
100190	Wheat	95	0	n.a.
210690	Food preparations nesoi	77.5	20	6
020329	Meat of swine	53	0	2
020714	Chicken cuts	49	0	1
150710	Soybean oil	43	10	n.a.
230910	Dog and cat food	37.5	0	5
230990	Animal feed	29.5	20	6
220210	Waters	28	5	6
180690	Cocoa preparations	27	17	2
200410	Potatoes, frozen	26	25	
220300	Beer	22.5	5	1
190590	Bread, pastry, etc.	19.5	21	1
230110	Flour meal, inedible	18.5	0	1
040690	Cheese	16.5	96	2
110720	Malt, roasted	16	0	1
150910	Olive oil	15.5	10	2
190110	Food for infants	15.5	20	n.a.
040410	Whey	14.5	96	3

Source: Global Trade Atlas for trade SACU Tariff Preferences

## References

Grant, C. 2006. *Southern Africa and the European Union: the TDCA and SADC EPA*. tralac Trade Brief No. 1, May 2006. Stellenbosch: tralac. [Online]. Available: [http://www.tralac.org/wp-content/blogs.dir/12/files/2011/uploads/20060518\\_TDCA\\_SADC\\_EPA\\_Grant.pdf](http://www.tralac.org/wp-content/blogs.dir/12/files/2011/uploads/20060518_TDCA_SADC_EPA_Grant.pdf)