
TRACK II STUDY - FINAL

REVIEW OF TRADE TRENDS BETWEEN NEW ZEALAND AND SOUTH AFRICA: A ROAD MAP TO FUTURE BILATERAL RELATIONS

JOINT STUDY

BY

INFOMETRICS (NEW ZEALAND)

AND

TRADE AND INDUSTRIAL POLICY STRATEGIES (SOUTH AFRICA)

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List of Abbreviations

AAG	Average Annual Growth
AAS	Average Annual Share
ACTA	Anti-Counterfeiting Trade Agreement
AMF	Anhydrous Milk Fat
ANZCERTA	Australia New Zealand Closer Economic Relations Trade Agreement
ANZSCEP	Agreement between New Zealand and Singapore on a Closer Economic Partnership
APDP	Automotive Production and Development Programme
ASA	Air Services Arrangements/Agreement
ASEAN	Association of Southeast Asian Nations
ASGI-SA	Accelerated and Shared Growth Initiative for South Africa
BBBEE	Broad Based Black Economic Empowerment
bn	Billion
c.i.f.	cost, insurance and freight
CEP	Closer Economic Partnership agreement
CER	Closer Economic Relations
CFI	Clover Fonterra Ingredients
CIA	Central Intelligence Agency
CRLR	Commission of Restitution of Land Rights
CTCP	Clothing and Textile Competitiveness Programme
DCCS	Duty Credit Certificate Scheme
EFTA	European Free Trade Area
ENZ	Education New Zealand
EOI	Export-Oriented Industrialisation
EPA	Economic Partnership Agreement
EU	European Union
f.o.b.	free on board
FDI	Foreign Direct Investment
FTA	Free Trade Area/Agreement
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GST	Goods and Services Tax
HS	Harmonised System
IATA	International Air Transport Association

ICASA	Independent Communication Authority of South Africa
IMF	International Monetary Fund
IPAP	Industrial Policy Action Plan
IPR	Intellectual Property Rights
ISI	Import Substitution Industrialisation
ITC	International Trade Centre
KEA	Kiwi Expatriate Association
MED	Ministry of Economic Development
MERCOSUR	Common Market of the South
MFN	Most-Favoured Nation
MIDP	Motor Industry Development Programme
MPRDA	Minerals and Petroleum Resources Development Act
NAFTA	North American Free Trade Agreement
NES	Not Elsewhere Specified
NIPF	National Industrial Policy Framework
NTB	Non-Technical/Tariff Barrier
NZ	New Zealand
NZTE	New Zealand Trade and Enterprise
OCR	Official Cash Rate
OECD	Organisation for Economic Co-operation and Development
PDI	Previously Disadvantaged Individual
PI	Production Incentive
PLT	Permanent and Long-Term
PPP	Purchasing Power Parity
PTA	Preferential Trade Agreements
RBNZ	Reserve Bank of New Zealand
RCA	Revealed Comparative Advantage
ROW	Rest of the world
RTA	Regional Trade Area/ Agreements
RWC	Rugby World Cup
SA	South Africa
SAA	South African Airlines
SACU	Southern African Customs Union
SADC	Southern African Development Community
SAPO	South African Post Office
SARB	South African Reserve Bank
SARS	South African Revenue Services
SDI	Spatial Development Initiative
SIP	Strategic Industrial Programme,

SMEDP	the Small and Medium Enterprise development Programme
SMMDP	Small and Medium Manufacturing Development Programme
SMME	Small Micro Medium Enterprises
SOE	State-Owned-Enterprises
SPS	Sanitary and Phyto-Sanitary
TBT	Technical Barrier to Trade
TDCA	Trade Development and Cooperation Agreement
TFA	Trade Flow Analysis
the dti	Department of Trade and Industry
TNZCEP	Thailand-New Zealand Closer Economic Partnership (CEP) Agreement
TNZI	Telecom New Zealand International
TPP	Trans-Pacific Partnership
TRQ	Tariff Rate Quota
UK	United Kingdom
UNCTAD	United Nations Conference on Trade and Development
US	United States
VAT	Value-added Tax
WIPO	World Intellectual Property Organisation
WTA	World Trade Atlas
WTO	World Trade Organisation

Executive Summary

This Track II study on bilateral trade ties between New Zealand and South Africa is aimed at assessing the state of the trade relationship between New Zealand and South Africa, establishing opportunities for improving trade in goods and services as well as investment between New Zealand and South Africa and finally proposing further steps towards improving trade and investment relationships between New Zealand and South Africa. The study was informed on the realisation by both the New Zealand and South African governments that, although trade flows were growing, joint efforts were needed to systematically investigate the bilateral trade relationship between the two countries in order to ascertain opportunities for improving such a relationship.

The study involved mostly desktop research that focused on a descriptive discussion of the New Zealand and South African economies and trade-related regimes, a quantitative analysis of trade in goods and services as well as a comparative analysis of the regulatory environment for investing in both New Zealand and South Africa. In addition, an extensive interview process was undertaken in New Zealand. The study establishes that while existing trade is operating with few reported problems there exist opportunities for improving bilateral trade and investment between New Zealand and South Africa, despite the fact that there could be disparities in the benefits that may accrue to each of the countries. The study also suggests that in order to increase trade and investment between the two countries, some measures can be put into practice both at a unilateral and bilateral level by the countries.

The main findings were as follows:

- Though New Zealand and South Africa have dissimilarities in terms of the level of income and other macroeconomic variables such as the unemployment rate, the two countries are important players in regional as well as multilateral trade agreements. Though there is no formal bilateral trade agreements between the two countries, trade relationships have been improving. Following extensive interviews in New Zealand with merchandise exporters we found few direct problems of concern except some dairy and meat exporters concerns about tariffs and the regulatory issues relating to Sanitary and Phyto-Sanitary (SPS) regimes.
- The 2009 trade data shows that New Zealand was South Africa's 51st most important import source and 65th most significant export destination. The main imports into South Africa from New Zealand (NZ\$213 million; R1.12 billion; US\$154 Billion) were coal, frozen fish, paper and paper board, sheep meat and offal, harvesting and general machinery and dairy products. A feature of this trade is that where New Zealand competes it often commands a significant market share in these product lines. In ten of the top eighteen lines New Zealand ranks in the top three import sources and indeed is the number one source for this particular line of frozen fish, cheese and kiwifruit. The average annual growth rate from 2000 was 12.2%.
- Similarly, examining South Africa's exports to New Zealand of NZ\$ 107 million (R562 million or US\$77.2 million) we find that the average annual growth rate from 2000 was 10.8% (marginally above the global average of 9.9%). The main products were forestry products, motor vehicles, wine, fruit and nuts and carpets.
- We calculated that the average tariff on South Africa imports from New Zealand in 2009 would have been 5%, with the highest rates being the 40% levied on sheep meat and 25% on milk powders. Conversely, for South African imports into New Zealand carpets at 10% tariff was the highest, with some others 5% but most were at zero.
- During 2009 New Zealand imported goods worth NZ\$123.3 million (R648 million; US\$88.9 million) from South Africa, and this placed South Africa as New Zealand's 37th most significant import source with a 0.3% market share. Similarly, exports to South Africa were NZ\$207 million, (R1.09 billion or US\$149.3 million) and this made South Africa the 33rd most important destination with a 0.52% export share.
- Data on 2010 trade over the 2009 data released after the completion of the main part of the report shows that imports from New Zealand into South Africa increased by 1% (and similarly the

same trade measured as New Zealand exports to South Africa increased by 4%), while South African exports to New Zealand increased by 14% (10% when reported as New Zealand's imports). This data was not analysed in detail.

- In examining opportunities for future trade enhancement we found few merchandise goods where there seemed to be promise. Based on revealed comparative advantage study and trade flow analysis, there is some evidence of the existence of undeveloped trade potentials between South Africa and New Zealand for sub-sectors that are currently showing little or no trade. In the case of South Africa's export sub-sectors with the highest undeveloped trade potentials are
 - i) centrifuges, incl. centrifugal dryers; filtering/purifying machinery;
 - ii) flat-rolled products of stainless steel, of a width of 600mm or more; and
 - iii) unwrought aluminium.

On the other hand, New Zealand's sub-sectors include

- i) wood sawn/chipped lengthwise,
- ii) sliced/peeled; beef; and
- iii) unwrought aluminium

However, trade data for 2009 suggests the market size in New Zealand may be a limiting factor, while there is a relatively bigger market size for New Zealand's exports to South Africa. This general conclusion is confirmed by a 'trade chilling' exercise, and in addition the intra-industry analysis highlights that there is very limited trade in 'like products' between South Africa and New Zealand.

- New Zealand and South Africa both have liberalised service sectors. Given that both countries are net importers of services as well as the fact that the service sector is a significant contributor to their respective GDPs, the potential for expansion in trade involving services exists between the two countries. In addition, governments in both countries are very significant service providers.
- South Africa, a developing country, has laws and regulations that compare with those of the developed world partly because the tertiary sector (mainly) is well developed and employs advanced technology. New Zealand, a country with slightly more than 4 million people, is a developed country by all measures. Although free market principles apply in both countries, investing in South Africa necessitates familiarity with Broad-Based Black Economic Empowerment (BBBEE) requirements, which are sector-specific.

In services, tourism numbers in both directions increased dramatically from 1994, and recently long term arrivals (immigrants) into New Zealand from South Africa have been around two to three thousand annually. Again, our interviews found few problems associated with tourism (or services trade) that require attention, and we note that much of the tourism activity is associated with the considerable number of South Africans now residing in New Zealand.

Other areas of the services bilateral trade as defined are not that significant. The official New Zealand data is showing that trade (as defined without some major sectors) is generally less than NZ\$10 million (R52.6m or US\$ 7.21million) annually in either direction. For most recent years New Zealand's services exports to South Africa have, however, been above the comparable imports from South Africa, giving New Zealand a very modest surplus. It is likely that the official data underestimates the bilateral services relationships though, as (a) this data does not include tourism and transport and (b) there appear to be some (but limited) service provider relationships that may or may not show up on the official data as reported.

A similar pattern to services can be seen with the bilateral direct investment linkages where the bilateral flows are also very small. The mining sector in South Africa seems to be an attractive sector for investment due to the fact that it is globally competitive. As far as New Zealand is concerned, opportunities for investing in South Africa are mainly in the agricultural sector, or, more properly, the agribusiness sector.

RECOMMENDATIONS

In a nutshell, the study reveals that there are opportunities for increasing trade and investment between the two countries, even though there could be disparities in the benefits that may accrue to each of the countries. In order to increase trade and investment between the two countries a number of measures can be implemented individually and jointly by the countries. The following could be done to promote trade; and exploit the existing opportunities;

1. In general, activities such as trade missions comprising private and public sector representatives to each country should continue for the expansion or opening up of new trade opportunities. This can be facilitated by trade promotion agencies, Ministries responsible for trade and industry, and tourism and private sector institutions in the two countries. In addition, participation in major trade events, such as trade fairs, tourism promotion events etc., through involvement of the ministries of trade and industry and the private sector and other line ministries depending on the event should continue.
2. Market surveys which may be sector or product(s) specific would help identify specific sectors' potential and gather more information on opportunities and constraints in the markets for these sectors or products, focusing on those sectors as discussed with revealed export potential in this report. This could be followed up by sector specific business missions to facilitate and establish business linkages in specific sectors or products.
3. The development of an online trade information portal which can be used to facilitate trade information exchange and establishment of actual business to business linkages between the two countries by both government agencies and business organisations could be explored. Following from this, both countries have active private sector business export-oriented entities, and greater coordination between these groups could be established.
4. We also note that there are considerable numbers of South Africans living in New Zealand, and consideration could be given to authorities and business organisations to formalising their collective presence to harness this market potential. We understand that this was a recommendation from the recent Conference held in New Zealand by the Institute of International Affairs to examine relationships between New Zealand and Africa.
5. There are always opportunities for niche markets for relatively small markets that SMMEs (Small Micro Medium Enterprises) could take advantage of. Help in the identification of these niche products should be explored. In addition to this both countries should try and embark on joint venture activities particularly with regards to services.

Similarly, our general recommendations above could equally apply to area of investment.

At the policy level, the high tariffs imposed by South Africa on agricultural products of interest to New Zealand act as a constraint to trade. Although there are few irritants other than this, perhaps continued attention needs to be given to the SPS processes for kiwifruit imports into South Africa and the anti-dumping tariffs placed by New Zealand on South African peaches.

In the services sectors both countries would benefit from the activation of the film and television co-production agreement and more urgent consideration needs to be given to this.

1. Background

Political ties between New Zealand and South Africa have improved significantly since the end of the apartheid era. Following the inauguration of the first democratically elected South African Government, New Zealand lifted all trade, investment and financial sanctions against the country and relationships have normalised, bilateral trade has increased, the political, social and general economic ties have improved and multilateral co-operation is good. The establishment of the South African High Commission in Wellington during 2009 reaffirms South Africa's commitment to strengthening economic and deepening political ties between the two countries.

The new South Africa has a relatively young political system where policy directions are still being identified. The struggle to develop a successful and inclusive economy and society remains fundamental to the governance agenda facing the country. In recent years the government has focused on reform and the economy has enjoyed consistent growth, but the country faces immense problems such as income distribution, high levels of crime and HIV/AIDS, and poor social service delivery.

At the multilateral level there are bonds between the two countries; for example, with their respective positions in the WTO where both are members of the Cairns group of agricultural free traders seeking global reforms. Multilateral co-operation between South Africa and New Zealand are sound with ties ranging from trade and tourism to agriculture, disarmament; fisheries, environment, and indigenous and human rights issues, through to traditional sporting ties. There have been regular mutual exchanges of high level visits between Pretoria and Wellington with these meetings covering all aspects of the relationship, but no formal bilateral trade and investment agreement has been developed. Co-operation in other aspects of the bilateral work programme has been steady, with a number of agreements in areas such as film cooperation, skills development and Arts and Culture Cooperation in progress. In addition, while there is a modest number of New Zealanders resident in South Africa, New Zealand is home to a growing number of South Africans.

1.1 Problem statement

Although New Zealand and South Africa's bilateral trade relationship is diverse and of significant value, the growth in this relationship has continued without any intervention by either party. In addition, no shared efforts have been invested in carrying out a strategic work aimed at identifying and targeting potential areas of improvement in bilateral trade between New Zealand and South Africa. Therefore, this trade study has been recognised as an essential tool that would help unearth the existence of potential to develop the bilateral trade between New Zealand and South Africa.

1.2 Objectives of the Study

This Track II study broadly seeks to:

- Assess the current trade relationship between New Zealand and South Africa
- Identify and estimate opportunities for improving trade and investment between New Zealand and South Africa
- Recommend further steps towards enhancing trade and investment between New Zealand and South Africa

1.3 Structure of the study

Section two of the study looks at a descriptive analysis of the South African and New Zealand economies, **Section three** discusses the bilateral and multilateral trade agreements for both New Zealand and South Africa while in **Section four** an in-depth investigation of the bilateral relationship between New Zealand and South Africa is carried out. **Section five** deals with assessing areas of opportunity in bilateral trade in goods between South Africa and New Zealand while **Section six** deals with trade in services between the two countries and also investigates the regulatory environment for the service sector in both countries. A discussion on the regulatory environment for investment in South Africa is carried out in **Section seven**. **Section eight** reports some views from New Zealand agencies.

2. South Africa and New Zealand Economies

2.1 Introduction

An investigation into the trade relationship between South Africa and New Zealand requires at first an understanding of the differences and similarities between these two countries as far as the structures of their economies are concerned. This section provides a general description of both New Zealand and South Africa's economies including their respective trading regimes and global profiles.

2.1.1 NEW ZEALAND'S ECONOMIC ENVIRONMENT

New Zealand is located in the South Pacific with a population of around 4.3 million. It is a small open economy with vibrant services and manufacturing sectors supported by an efficient export-oriented agricultural sector. The country has a relatively large primary sector with commodities accounting for half of the value of all goods exported. The primary sector contributed on average 6% of New Zealand GDP although the largest contribution came from the tertiary sector with 59% of GDP over the period 2000-2009. Favourable climatic conditions provide an ideal environment for pastoral agriculture, horticulture and forestry in New Zealand. In addition, the country generates relatively cheap hydroelectric power, and this is a key ingredient in the setting up of energy-based industries such as aluminium refinement.

