

South Africa and Foreign Trade

In December 2010 China's Minister of Foreign Affairs Yang Jiechi invited South Africa to join BRIC (Brazil, Russia, India and China) group. As a result the first BRICS (BRIC + South Africa) summit took place on April, 14 on the island of Hainan in China. This fact shows the importance of South Africa for the global economy, and, therefore, for international trade.

Foreign trade was always essential for South African economy. Significant part of capital resources needed to finance the development of the national economy was mobilised using external sources not only at the time of the British rule and that of apartheid, but also today.

The role played by foreign trade can be illustrated, using the share of foreign trade turnover in the country's GDP. Economic development under apartheid was characterised by a certain reduction in the ratio of export-import operations (including export of minerals) in country's GDP: if in 1947 the foreign trade turnover made up 52% of overall GDP, in 1990 it was 44%. It is possible to partly explain these changes by the expansion of the South African domestic market. However, without a doubt, international sanctions directed against the apartheid regime were also a major influence in the reduction of the role of foreign trade in the country's economy.¹

From 1985 to 1992 the share of imports declined from 22.6 % of GDP to 17.3%. The share of exports to GDP decreased (over the same period) from 31.5% in 1985 to 21.3% in 1992. The statistics given clearly shows that international

¹ *Fituni L.L.* Yuzhno-Afrikanskaya Respublika: Spravochnik. M: Institut Afriki RAN, 1994, S. 184 (*Fituni L.L.* Republic of South Africa: Factbook. Moscow: Institute of African Studies RAS, 1994, p. 184)

isolation of South Africa (although partial) had a substantial negative influence on the dynamics of external trade.²

Yet in 1992 when negotiations regarding elimination of apartheid by political means commenced, the trend was reversed – a steady increase in the share of exports and imports to GDP of South Africa began to be observed. By 2001 the share of imports made up 27.1% of GDP, and the share of exports – 31.0% of GDP. In 2007 the overall volume of exports was equal to 75.9 billion dollars, and the total volume of imports – 81.7 billion dollars with GDP being equivalent to 283.4 billion dollars. Thus, the share of imports was equal to 28.8% of GDP, and the share of exports – 26.7 % of GDP.³

Overall, from 1994 to 2005, the volume of South African exports (excluding gold exports) grew at an average annual rate of 7.6%. Such rapid growth of exports can be explained (primarily) by a decline in the rand real exchange rate (on average by 3.9% per year from 1994 to 2001) that significantly increased the competitive advantage of South African goods. These figures essentially say that South Africa managed to fully reintegrate within international economy after the first democratic elections of 1994.⁴

However, on the other hand, this made South Africa far more vulnerable to external market volatility⁵ (especially regarding the global commodity markets). This is easy to observe given the current global crisis.

² *Pritvorov A.V., Cherkasova I.V.* Ekonomicheskie aspektu razvitiya Yuga Afriki. M.: Institut Afriki RAN, 2006, S. 178 (*Pritvorov A.V., Cherkasova I.V.* Economic aspects of development of Southern Africa. Moscow: Institute of African Studies RAS, 2006, p. 178)

³ *Ibid.*;

Overseas Market Profile, South Africa. 6 July 2009 // Hong Kong Trade Development Council – <http://www.hktdc.com/info/mi/a/mp/en/1X0065I3/1/Market-Profiles/South-Africa.htm>

⁴ *Pritvorov A.V., Cherkasova I.V.* ..., S. 178 (*Pritvorov A.V., Cherkasova I.V.* Op. cit., p. 178)

⁵ Economic Profile South Africa 2007, p. 34 // Standard Bank (South Africa)

The crisis led to the collapse of South African trade. Though the crisis begun in 2008 real reduction in the foreign trade turnover occurred only in 2009: the volume of exports for 2009 (513 billion rand) was 20.3% less than that in 2008 (662 billion rand), and the volume of imports over the similar period decreased by 27.9% (from 749 billion to 540 billion rand). Hence, it is hardly surprising that decline in exports was the key cause of an economic downturn within South Africa itself, rather than the global financial meltdown. So the total trade turnover was equal to 55.4% of GDP.⁶

