

South Africa's trade with Zimbabwe

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No. 1
2017

BILATERAL TRADE ANALYSIS

Introduction

This Trade Update provides a snapshot of South Africa's trading relationship with Zimbabwe. Further updates profiling South Africa's trade with select partners in Africa, will include Egypt, Kenya and Nigeria.

The aim is to give an idea of South Africa's trade relations with the select partner, and the major products or sectors that South Africa is trading in.

All data is sourced from the United Nations (UN) International trade Centre (ITC) TradeMap database. The data analysed in this report is over a 10-year review period from 2007 – 2016, thus the review period referred in this paper will imply the period between 2007 and 2016.

Bilateral Trade Agreements

South Africa and Zimbabwe are both members of the Southern Africa Development Community (SADC) and of the SADC Free Trade Area.

They have a bilateral trade agreement dating from 1964, which provides preferential access to certain agricultural products, manufactured goods as textiles and clothing that conform to the agreed rules of origin requirements.

Given that the two countries have two trade regimes (i.e. SADC FTA and the bilateral trade agreement of 1964), there has been confusion on which trade regime applies. The question being – do traders trade under SADC FTA or under the bilateral agreement? In this case, it is noted that traders can choose to use the trade regime with the most favourable conditions. Therefore, they look at the trade regime which offers low duty rates and easier rules of origin for their products and trade on that basis¹.

¹ Tshuma, E. 2016. *South Africa and Zimbabwe trade – how does it work?* Trade Brief, tralac, Stellenbosch. [online]: <https://www.tralac.org/publications/article/10295-south-africa-and-zimbabwe-trade-how-does-it-work.html>

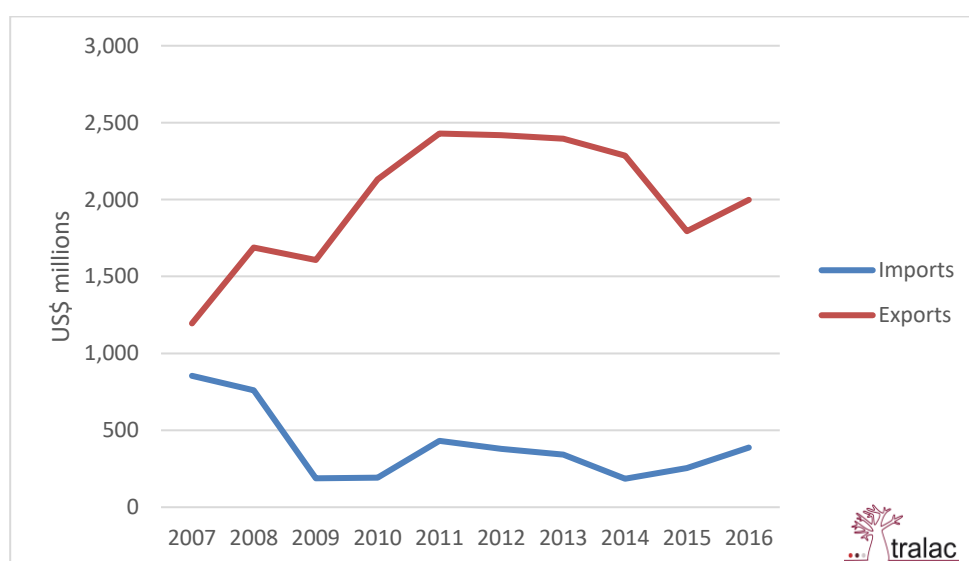
Trade Performance

South Africa remains one of the most important trading partners for Zimbabwe; with Zimbabwe importing 40% of its total imports and exporting 75% of its total exports to South Africa.

Since 2007, South Africa has always maintained a trade surplus with Zimbabwe with the surplus widening over the review period mainly attributed to the economic instability experienced in Zimbabwe and the volatility of the South African Rand to the US dollar. In 2016, South Africa's exports to Zimbabwe were almost US\$ 2 billion while imports were a mere US\$ 388 million². This represented 3% and 1% share of South Africa's total exports and imports respectively.

Important to note that despite Zimbabwe being a small player in South Africa's global trade, the country in 2016 was ranked 5th and 7th most important trading partner with South Africa for exports and imports in Africa respectively.

South Africa's bilateral trade with Zimbabwe (2007 – 2016)




Source: UN ITC TradeMap database

In terms of product composition, South Africa's trade with Zimbabwe mirrors that of a developed country vs developing country trade profile wherein South Africa (developed) imports mainly primary, low value natural resource based products and exports to Zimbabwe (developing) largely value added manufactured products.

75% of South Africa's imports are mainly mineral products with another 23% mainly agricultural products. Exports on the other hand are quite diversified ranging from machinery; mineral fuels; vehicles; plastic products; electrical equipment among others; the bulk of which are value added products.