Exports of goods and services account for around one third of real expenditure GDP, with New Zealand trading mostly with Australia, the European Union (EU), the United States, China, Japan and ASEAN. These exports are driven from an efficient agricultural sector and include meat, dairy products, forest products, fruit and vegetables, fish, and wool. Leading manufacturing sectors are food processing, metal fabrication, and wood and paper products. New Zealand exports had an upturn in 2006 after struggling for several years. Per capita income rose for eight consecutive years and reached US\$27,300 in 2007 in purchasing power parity terms.¹ Growth in recent years has been driven by consumer and government spending, and the New Zealand government continues policies that foster further GDP growth and increases in productivity building on the work of preceding governments that saw the economy transformed from an agrarian economy to an industrialised economy.

2.1.2 SOUTH AFRICA'S ECONOMIC ENVIRONMENT

South Africa's economy is the largest in sub-Saharan Africa, accounting for roughly 40% of the region's GDP. Historically, the country's abundant mineral resources have played an important role in its economic development and South Africa is the leading international producer and exporter of a number of metals and minerals including gold, platinum and manganese. Although arable land is relatively scarce, the country has historically had a comparative advantage in agriculture, producing crops such as sugar cane, wheat and maize, as well as high-value goods such as fruits and nuts. The importance of agriculture to the overall economy has declined in recent years, but it nevertheless remains a significant source of employment for the country's unskilled workforce.

Despite its abundant natural resources, South Africa has a relatively diversified economy, with the agricultural and mining sectors together contributing less than 10% of GDP. Manufacturing contributes around 17% of GDP, while the services sector contributes over two-thirds of GDP. South Africa's top manufacturing industries by sales are petroleum, chemical, rubber and plastic products; iron, steel, metal products and machinery; food and beverages; and motor vehicles, parts and accessories. The largest services subsectors are retail and wholesale trade; financial and business services; and general government services, and the economy benefits from well-developed financial, legal, communications, energy and transport sectors, as well as modern infrastructure.

The trade profile shows that agricultural products accounted for only 7% of South Africa's exports in 2008, with fruits (grapes, apples and citrus), maize and wine the main agricultural exports. Minerals and metals dominate South Africa's merchandise export basket, with motor vehicles and parts also important. Petroleum is by far South Africa's most significant import, and other imports include motor vehicles and

parts, electrical equipment and machinery. The EU is South Africa's most important trading partner, and other major partners include the US, China and Japan. More recently the presence of Saudi Arabia, Angola and Nigeria among South Africa's major sources of imports highlights the country's reliance on imported oil.

After 1994 the Republic adopted a policy of openness and limited intervention in markets to promote trade and consequently competition. This led to the deregulation of trade policies as border tariffs were reduced and export subsidies eliminated. By the end of apartheid, all controls had effectively been cut adrift. With the closing of agricultural marketing boards, phasing-out of certain import and export controls, elimination of subsidies, and introduction of tariffs and their reduction, South Africa now has a very lightly protected agricultural sector. South Africa also has a modern and comparatively extensive infrastructure that supports the distribution of goods throughout the Southern African region. Over the period 2000 to 2009, the primary, secondary and tertiary sectors contributed 9%, 38% and 53% to GDP, respectively. South Africa's inflation rate varied between 5% and 11% during this period, and the unemployment rate levels ranged between 20% and 25% with the young black population primarily affected since 2000.

2.2 Microeconomic Policy Comparisons

The influence of microeconomic (firm level) policies on economic growth is important. Most of the inner workings that are associated with the growth process occur at firm level². Microeconomic reform has been a major focus of most governments because of the ineffectiveness of short-term macroeconomic policy to improve international competitiveness, reduce the current account deficit and foreign debt and to increase domestic savings. The focus of microeconomic policies generally has been firstly to subject the private sector to increased domestic and international competition and secondly to improve the performance of government businesses.

2.2.1 NEW ZEALAND'S MICROECONOMIC FRAMEWORK

Economic reform in New Zealand has been described as comprehensive and thorough, and at the microeconomic policy level the New Zealand government has since minimised government interventions (which by their nature favour specific firms and industries) and have moved to a position where the market is allowed to regulate economic activity. New Zealand's microeconomic reform emphasised moving to market based regulatory mechanisms; opening markets to entry and competition, including entry by private firms; removing unnecessary regulations and uneven industry assistance measures and adjusting regulation to support a competitive environment; and redefining property rights in ways more consistent with competition, as in radio spectrum, fishing or forestry cutting rights.³

All in all these key areas tend to point to a single direction of New Zealand's reform; that is markets to provide competition, a move supported by competition policy. The chief statute in the area of competition law in New Zealand is the Commerce Act 1986, with this enacted in order to promote competition in markets for the long-term benefit of consumers. The industry-specific Acts are premised on this objective, while recognising the additional complexities and concerns of particular sectors.

2.2.2 SOUTH AFRICA'S MICROECONOMIC FRAMEWORK

The year 1994 ushered in a regime change for South Africa, and with it came a range of rapid macroeconomic interventions that managed to turn South Africa's ailing economy around, bring inflation down to single digits, narrow the budget deficit, and catapult the country on to a more sustainable growth path. In spite of all these noteworthy accolades a number of large problem areas remain including unacceptable levels of unemployment and glaring inequalities (racial, gender, and spatial or geographic inequalities).

That being said, the government transition in 1994 came with a number of microeconomic reforms that included the replacement of costly subsidies (an example being the General Export Incentive Scheme) with innovative supply side measures, the introduction of competition policy, and the establishment of sector specific regulators. In this period, a new labour relations dispensation was brokered with all stakeholders, normalising labour relations and reducing the incidence of industrial action. In addition to this new legislation and an institutional framework for skills development was set up for further training of

employees. Similarly the government has also set up institutional framework and legislation to support small and medium enterprises. Early successes in these initial reforms are reflected in the increased share of manufactured goods in exports and increased labour productivity.

Despite the successes, it became clear that a more concerted effort directed at removing the bottlenecks that have been identified as impeding growth particularly at the micro-level, can be addressed by a co-ordinated collection of micro economic reform strategies that seek to further unlock greater economic growth and inclusion. The microeconomic reform strategy was developed to tackle the problems that the formal and informal economies face. The problems identified in the formal economy are a lack of cost competitiveness; while those operating informally faced limitations of under-investment in social and productive capital together with little scope for exploitation of lucrative entrepreneurial opportunities.

These microeconomic reforms were instituted to deepen the structural changes in the economy and strengthen the institutional capacity to deliver services and products that will facilitate social and economic development. The hope was that these structural changes would increase the levels of savings, investment and job creation as well as improve on the efficiency of the economy. The integrated action plan was the overarching policy co-ordination tool to implement the microeconomic reform, looking specifically at a number of issues that were deemed to be impeding further economic development.⁴

2.3 Industrial and Trade Policy Comparison (Industry Approach)

2.3.1 NEW ZEALAND INDUSTRIAL POLICY LANDSCAPE

Industrial intervention was more pronounced in the 1960s and the 1970s, driven to a certain extent by a series of crises that occurred in the 1957-1975 period.⁵ Government encouraged the development of potentially exportable goods, and undertook projects that led to the establishment of an aluminium smelter, a steel mill and an oil refinery. Additionally, the government encouraged efficiency and an export driven manufacturing sector. This was achieved by the government setting up institutions that provided technical, managerial, advisory, design, research, finance and export assistance.⁶

In response to the UK joining the European Economic Community, the government provided export subsidies, and gave tax breaks to profits attained from exports. The government also issued investment and depreciation allowances that, in essence, covered the cost of capital outlay and employee accommodation, and compensated industry captains for the cost of research and development. In response, manufactured goods increased from 6% to 18% of New Zealand's exports over the 1960s; that said, New Zealand manufacturers (with the exception of the pulp and paper industry⁷), were generally reluctant exporters because the domestic demand supplied sufficient growth.

The Labour government elected in 1984 drove the end of government support for industry, choosing to ignore the powerful industrial interest groups. State interventionist activities, incentives and government support in some instances were totally removed and in other instances reduced significantly. All government agencies or departments of agencies that engaged in business activity were either privatised, or transformed into a State Owned Enterprise with operational independence and commercial objectives. The position was that the government must play a referee role, providing the rules of the game and a level playing field, allowing the market actors to respond to price signals.

2.3.2 SOUTH AFRICA INDUSTRIAL POLICY LANDSCAPE

During the 1960s the policy of import substitution created a capital intensive production structure which was strongly dependent on imports of intermediate and capital goods, but this policy failed to create employment or encourage the emergence of a diversified, internationally competitive manufacturing sector and ultimately contributed towards the de-industrialisation of the South African economy.⁸ The 1990s were characterised by a declining GDP, low investment and an external capital account that was in deficit for close to a decade. The South African economy faced an economic crisis. During that period South Africa's trade policy favoured domestic industries, with high tariffs and the incentive schemes that were running at heavy cost to the fiscus.⁹ This contributed to low levels of productivity and competitiveness. Additionally the legacy of apartheid left the bulk of the population excluded from the economy, unemployed, unskilled and facing extreme poverty.

In response the New South African Government ushered in a new economic era, symbolised by the stabilisation of critical macroeconomic variables, a market determined exchange rate, a more competitive international trade arena and the removal of gross productive allocative inefficiencies, all of which were sufficient to put the South African economy on a track to economic prosperity. The economy diversified its exports from the former natural resource based products towards agro processing while the already strong services sector further expanded.¹⁰ Industrial policy focused on addressing supply side measures so as to better align the production capacities to better face the increased global competition confronting South African industries. In particular, sectoral support was availed for Clothing and Textiles and the automotive sector through the Duty Credit Certificate Scheme (DCCS) and the Motor Industry Development Programme (MIDP) respectively. In addition, the National Industrial Participation Programme was established to ensure that large foreign purchases by state entities secure offsetting investment obligations in the domestic economy and new incentive schemes directed at increasing the levels of investment in the manufacturing sector were introduced.¹¹

The **dti** saw the need for the state to play an even more active role in restructuring industry to areas in which it desired to develop capacity taking into consideration South Africa's endowments. This saw the formulation of the Accelerated and Shared Growth Initiative for South Africa (ASGI-SA) and its subsequent extension the National Industrial Policy Framework (NIPF) and its associated Industrial Policy Action Plan (IPAP). IPAP was then succeeded by the second Industrial Policy Action Plan II (IPAP 2). The latest announcement that is under review as the development strategy is the New Growth Path that was announced in late 2010.

The automotive sector is the leading manufacturing sector in the South African economy and is ranked third in sector contribution to National GDP.¹² In 2005 the sector produced 87% of all of Africa's vehicle output, proving itself to be the leader in vehicle production, but accounting for a small 0.7% of the world's vehicle production.¹³ The MIDP is still functional but there are plans that it will become the Automotive Production and Development Programme (APDP) in 2012. This is meant to allow the industry support model to fall in line with the World Trade Organisation's agreement on subsidies and countervailing measures (under the 1994 General Agreement on Tariffs and Trade). Under the MIDP, the subsidy was deemed to be a forbidden subsidy in that it was dependent on export performance whilst favouring the use of domestic over imported inputs. The APDP has evolved from an export based incentive to a local manufacturing incentive that is awarded to all local manufacturers without regard to the vehicles destination market (i.e. domestic as opposed to international). The objectives of the APDP remain similar to those of the MIDP however.

The Clothing and Textile Competitiveness Programme (CTCP) and its core funding mechanism, the Production Incentive (PI) were unveiled in 2010 as part of the Clothing and Textile Customised Sector Programme (CTCSP). This move is aimed at restructuring the clothing and textile sector for long term sustainability and competitiveness. Thus the programme's main intention is to help the clothing and textile industry in upgrading processes, products and people, with the hopes of effectively competing, domestically and globally.

2.4 Conclusion

New Zealand shares some similarities with South Africa though there are areas where these two countries present considerable differences. The similarities stem from the fact that the two countries are relatively "advanced economies" (as evidenced by the large contribution to GDP by the tertiary sectors). In addition, there are issues of unequal income distribution in both countries, with these significantly more acute in South Africa with its parallel dualistic agricultural sector for example. Nonetheless, both economies have a relatively stable economic environment, well managed inflation rates, and have recorded above 3% growth, prior to the recession.

On the other hand, there are also dissimilarities in the two economies as suggested by economic indicators such as the GDP per capita, the unemployment rate and the inflation rate. These indicators show that New Zealand has so far recorded a higher level of income as well as lower levels of inflation and unemployment rates than South Africa.

South Africa has the strongest economy in Southern Africa and has dedicated itself to enhancing its economic stance through improving economic growth and curtailing inflation. Policies that focussed on education, health, social development, security, land reform and poverty eradication coupled with a number of structural reforms were adopted to achieve that objective. On the other hand, New Zealand adopted policies that foster economic growth based on free market principles.

3. Bilateral and Multilateral Trade Agreements

3.1 South Africa: Trade Relations and Profile

South Africa has negotiated and signed a number of agreements in the past two decades. The major one is the Trade Development and Cooperation Agreement (TDCA) with the EU which came into force in 2000, and this was followed by the ratification and implementation the Trade protocol with the neighbouring the Southern African Development Community (SADC). SACU concluded negotiations on both the European Free Trade Area (EFTA) and the Common Market of the South (MERCOSUR) agreement.

South Africa is also a member of the oldest customs union, the Southern African Customs Union (SACU) that consists of Botswana, Lesotho, Namibia and Swaziland. Because of South Africa's membership in SACU, it has been difficult to sign agreements on areas other than trade in goods. In the same perspective, the trade protocol resulted in the signing of the SADC Free Trade Area (FTA) with member countries removing all tariffs on 85% of traded commodities. This FTA has faced a number of challenges, and it seems that SADC trade has been relatively unresponsive to this effectively one-way FTA as most members have not fully reciprocated on their duty-free access into SACU.

Trade flows between South Africa and its major trading partners mentioned above are reported in Table 1 which shows the main partners over the period 2000 to 2008 along with the average annual growth (AAG) over this period. To place New Zealand in perspective it is shown at the top of the table.

Table 1: South Africa's Trade with main trade partners, 2000-2008 (US\$ m and % annual growth rates)

Partner/Year	2000	2004	2005	2006	2007	2008	AAG % (2004 to 2008)
New Zealand							
SA Exports	32	101	103	95	107	123	19%
SA Imports	54	85	114	132	153	187	19%
European Union							
SA Exports	9 326	14 562	16 618	17 993	20 583	22 936	12%
SA Imports	10 893	19 408	21 000	23 699	26 857	27 545	10%
SADC							
SA Exports	2 941	3 889	4 667	4 894	5 965	8 178	19%
SA Imports	362	1 182	1 900	2 319	4 268	5 283	46%
MERCOSUR							
SA Exports	279	310	407	510	612	816	26%
SA Imports	504	1 563	1 760	2 377	2 737	2 719	17%
China							
SA Exports	587	1 003	1 328	1 981	3 481	4 271	47%
SA Imports	996	3 597	4 924	6 816	8 575	9 870	29%
India							
SA Exports	426	570	913	758	1 313	2 180	36%
SA Imports	254	714	1 102	1 590	1 775	2 303	33%
United States							
SA Exports	3 592	4 558	4 789	5 930	7 382	8 053	17%
SA Imports	3 183	4 037	4 286	5 152	6 118	6 931	15%

Source: Kalaba (2010:5)

The table shows that between 2004 and 2008, South Africa's imports and exports have been growing at an average annual rate ranging between 10% and 47% depending on the partner considered. The fastest

growth on the exports side has been with China - an average growth of 47%, followed by exports to India with 36%. Exports to MERCOSUR came in third position - with a 26% annual growth. The high growth rates were recorded with developing countries, which may be an important sign of trade relations even in the absence of formal trade agreements. Exports to the EU and the US were growing at an average annual rate of 12% and 17% respectively.

On the import side, the fastest growing partners of South Africa were the SADC countries with an annual growth of imports of 46%, followed by India (33%) and China (29%). This also reflects growing trade with developing countries, while imports from the EU and US increased at an annual average of 10% and 15%, respectively. While this may be considered to be an important shift in trade or diversification, one needs to be cautious to fully establish the drivers of the main trends at hand.

3.2 New Zealand: Trade Relations and Profile

The general starting point for New Zealand's contemporary trade policy was in strengthened economic ties with Australia, through the Closer Economic Relationship Treaty (also known as CER) affected in 1983, with a scheduled reduction of tariffs that saw full liberalisation of trade between two countries by 1990. This was followed by the New Zealand - Singapore Closer Economic Partnership (CEP) that came into force on the 1st of January 2001 and the New Zealand-Thailand Closer Economic Partnership that came into force on the 1st of July 2005. In 2005 the Trans-Pacific Strategic Economic Partnership (also known as P4) between New Zealand, Singapore, Chile and Brunei Darussalam came into force. Negotiations to expand the P4 agreement to include Australia, Malaysia, Peru, the United States, and Vietnam (into the Trans-Pacific Partnership (TPP)) are currently underway.