Yet already in 2010 recovery was observed: the volume of exports in 2010 was 584 billion rand (increase of 13.9%), and volume of imports – 585 billion rand (increase of 8.4%). But, even in terms of exports, the size of this increase was less than one-half of the preceding decrease.⁷

Structure of South African Exports

The figures and the structure of South African exports depend on a number of factors: rand exchange rate; price of gold (in spite of the fact that over the last 20 years the importance of gold exports considerably declined); prices of other commodities – first and foremost platinum; economic conditions in countries that are the key trading partners of South Africa; and situation in the international commodity markets.⁸

⁶ South African Trade by Chapters, South African Trade Statistics // Department of Trade and Industry – <http://www.thedti.gov.za/econdb/raportt/rapch.html>;
WDI and GDF 2010, World DataBank, The World Bank -
http://search.worldbank.org/quickview?view_url=http%3A%2F%2Fdatbanksearch.worldbank.org%2FDataSearch%2FLoadReport.aspx%3Fdb%3D2%26cntrycode%3DZAF%26sercode%3DNE.TRD.GNFS.ZS%26yrcode%3D

⁷ South African Trade by Chapters, South African Trade Statistics -
<http://www.thedti.gov.za/econdb/raportt/rapch.html>

⁸ Economic Profile South Africa 2007, p. 35 // Standard Bank.

In the past key role in South African economy was played by mineral exports. However recently, volume of manufacturing exports strongly increased. If in 1992 manufacturing exports made up only 40% of overall exports then in 2007 manufacturing goods made up already 64% (in 2008 – 63%) of total exports (Figure 1). While the share of mining exports over the same time fell from 54% to 33% (32% in 2008).⁹

Figure 1. Structure of South African Trade.

Share (in %)	1992	2002	2007	2008
Agriculture	3.63	4.44	3.38	4.01
Mining	54.01	36.87	32.35	32.46
Industry	40.24	58.53	63.96	63.06
Other	2.12	0.16	0.31	0.47
Growth (% per annum)				
Total		25	25	34
Agriculture		37	17	59
Mining		22	24	34
Industry		27	25	32
Other		-27	321	107

Source: Structure of South African Trade, South African Trade Statistics // Department of Trade and Industry - <http://www.thedti.gov.za/econdb/raportt/rapstruc.html>

Five main categories of South African exports are precious metals and precious stones; vehicles and transport equipment; machinery, production and electrical equipment; ferrous and base metals, and articles thereof; and other minerals (Figure 2).

⁹ Ibid.

Figure 2. Structure of South African Trade (by chapters).

Chapters	2010		2009		2007	
	Rand (billion)	% of total	Rand (billion)	% of total	Rand (billion)	% of total
Precious metals and precious stones	149.3	25.6	128.4	25.0	130.3	27.3
Ores, slag and ash	71.0	12.2	50.0	9.7	31.3	6.6
Iron and steel	58.3	10.0	47.1	9.2	53.0	11.1
Mineral fuels, mineral oils and products of their distillation	53.3	9.1	52.3	10.2	41.0	8.6
Vehicles, and parts and accessories thereof	46.3	7.9	40.4	7.9	36.9	7.7
Machinery and mechanical appliances, and parts thereof	35.3	6.0	31.6	6.2	39.6	8.3
Edible fruit and nuts	15.5	2.7	13.6	2.7	10.5	2.2
Aluminium and articles thereof	14.9	2.6	13.3	2.6	16.6	3.4
Organic chemicals	9.7	1.7	7.6	1.5	7.1	1.5
Electrical machinery and equipment, and parts thereof etc	8.8	1.5	9.2	1.8	10.6	2.2
Other	121.5	20.8	119.5	23.3	100.2	21.0
Total	584.0	100.0	512.8	100.0	477.0	100.0

Compiled using: South African Trade by Chapters, South African Trade Statistics // Department of Trade and Industry - <http://www.thedti.gov.za/econdb/raportt/rapch.html>

The category of precious metals and precious stones (for 2007) equaled 130.3 billion rand or 27.3% of exports. This category includes export of gold, diamonds and platinum group metals (PGMs).