² Note that South Africa records trade data free on board (fob) while Zimbabwe records data including cost, insurance and freight (cif). Furthermore, South Africa does not record trade of precious stones and metals such as gold in its trade data. This significantly affects the value of imports from Zimbabwe given that Zimbabwe includes exports of such products in its trade data and therefore take note of the discrepancies especially when using Zimbabwe trade data

Top 15 products traded by South Africa and Zimbabwe (US\$ 000)

	Imports from Zimbabwe (US\$ 000)						Exports to Zimbabwe (US\$ 000)				
HS2		2007	2016	% share 2016	% CAGR (2007-2016)	HS2		2007	2016	% share 2016	% CAGR (2007-2016)
	Total all products	854 180	388 420		-8%		Total all products	1 194 809	1 997 557		6%
75	Nickel and articles thereof	436 386	153 349	39%	-11%	84	Machinery, nuclear reactors, boilers, etc	174 121	237 040	12%	3%
26	Ores, slag and ash	226 429	101 512	26%	-9%	27	Mineral fuels, oils, distillation products, etc	194 846	225 524	11%	2%
24	Tobacco and manufactured tobacco substitutes	19 934	55 503	14%	12%	87	Vehicles other than railway, tramway	176 589	147 772	7%	-2%
25	Salt, sulphur, earth, stone, plaster, lime and cement	7 739	14 965	4%	8%	10	Cereals	18 011	134 761	7%	25%
52	Cotton	31 520	7 680	2%	-15%	39	Plastics and articles thereof	55 388	124 343	6%	9%
84	Machinery, nuclear reactors, boilers, etc	5 293	7 095	2%	3%	72	Iron and steel	51 280	100 483	5%	8%
09	Coffee, tea, mate and spices	4 132	6 752	2%	6%	85	Electrical, electronic equipment	55 534	72 260	4%	3%
20	Vegetable, fruit, nut, etc food preparations	558	5 091	1%	28%	48	Paper and paperboard, articles of pulp, paper and board	28 644	65 384	3%	10%
08	Edible fruit, nuts, peel of citrus fruit, melons	859	4 722	1%	21%	15	Animal, vegetable fats and oils, cleavage products, etc	7 022	65 097	3%	28%
62	Articles of apparel, accessories, not knit or crochet	11 211	3 900	1%	-11%	73	Articles of iron or steel	41 160	60 994	3%	4%
44	Wood and articles of wood, wood charcoal	19 227	3 367	1%	-18%	34	Soaps, lubricants, waxes, candles, modelling pastes	13 932	57 877	3%	17%
41	Raw hides and skins (other than fur skins) and leather	1 732	2 052	1%	2%	23	Residues, wastes of food industry, animal fodder	4 287	57 288	3%	33%
78	Lead and articles thereof	7	1 936	0%	87%	31	Fertilizers	69 420	55 234	3%	-3%
12	Oil seed, oleagic fruits, grain, seed, fruit, etc, nes	962	1 804	0%	7%	38	Miscellaneous chemical products	34 456	47 289	2%	4%
23	Residues, wastes of food industry, animal fodder	5 533	1 787	0%	-12%	21	Miscellaneous edible preparations	5 711	38 999	2%	24%
	Rest of products	82 658	16 905	4%	-16%		Rest of products	264 408	507 212	25%	8%

Source: UN ITC TradeMap database, author's calculations

Trade Interventions

Both countries endeavour to increase their exports especially in the region and continent where there is potential and scope for increased trade in the advent of the soon to be launched Continental Free Trade Area (CFTA) and the recently signed and awaiting ratification tripartite Free Trade Area (TFTA). They have therefore taken certain measures to promote exports.

South Africa

Through the department of trade in industry (dti) in March 2016 launched its Integrated National Export Strategy (INES) which aims to help improve the global competitiveness of South African exporters and tap the export-led economic growth benefits that have flowed to other developing countries in recent decades. The strategy aims double exports of manufactured goods in 10 years and increase export of services to constitute 40% of total services supplied by 2030. Africa is one of South Africa's target markets.

On a bilateral level, South Africa introduced import restricting measures on pharmaceuticals and asbestos originating from Zimbabwe although no indications seem to suggest their implementation in the spirit of solidarity.

Zimbabwe

Despite its endeavour to promote exports, the country does not have a clear export promotion strategy and hence not a surprise that its export base is concentrated and reliant on few trading partners with South Africa dominating as major export destination.

The country has however, over the year been focusing inwards and there seems to be a clear anti-import bias as demonstrated by interventions that it has introduced since 2012 to curb imports as a measure to boost local production. Interventions to date include

- i) Surtaxes: introduced in 2012 under Statutory Instrument (SI) 112 of 2012, affecting mostly agricultural products; footwear, freezer and second-hand cars. The general surtax charged is 25% and more goods have been added between 2012 and 2015 (list is long)³;
- ii) Import licensing requirements on certain goods through SI-6 and SI-126 of 2014; and the infamous SI-64 of 2016 of which its impact to date shall be discussed below.
- iii) Other interventions include a consignment based conformity assessments⁴ (cost to importer) and upward review of tariff rates including SADC FTA goods (supposed to be duty free in theory for all products).