Importantly, in 2008 New Zealand was the first developed country to sign a comprehensive bilateral free trade agreement with the People's Republic of China. The Association of South-East Asian Nations (ASEAN)-Australia-New Zealand Free Trade Agreement (AANZFTA) came into force in 2010, an agreement that is a comprehensive single undertaking FTA between ASEAN and Australia and New Zealand covering trade in goods and services, as well as investment. The New Zealand-Malaysia FTA entered into force on 1 August 2010, and, the New Zealand-Hong Kong, China Closer Economic Partnership came into force on 1 January 2011. In addition, New Zealand is also currently negotiating the Anti-Counterfeiting Trade Agreement (ACTA), and FTAs with the Gulf Cooperation Council (GCC), the Republic of Korea, India, and Russia, Belarus and Kazakhstan.

In a similar table to that showing trade flows between South Africa and its major trading partners reported in Table 1, Table 2 shows the 2009 trade profile for New Zealand, with South Africa at the top to place this bilateral flow in perspective.

Table 2: New Zealand Merchandise trade; Year ended December 2009 & % share

Rank	Country	Exports (f.o.b) (m)			Imports (c.i.f) (m)		
		NZ\$	ZAR	% of total	NZ\$	ZAR	% of total
	Total	39,672	208,675	100	40,221	211,562	100
34	South Africa	207	1088.82	0.5	132	694.32	0.3
1	Australia	9,132	48,034	23	7,397	38,908	18.4
2	China	3,628	19,083	9.1	6,066	31,907	15.1
3	USA	3,953	20,793	10	4,328	22,765	10.8
4	Japan	2,821	14,838	7.1	2,981	15,680	7.4
5	Singapore	1,100	5,786	2.8	1,625	8,548	4
6	United Kingdom	1,696	8,921	4.3	937	4928.62	2.3
7	Korea, Republic of	1,240	6,522	3.1	1,357	7,138	3.4
8	Germany	765	4024	1.9	1,684	8,858	4.2
9	France	508	2672	1.3	1,331	7,001	3.3
10	Malaysia	705	3708	1.8	1,085	5,707	2.7

Source: Statistics New Zealand (The original data was sourced in NZ\$ and the averages and the growth rates apply to the NZ\$ figures)

3.3 South Africa and New Zealand Bilateral Trade Relations

Sections 3.1 and 3.2 show the big picture for each country, with the bilateral relationship shown in Tables 3 and 4 to place this in perspective. To present the big picture of the tariff profiles in each country to set the scene for the bilateral trade, Table 3 shows a summary of the general MFN import and duty ranges that South Africa and New Zealand currently have in place to all partners. It shows that South Africa average applied MFN tariffs are higher than New Zealand tariffs, with the difference between agricultural goods applied MFN tariffs equalling 7.5 percentage points. Note that there are no bilateral agreements to give preference to either partner.

Table 3: South Africa and New Zealand MFN tariff and imports duty ranges (%)

	Simple Average final bound	Simple average applied MFN (2009)	Tariff weighted average (2008)
New Zealand			
Total	10.1	2.1	2.3
Agricultural goods	5.9	1.4	2.1
Non-Agricultural goods	10.8	2.2	2.3
South Africa			
Total	19.0	7.7	5.0
Agricultural goods	39.5	8.9	10.0
Non-Agricultural goods	15.8	7.5	4.7

Sources: WTO (2010) and UNCTAD (2010)

4. Bilateral Trade

This section places more emphasis on the New Zealand perspective, but in all cases for South Africa it uses South African trade data with New Zealand trade data introduced where appropriate. We stress that while the interviews of traders exporting to South Africa from New Zealand may be focussing on one side of the bilateral equation it is highly relevant to South Africa authorities in that it provides a 'mirror' to view how exporters view their experiences in trading with the Republic. Ideally of course more interviews would be conducted to restore balance, but these interviews are very resource intensive and it is sometimes difficult to reach the appropriate people. We also caution here on trade data and stress that there are often differences in reported flows. This can happen for varieties of reasons that include the differences between free on board (f.o.b.) valuation that does not include transport and transaction costs as included in c.i.f., data timing and currency issues. We have reported the flows here in New Zealand dollars. During 2009 the average conversion rate for these imports was R5.26 to the NZ\$, while it was R5.83 during 2008.

4.1 South Africa's Imports from New Zealand

Note that in this section trade data is analysed through to and including the 2009 December year, but the 2010 data is reported (but not analysed in depth) in the Annex. This section also reports the trade data in New Zealand dollars and in South Africa Rand (in parentheses in the text). A historical series for the totals in Rand for South African trade is given in the 2010 Annex data.

This section uses the World Trade Atlas (WTA) South African data to assess the 'big picture' profile of New Zealand as a trading partner for South Africa. This import profile from New Zealand is shown in Table 4, where during 2009 (column 3) and the average over the three years 2007, 2008 and 2009 (column 4) the imports from New Zealand were NZ\$21m (R1,12bn; US\$15.1m) and NZ\$227m (R1.23bn; US\$163m) respectively. During 2009 this represented 0.2% of total South African imports, with New Zealand ranked as the 51st most important import source. Assessed at the HS4 tariff line, the main imports during 2009 were coal and coking coal, followed by fish, paper and paperboard and specialist harvesting machinery (column 2). Column 5 shows the duty that would have been assessed on these imports, with these rates calculated from the South African (SACU) tariff schedule¹⁴ at the very detailed HS 8 level and aggregated by trade-weighting. The average tariff rate on all imports was 4.97% as shown, with the highest rates being the 40% levied on sheep meats, followed by 25% on milk powders and then 20% on cheese, whey and crustaceans. Not shown is that had these tariffs been levied at the preference rates South Africa gives the EU this overall rate would have been 4.08%.¹⁵ However, in only two of the top 18 lines shown in Table 4 (vegetables – mainly frozen peas- and kiwifruit) does the EU have a tariff preference over New Zealand. Column 6 reports the average annual growth from 2000 to 2009, with the average for all imports from New Zealand being 12.2%, a figure marginally above the overall average over the period for all imports on 11.8%. Thirteen of New Zealand's top eighteen lines have a growth rate above the New Zealand average, with another two (coking coal and aircraft) being indeterminate as there was no trade during 2000.¹⁶

The right hand section of the table shows New Zealand's import profile relative to major competitors, with the overall figure being 51st position¹⁷ with a 0.2% share as reported. It is at the individual line level that New Zealand's import performance becomes more impressive, as in ten of the eighteen lines New Zealand ranks in the top three import sources and indeed is number one source for three particular lines of frozen fish, cheese and kiwifruit! While New Zealand may not be a significant import source for South Africa, it clearly demonstrates an ability to compete in those markets where it has a presence.

Examining the data shown above in more detail we find that imports of coal have been almost exclusively HS 270119 (other coal) from inception of the trade in 2000 through to a peak in 2008 before declining in 2009. The only other coal import of any importance at all is coking coal, which the data shows as only starting in 2009 but Solid Energy (the New Zealand State Owned Enterprise (SOE)) report as having been a longer-standing trade line. Next from Table 4 is fish, and the data shows that this is mostly low valued 'other' frozen fish¹⁸ (NZ\$10.4m; R54.4m; US\$7.4m) and mussels (NZ\$2.51m; R13.2m; US\$1.8m), with this followed by paper and paperboard.

Table 4: South African imports from New Zealand 2009, millions and % shares

Description	2009		3yr Average		RSA duty	Growth 00 to 09	Main Source	New Zealand's	
	NZ\$	ZAR	NZ\$	ZAR				Rank	% Share
HS Total	213.1	1,120.7	227.2	1230.3	5.0%	12.2%	China	51	0.21
2701 Coal	39.3	206.8	54.4	19.0	0.0%	27.6%	Australia	2	14.2
2704 Coke Coal	10.6	55.6	3.5	77.0	0.0%	n.a.	Australia	6	3.5
303 Fish, Frozen	10.4	54.4	14.2	37.4	0.0%	17.1%	NZ	1	24.8
4810 Paper & Paperbd	9.4	49.3	6.9	63.4	0.0%	71.6%	Finland	10	2.3
204 Meat Sheep	8.7	46.0	11.7	49.3	40.0%	12.5%	Australia	2	37.8
206 Edible Offal	8.6	45.4	9.1	42.8	5.7%	22.3%	Australia	2	20.4
8433 Harvesting Mchy	8.6	45.1	7.9	19.5	0.0%	52.3%	US	6	4.3
8428 Lifting Machine,	8.2	43.2	3.6	46.1	0.0%	60.9%	China	7	3
406 Cheese	7.1	37.2	8.5	12.5	20.0%	9.5%	NZ	1	16.7
4407 Timber	5.5	28.7	2.3	35.2	0.0%	54.8%	Malaysia	6	4.3
8525 Radio Recep Ap	5.4	28.4	6.5	21.1	0.0%	1.5%	China	15	1.3
1209 Seeds	4.4	23.0	3.9	16.3	0.0%	21.3%	Netherlands	5	8
710 Vegetables	4.4	22.9	3.0	35.2	10.5%	1.8%	China	2	28.2
8802 Aircraft	3.9	20.5	6.5	15.2	0.0%	n.a.	Sweden	12	0.4
404 Whey	3.9	20.3	2.8	17.9	20.0%	82.9%	France	2	14.8
810 Kiwi fruit	3.1	16.0	3.3	17.3	5.0%	15.2%	NZ	1	50.5
402 Milk powder	2.9	15.3	3.2	4.9	25.0%	18.5%	France	2	13.9
1605 Crustaceans	2.5	13.2	0.9	19.0	20.0%	50.7%	China	3	10.2

Note: 3yr av: 3-year average (The original data was sourced in NZ\$ and the averages and the growth rates apply to the NZ\$ figures)

Source: WTA data

The machinery imports during 2009 were 'other, belt type' at NZ\$8.5m (R45.1m; US\$6.1m) and 'Machines for Cleaning, Sorting or Grading Eggs, Fruit or Other Agricultural Produce' at NZ\$8.2m (R42.2m; US\$5.9). The sheep meats are, like the fish, also low grade cuts of HS 020442, while the offal is again low value except for some bovine semen in recent years. The frozen vegetables are predominately frozen peas with some mixed vegetables. The dairy products cover a wider range as shown, while the seed were mostly ryegrass, 'other' and vegetables. The aircraft imports were 'Aeroplanes and other Aircraft, of an unladen Mass Exceeding 2 000 Kg but not Exceeding 15 000 Kg', with one imported in 2009 but six in 2008. Electrical machinery imports were dominated by 'Transmission Apparatus Incorporating Reception Apparatus' but also included static converters and a range of other products. The wood products were mostly paper and paper board in the processed products and softwood lumber in the timber lines, while fresh fruit is exclusively kiwifruit.

4.2 More on imports from New Zealand

This section will continue with a closer examination of the trade between South Africa and New Zealand over the last three 2007 to 2009 years inclusive. Data is again sourced from the WTA, with the analysis similarly undertaken at the HS 4 level. The analysis looks at this trade from these perspectives:

- 1) The HS lines ranked by value of imports from New Zealand into South Africa during 2009 (as above) but this time adding the relevant information on New Zealand's exports, including a discussion on lines that have a high market share in South Africa as averaged over the previous three years to smooth anomalies; and
- 2) the HS lines ranked by value of exports from New Zealand to South Africa during 2009, and their export share of New Zealand's global exports in that line, again averaged over three years.

This analysis complements the Table 4 analysis of South Africa's imports from New Zealand that showed growth rates, the rankings of New Zealand in each of the HS 4 lines and the major competitors in that line (along with the relative position of New Zealand). In these next two tables we show the imports into South Africa for 2009 and the three year average plus their market shares, followed by the comparable New Zealand export picture and then in the second table reconciliation as expressed by the ratio of the import value over the export value. We expect this reconciliation value to ideally be in the vicinity of 110% to allow for transaction costs that have been added to import values in South Africa. Both the HS classification and a short description are provided for clarification.

We start with Table 5 showing the South African imports from New Zealand along with additional information that puts the New Zealand export share of these goods destined for South Africa in sharp focus. The first point is, as discussed earlier, the complication of coal which is not recorded in New Zealand trade statistics as such but is placed under a 'Special' category.¹⁹ Overall the ratio of imports over exports based on the three year average as shown in the centre column of both South African imports from New Zealand and New Zealand exports to South Africa (and numerically expressed in Table 6 later) is generally pleasing from a trade data perspective. Many of the ratios are around the 100 to perhaps 110% as ideally expected. The anomalies are (a) coal as discussed, (b) radio reception and transmitting equipment (902%) which we will discuss later, but note for now that much of the import data is in fact exports to other Southern African countries, and crustaceans where we would offer the opinion that similarly it is trans-shipments through South Africa. Not shown is that the imports in Table 5 represent 74% of the average import value of three years; thus the bulk of the South African import trade from New Zealand is covered.

The analysis to this point confirms that in many HS 4 lines New Zealand is a strong competitor, and that many of these cases relate to the main imports such as coal, kiwifruit, sheep meat, frozen fish, edible offal and milk powders, exports where New Zealand generally has a strong competitive advantage globally. Other points of interest not shown are (i) that in the unused postage stamps trade New Zealand has a strong market share (NZ\$0.61m - or R3.2m; US\$0.44m - in imports with a 30.2% share) and similarly one third of the total exports of these stamps etc. from New Zealand are destined for South Africa, and (ii) that in the very minor raw skins and hides exports and the more significant seed peas (NZ\$0.46m; R2.4m; US\$0.33m) no exports are recorded from New Zealand.

Table 5: South African imports from New Zealand ranked by NZ\$ millions, and showing market shares

HS code	Description	RSA imports from NZ					NZ exp to RSA				
		2009 (m)		3yr (m)		NZ %	2009 (m)		3yr (m)		NZ %
		NZ\$	ZAR	NZ\$	ZAR		NZ\$	ZAR	NZ\$	ZAR	
	Bilateral total	213.1	1120.7	227.2	1231.5	0.2%	207.1	1089.1	223.3	1210.2	0.6%
2701	Coal	39.3	206.8	54.4	295.0	13.0%	0.0	0.0	6.7	36.4	14.6%
2704	Coke Coal	10.6	55.6	3.5	19.1	1.5%	n.a.	n.a.	n.a.	n.a.	n.a.
303	Fish, Frozen	10.4	54.4	14.2	76.7	36.3%	11.1	58.2	14.1	76.5	3.9%
4810	Paper & Paperbd	9.4	49.3	6.9	37.6	1.8%	9.1	47.7	7.0	37.7	6.0%
204	Meat Sheep	8.7	46.0	11.7	63.5	31.3%	9.4	49.2	12.1	65.3	0.5%
206	Edible Offal	8.6	45.4	9.1	49.4	24.8%	7.3	38.6	8.4	45.4	5.0%
8433	Harvesting Mchy	8.6	45.1	7.9	42.9	4.4%	7.7	40.3	7.1	38.6	9.0%
8428	Lifting Machy,	8.2	43.2	3.6	19.6	1.6%	4.7	24.9	3.3	18.0	6.7%
406	Cheese	7.1	37.2	8.5	46.0	22.0%	7.1	37.3	8.5	45.9	0.6%
4407	Timber	5.5	28.7	2.3	12.5	1.3%	4.9	25.9	2.7	14.7	0.4%
8525	Radio Recep Ap	5.4	28.4	6.5	35.2	1.5%	0.8	4.0	0.7	3.9	2.2%
1209	Seeds	4.4	23.0	3.9	21.4	8.1%	4.2	21.8	4.0	21.6	3.3%
710	Vegetables	4.4	22.9	3.0	16.2	21.2%	4.2	22.0	2.9	15.7	2.2%
8802	Aircraft	3.9	20.5	6.5	35.0	0.5%	4.1	21.4	7.1	38.4	2.9%
404	Whey	3.9	20.3	2.8	15.0	10.1%	0.8	4.4	2.3	12.3	0.4%
810	Kiwi fruit	3.1	16.0	3.3	17.9	51.2%	2.9	15.4	3.1	16.9	0.3%
402	Milk powder	2.9	15.3	3.2	17.5	7.9%	5.1	26.8	5.7	30.7	0.1%
1605	Crustaceans	2.5	13.2	0.9	4.6	4.4%	0.0	0.0	0.0	0.2	0.1%
8543	Electrical Mach	2.5	13.0	3.0	16.0	2.0%	1.8	9.4	2.2	11.8	2.8%
3004	Medicaments	2.3	12.3	1.7	8.9	0.1%	1.4	7.2	1.3	6.9	0.8%
504	Guts, Animals	2.2	11.6	2.0	10.7	2.3%	1.0	5.1	1.3	7.0	0.7%
511	Pet food etc.	2.2	11.3	1.9	10.1	17.3%	2.3	12.2	1.9	10.3	2.5%
8504	Transformers	2.2	11.3	1.4	7.6	0.2%	2.6	13.4	1.2	6.7	1.6%
9018	Instru Vet/Med	2.0	10.4	1.8	9.9	0.3%	3.0	15.9	3.4	18.4	2.6%
1702	Sugars, Lactose	1.8	9.3	2.2	11.8	4.8%	1.5	7.7	2.1	11.1	2.5%
8434	Milk Machines	1.8	9.3	3.0	16.0	17.8%	3.0	15.8	3.5	19.1	7.1%

Source: WTA data (The original data was sourced in NZ\$ and the averages and the growth rates apply to the NZ\$ figures)

We now turn our attention to focus on New Zealand's export data in Table 6, with the data ranked by export value from New Zealand for 2009. This table adds little other than showing, on the right hand side, the importance of these exports to New Zealand. Taking the three year average we find that five of the lines show that more than 5% of the trade is destined for South Africa, with another thirteen lines showing an export share of between one and 5%. South Africa is therefore an important market for many of New Zealand's exporters of these products. Note also on the extreme right hand side there is a reconciliation column as discussed above that formalizes the ratio of South African imports over New Zealand exports for these lines. In most cases it is a 'respectable' figure of perhaps around 110% that allows that extra margin for shipping and related costs. We have taken a three year average to smooth out some of the anomalies that inevitably occur in this type of analysis, but note that in addition to coal there are some other lines where one partner is not agreeing with the other. We have not explored this in detail, but suggest that South Africa's role as a trans-shipment entry for the region is likely to be a factor.