The most well-known export commodity from this group is gold. However the relative weight of gold in the value of South African exports decreased over the years. If in 1939 gold made up 90% of the value of mining exports, in 2007 it was less than 25% (24.9%) (in 2008 – 25.4%), representing 8.3% of total export volume (in 2008 – 7.1%).¹⁰

¹⁰ *Kalkutin A., Korablin M. Surevue resyrsu YuAR // Azia I Afrika, n 6, 2008, S. 56 (Kalkutin A., Korablin M. South African mineral resources. // Asia and Africa, No 6, 2008, p. 56);*

Mining, South African Trade by SIC codes, South African Trade Statistics -

<http://www.thedti.gov.za/econdb/raportt/rapsimicurrent.html>;

South African Exports by HS 4 Digit Codes, South African Trade Statistics -

<http://www.thedti.gov.za/econdb/raportt/rapExHS4.html>

But in the environment of global crisis (instability in the international stock markets and instability of international reserve currencies – dollar and euro) gold's share in exports has grown (in 2009 – 10.3%, in 2010 – 10.6%).¹¹

So too decreased the share of diamond exports. In 2007 diamond exports were equal to 8.1% of overall mining exports (in 2008 – 6.0%) and 3.1% of total exports (in 2008 – 2.4%).¹²

Because of world crisis the situation deteriorated further (demand for luxury items, such as diamonds, fell more than for other goods) – in 2009 diamond exports fell to 1.9% of total exports (in 2010 – 1.9%).¹³

But while the export volume of such traditional commodities as gold and diamonds diminished over the last 30 years (due to decline in production, as a consequence of depletion of high-grade ore and because of increasing costs of extraction), rapid growth in exports of platinum group metals (PGMs) was observed. Thus, in 2007 it has reached 25.3% of total mining exports and 8.5% of total export (in 2008 – 7.1%).¹⁴

The value of other export categories (in 2007) was:

- vehicles and transport equipment – 36.9 billion rand (7.7% of total exports);
- machinery, production and electrical equipment – 50.1 billion rand (10.5%);
- ferrous and base metals, and articles thereof – 86.7 billion rand (18.2%);
- other minerals – 72.0 billion rand (15.1%).

From 2008 to 2009 exports of precious metals and precious stones fell by 12.3% (reaching 128.4 billion rand).

The values for other export categories also decreased:

¹¹ Ibid.

¹² Mining, South African Trade by SIC codes - <http://www.thedti.gov.za/econdb/raportt/rapsimicurrent.html>;
South African Exports by HS 4 Digit Codes, South African Trade Statistics.

¹³ Ibid.

¹⁴ Mining, South African Trade by SIC codes; South African Exports by HS 4 Digit Codes.

- exports of vehicles and transport equipment declined by 32.8% (from 60.5 billion rand to 40.4 billion rand);
- of machinery, production and electrical equipment – by 31.8% (from 59.7 billion to 40.7 billion);
- of ferrous and base metals, and articles thereof – by 35.2% (from 117.4 billion to 76.0 billion)
- of other minerals – by 8.8% (from 116.1 billion rand to 102.3 billion rand).¹⁵

Hence, it is possible to say that global economic crisis hit heavily all principal exports. But, exports of metals and transport machinery were hit the hardest while mining exporters suffered far less.

From 2009 to 2010 exports of precious metals and precious stones has increased by 16.3% (reaching 149.3 billion rand).

The values for other export categories have also increased:

- exports of vehicles and transport equipment grew by 14.5% (reaching 46.3 billion rand);
- of machinery, production and electrical equipment – by 8.2% (reaching 44,1 billion);
- of ferrous and base metals, and articles thereof – by 20.0% (reaching 91.2 billion)
- of other minerals – by 21.5% (reaching 124.3 billion).¹⁶

Consequently in 2010 the demand for mineral commodities reached pre-crisis levels (apart from precious metals and precious stones).

Structure of South African Imports

From the beginning of 1990s substantial growth in mining imports occurred (Figure 3) – from 7.7% of overall imports in 1992 to 16.1% in 2007 (22.4% in 2008). Correspondingly a reduction in the share of industrial imports – from 86.2%

¹⁵ South African Trade by Chapters.

