



trade law
centre for
southern africa

- **South Africa and India: the trading relationship**

- by

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- This paper will examine South African and Indian trade, including an FTA. I of course appreciate the SACU Agreement as a background to this.

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Why India??

Assumed yearly GDP growth rates 2005 - 2020

	2005	2007	2009	2011	2013	2017	2020	Av
South Africa	5.0	5.0	5.3	4.2	4.4	4.4	4.3	4.6
Rest of Africa	4.7	5.2	5.6	4.6	4.5	4.3	4.2	4.7
China	10.4	11.3	10.5	8.3	8.2	7.5	7.4	8.8
EU27	1.8	2.8	2.6	1.8	1.7	1.6	1.5	1.9
USA	3.1	2.0	2.3	1.9	1.7	1.6	1.5	1.9
India	9.2	9.0	8.5	7.0	6.9	6.7	6.5	7.4
Rest of World	4.1	4.0	4.0	3.1	3.1	3.1	3.2	3.4
Total World	3.4	3.6	3.6	2.8	2.8	2.8	2.8	3.0

- What this means
- EU, USA ‘Old economies’
- Growth – China and India – ‘New economies’
- Africa – doing OK
- “Way Ahead’ book last year looks at implications of this

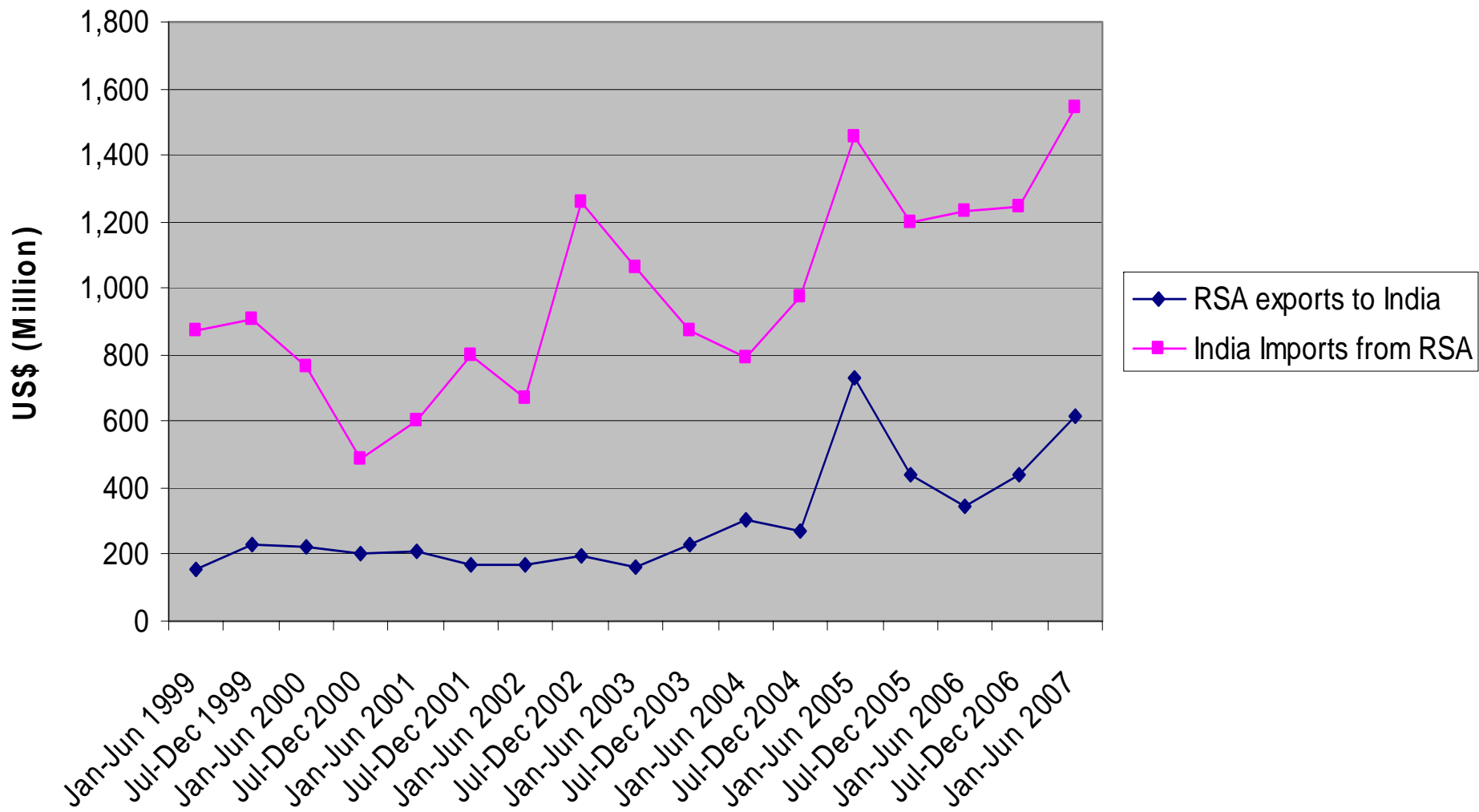
2007 Trade

- During **2007** India 9th export destination for South Africa (EU unit) exports of \$1.35 billion, up 72.8% from 2006. Fuels (coal) followed by inorganic chemicals. RSA does not report export destinations for gold, India shows large imports from RSA.
- India also the 9th import source, imports of \$1.78 billion, increase of 11.65% on previous year. The main imports fuels and vehicles.

- Two papers here
 - One Agricultural relationship, one Non-agriculture
 - In progress is trade modelling work (new GTAP)
 - And Non-tariff barrier report

Sept quarter 2007,US \$ million.

RSA Imports from India		RSA Exports to India	
Description	\$m	Description	\$m
Total	1,776	Total	1,354
Mineral Fuel, Oil Etc	451.9	Mineral Fuel, Oil Etc	449.1
Vehicles	201	Inorganic chemicals	209.9
Machinery	97.4	Aluminium	159.8
Cereals	94.3	Iron And Steel	137.7
Pharmaceutical products	83.7	Precious metal & stones	71.3
Sub total as % Total	56.7%		80.4%



Indian Duties

- Duties RSA into India

▪ Duty	lines	%imps	first