Table 6: New Zealand exports to South Africa ranked at HS 4

Description	RSA imp from NZ				NZ Exports 2 RSA \$m				RSA share of NZ Exp		Ratio Imp over Ex
	2009		Av NZ imp		2009		3yr av		2009	3yr av	
	NZ\$	ZAR	NZ\$	ZAR	NZ\$	ZAR	NZ\$	ZAR			
NZ total	213.1	1120.7	227.2	1231.5	207.1	1089.1	223.3	1210.2	0.5%	0.6%	102.0%
Coke Coal	10.6	55.6	3.5	19.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Special (coal)		0.0		0.0	47.1	248.0	47.7	258.5	4.7%	6.3%	0.0%
Fish, Frozen	10.4	54.4	14.2	76.7	11.1	58.2	14.1	76.5	2.8%	3.9%	100.0%
Meat Sheep	8.7	46.0	11.7	63.5	9.4	49.2	12.1	65.3	0.3%	0.5%	97.0%
Paper & Paperbd	9.4	49.3	6.9	37.6	9.1	47.7	7.0	37.7	7.4%	6.0%	100.0%
Harvesting Mchy	8.6	45.1	7.9	42.9	7.7	40.3	7.1	38.6	9.0%	9.0%	111.0%
Edible Offal	8.6	45.4	9.1	49.4	7.3	38.6	8.4	45.4	4.4%	5.0%	109.0%
Cheese	7.1	37.2	8.5	46.0	7.1	37.3	8.5	45.9	0.5%	0.6%	100.0%
Radio equipment	0.7	3.5	0.4	2.0	5.6	29.5	6.2	33.5	3.8%	4.3%	6.0%
Milk powders	2.9	15.3	3.2	17.5	5.1	26.8	5.7	30.7	0.1%	0.1%	57.0%
Timber	5.5	28.7	2.3	12.5	4.9	25.9	2.7	14.7	0.7%	0.4%	85.0%
Food Preps, Nes	1.1	5.5	2.0	10.6	4.7	24.9	4.9	26.6	1.1%	1.1%	40.0%
Lifting Machinery etc.	8.2	43.2	3.6	19.6	4.7	24.9	3.3	18.0	9.3%	6.7%	109.0%
Vegetables	4.4	22.9	3.0	16.2	4.2	22.0	2.9	15.7	3.5%	2.2%	103.0%
Seeds for Sowing	4.4	23.0	3.9	21.4	4.2	21.8	4.0	21.6	3.0%	3.3%	99.0%
Aircraft	3.9	20.5	6.5	35.0	4.1	21.4	7.1	38.4	1.6%	2.9%	91.0%
Molluscs	1.0	5.4	1.6	8.5	3.4	18.0	2.4	12.9	1.1%	0.8%	66.0%
Instruments Vet/Med	2.0	10.4	1.8	9.9	3.0	15.9	3.4	18.4	2.2%	2.6%	54.0%
Milking Machines	1.8	9.3	3.0	16.0	3.0	15.8	3.5	19.1	7.5%	7.1%	84.0%
Kiwi fruit	3.1	16.0	3.3	17.9	2.9	15.4	3.1	16.9	0.3%	0.3%	106.0%
Electric Transformers	2.2	11.3	1.4	7.6	2.6	13.4	1.2	6.7	3.4%	1.6%	114.0%
Pet food	2.2	11.3	1.9	10.1	2.3	12.2	1.9	10.3	2.6%	2.5%	98.0%
Aluminium	0.3	1.4	0.1	0.5	2.1	11.2	0.7	3.8	0.3%	0.1%	13.0%
Electrical Machines	2.5	13.0	3.0	16.0	1.8	9.4	2.2	11.8	2.2%	2.8%	136.0%
Engines And Motors	0.0	0.0	0.0	0.1	1.7	8.8	2.9	15.9	2.1%	3.4%	0.0%
Sugars Lactose	1.8	9.3	2.2	11.8	1.5	7.7	2.1	11.1	2.2%	2.5%	106.0%

Source: WTA data (The original data was sourced in NZ\$ and the averages and the growth rates apply to the NZ\$ figures)

Not shown is that we extended the analysis to find there are some (but not that many) niche products where the Republic is very important to New Zealand exports. These are however relatively minor exports, with none of the seven lines where over 10% goes to South Africa having a total global export value above NZ\$0.8m (R4.2m;US\$0.57) average in recent years (and indeed the top three averaging less than NZ\$0.1m - or R0.5m; US\$0.07m - per year). Coal, paper and paperboard, edible offal and harvesting/threshing machinery are the only exports of note where South Africa is important to New Zealand exporters.

4.3 South African Exports to New Zealand

New Zealand is less important to South Africa as an export destination than it is as an import source with a global ranking of 67th in 2009 and 63rd in 2008 (0.11 and 0.15% markets shares respectively). The main products at the HS 4 level are shown in Table 7, with paper and paper board leading followed by vehicles and wine. The average annual growth (not shown) from 2000 to 2009 was 10.8% (marginally above the South African average to all destinations of 9.9%) with most of the lines shown above that average. The “NZ rank” column shows the importance of New Zealand as a destination, and here in direct contrast to imports, few are significant with only four of the top twelve exports to New Zealand does that destination rank in the top ten South African destinations. The two right hand columns show the values of these exports from South Africa for the 2008 and 2009 years only as recorded by New Zealand import data, with the data similarly in (rounded) New Zealand dollars. Further to our comments on trade data, while these right hand side entries are close to South African export data they are not a one-for-one match. In particular, New Zealand does not report imports of aircraft that are related to South African exports.

Table 7: South African exports to New Zealand

Description	South African exports						NZ rank in SA exports	NZ imports			
	2000		2008		2009			2008		2009	
	NZ\$	ZAR	NZ\$	ZAR	NZ\$	ZAR		NZ\$	ZAR	NZ\$	ZAR
Total to NZ	67.0	211.7	171.6	1000.4	107.0	562.7	67	185	1078.6	123	647.0
Paper & paperboard	2.7	8.6	24.3	141.8	17.7	92.9	5	31	180.7	18	94.7
Motor Vehicles	18.4	58.0	34.6	201.8	11.1	58.5	22	28	163.2	11	57.9
Wine	1.9	5.9	12.7	73.8	6.6	34.6	23	14	81.6	9	47.3
Kraft Paper	0.0	0.0	10.6	61.8	5.4	28.3	11	12	70.0	6	31.6
Fruits, Nuts etc.	0.9	2.8	4.5	25.9	5.0	26.1	16	5	29.2	6	31.6
Carpets etc.	0.0	0.1	5.5	31.9	4.7	24.6	2	6	35.0	6	31.6
Aircraft	0.0	0.0	1.6	9.2	4.2	22.2	11				0.0
Copper Bars	0.4	1.3	3.4	19.8	3.2	16.7	4	4	23.3	3	15.8
Cosmetics	0.1	0.4	3.2	18.8	3.1	16.4	12	4	23.3	3	15.8
Fruit and juices	0.2	0.8	2.3	13.1	2.3	12.3	23	2	11.7	2	10.5
Sugars	1.3	4.1	2.1	12.2	1.8	9.7	5	1	5.8	1	5.3
Insecticides etc.	0.6	1.8	2.1	12.3	1.8	9.5	29	2	11.7	1	5.3

Source: World Trade Atlas, South African and New Zealand versions and APEC database for tariff rates.
(The original data was in NZ\$)

4.4 Key Points and Conclusions from Merchandise Trade

In this report we have concentrated upon analysis of the two-way merchandise trade flow from the South African perspective, but note that in examining the comparable New Zealand trade data we find a good reconciliation between the trade data for the two countries. Thus, the concept of ‘mirror’ data is relevant when considering the emphasis on the reported South African trade composition with respect to the New Zealand perspective.

An important feature of the merchandise imports into South Africa from New Zealand is that the top imports lines at the HS 4 level command a significant South African market share for their products. Overall we found that for 2009 they represented 0.21% of total South African imports with New Zealand ranked as the 51st most important import source, but in ten of the top eighteen lines New Zealand ranks in the top three import sources and indeed is number one source for this particular line of frozen fish, cheese and kiwifruit. Therefore, while New Zealand may not be a significant import source for South Africa, it clearly demonstrates an ability to compete in those markets where it has a presence. By value, the main imports were coal and coking coal, followed by fish, paper and paperboard and specialist

harvesting machinery. We calculated that the average tariff rate on all New Zealand imports was 4.97%, with the highest rates being the 40% levied on sheep meats, followed by 25% on milk powders and then 20% on cheese, whey and crustaceans. We also calculated that had these tariffs been levied at the preference rates South Africa gives the EU this overall rate would have been a lesser 4%, but in only two of the top eighteen lines (vegetables – mainly frozen peas - and kiwifruit) does the EU have a tariff preference over New Zealand. The average annual growth from 2000 to 2009 for New Zealand's imports was 12.2%, a figure marginally above the overall global average over the period for all imports of 11.8%. Thirteen of New Zealand's top eighteen lines have a growth rate above the New Zealand average, with another two (coking coal and aircraft) being indeterminate as there was no trade during 2000.

New Zealand is less important to South Africa as an export destination than an import source, with a ranking of 67th in 2009 (0.11% market share). The main products at the HS 4 level were paper and paper board followed by vehicles and wine. The average annual growth from 2000 to 2009 was 10.8% (marginally above the South African average to all destinations of 9.9%), and most of the top lines are above that average. In direct contrast to imports, few of the exports are significant to South Africa with only four of the top twelve HS 4 lines are in the top ten global destinations.

In undertaking the data reconciliation exercise we found that for 2009 New Zealand reports exports of NZ\$107m (R562m; US\$76.2m) while South Africa reports imports of NZ\$123.3m (R649m; US\$88.7m). This means that South African reported imports are 15% above New Zealand's exports for 2009, while for 2007 and 2008 they were 0 and 8% above respectively. While there is a degree of difference, in general many - but by no means all - of the tariff chapters shown are 'satisfactory' in the sense that the figures were close when the classifications of f.o.b. versus c.i.f. are taken into account. For the mirror data of New Zealand's exports to South we found that the overall totals are very close for each of the three years, and similarly many (but again by no means all) of the Chapters are again satisfactory. We made no attempt to reconcile at a more disaggregated level, and point out that several factors may be in play here such as currency differences and the timing of transactions between years, and note that this type of comparison between partner data is often fraught with differences more acute than those reported here.

4.5 Interviews with New Zealand Exporters

In this section we report on interviews that were conducted in New Zealand with New Zealand exports, and again stress the value to South Africa of these interviews when they are viewed as a 'mirror'. Wherever possible these interviews were face-to-face, and in most cases the information presented here was written by the exporters following the meetings or phone calls.

WOOD AND TIMBER PRODUCTS

The Wood Processors' Association report that with the rise in plantation forestry, South Africa has gone from being a relatively sparsely forested country to reasonably well off, and this has impacted on the volume of trade that New Zealand has with them. They also have a strong domestic paper and pulp industry, and as the trade data shows this is a significant import from South Africa. Conversely, New Zealand's exports to South Africa are mainly logs and processed products. The industry seems to be happy with the current trading regimes and has no issues to put forward.

FRUIT AND VEGETABLE ISSUES

Horticulture New Zealand and the Horticultural Export Authority report that their data confirms that South Africa, ranked at number 19 in 2008, is not a major destination for horticultural products. Half of these exports of NZ\$7.06m (R41.1m; US\$5.1) were kiwifruit (NZ\$3.50m; R20.4m; US\$2.5m), with frozen vegetables at NZ\$3.08m (R17.9m; US\$2.2m) completing the picture. Of the latter, NZ\$1.96 million (R11.3m; US\$1.4m) was frozen peas, where South Africa is the fourth main destination market, and some NZ\$0.34 million (R1.9m; US\$0.08m) was frozen sweet corn and NZ\$0.22 million (R1.2m; US\$0.16m) dried peas.

Strict border inspection and Sanitary and Phyto-sanitary (SPS) processes in South Africa for Kiwifruit resulted in interceptions in 2008-09. Subsequent complex operational changes to supplying this market have reduced the level of interception to more manageable levels. Phyto-sanitary barriers and other

market access barriers generally do not pose any significant problems for processed vegetables, and this seems to be the case for the South African market.

MEAT

Beef and Lamb New Zealand report that their main concern is the high tariffs, as South Africa applies both an ad valorem percentage and a specific rate per kilo tariff. This is, in theory, to deal with under invoicing by exporters/importers, but New Zealand has consistently argued that a lowering of the tariff rates would have the same effect while also making meat more affordable for the average South African. This is despite the Cairns Group position that only ad valorem tariffs should apply, and in addition, the dual tariff has the effect of penalizing lower cost meat products and lower cost products which have traditionally been the main exports to the South African market.

DAIRY

The key areas in which Fonterra believes the relationship between New Zealand and South Africa could be improved are:

- Through the substantial reduction or removal of tariffs on dairy products and ingredients, as this change would improve the bilateral trading relationship, and help to grow demand for dairy products in South Africa;
- Through working together on regulatory and SPS issues to ensure that they are mutually coherent, focus on consumer safety and maintain these standards without prejudice against imported products; and
- Through greater access to the South African market, the joint venture Clover Fonterra Ingredients (CFI) could be the vehicle to introduce farming / milk processing knowledge and technology to improve the quality of local milk production and associated products. This knowledge and expertise will also offer opportunities for South African dairy products to expand across Africa.

Fonterra's business in South Africa consists of two distinct parts:

- 1) Imports of dairy ingredients from New Zealand that are currently at relatively low levels and have considerable potential to expand, as in 2009 South Africa was only the 51st largest dairy market by value for New Zealand dairy exporters. Increased access to high quality, nutritious dairy ingredients from New Zealand will help South Africa to develop its food manufacturing and processing capabilities, and increased market access for New Zealand dairy products will help South Africa to establish food supply security, particularly during periods of disruption to domestic milk production caused by adverse weather and other natural phenomena.
- 2) In 2009 per capita consumption of dairy in South Africa was 62 kilograms per annum. This is low compared to developed countries, and the general trend is that dairy consumption in emerging economies increases as wealth per capita increases. At present South African milk production is approximately 3 million tonnes of standardised milk equivalents, with imports and exports relatively well balanced, and imports only equal to 6% of domestic consumption. There is considerable scope for the expansion of both domestic production and imports in South Africa as per capita consumption increases.

High applied tariffs are the main reason why New Zealand's dairy exports to South Africa are at relatively low levels. For example, the tariff on Whole Milk Powder equates to an 18% ad valorem tariff. The substantial reduction or removal of these dairy tariffs would facilitate increased trade.