¹⁶ Ibid.

in 1992 to 82.1% in 2007 (74.9% in 2008) was observed. It is easily explained by the fact that (Figure 4) the principal item of mining imports is oil. (And oil is one of a few mineral commodities that can't be found in South Africa.) In the 1980s and in the beginning of 1990s the size of South African oil imports was very limited because of sanctions against South Africa. And after 1994 elections oil exports to South Africa rose sharply.

Figure 3. Structure of South African imports.

Billion rand	1992	2002	2007	2008
Total	46.56	275.43	563.45	749.42
Agriculture	2.67	5.95	8.63	10.24
Mining	3.59	36.46	90.94	167.92
Industry	40.13	232.24	462.40	561.39
Other	0.18	0.78	1.47	9.88
Share (in %)				
Agriculture	5.7	2.2	1.5	1.4
Mining	7.7	13.2	16.1	22.4
Industry	86.2	84.3	82.1	74.9
Other	0.4	0.3	0.3	1.3
Growth (% per annum)				
Total		27	21	33
Agriculture		97	42	19
Mining		12	21	85
Industry		29	21	21
Other		106	-22	570

Source: Structure of South African Trade, South African Trade Statistics // Department of Trade and Industry - <http://www.thedti.gov.za/econdb/raportt/rapstruc.html>

The significance of oil imports for South African economy can be clearly illustrated by the fact that (in 2009-10) the volume of imports from Iran exceeded that of United Kingdom.¹⁷

Figure 4. Structure of South African imports (by chapters).

Chapters	2010		2009		2007	
	Rand (billion)	% of total	Rand (billion)	% of total	Rand (billion)	% of total
Mineral fuels, mineral oils and products of their distillation	114,8	19,6	115,2	21,3	104,5	18,5
Machinery and mechanical appliances, and parts thereof	86,2	14,7	83,0	15,4	90,0	16,0
Electrical machinery and equipment, and parts thereof etc	62,6	10,7	58,1	10,8	54,0	9,6
Vehicles, and parts and accessories thereof	51,3	8,8	38,7	7,2	56,3	10,0
Vehicles' parts	37,9	6,5	30,0	5,6	40,5	7,2
Optical photographic, cinematographic, measuring, checking, precision, medical or surgical instrument	15,1	2,6	15,5	2,9	14,3	2,5
Pharmaceutical products	15,1	2,6	13,5	2,5	10,4	1,9
Plastics and articles thereof	15,1	2,6	13,1	2,4	13,5	2,4
Organic chemicals	10,6	1,8	9,3	1,7	8,7	1,6
Miscellaneous chemical products	8,8	1,5	8,6	1,6	6,6	1,2
Other	167,9	28,7	154,9	28,7	164,6	29,2
Total	585,4	100,0	540,0	100,0	563,4	100,0

Compiled using: South African Trade by Chapters, South African Trade Statistics // Department of Trade and Industry - <http://www.thedti.gov.za/econdb/raportt/rapch.html>

Five main categories of South African imports are oil and petrochemicals; machinery, production and electrical equipment; chemical products; vehicles and transport equipment; and vehicle parts (Figure 4).¹⁸

Oil and petrochemicals is the most important import category, constituted 18.5% (in 2007) of all South African imports (104.5 billion rand).

The value of other import categories (in 2007) was:

¹⁷ South African Trade by Countries, South African Trade Statistics - <http://www.thedti.gov.za/econdb/raportt/rapcoun.html>

¹⁸ Economic Profile South Africa 2007, p. 35 // Standard Bank.

- machinery, production and electrical equipment – 144.0 billion rand (or 25.6% of total imports);
- chemical products – 54.6 billion rand (or 9.7%);
- vehicles – 56.3 billion rand (10.0%);
- vehicle parts – 40.5 billion rand (7.2%).