Zimbabwe's Statutory Instrument (SI) 64 of 2016 and its impact on imports from South Africa

This section looks at goods covered under SI-64 of 2016 which requires import licenses to import goods under this instrument. The goods are categorised in several sectors which include; the Furniture Sector; Fertilizer Sector; Metals and Building Materials Sector; Food and Drinks Sector; Skin Care Sector; Tissue manufacturing Sector; and Textiles and Clothing Sector.

It is important to note that the SI-64 in certain instances does not provide actual harmonised system (HS) codes for the products targeted and therefore our analysis at the HS8 level and using Zimbabwe import trade data reveals a total of 188 product lines with a value of just above US\$160 million and accounting for about 12.5% of Zimbabwe's total imports from South Africa in 2016.

Our analysis reveals that the introduction of SI-64 reduced imports of targeted products by about 40% between 2015 and 2016. High value products which were impacted and experienced decline in growth over the 2015-2016 period include; HS31 Fertilisers (-46%); HS21 – salad dressings; mayonnaise and peanut butter; ice cream and coffee creamers (-38%). These two product groups accounted for 60% of total imports of goods under SI-64. Other top products significantly affected by SI-64 included HS20 – canned fruit & vegetables, and jams (-20%); HS33 skin care products, mainly petroleum jelly; body creams and camphor cream (-46%). The latter accounted for an additional 11% share of imports from South Africa in 2016.

Zimbabwe's anti-import bias has raised a lot of concerns regarding its commitments to bilateral and regional trade agreements especially where free trade areas exist such as the case of the SADC FTA and Zimbabwe's


³ See <http://www.cfuzim.org/images/si11212tariffs.pdf>

⁴ See <https://verigates.bureauveritas.com/wps/wcm/connect/6dfc8e5c-d4ae-4136-aaf2-7952e72d7a0f/GSIT+-Zimbabwe++%28BCBA%29+Datasheet+Rev+4.pdf?MOD=AJPERES>

reintroduction or the increase thereof of tariffs; surtaxes on goods that would otherwise be attracting duty free access into Zimbabwe. The rationale has been the protection of the ailing domestic industries.

The extent to which domestic production has been boosted is not quite clear at this point but many argue that this intervention has merely protected uncompetitive industries at the expense of the Zimbabwean consumer. Furthermore, without a clear export strategy, targeted sectors may not be the ones that really need protection but may have been included by vocal interest groups who stand to benefit.

Zimbabwe's SI-64 targeted product imports from South Africa (US\$ 000)

HS2 code	 Product group description	Number of product lines	Imports from South Africa (US\$ 000)			
			2015 (before)	2016 (after)	% share	% change
	Grand Total	188	268 518	161 164		-40%
31	Fertilizers	23	110 402	59 763	37%	-46%
21	Miscellaneous edible preparations	6	58 427	36 343	23%	-38%
84	Machinery, nuclear reactors, boilers, etc	3	12 389	15 403	10%	24%
20	Vegetable, fruit, nut, etc food preparations	20	13 078	10 407	6%	-20%
33	Essential oils, perfumes, cosmetics, toiletries	1	14 406	7 839	5%	-46%
32	Tanning, dyeing extracts, tannins, derivs, pigments etc	2	6 404	6 207	4%	-3%
22	Beverages, spirits and vinegar	4	21 151	3 854	2%	-82%
34	Soaps, lubricants, waxes, candles, modelling pastes	5	8 099	3 765	2%	-54%
48	Paper and paperboard, articles of pulp, paper and board	17	4 064	3 748	2%	-8%
94	Furniture, lighting, signs, prefabricated buildings	14	5 277	3 348	2%	-37%
39	Plastics and articles thereof	5	3 069	3 127	2%	2%
04	Dairy products, eggs, honey, edible animal product nes	5	2 651	2 453	2%	-7%
40	Rubber and articles thereof	12	2 911	2 217	1%	-24%
44	Wood and articles of wood, wood charcoal	10	1 709	1 215	1%	-29%
19	Cereal, flour, starch, milk preparations and products	2	2 598	750	0%	-71%
73	Articles of iron or steel	1	778	539	0%	-31%
87	Vehicles other than railway, tramway	1	269	64	0%	-76%
56	Wadding, felt, nonwovens, yarns, twine, cordage, etc	2	70	53	0%	-24%
72	Iron and steel	1	75	48	0%	-36%
52	Cotton	50	681	19	0%	-97%
67	Bird skin, feathers, artificial flowers, human hair	4	10	2	0%	-80%

Source: UN ITC TradeMap database, author's calculations

Products from South Africa seem to have been impacted the most given that over 40% of Zimbabwe's total imports originate from South Africa. Nonetheless, it seems South Africa has taken a diplomatic approach to the situation given Zimbabwe's importance as a major trading partner in the region as well as the socio-economic ties the countries have. This approach in some way has quelled otherwise a situation where countries in the region have ample grounds to institute retaliatory measures which would threaten the regional integration agenda.

In the absence of a working dispute settlement mechanism and independent tribunal in SADC, the temptation to renege on regionally binding agreements as in case in SADC is high.