It is also important that New Zealand and South Africa work together on regulatory and SPS issues. For example, in April 2010 South Africa notified the WTO their intention to prohibit the sale, manufacture and importation of any oils and fats intended for human consumption of which the trans-fat content exceeds 2 grams per 100 grams. Because milk fat contains 5% trans-fatty acid, any product which contains more than 40% milk fat may exceed the South African limit – this would effectively prevent the sale of butter and anhydrous milk fat (AMF). Other South African legislation excludes naturally occurring trans-fatty acids in meat and dairy products from

the trans-fat content calculation, and it is hoped that the new regulation is interpreted as also excluding naturally occurring trans-fatty acids in dairy products such as butter.

Clover Fonterra Ingredients (CFI) is a joint venture started in 2005 between the South African dairy company Clover Industries and Fonterra. Fonterra's joint venture partner Clover is South Africa's largest dairy company and one of the leading manufacturers and marketers of food products in Southern Africa. Clover collects South African milk and processes it in 12 factories and distributes dairy products through 23 national distribution depots. The focus of CFI is the marketing of bulk dairy ingredients, and the supply of food service products to nominated quick-service restaurants throughout the Sub-Saharan region. The joint venture combines the strengths of Fonterra's international supply base and Clover's strong regional platform.²⁰

The key constraints to growth of dairy in South Africa are Affordability and Quality of Dairy Commodities.

Affordability is the main issue hampering dairy consumption growth across South Africa. With unemployment at high levels and South Africa slowly coming out of a recession, market growth and expansion are very modest. Consumers are trading down in the quality of goods consumed and manufacturers are looking at cheaper alternatives for ingredients to maintain their market share. With relatively high tariffs, the South African consumer ends up paying these tariffs either directly or indirectly.

Quality of Dairy Commodities is also a concern with some domestically produced dairy commodities having short shelf life due to the poor quality of raw milk / processing and lack of technologies. Of the largest milk producing countries in Sub Saharan Africa, South Africa has the best infrastructure to capture export opportunities across Africa. However, with limited shelf life, the product cannot survive the harsh conditions encountered through lengthy African supply chains. With technology and expertise transfer, the quality of end products could be improved and this would provide new opportunities for South Africa across the region.

COAL

Solid Energy has been exporting high quality premium coking coal to ArcelorMittal in South Africa since 2002, and this is the longest standing contract for importing coking coal from any country into South Africa. The specifications of the coal produced by Solid Energy in New Zealand are such that they complement the relatively cheaper domestic South African coking coals, thereby significantly improving the Blast furnace efficiency and steel costing. Prospects for the continued future use of the unique Solid Energy coals look very promising due to the specific trend of the developing Southern African coking coal specifications, as these specifications imply an even greater future value in use for Solid Energy specific coking coal in South Africa. Purchasing of New Zealand coal is managed from ArcelorMittal's Global Sourcing office in Luxembourg and as such the main interaction Solid Energy has with South Africa is at plant and operations level²¹.

COMMUNICATION GEAR

Tait Electronics Ltd is an icon New Zealand company that pioneered two-way radio communications, and it has been active in the South African market since the 1970s. Trans Africa International Telecommunications Pty Ltd t/a Emcom Wireless has been their partner/distributor from the start and it remains the exclusive distributor for Southern Africa. In addition to South Africa, Emcom Wireless is also active in the African continent with several success stories over the years. Other than the main market of South Africa, the countries where Tait's have had some significant orders include the SACU members, most of SADC and the East African Community and some western African countries. Current operations and opportunities elsewhere in the African continent include the police in the DRC, Ghana, Uganda, Ethiopia and Swaziland, and other clients in Benin, Kenya and potentially Zimbabwe.

In South Africa the Emcom Wireless market segments can be divided up into three areas. These are:

- The distribution that involves selling mobiles and portable radios (known as "box" sales) through a distribution network of dealers in South Africa. This market is highly competitive and Tait products are losing market share in this segment due to stiff pricing by especially the Japanese and Chinese manufacturers:

- Government tenders with major accounts like, SA Police, Eskom and Transnet for the supply of radio terminals and infrastructure equipment. Tait has been (and still is) very successful in this market segment due to good account management practices, a good track record of Tait products and the right products for this market segment. Pricing is competitive, but tender specifications in most cases exclude the low end products: and
- Project and turnkey system sales for Government and municipalities and other major clients. This is a growing market segment in Southern Africa.

Internally Tait Electronics is going through a re-alignment of its business strategy by putting its major focus of becoming a Systems and Solutions company, with the three vertical market segments of public safety clients, utilities clients and urban transport clients world-wide. Emcom Wireless has the capacity and skills to be successful in this re-alignment process. Generally Tait's have been well supported by NZTE in the Middle East and African markets, and they see a vital need for this continued support in facilitating major contract sales as the stakes become higher, and influence at higher government levels and decision makers are a vital element of the future strategy. Tait's major opposition in South Africa, Motorola Inc., is extremely active in this area and has placed a major investment in time and people over the years in influencing decision making.

SEEDS

Ryegrass seeds are the main seed export to South Africa, and Agri-seeds are possibly the largest suppliers. Seed exporters raised no issues of concern.

WINE

New Zealand Wine reports that although there are imports of wine from South Africa, exports to South Africa are minimal. There is reputedly limited interest in exporting to South Africa as the cheap prices in the Republic are not attractive to New Zealand exporters. The upper end of the consumer market for those New Zealand wines that have a high international reputation is limited in South Africa and only a concerted marketing campaign would be able to make inroad dominated by local producers. There appear to be limited access issues that are relevant to inhibiting trade.

MEDICAL AND ANIMAL REMEDY SUPPLIES

Argenta advised that they have a significant animal health market in South Africa for products such as drenches used for sheep and cattle health. They do not market directly in South Africa (except for minimal orders), but rather through their US distributors. In any case they did not consider that there was any market access or related problems that they were aware of in South Africa.

BOAT BUILDERS

As the industry pioneer, Southern Spars specialises in the design and construction of carbon fibre spars and components, rigging, and rig servicing and delivering world class cruising and racing spars, carbon rigging and service. Originally founded and still headquartered in Auckland its operation now has centres in the USA, Spain, and South Africa, and, New Zealand employing more than 250 staff worldwide (with 50 to 60 workers employed in the Cape Town factory). The company generally uses the South African factory to supply Europe, with some limited exports from New Zealand to South Africa. In general, the smaller classes of yachts are manufactured in South Africa with the New Zealand operation concentrating upon the top-end luxury versions. The company reports no real problems with the bilateral trading and business relationship other than currency issues of the volatile Rand and the need to do the South African transactions in Rand.

CONCLUSION

During extensive interviews with merchandise exporters we found few direct problems of concern. The key areas in which Fonterra believes the relationship in the very important dairy products trade between New Zealand and South Africa could be improved are through the substantial reduction or removal of tariffs on dairy products and ingredients; through working together on regulatory and sanitary and phyto-sanitary (SPS) issues to ensure that regulations are mutually coherent, focus on consumer safety and maintain these standards without prejudice against imported products; and with greater access to the South African market, the joint venture Clover Fonterra Ingredients (CFI) could be the vehicle to introduce farming/milk processing knowledge and technology to improve the quality of local milk production and associated products. Meat exporters feel that the tariff regime they face into South Africa is unreasonably high, and there have been some issues associated with SPS barriers for the kiwifruit trade. Other merchandise traders interviewed and contacted saw few if any problems associated with their areas.

5. Where are the Opportunities for Trade in Goods?

Trade data enables us to study the existing bilateral relationship, but often questions are asked of where opportunities for future trade lie. We have used four techniques to address this issue. The first is the concept of revealed comparative advantage. The second is the concept of intra-industry trade, and while this may not necessarily be directly answering questions about the future is helpful in that it leads on from revealed comparative advantage and helps explain trade flows in products that on the face of it do not seem to fit logical trends. The third technique is that of trade chilling, or examining trade data to assess directly where there may be opportunities. The fourth is an examination that uses the trade flow analysis method to compute the value of the undeveloped trade potential where sub-sectors are classified in a dynamic import-export matrix in order to establish the driving forces (demand and/or supply) of possible trade opportunities. Finally, after considering these techniques, we return to assess market access conditions and examine if there may be specific issue here that are problematical.

5.1 Revealed Comparative Advantage (RCA)

In this section, we analyse the comparative advantage of the ten top export sub-sectors from South Africa to New Zealand (*and vice versa*) in order to identify areas of complementarity (where both countries are exporting different products) and competitiveness (where both countries are exporting the same or similar products). RCA indices use bilateral trade data to identify goods in which a country has a comparative advantage by comparing the country of interest's trade profile with the world's average. If the estimate of the RCA index is greater than unity, then the country under investigation has a "revealed" comparative advantage for the sub-sector concerned. The concept of comparative advantage refers to the ability of country to manufacture a commodity at a relatively lower cost when compared to production in another country.

Our analysis 'revealed' that the following goods would be expected to be in the trade basket from South Africa to New Zealand: cars (incl. station wagon); uncoated paper for writing, printing etc.; preserved fruits not elsewhere specified; copper bars, rods and profiles; Ferro-alloys and gas/liquid/electricity supply/production meters. Similarly, we found the following should be exports from New Zealand to South Africa: meat of sheep or goats; milk and cream, concentrated or sweetened; cheese; edible offal of red meat; casein and other derivatives; and harvesting/threshing machinery. The data shows that this is indeed the case

More importantly, we need to isolate sub-sectors that have potential but are currently showing little trade. From South Africa the analysis showed that trade could be expected in: centrifuges, incl. centrifugal dryers, filtering/purifying machinery; flat-rolled products of stainless steel, of a width of 600mm or more; unwrought aluminium; coal, briquettes, ovoids & similar solid fuels manufactured from coal; diamonds, not mounted or set; platinum, unwrought or in semi manufactured forms, iron ores & concentrates; including roasted iron pyrites. The data is showing little activity in these products. Similarly, we would expect New Zealand's exports to South Africa to include: beef, butter and other fats and oils derived from milk, unwrought aluminium and, timber. These represent sub-sectors showing little activity in bilateral trade with South Africa.

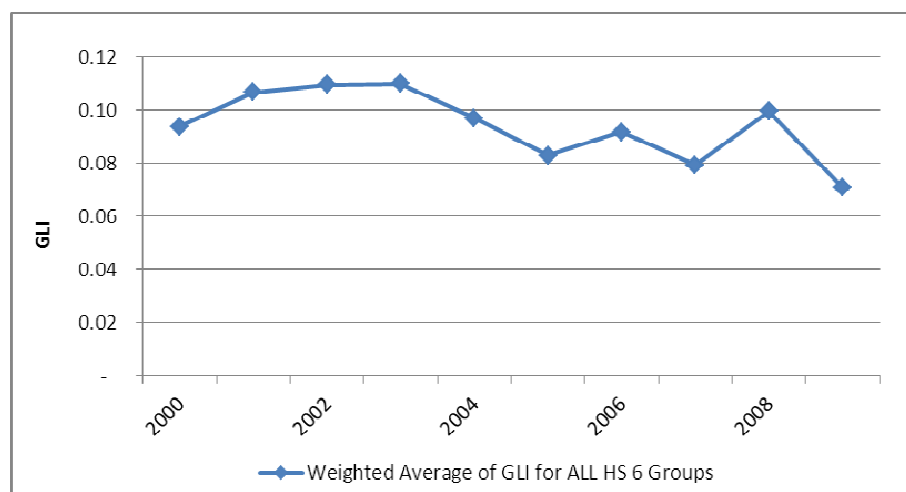
5.2 Intra-industry Trade between South Africa and New Zealand

Conventional trade theory suggests that countries should specialise in goods in which they have a comparative advantage. Reducing barriers to trade will therefore lead to an increase in the production of some exports at the cost of reduced exports (and probably employment) in other industries. However, this model only accurately predicts the trade of commodities. In the case of goods where branding is important and where there are increasing returns to scale, increased trade may not lead to the reduction in output of any industry. This also leads to the case where a country can both import and export the same good, hence the term intra-industry trade. If intra-industry trade can occur in a sector, then reducing barriers to trade could lead to both countries reducing the number of brands of the product to capitalise on the gains from returns to scale. Trade may thus result in both a larger variety of the good it will however lower product prices and increase consumer welfare as greater product variety is available to consumers in the two partner countries.

The size of intra-industry trade is usually measured by the Grubel-Lloyd Index which is merely total trade less net trade, divided by total trade.²² The Grubel-Lloyd Index varies between zero (indicating no intra-industry trade) and one (indicating pure intra-industry trade). However the results that one finds for the Grubel-Lloyd Index depend to a large extent on the degree to which one's data is disaggregated, with more disaggregation leading to less evidence of intra-industry trade. In Figure 1 we show the results for the Grubel-Lloyd Index of South African – New Zealand trade data over the 2000 to 2009 period based on South African trade data. It is notable that rather than increasing over time as is generally the case the index is actually declining, although we caution that 2009 may have been an aberration. In any event this is a low value for intra-industry trade, and suggests that there is not yet sophistication in the trading relationship. We emphasise that this is an average index value and not sector-specific: there may well be some sectors where there is trading, and we emphasise that at a more disaggregated level we may find a different index value. All we are saying that the average is low.

Perhaps to provide an example we could use wine. Both countries export globally, and South Africa exports to New Zealand. However New Zealand exports limited values to South Africa. We assessed the average intra-industry index value for wine specifically over the period to be 0.03, below the overall index for all trade, and like the average for all trade it is fluctuating somewhat.

Figure 1: Weighted Average of GLI for ALL HS 4 Groups (2000-2009)



Source: Own calculations, Quantec database

5.3 Trade Chilling: Opportunities for New Zealand into South Africa

In this sub-section we continue trying to assess where there may be possible export opportunities for New Zealand to South Africa. Trade chilling is simply a non-technical term that means trade has been 'chilled' to the extent that it is lower than perhaps it should be or, more generally, chilled to the extent that it is frozen and therefore not taking place! To conduct this analysis we downloaded the South African imports and New Zealand exports over the 2007-2009 years at the HS 4 level and averaged these three years to iron out fluctuations in the different trade lines. When then used a series of steps (we called them filters) to isolate out our likely candidates that should, in theory, be traded but are not in practice. **Firstly**, we applied a filter of NZ\$0.5m (R2.6m; US\$0.36) for both South Africa global imports to establish demand and New Zealand's global exports to indicate supply capacity in that line. This left 700 HS 4 lines for possible examination. **Secondly**, we eliminated lines where either (i) South Africa was importing at least 0.5% of its total imports in that line from New Zealand and/or (ii) where New Zealand was exporting at least 0.5% of global trade to South Africa. This indicates that trade is operating in (presumably) a market oriented manner. This still left some 507 HS 4 lines. **Thirdly**, to avoid getting mired in detail, we increased the South African demand and the New Zealand supply filters to global trade of at least ten million New Zealand dollars in each case. This still left 150 lines of potential interest. This is still too many for meaningful analysis, so we then **finally** eliminated those lines where there was **at least some recorded trade** in either direction as that indicates an awareness of the market.

This left 51 lines where both the South African demand and the New Zealand supply conditions have been met but there has been no trade over the last three years. These are the lines of potential interest. To assist in the discussion of these lines we have split the analysis into four groups and in each of these when we looked at global exports from South Africa over the same period in these lines we found that in almost all cases these exports are significant when assessed against South African imports. This is why we introduced the concept of intra-industry trade and the importance it plays in modern international economics, but in the final analysis we suggest that existence of these South African exports may dampen New Zealand import opportunities.

The first group examined agricultural and fish opportunities, and here we note that other than HS 0306, Crustaceans, which has already been discussed earlier in their processed form of HS 1605, there are really no obvious candidates for New Zealand exporters to seize on. The second group looked at opportunities in the minerals and chemicals, forestry and clothing and textile sectors. Perhaps the area of most interest here is in the forestry products sector, and we suggest that this is one of the few broad categories where opportunities may exist. Although petroleum is a major export from New Zealand and a significant import into South Africa, without a detailed understanding of the complexities of petroleum grades used in differentiated markets we are unable to offer more than note that it was shown up in our potential profile. There are several HS 4 lines in the precious metals and metal products in our next group, and in particular we suggest that the complex iron and steel sector as represented by Chapter 72 may have some potential trade areas (we note however that South Africa actually exports more than it imports in the HS 72 lines of iron and steel products that are shown here, but that of course does not rule out intra-industry trade). The final group concentrated on general machinery in the Chapter 84 lines and other transport equipment such as buses, special purpose vehicles, specialist aircraft and associated parts and ships. New Zealand would be unlikely to have a competitive advantage in the latter transport products, but in the general white ware sector of washing machines the alliances between New Zealand and Chinese firms may offer some opportunities.