From 2008 to 2009, because of crisis, volume of imports fell:

- imports of oil and petrochemicals decreased by 28.9% (from 162.0 billion to 115.2 billion rand);
- of machinery, production and electrical equipment – by 24.0% (from 185.7 to 141.1 billion rand);
- of chemical products – by 17.0% (from 70,0 billion to 58.2 billion);
- of vehicles – by 28.2% (from 53.9 billion to 38.7 billion);
- of vehicle parts – by 37.8% (from 48.2 to 30.0 billion).¹⁹

From 2009 to 2010 imports of oil and petrochemicals decreased by 0.3% (reaching 114.8 billion rand).²⁰

At the same time import volumes for other categories began to recover:

- of machinery, production and electrical equipment – by 5.4% (reaching 148.8 billion rand);
- of chemical products – by 13.8% (reaching 66.2 billion);
- of vehicles – by 32.4% (reaching 51,3 billion);
- of vehicle parts – by 26.5% (reaching 38.0 billion).²¹

It should be mentioned that one of the key categories of South African imports is such peculiar product group as vehicle parts. It is explained by the existence of a well-developed export-orientated automotive industry. In other words large volumes of vehicle exports (Figure 2) create a market for large volumes of imports of vehicle parts.

¹⁹ South African Trade by Chapters.

²⁰ Ibid.

²¹ Ibid.

So in 2009 a 32.8% decrease in vehicle exports resulted in a fall of vehicle parts' imports (that was larger than for other import categories). But, already in 2010, growth in vehicle exports has led to an even greater increase in imports of vehicle parts.

Geographical Distribution of Exports and Imports

Traditionally the principal South African trading partners were European Union (EU), and among its members, first of all Great Britain and Germany, as well as United States of America (USA).

By 2008 the significance of European countries South African trade turnover it was somewhat decreased, making up 35.2% of total exports and 32.7% of total imports (Figure 5 and Figure 6). In the circumstances of a global economic slump Europe's share continued to fall: reaching 32.5% (2009) and 30.9% (2010) of total exports, and 34.6% (2009) and 34.1% (2010) of total imports. At the same time the role of Asian countries in South African foreign trade has grown (primarily because of China).

Figure 5. Distribution of South African exports by continents.

Continents	2010			2009			2008			2007
	Rand (billion)	% of total	Growth	Rand (billion)	% of total	Growth	Rand (billion)	% of total	Growth	Rand (billion)
Asia	195.96	37.8	21%	162.04	35.5	-15%	190.89	32.2	42%	134.69
Europe	159.98	30.9	8%	148.02	32.5	-29%	208.56	35.2	32%	158.07
Africa	87.06	16.8	1%	86.33	19	-13%	99.02	16.7	53%	64.49
America	67.66	13	31%	51.64	11.3	-35%	79.9	13.5	22%	65.65
Pacific	7.84	1.5	9%	7.19	1.6	-48%	13.71	2.3	26%	10.9
Total continents	518.51	100.0	14%	455.21	100.0	-23%	592.08	100.0	36%	433.8
Ship stores	3.44		-23%	4.5		4%	4.34		71%	2.54
Unallocated	62.02		17%	53.09		14%	46.67		15%	40.68
Total	583.97		14%	512.8		-20%	643.09		35%	477.02

Compiled using: South African Trade by Continents, South African Trade Statistics // Department of Trade and Industry - <http://www.thedti.gov.za/econdb/raportt/rapcont.html>

Also, rapid growth of trade turnover with other African countries was observed. Exports to African countries (by 2008) increased by 16.7% (in 2009 –

16.8%) of total exports (exceeding volume of exports to American countries), and imports from African countries reached 9.8% of overall. This can be largely attributed to expansion of South African business into other African countries.

Figure 6. Distribution of South African imports by continents.

Continents	2010			2009			2008			2007
	Rand (billion)	% of total	Growth	Rand (billion)	% of total	Growth	Rand (billion)	% of total	Growth	Rand (billion)
Asia	260.02	44.5	12%	231.54	43.0	-26%	314.22	42.0	37%	228.91
Europe	199.27	34.1	7%	186.44	34.6	-24%	244.84	32.7	22%	200.58
Africa	43.93	7.5	9%	40.38	7.5	-45%	73.55	9.8	80%	40.89
America	69.84	12.0	0%	69.79	13.0	-30%	99.95	13.4	34%	74.80
Pacific	11.12	1.9	5%	10.59	2.0	-32%	15.54	2.1	24%	12.52
Total continents	584.19	100.0	8%	538.74	100.0	-28%	748.09	100.0	34%	557.70
Unallocated	1.19		-3%	1.23		-8%	1.33		-32%	1.95
Total	585.39		8%	539.97		-28%	749.42		34%	559.65