▪ 20.0	1	0.0%	wool tops
▪ 15.0	1	0.0%	tall oil
▪ 10.0	301	63.3%	gold
▪ 7.5	191	11.4%	phosphoric acid
▪ 5.0	58	17.9%	coal
▪ 3.0	1	0.0%	aircraft parts
▪ 2.0	3	5.4%	copper ore
▪ 0.0	4	1.3%	sodium nitrate

- What does that tell us???
- Tariffs, while important, are not crucial
- Therefore look to ‘Comprehensive FTA’
- Includes FDI and services in particular, along with NTBs.
It is here that the big gains are more likely to be.

Examination includes

- The two papers here look at
- Details of the trading relationship, including
- RSA market share, growth rates duties (agr only), main competitors
- Trade reconciliation – why are data different???
- Trade ‘Chilling’

- Products where market shares are high
- Trade classification by 'further processed' analysis
- For agriculture, analysis of the main trade products re production and trade in India
- For both, examination of main competitor countries
- Plus spreadsheet for non-agr gains into India

Spreadsheet analysis

	Tariff rate change	0	
	Supply elasticity	1.5	
	Demand elasticity	-1.5	
	Substitution elasticity	-1.5	
Total inc \$m	345.6	309.8	87.2
	Creation	Diversion	Supply
Gold	165.13	147.56	0.00
Gold	68.51	64.13	0.82
Coal	26.20	23.87	0.19
top 4 % total	82.0%	82.2%	49.0%

- Trade modelling (new Version 7 GTAP – not public yet)
- For India/RSA FTA “Golden story”
- With gold tariff reductions included, gains to RSA are \$4,873 Mill. No Gold is \$1,200 million
- For India - \$1,571 and \$715 mill respectively
- For RSA – both are very large (RSA gains from China are \$295m)
- Gold – distorts picture and overstated.
- Sugar in agr and coal other big export changes

- Imports
- Nothing in agr or natural resources from India, but increases from others.
- Manufacturing – big increases in apparel (mainly substitution), vehicles, other manufactures and metal products.
- Big negative losses to EU, 'Rest of World, China in particular

- More study on
- Gold
- Motor vehicles - BRIC(SAM) countries
- Clothing (China??)
- Sugar in agriculture