In conclusion, we assess that the trade chilling exercise has added little except to (a) perhaps suggest forestry products and possibly iron and steel products may become more important in the future, (b) emphasise that there are few obvious areas where potential trade is not taking place; and (c) add that this approach provides very similar conclusion as found in the more formal revealed comparative advantage analysis. We emphasise that in our view an analysis at the more detailed HS 6 level is likely to be too complex to add further to the project.

5.4 Trade Flow Analysis

The Trade Flow Analysis (TFA) methodology, developed by the United Nations Conference on Trade and Development (UNCTAD) involves the comparison of a country's exports of a particular commodity to the rest of the world with another country's import of the same commodity from the rest of the world. This comparison yields an "indicative export potential". The analysis is augmented by incorporating the undeveloped trade potential. The stages of the entire analysis are as follows:

1. Determining the minimum value between the value of a country's exports of a particular commodity to the rest of the world and the value of a partner country's imports of the same commodity from the rest of the world.²³ This represents the indicative export potential.
2. Calculating the difference between the indicative trade potential between countries "A" and "B" and the exports of the same commodity from country "A" to country "B". This yields the undeveloped trade potential.

The analysis concluded that there exist some undeveloped trade potentials between South Africa and New Zealand concerning sub-sectors that are currently showing little or no trade. In the case of South Africa's export sub-sectors, the undeveloped trade potentials in centrifuges, incl. centrifugal dryers; filtering/purifying machinery, flat-rolled products of stainless steel, of a width of 600mm or more and unwrought aluminium were the highest between 2001 and 2009. As far as New Zealand is concerned wood sawn/chipped lengthwise, sliced/peeled, meat of bovine animals, frozen, and unwrought aluminium were the sub-sectors that had recorded the highest undeveloped trade potentials. Consequently, these sub-sectors with current little activity and high undeveloped trade potential would constitute areas in which bilateral trade between South Africa and New Zealand could improve as also supported by the

existence of significant trade opportunities findings from the dynamic import-export matrix. Nonetheless, based on trade flow data in 2009 on the market size, it appears as though there does not exist a considerable market for South Africa's exports to New Zealand for the sub-sectors currently showing little activity as suggested by a low import demand for South Africa's exports. In contrast, the data points to the fact that there already is a relatively bigger market size for New Zealand's exports to South Africa for the sub-sectors currently showing little activity.

5.5 Summary of opportunities

In using three different analytical approaches we arrived at very similar conclusions: there appear to be limited opportunities where trade could be expected but is not taking place. Iron and steel products, timber, aluminium and some agricultural products (from New Zealand) were the main themes found in so far as there are opportunities. Intra-industry analysis, while not looking at individual trade lines, pointed out that there is a very low level of trade in similar product lines that is a feature of trade between two comparable economies.

5.6 Market Access

Earlier in the report we provided information based on WTO analysis of the average tariffs for imports into both South Africa and New Zealand which showed the South African average to be higher than the New Zealand equivalent. We also provided detailed analysis on the tariffs applied against New Zealand's imports into South Africa and found this to vary between zero and a moderately high rate. In this section, we assess the ease in terms of market access for both South African exports into New Zealand and New Zealand's exports to South Africa. Our analysis relies on the estimated total ad valorem equivalent tariff for sub-sectors already performing better and those that show little current activity. This analysis is indicative in the sense that it does not take into account the possibility of the existence of Non-tariff trade barriers (NTBs).

Based on tariff data only, the analysis of market access indicates that South Africa's exports to New Zealand have a relatively easy access into New Zealand's market while the opposite situation is slightly different with New Zealand's exports of Meat of sheep or goats-fresh, chilled or frozen and Milk and cream, concentrated or sweetened face tariffs rate exceeding 15% (the tariff peak) as imposed by South Africa. In addition, the market access analysis also supports the argument that there is relatively a smaller market size in New Zealand for South Africa's exports from sub-sectors currently showing little activity.

5.7 Non-Tariff Barriers²⁴

As tariffs have been progressively reduced globally, non-tariff barriers (NTBs) have become more significant. These NTBs are defined as measures, other than tariffs, which result in the distortion or restriction of trade by imposing additional costs on exporters. They can be classified into five categories:

- (a) Quantitative restrictions and similar limitations aimed at limiting imports or exports;
- (b) Non-tariff charges and related policies including anti-dumping measures and taxes;
- (c) Direct government participation in restrictive trade practices covering instruments such as state-trading enterprises and trade-distorting competition policy;
- (d) Customs procedures and administration procedures including high transport costs and inspections; and (e) technical barriers to trade such as environmental regulations and labelling requirements.

The World Trade Organisation (WTO) Policy Reviews of South Africa shows the Republic to have a very complicated SPS regime with import permits required for various goods (see below). Controlled imports must also enter through a specified port of entry. There is also direct government involvement in the agricultural sector through support programmes and guideline prices for grapes, milk, dairy products and cotton lint. In the rest of the SACU countries, tariff quotas are applied to some agricultural products and infant industry protection differs from country to country.

The SPS regime in South Africa has stringent requirements for importing fresh produce and pharmaceutical products. Products for which import permits are required are contained in the country's Import Control Regulations, and these permits are required for various import products, including consumer goods, wood, paper products, raw wool and minerals. The importation of various live animals and animal genetics, including birds, day-old poultry and cattle and sheep genetics, requires import permits and health certification. Certification by the state veterinary department is required for the importation of meat products. The South African government has approved biotechnology products like transgenic varieties of cotton, corn and soya beans for commercial planting. However, the decision-making process regarding agricultural biotechnology regulations is seen as lacking transparency, while the approval process for plants which have two or more biotechnology traits is seen as unduly burdensome.

In addition to the measures discussed above the following notes are extracted from tralac's summary of the WTO Trade Policy Review of South Africa. For quantitative restrictions, tariff rate quotas (TRQs) apply to agricultural products, such as animal products and vegetables. However, on many TRQs the out-of-quota tariff rates are less than the in-quota tariff rate, and meat and dairy products would seem to be the quotas of interest to New Zealand. Non-tariff charges and related policies are focussed on the 14% value added tax (VAT) on imports calculated on duty-inclusive FOB plus 10%. Restrictive trade practices relate to the Marketing of Agricultural Products Act which designates guideline prices for grapes intended for wine production, grape juice, milk and other dairy products and cotton lint, while the sugar industry remains highly regulated. Customs procedures and administration practices highlight that two to three days customs clearance is required for shipped imports. Technical barriers to trade (TBTs) highlight the development of technical regulations, inspection and enforcement responsibility of different government departments with no consistent national approach for regulation development, and consequently the regulatory system is therefore fragmented leading to unclear and difficult access to information on technical regulations (there are 60 technical regulations on foodstuffs); and several laws governing packaging, marketing requirements and labelling applying to a vast list of agricultural products and 'Special' labelling requirements for wine and foodstuffs.

5.8 Trade Remedies and Associated Issues

Trade remedies traditionally consist of anti-dumping measures, countervailing duties and safeguards. Anti-dumping and countervailing duties are aimed at addressing the 'unfair' trade practices of dumping and subsidisation, and levelling the playing field between domestically produced goods and foreign imports. Safeguards are utilised in trade conditions which are 'fair', but where a surge in imports causes or threatens damage to the domestic industry. South Africa has shown a decline in the implementation of these measures over the last few years, but SACU has yet to develop common policies and this is reflected in on-going problem with the Economic Partnership Agreement (EPA) negotiations being negotiated with the EU. South Africa has become an active user of anti-dumping measures, especially since the liberalisation which took place after the isolation of the apartheid era. Between 1995 and 2008 the five product sectors in which 79% of all South Africa's anti-dumping investigations were initiated were base metals, plastic products, chemical products, non-metallic minerals and paper products. South Africa has focused its anti-dumping efforts mostly on imports from other developing countries including China, India and Korea.

South Africa has no anti-dumping measures in force against New Zealand exporters or products. Conversely, there are currently anti-dumping duties in place in New Zealand against one line of canned peaches that the South African authorities are concerned about. A review of the anti-dumping duties that had applied against imports of South African canned peaches since 1996 and would have expired in June 2007 was initiated by the Ministry of Economic Development (the Ministry) on 31 May 2007. The review concluded that if the current anti-dumping duties are removed there is a likelihood of a continuation or recurrence of dumping and that this would likely cause material injury to the New Zealand industry and the anti-dumping duties were extended until June 2013.

6. Trade in Services

6.1 Overview

The purpose of this section is to analyze current trade and cooperation relationships with regard to services trade between South Africa and New Zealand with the view to establishing if there are potential opportunities for enhancing trade and cooperation in services between the two countries. Due to non-availability of bilateral services trade data it is generally not feasible to undertake the analysis using this route. Consequently, the potential for enhancing trade and or cooperation between the two countries will be assessed by analysing the overall services trade relationships of each country with the rest of the world and also by assessing the current regulatory environment in the two countries for the various sub sectors, on the premise that a liberal or non-liberal environment would either facilitate or frustrate market entry and therefore support or facilitate trade and cooperation in the various sub-sectors. The crucial point is that both countries have reformed their service sectors and have liberal regimes.

The services sector is a major contributor to GDP in both South Africa and New Zealand, as shown in Table 8. In 2008 the sector accounted for 65.6% of GDP in South Africa, just below New Zealand's 66.8% after recording an increase from its 2002 level of 62.2%. Not shown is that the sector is also a major contributor to employment (63%) in South Africa.²⁵

Table 8: Services contribution to GDP for South Africa and New Zealand

Country Year	South Africa		New Zealand	
	2002	2008	2002	2008
GDP (Mill. Current US\$)	111,130	2,823,381	26,653	54,059
Services (% contribution)	62.2	65.6	65.1	66.8

Source: WTO and Statistics New Zealand

The data in Table 9 shows that in 2008 South Africa and New Zealand were both net importers of services and both have similar undiversified trade structures for the services in the form of tourism related income. In 2008, the top two sub-sectors, namely travel (tourism)²⁶ and transport, accounted for over two thirds of exports and imports in each of the countries. It is also worth noting that four sub-sectors, of which three were exactly the same for both countries, accounted for over 90% of exports. In terms of imports the top for major imports for the services sector were exactly the same (travel, transportation, royalties and licences; and other business services) and contributed over 80% to the sectors imports in each of the countries. In terms of export growth (not shown) insurance and financial services had the highest percentage increase in trade values over the same period, with construction and computer information being among the top four for South Africa while for New Zealand royalties and other business services were the additional sub-sectors.

Table 9: Contribution of each service sub-sector to total services trade and balance of trade

Service label	Exports 08 US\$m		Imports 08 US\$m	
	NZ	SA	NZ	SA
Total				
Travel	57.77	62.13	30.20	25.95
Transportation	21.43	12.16	32.42	44.74
Financial services	0.77	6.29	1.09	0.75
Personal, cultural and recreational services	2.31	0.77	0.73	0.06
Computer and information services	2.27	1.59	2.86	1.15
Construction services	0.36	0.45	0.47	0.04
Government services, n.i.e.	1.28	3.21	1.27	2.71
Other business services	9.25	9.38	15.24	9.84
Insurance services	0.34	1.96	2.62	3.44
Communications services	2.98	1.64	3.08	1.46
Royalties and license fees	1.47	0.42	6.55	9.87
Personal remittances	n.a.	6.12	n.a.	6.59

Notes: where % are for 2008 and balance 2000-2008; n.a.: not available; n.i.e.: not included elsewhere.

Source: International Trade Centre database

While trade data with third countries may not give a clear picture on whether trade opportunities in services between the two countries exist, similarities in their export and import structure may be an indication that the two countries may have comparative advantages in similar sectors. Hence, given the level of development, the geographical location and skills levels of the two countries, it is highly likely that most of South Africa's exports might be to the region, where it may have a competitive edge in lower end products, as compared to New Zealand whose competitiveness may be global. Further work and detailed trade data is required to get a clear picture of the situation. Given this scenario, coupled with the size of the two countries markets, South Africa would stand to benefit much less from any trade enhancing arrangements between the two countries. On the other hand South Africa is likely to benefit from a cooperation arrangement, as this would entail implementation of specific programmes and activities which would support development of specific sub sectors.

6.2 Regulatory Environment for the Services Sector

Trade in services is generally regulated and therefore a regulatory environment can facilitate or restrict access of a foreign firm to a country's domestic market. A more liberal environment offers opportunities for entry, without undue discrimination between local and foreign firms and therefore gives an idea of the opportunities for entry and trade in the market. Against this background the regulatory environment for each sub-sector in both countries is discussed in the sections that follow.

6.2.1 South Africa's Environment

South Africa is committed to liberalisation of trade in services. Its service trade regime is also relatively liberal by both developing and OCED standards. During the Uruguay Round South Africa made commitments on liberalisation of services that covered a number of sectors²⁷ and grants most-favoured-nation (MFN) treatment in services to all WTO Members except for aspects of financial services and transport services.

TELECOMMUNICATIONS

In telecommunications, South Africa has accepted the GATS 4th Protocol on basic communications and the 5th protocol on financial services and has adopted the reference paper on regulatory principles as additional GATS commitments. Licensing is regulated for telecommunications and two types of telecommunications, namely individual-licenses and class-licences are applicable. The individual licences, are issued upon an invitation while applications for class licences require registration with the Independent Communication Authority of South Africa (ICASA).

BANKING SECTOR

In the banking sector there is no discrimination in the minimum requirements for establishing a domestic or foreign bank. And, in the insurance industry – wholly private sector owned – there is no discrimination in registration requirements for local and foreign firms.

AIR TRANSPORT

Air transport is operated by both state owned and private airlines and over 100 international carriers operate from South Africa under bilateral air services agreements. In terms of ownership South Africa operates within the framework of the Chicago Convention, which allows 25% ownership in equity in a national airline. With regard to GATS commitments in the area of transport, South Africa made commitments, under GATS, on road transport services, including passenger transportation, freight transportation, and maintenance and repair of road transport equipment.²⁸ Land transport is operated mostly by the private sector, particularly haulage and long distance passenger transport, except rail transport – haulage and passenger – which are predominantly operated by a state-owned-enterprises (SOEs). Cabotage is not permitted. Roads maintenance and development includes private sector participation through concessions and private-public-sector partnerships (PPP).

Infrastructure in all major South African ports are owned and managed by a SOE, Transnet, which has operations in various ports. However Transnet does not have any exclusive operating rights and private companies compete with Transnet in port operations. Contracts to operate in a port are granted through a bidding process.²⁹ Government policy is aimed at increasing South Africa's presence in international maritime transport services by increasing the number of vessels and providing a clear framework for investors. Cabotage is allowed in maritime transport which permits vessels en route to pick up cargo destined to other countries.

TOURISM

The tourism industry is among the sectors that are liberal. It is mainly operated by the private sector, with the government playing a facilitatory and regulatory role. South Africa has signed tourism agreements with 20 countries³⁰ and made commitments, under GATS, for hotels and restaurants; travel agencies and tour operator services; and tourist guides services. Foreign travel agents must register (like most other businesses) under the South African Companies Act, and comply with any relevant regulations including those of the International Air Transport Association (IATA).

FILM INDUSTRY

The film industry is amongst the priority sectors that are receiving attention from the dti. South Africa has a world-class physical and legal infrastructure and it has outstanding production and post-production facilities, as well as a strong skills base in the sector. Also, with cost advantages over some developing countries, growth of the sector is expected, linked to inward investment as well as the development of local content as a tradable commodity. A rebate for the production of both foreign and local large budget films made in South Africa or under co-production agreements is offered to encourage projects with high end production values. Shortages in intermediate and advanced skills remain a major constraint for the industry.

EDUCATION

Education in South Africa is liberalized as witnessed by the participation of the private sector in the provision of education at all levels. Government is committed to working with the private sector in improving education in the country.³¹ Data on education exports for South Africa is hard to come by but education is known to be one of the major export earners for South Africa.

6.2.2 New Zealand's Environment

New Zealand's regulations governing foreign investment are liberal by international standards as the country has decided to maintain targeted foreign investment restrictions in only a few areas of critical interest that are considered sensitive. None of the services activities is included among the sensitive list,³² an indication that provision of services in New Zealand is generally liberalised and the country encourages private sector participation and FDI in a number of the service sector industries. Like South Africa, New Zealand participated in the WTO negotiations on basic telecommunications and on financial services: government has accepted the Fourth and Fifth Protocols to the GATS effective 5 February 1998 and 11 January 1999, respectively³³. The status of with regard to liberalization for the various sub-sectors is discussed below.