Compiled using: South African Trade by Continents, South African Trade Statistics // Department of Trade and Industry - <http://www.thedti.gov.za/econdb/raportt/rapcont.html>

Considering the data regarding exports to separate countries (for 2007) 10 largest importers of South African goods are – USA (12.0%), Japan (11.6%), Great Britain (7.9%), Germany (7.9%), China (5.6%), Netherlands (4.5%), Spain (3.0%), Belgium (2.8%), Italy (2.4%) and Australia (2.3%). Main countries, whose goods were exported to South Africa (in 2007), were Germany (11.8%), China (10.8%), USA (7.7%), Japan (6.6%), Great Britain (4.9%), Saudi Arabia (4.6%), Iran (3.7%), France (3.4%), Italy (2.8%) and South Korea (2.3%).

For 2009 the largest importers of South African goods were China (10.7%), USA (9.1%), Japan (7.5%), Germany (7.1%), Great Britain (5.6%), Switzerland (4.7%), Netherlands (4.1%), India (4.0%), Zimbabwe (2.9%) and Mozambique (2.9%). And the main exporters of goods to South Africa were China (13.1%), Germany (11.7%), USA (7.7%), Saudi Arabia (4.9%), Japan (4.9%), Iran (4.1%), Great Britain (4.0%), France (3.2%), Nigeria (2.9%) and India (2.9%).

In 2010 key export destinations were China (11.3), USA (10.1), Japan (8.9), Germany (8.2), Great Britain (5.1), India (4.3), the Netherlands (3.3), Switzerland (3.2), Zimbabwe (2.9) and Mozambique (2.7). And key importers – China (14.4),

Germany (11.4), USA (7.2), Japan (5.3), Saudi Arabia (4.1), Iran (3.9), Great Britain (3.8), India (3.6), France (3.0), and Nigeria (2.7).²²

It's worth noting the impressive growth in exports to China (from 2.8% in 2003²³ to 5.6% in 2007) and imports from China (from 6.4% in 2003²⁴ to 10.8% in 2007) within several years before the start of global recession. This trend got even stronger during the crisis: in 2009 China became South Africa's largest exporter and importer. Also in 2009 volume of exports to Asia has exceeded for the first time the volume of exports to Europe.²⁵

Besides, with the start of the recession African countries made it into the list of the top ten exporters (Zimbabwe and Mozambique) and the top ten importers: Zimbabwe and Mozambique, and Nigeria accordingly²⁶. The same happened with India.

In 2010 Russia's share within South African exports was equal to 0.40% (in 2009 – 0.33%, in 2007 – 0.23%), and within imports – 0.13% (in 2009 – 0.67%, in 2007 – 0.71%). Hence, on one hand, increase in Russia's significance in terms of South African exports is observed, but on another – a sharp fall in import volumes in 2010 can be seen.²⁷

Conclusions

Global economic crisis, certainly, affected the South African economy: from 2008 to 2009 exports decreased by 20.9% and imports by 27.9%. Yet already in 2010 South African trade turnover has grown by about 11%.

²² South African Trade by Countries.

²³ *Lee D., Taylor I., Williams P.* The New Multilateralism in South African Diplomacy. New York: 2006, p. 58.

²⁴ Ibid.

²⁵ Asia ousts EU as SA's top export block // Business Report, Johannesburg -

<http://www.ioi.co.za/business/business-news/asia-ousts-eu-as-sa-s-top-export-block-1.707748>

²⁶ South African Trade by Countries.

²⁷ Ibid.

In 2011 we can expect a limited increase in trade deficit. Slack demand in the international markets will restrain export growth while growing consumer expenditure and, in addition, demand for capital goods are likely to stimulate imports. South African terms of trade will probably also deteriorate, as increasing international oil and food prices and the foodstuffs, as expected, will partially limit the positive effects of greater demand for commodities on the part of Asian countries on export prices.²⁸

Overall, it seems in the future distribution of South African trade will continue to change – away from the West and towards the developing economies (primarily China, India and African countries). The fact that South Africa has now become a member of the BRICS group just underlines this trend.

²⁸ Guide to the Economy, p. 7 // Nedbank. 3 February 2011.

- http://www.nedbankgroup.co.za/pdfs/economic/economicGuide/2011feb_guide.pdf