TELECOMMUNICATIONS

New Zealand was the first country to open its entire telecommunications to competition in 1989 (Telecom New Zealand was privatised in 1990). However, after ten years of deregulation, the entity continues to dominate New Zealand's telecommunication market and operates the national land-line telephone network. Telecom owns the local loop, which requires all competitors to enter into interconnection agreements with the company.³⁴ However, Telecom's exchanges have been opened up to competition and the company has recently been separated into distinct business divisions as a further measure to increase competition. The sub-sector has attracted many players in other areas and the country has 16 national and international call service providers and 168 internet service providers.³⁵

TRANSPORT

The transport sector is largely deregulated and legislative barriers to competition have been removed. Many of the entities that used to be public owned are now in the hands of the private sector. The roads are managed by a Crown entity, the New Zealand Transport Agency, which contracts the private sector for actual construction and maintenance work. New legislation has been put in place which will allow implementation of public private partnership (PPP) projects through tolling of some highways. In terms of railways government owns and operates railways network infrastructure, which were sold and bought back by the government.

With regard to shipping, commercial ports are predominantly owned by the government, through local authorities. Four out of the thirteen ports are run by the private sector. New Zealand policy interests are in ship usage rather than ship operation. About 30 global shipping lines call at New Zealand ports. The policy seeks to ensure that those using ships have access to competitively priced shipping costs.

The airline industry is liberalised and New Zealand allows up to 100% foreign ownership of domestic airlines and there is no domestic air services licensing. In spite of liberalization, Air New Zealand is the major domestic operator on main trunk and regional routes. Qantas and Pacific Blue also provide some main trunk services. New Zealand has around 40 formal air services agreements with foreign governments.

TOURISM

Tourist facilities are privately owned as most government-owned tourist facilities were sold, closed or transferred to local councils, by 1980s. The central government's role is that of promotion of New Zealand. This includes consistent and ongoing investment in national and international marketing through the Crown-owned Tourism New Zealand and provision of business assistance programmes to local authorities and the private sector (Draft Tourism Strategy).

FILM INDUSTRY

New Zealand has a very well developed, film, or screen industry as it is called. The sub-sector is open to private sector but the government provides some funding for film production meeting certain criteria through the New Zealand Film Commission. The screen industry produces feature films which are predominantly financed by local and major off shore production companies, with assistance from the New Zealand Film Commission in some cases.

SOCIAL SERVICES

New Zealand has a social welfare system which includes entitlement to universal primary and secondary education and subsidized access to health services for all residents. The publicly-funded social services are supplemented by privately-owned health services.

Education is a principal responsibility of government and it is only supplemented by privately-financed schools. Export education is an important industry for the country contributing 1.3% to GDP and 7% of country's export earnings.³⁶ Over the period 2007/08 the export education industry generated around NZ\$2.3 billion (R12bn; US\$1.6bn) in foreign exchange, of which NZ\$70 million (R368m; US\$50.5) came from offshore provision. New Zealand competes favourably with other countries such as the Australia, United Kingdom, Canada and United States of America, in terms of the sectors contribution to GDP, export earnings and number of international students per population.

FINANCIAL SERVICES

Financial services are liberalised and the sector is open to foreigners and private sector led, although it is regulated. There is no discrimination in registration and other regulatory requirements between local and foreign firms in banking and insurance services. There is no registration requirement for a financial institution to provide banking services but it can only be called a bank once registered. The banking sector is dominated by foreign banks, of which the major ones are Australian banks. Like banking, insurance is open to foreigners. The industry is dominated by three insurance companies and five of the largest companies are foreign owned.³⁷

6.3 Bilateral Trade in Services

Again, we acknowledge that only the New Zealand perspective is reported here, but again stress the value of the 'mirror'. Services trade reported by New Zealand between South Africa and New Zealand is shown in Table 10, with the data expressed in New Zealand dollar millions for June years. Note that the data as shown excludes transport, travel, insurance and government services, and these are almost certainly the main commercial service linkages. Exports, while modest, are still above imports, where even more modest values have at least been increasing steadily since 2003. We are not able to provide more information on these data as confidentiality is imposed by Statistics New Zealand.

Table 10: New Zealand data on services trade between New Zealand and South Africa

Year	NZ Exports to SA		NZ Import from South Africa	
	NZ\$	US\$	NZ\$	US\$
2003	11.0	6.4	2.0	1.2
2004	6.0	4.0	1.0	0.7
2005	5.0	3.5	2.0	1.4
2006	11.0	7.1	3.0	1.9
2007	4.0	2.9	5.0	3.7
2008	10.0	7.1	5.0	3.6
2009	8.0	5.1	5.0	3.2
2010	7.0	5.1	8.0	5.8

Source: Statistics New Zealand, supplied by MFAT (The original data was in NZ\$)

6.3.1 Individual Service Sectors

To ascertain a more realistic indication of the value of the bilateral services trade we have interviewed several of the key players. There are some sectors, for example fisheries, where New Zealand is engaged in both merchandise trade and services, but the emphasis in this section is on services per se. The discussion below will report upon our findings, and note that some of these (for example, tourism and migration) are related.

New Zealand Trade and Enterprise (NZTE) reports that there is a demand for services across the many sectors and there have been a number of fact finding visits to New Zealand and participation in conventions held here. South Africa's public finance regime and laws are very similar and in some instances based upon the New Zealand system, and service companies view South Africa as a potential gateway to the rest of Southern Africa. Examples cited by NZTE are that Cluster Navigators has worked with economic development agencies in Johannesburg since 1998 and expanding into the greater southern Africa and Cognition Consulting is interested in the education reforms currently in South Africa and are watching one of their competitors' experiences closely after they recently entered into a private public partnership in Soweto. In the technology field 4RF Communications and Telecom New Zealand International (TNZI) both have partners in South Africa, where business has been strong on the back of a booming African telecoms market. TNZI has direct circuits with Telkom South Africa for South and Southern Africa and sends approximately 3m to 4m minutes of telephone traffic to South Africa per month. Orion Health has secured Ethekewini Hospital & Heart Centre in Durban as their first site in South Africa in 2008, and with South Africa continuing to invest in better healthcare provision, demand for information technology is expected to grow.

Several service providers were interviewed over the course of the study, and the following specific comments gleaned from these operators.

FISHERIES

The New Zealand Seafood Industry and Sealords advise that in addition to the fish product exports to South Africa, New Zealand companies have been active in the region in recent years based upon New Zealand's experiences with the fish quota allocation regime and the similarities in the climate and fish species in Southern Africa. Much of this activity took place in the 1990s, as the industry is not really operating directly in Southern Africa although relationships remain good with strong contacts in the industry. Sealords were active in Namibia during this earlier period in assisting with the discovery and development of the orange roughy and hake species, but changes to Namibian fisheries policy has curtailed latter activities.

In addition, NZTE reported from their 2010 market trip to South Africa that while generally there are opportunities for New Zealand meat companies; there is, however, a higher demand for seafood and mainly shellfish. Due to recent changes in the fishing Quota system in South Africa, large firms such as Irvin & Johnson (I&J) are keen to explore trading and commercial opportunities with New Zealand. Changes in the quota system and limited opportunities for aquaculture as a result of South Africa's coastline make them anticipate that supplying the domestic and export markets over the next 3-5 years will be challenging.

AIR LINKS

Non-treaty amendments to the 1997 Air Services Agreement (ASA) with South Africa were given effect through an exchange of letters in 2009. Of most significance was the specification of all points in Australia as intermediate points, allowing Air New Zealand and South African Airways to begin code sharing from 1 November 2009. As a result, Air New Zealand currently has a code-share arrangement with their Star Alliance partner South African Airlines (SAA) that operates from Auckland to Perth four times a week with the on-going leg to Johannesburg operated by SAA. Air New Zealand considers that while not ideal this is about the best that they can do with current traffic and their airline fleet set against the distance factor in a relatively low priority market. This reticence is set against the relationship that SAA has with Qantas which operates by code-sharing even though these two airlines are in different global alliances.

In addition, although not strictly speaking air links, Airways NZ has a relationship with Air Traffic Navigation Services in South Africa. To date they have provided consultancy services through training Air Traffic Controllers in New Zealand on their behalf and providing recruitment and selection services in South Africa. They are currently discussing further business opportunities in South Africa and report no impediments to the business relationship.

SOUTH AFRICA AND NEW ZEALAND: FILM INDUSTRY

Film New Zealand and the New Zealand Film Commission report that to date there has been relatively little collaboration between South African and New Zealand filmmakers and between screen sectors of each country. Oscar-nominated District 9 is an exception as it was shot in South Africa and post-produced in NZ (with assistance from the Large Budget Screen Production Grant incentive). Encouraging these links and contacts can serve both an economic and cultural agenda within the industry, and assist New Zealand's larger agenda in terms of New Zealand "brand"/NZ inc.

In order for co-operation to develop there needs to be:

- A signed film and television co-production agreement between the two countries; and
- Opportunities for South African and New Zealand filmmakers to meet. Relationships need to be developed at an individual filmmaker level with both sides given the opportunity to pitch projects. These opportunities might include a joint-function at the Cannes Film Market and an outward mission of New Zealand filmmakers to South Africa (and a return mission of South Africans to New Zealand), although it may take several years for the benefits in the form of completed films and television projects to materialise.

Wider activities could also include the use of film in association with New Zealand diplomatic and trade missions, and the interaction across a number of film, diplomatic, trade and tourism agencies to identify a long-term plan of attack.

EDUCATION

The number of South African students abroad peaked at 6,345 in 2003, but since then has stabilised at around 5,500 per annum. The most popular destinations are the UK and US, which each have around 30% of the market share. In Australia South African students are evenly split between the Higher Education and Vocational Training sectors, with very small numbers of students in other sectors. Ministry of Education data shows that for 2009 there were some 323 students from South Africa enrolled in New Zealand institutions³⁸, putting the Republic in 26th place. This total represented 0.74% of the International students, a percentage that has been rising since 2002 as South African numbers increase modestly while overall numbers decline.

Education New Zealand (ENZ) is the body whose primary function is to raise the profile of NZ as a top quality study destination for international students by organising in-country promotional activities in cooperation with members. Five years ago, ENZ changed the strategy from spreading the funding too thinly to identifying countries to focus their resources and activities (the depth market strategy). The nine key markets identified were China, India, Vietnam, South Korea, Thailand, Malaysia, Germany, Brazil and USA, and all the generic promotions, commercial fairs and other activities such as agent training, and research were focused on these markets. However, there has also been considerable growth from new markets such as Saudi Arabia, and ENZ reviewed their depth markets in 2010 to understand the new trends and reasons for the growth. They identified another 20 markets and commissioned research for the industry to identify their next top 10 priority markets. Nobody identified South Africa as a new, emerging or depth market for the next five years, so consequently ENZ will not be actively promoting or organizing events in South Africa.

Examples of education cooperation with South Africa outside of the mainstream universities and schools include the new developments at New Zealand Management Academies in Auckland who have around 15 to 20 South African students enrolled in their one and two year Hospitality Training programmes.

POSTAL SERVICES

In 1999 Transend (previously NZPost) won a three-year Strategic Management Contract to take line management control of key parts of the South African Post Office (SAPO) in order to restore profitability, business growth and customer confidence. Transend provided key executives to work alongside SAPO senior management to restructure the business and implement a commercial development strategy, but after 18 months, the contract was mutually concluded.

As part of Retail business improvement strategy, SAPO purchased Transend's retail counter automation system (PostLink). This was successfully implemented in over 3,950 terminals in over 1,000 post offices. Transend continues to provide SAPO with consulting support and development services for its retail counter automation system. Transend has recently been in discussion with SAPO in relation to the following opportunities:

- Major redevelopment of PostLink (including conversion to Oracle 11g)
- Providing support for PostLink from a South African base (at present all support and development is from New Zealand)
- Providing vertical sorting equipment for its delivery operation. The view is to supply an initial order from New Zealand and then arrange manufacture (either under our management or licence to SAPO) of the majority of components in South Africa.

Elsewhere in SACU, Transend was engaged by the Lesotho Ministry of Communications, Information and Technology in 2008 to undertake a "Healthcheck" of the postal organisation that included a wide ranging analysis of Lesotho Post throughout the business including operations, customers, governance, financial performance and structure. It highlighted a number of opportunities and a draft Postal Services Act to enable the commercialisation of Lesotho Post was developed. This was followed by Transend being commissioned to construct the 5 year Business Plan for Lesotho Post to make Lesotho Postal Service self-sustaining. However, while the Business Plan was signed off by the Government no funding was provided to implement it. Between 1998 and 2004 Transend advised and managed Botswana's postal

revitalisation, and in 2008 they completed an Organisation Structure Review for Botswana Post. In Namibia Transend has recently been approached to develop a Retail Business Strategy Blueprint.

In South Africa, Transend would welcome on the ground assistance to identify suitable manufacturers in South Africa to manufacture component parts of their Vertical Sorting Frames and possibly also to find a suitable IT company to provide support for our counter automation system (PostLink). In Lesotho the consultancy services may require assistance to lobby and influence the Lesotho Government that investment in the Lesotho Postal Service would move this organisation from a loss maker to a profitable organisation no longer requiring Government funding and support. The Government has already signed off the Business Plan to achieve this but are showing some reluctance to release funds for this to proceed.

MINING

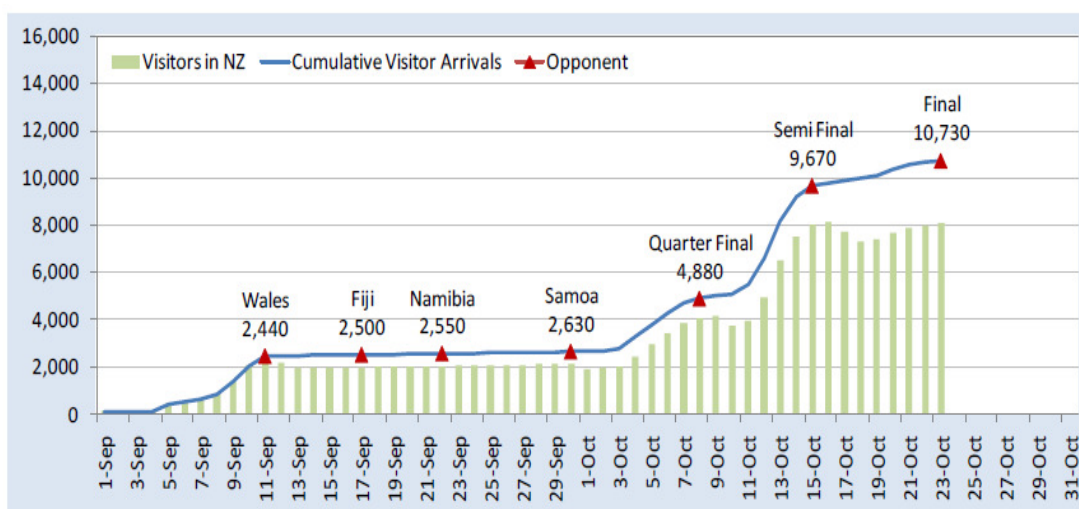
Crown Minerals report that while the main South African mining companies are represented in New Zealand, there is little joint-venture type of cooperative activities in the sector between New Zealand and South African interests.

6.4 New Zealand migration and visitor flows to and from South Africa

Tourism numbers in both directions increased dramatically from 1994, while long term arrivals into New Zealand from South Africa have been around two to three thousand annually, but they have fluctuated widely in the last five years from around half that number. Tourism New Zealand does not see South Africa as a priority market, as most of the tourism flows to New Zealand are associated with visiting friends and family and therefore not a market likely to show a return on promotion. Again, our interviews found few problems associated with this services trade that require attention, although we would flag the need to progress the film industry agreement and note that Transend would welcome continuing assistance with developing their business opportunities in both South Africa and Lesotho. A similar pattern to services can be seen with the bilateral direct investment linkages where the bilateral flows are also very small.

The upward trend in visitor arrivals from SA is expected to receive a boost during 2011 Rugby World Cup event in the September and October months. Estimates by the MED / Ministry of Tourism are shown in Figure 2. The graph summarises the cumulative RWC 2011 visitor arrival forecasts for the South African "market" and also the expected number of RWC 2011 visitors on the ground in New Zealand each day. The South Africa profile is driven by a variety of factors including the match draw and how far the team is expected to go in the tournament. The market segmentation is based on the team a visitor is most closely associated with, rather than the country a visitor usually lives in; e.g. a South African supporter living in Australia would also be captured in this forecast.

Figure 2: Cumulative Visitor Arrivals from 'South Africa' during the RWC 2011



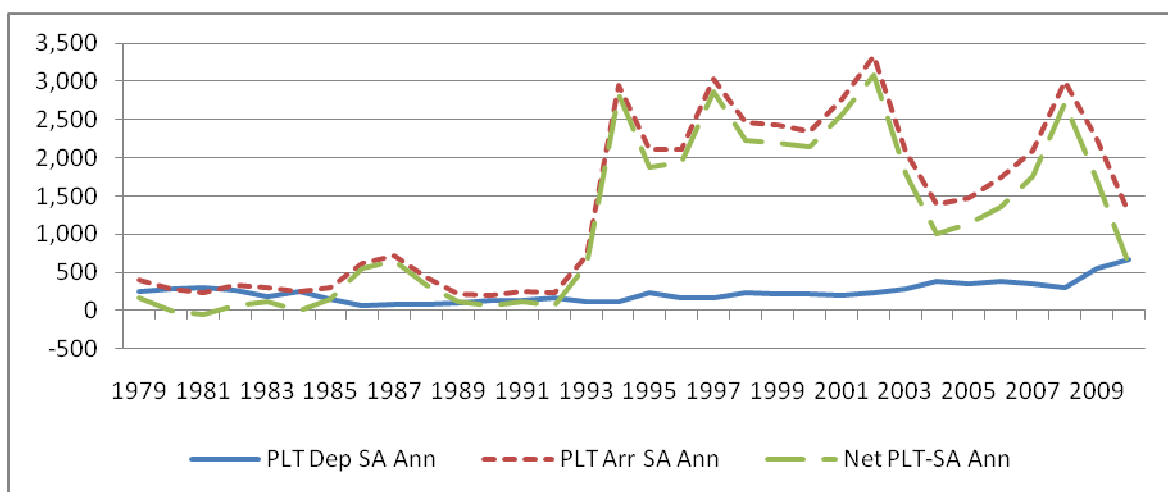
Source: MED / Ministry of Tourism

If South Africa reaches the semi-final, about 8,000 South Africans are expected to stay in NZ during the time of the match. By that time close to 10,000 South Africans would have visited NZ for the duration of the event.

The flow of persons between New Zealand and South Africa has increased considerably since the mid-1990s both in terms of short term visitor flows and permanent & long term (PLT) flows.

In this section, we make a distinction between short term visitor flows and permanent & long term (PLT) flows of people. Starting with the latter, the figure below shows that (annualised for the year to September) PLT arrivals picked up strongly during the first half of the 1990s after which it fluctuated considerably. It is unclear which factors cause the volatility but they may include economic, political and/or social events in South Africa or changes to immigration policy in New Zealand. There may also be a momentum effect although the lags in the peaks and troughs don't seem to be constant. There is little evidence of circular movement, except perhaps in the last couple of years which reported a considerable increase in PLT Departures to South Africa. However, the data doesn't make a distinction between NZ and non-NZ residents and in particular those born in South Africa.

Figure 3: Permanent and Long Term Arrivals and Departures to and from South Africa (September years)

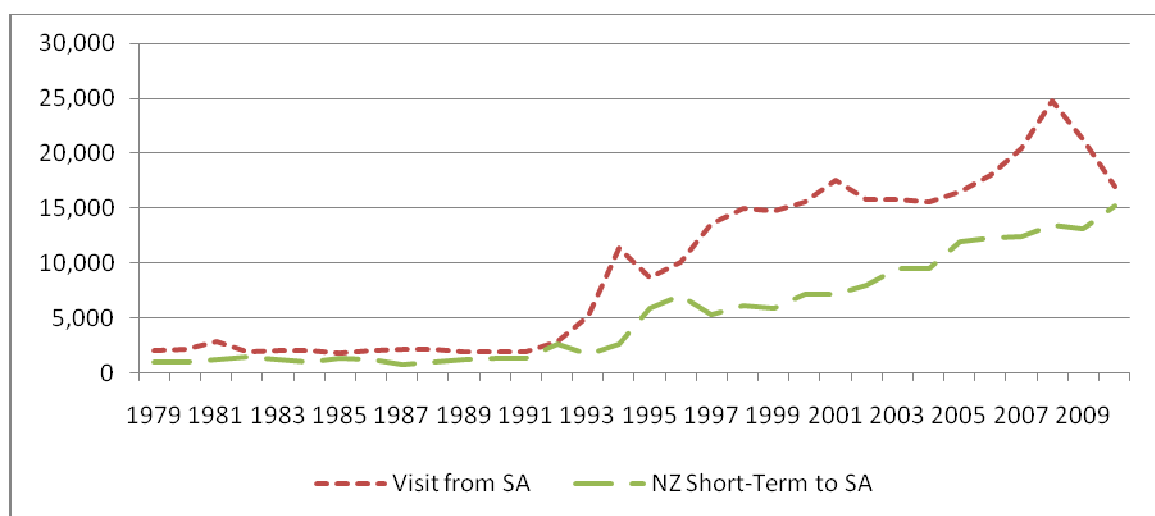


Source: Statistics New Zealand

Of interest is that the rise in departures to South Africa, albeit modest, occurs at the same time as a sharp decline in arrivals from South Africa. Net arrivals are now back to almost the same levels as in the early 1990s. The peaks in PLT arrivals from South Africa constitute roughly a 3.5%-4% share of total PLT arrivals while in the troughs the share drops to between 1.5% and 2%.

With the increase in PLT arrivals from South Africa from the early 1990s onwards, the arrival of short term visitors from South Africa has also increased. In part this is related to the increased arrival of PLT as the latter will give rise to family visits. For similar reasons, the short term departures by NZ residents (which could include those South African that gained NZ residency (but excludes returning visitors), has increased, although in level terms this has been less. To place the economic importance of these tourists in perspective, in the year to March 2010 there were 17,795 visitors from South Africa. Applying Ministry of Economic Development (MED's) estimate of the average spend per visit by international tourists, disaggregated by purpose of travel (holiday, visiting friends and relatives, business, and other), yields an estimate of spending by South African tourists of NZ\$35m (R184m;US\$25.5m). This places tourism as New Zealand's second largest 'export' to South Africa after coal.

Figure 4: Visitor Arrivals from and NZ Short Term Departures to South Africa (September years)



Source: Statistics New Zealand

As with PLT arrivals from South Africa, note the sharp decline of short-term visitors from South Africa in recent years, although the trend is still upwards. Similarly, there is a noticeable increase in short term departures by NZ residents towards the end of the period.

6.5 Conclusions and Recommendations

We confirmed that services bilateral trade is even less significant than merchandise trade, with the official New Zealand data showing trade (as defined) of generally less than NZ\$10 million (R52.6m; US\$7.2m) annually in either direction. For most recent years New Zealand's services exports to South Africa have, however, been above the comparable imports from South Africa, giving New Zealand a very modest surplus. It is likely that the official data underestimates the bilateral services relationships though, as (a) this data does not include tourism and transport and (b) there appear to be some (but limited) service provider relationships that may or may not show up on the official data as reported.

The services sector is a growing industry in both countries. They are both net importers of services and their exports are not well diversified. The regulatory environment in the two countries is generally liberal and both countries are committed to the liberalisation of the sector as reflected in the commitments they have made to the WTO. While the private sector, national and foreign, is an active player in nearly all service sub-sectors, governments still plays significant roles in the provision of services, as reflected by ownership of entities by government in transport-rail and air transport-telecommunication, energy, postal and health, which has impact on competitiveness and hence market entry. The dominance by a few foreign owned firms in sub sectors like insurance, banking and others, coupled with the small size of the

New Zealand market would make viability and market entry for South African firms a formidable task. Furthermore, New Zealand firms may take advantage of their relatively high productivity, arising from a high skills base and technological advancement, to out compete the South Africa firms.

Though available data on trade details in services between the two countries is not generally available to aid assessment of potential opportunities for trade in services for the two countries, it is clear that South Africa would face major challenges which would affect its market entry and viability of businesses in New Zealand, particularly given the relatively small New Zealand market. Discerning South Africa's benefits that could accrue on trade in services would require more detailed trade data and further work and thought. New Zealand on the other hand may stand to gain much more from a bilateral trade arrangement, although the actual benefits that could accrue to the country are also debateable given the dominance of foreign firms in New Zealand. What is clear though is that, in the short to medium term, a development cooperation agreement as opposed to a trade agreement would be more beneficial for both countries as this would entail implementation of specific programmes for enhancing trade and development in specific areas in the various sub sectors.

7. Investment

Investment data is, like services data, difficult to obtain and when available is often blanketed by 'Confidential' for lesser sources and destinations to protect individual companies. Such is the case for New Zealand's relationships with South Africa, and especially so for the annual flows of investment and returns on those investments. We will show the official data for both stocks and flows for the global and South African picture, but report that the data on flows is restricted to the totals while for the stocks we are able to report on direct, portfolio and 'other' investments for both New Zealand investment in South Africa and South African investment in New Zealand.

Firstly, Table 11 shows the aggregate picture for stocks of FDI as reported by New Zealand for the 2005 to 2010 June years. Data for South Africa's share of the direct investment is classified as "C" or confidential. Although not shown for portfolio investments New Zealand's investment in South Africa has generally been in the range of NZ\$50 million (R260m; US\$36m) to the high of \$70 million (R368m; US\$50.5) in 2010, but this is still a very small percentage of the around NZ\$50 billion (R260bn; US\$36.1) global total. Even so, this portfolio investment in South Africa is significantly larger than South African investment in New Zealand which has been reported as being only NZ\$1 million (R5.2m; US\$0.72m) for each year. For 'other' South African investment in New Zealand the values for 2008, 2009 and 2010 are reported and these values almost exactly match those shown in Table 11's 'Total' which is direct, portfolio and other combined investment. Values for 'other' New Zealand investment in South Africa are similarly also confidential. As the total shows, although New Zealand has more investment in South Africa than the converse, the differences are not that great and in neither case are these investments a significant portion of the overall national total investment figure.

Table 11: New Zealand's stock of FDI, million

Stock of total investment by country		Year					
		2005	2006	2007	2008	2009	2010
<i>New Zealand's total investment abroad</i>							
South Africa	NZ\$	33	84	89	93	84	122
	US\$	23	55	66	66	53	88
Total investment abroad	NZ\$	93,713	105,245	111,245	123,738	127,063	127,646
	US\$	66,011	68,353	81,890	88,420	80,608	92,100
<i>Total foreign investment in New Zealand</i>							
South Africa	NZ\$	50	53	58	65	75	75
	US\$	35.22	34.422	42.695	46.447	47.579	54.114
Total investment in New Zealand	NZ\$	212,773	233,675	252,387	273,218	294,038	288,627
	US\$	149,876	151,764	185,788	195,235	186,535	208,252

Source: Statistics New Zealand (The original data was in NZ\$)

Next, Table 12 shows the investment flows. Here only the totals are shown as all the individual data for the direct, portfolio and 'other' is either small or confidential, and this is reflected through in the grand totals which again are insignificant for the greater picture.

Table 12: New Zealand's annual flow of FDI, million

Flow of total investment by country <i>New Zealand's total investment abroad</i>		Year						
		2005	2006	2007	2008	2009	2010	
South Africa	NZ\$	C	12	8	6	-6	28	
	US\$	C	8	6	4	-4	20	
Total investment abroad	NZ\$		3226	-3783	11201	13237	-16595	11758
	US\$		2,272	-2,457	8,245	9,459	-	10,528
<i>Total foreign investment in New Zealand</i>								
South Africa	NZ\$		-1	2	7	C	-7	n.a.
	US\$		0.7044	1.2989	5.1529	C	4.4407	n.a.
Total investment in New Zealand	NZ\$		13872	10485	23101	26416	-14993	13138
	US\$		9,771	6,810	17,005	18,876	-9,511	9,479

Note: C: confidential, n.a.: not available (The original data was in NZ\$)

Source: Statistics New Zealand

7.1. Regulatory Environment Introduction

This section sets out to assess and compare the investment regulatory environment between South Africa and New Zealand. The regulatory environment of the two countries must be understood in the context of historical developments. New Zealand's strength in agriculture and agricultural technology owes its development to the fact that it was a British colony. The British used New Zealand to produce agricultural products for export to the United Kingdom³⁹ and over the years through specialisation New Zealand has developed world class competency in agricultural production. Also, because of association with Britain, which was already an advanced economy by world standards, it can rightly be assumed that a reasonable amount of technology transfer across sectors occurred and this resulted in an improved investment level in the sector, contributing to the sector's high performance.

South Africa's and New Zealand's regulatory environment can be traced from migration of persons of European origin, attracted by mining and agricultural activities in South Africa and New Zealand respectively, which resulted in the transfer of a well-developed regulatory environment which made it easier for the two countries. In South Africa most of the technological transfer applied to the mining sector and the services industry, particularly finance. As for the rest of the products market, regulation took a positive leap just before 1994 with the mooting of competition law. The following sub-sections discuss key elements of the regulatory environment in both countries and two way investment possibilities.

7.2. Broad Based Black Economic Empowerment (BBBEE)

One of the fundamental features of the South Africa's regulatory environment is BBBEE requirement which relates to the economic development and transformation in general of the South African economy in order to correct the imbalances caused by racial discrimination in the past. A narrow definition of BBBEE is that it is a strategy relating to a set of transactions transferring corporate assets from white to black ownership, thus bringing about an integrated and coherent socioeconomic process that directly contributes to the economic transformation of South Africa and brings about significant increases in the numbers of black people that manage, own and control the country's economy, as well as leading to significant decreases in income inequalities. The programme includes elements of human resource development, employment equity, enterprise development, preferential procurement, as well as investment, ownership and control of enterprises and economic assets. There are also sector specific BBBEE requirements, and while South Africa is a free market economy, investments should be done in accordance with the BBBEE requirements.

7.3. Legal System

New Zealand has a common law system that traces its roots to Britain and it is similar to that of other western countries. Most criminal and civil matters are dealt with by the District Court with the High Court handling the larger and most serious cases. As espoused in the constitution the right of appeal is handled by the Court of Appeal, with permission from the Supreme Court. Judges are appointed by the Crown.

On the other hand while South Africa's common law was inherited from the Dutch it also has a huge resemblance to British common law. There are also legal systems inherited from the indigenous peoples, although Dutch common law has prominence. The South African court system is organised hierarchically, and consists of: Magistrates' Courts; High Courts; a Supreme Court of Appeal, the highest authority in non-Constitutional matters; and a Constitutional Court, which is the highest authority in constitutional matters. There is also the Small Claims Court, which resolves disputes involving small monetary sums.

7.4. Starting up a business

The regulatory environments in South Africa and New Zealand are better understood in the context of the ease of doing business based on the World Bank annual survey which assesses the regulatory investment environment of countries worldwide. In the latest survey for 2010 a total of 183 countries were surveyed. In 2010 New Zealand ranked third overall; first in 'starting a business' and 'protecting investors'; second in 'getting credit'; and, third in 'registering property'. New Zealand also ranked very well in the other components. By comparison, South Africa ranked 34 overall; seventy-fifth in 'starting a business'; tenth in 'protecting investors'; joint second in 'getting credit'; and, ninety-first in 'registering property'.

7.5. Regulations affecting business

This sub-section relates to the key issues relating to the regulatory environment in both countries. These are:

COMPETITION LAW

In New Zealand competition law deals with, among other things, the regulation of business acquisitions and the prohibition of restrictive business practices. It also allows for price controls in certain industries. On the aspect of business acquisitions no purchasing of shares or assets is allowed of a business where doing so will substantially affect competition. Price controls apply to particular goods and services. Regulated pricing is applicable for the telecommunications; dairy; gas; and, financial services industries.

In South Africa apartheid and other discriminatory laws and practices, inadequate restraints against anticompetitive trade practices, and unjust restrictions on full and free participation in the economy by all South Africans resulted in excessive concentrations of ownership and control of the economy. Thus, competition policy seeks to provide all South Africans equal opportunity to participate fairly in the national economy.⁴⁰ South Africa's competition law encourages the promotion of small and medium-sized enterprises (SME) and that these should be considered in merger evaluation.

BUILDING AND BUYING PROPERTY

Except for areas listed as sensitive the buying of land in New Zealand is generally liberalised and without restrictions. All titles, plans and instruments have been converted into an electronic format for ease of searching and registration. Selling and buying of land can be done directly by the parties involved. While the definition of sensitive land is broad the main features include non-urban land over 5 ha (foreshore or seabed); any land over 0.4 ha; and farmland. Commercial fishing is also listed as a sensitive area. Land claims by New Zealand's indigenous people, the Maori, are governed by the Treaty of Waitangi Act 1975. The Waitangi Tribunal has the final say on grievances relating to such designated land. While land owned by the government or other public institutions can be returned to the Maori, privately owned land cannot be returned unless specifically endorsed.

As in New Zealand buying property including land in South Africa is on a free market basis. The land issue is also sensitive in South Africa because of apartheid policies and Government through the Commission of Restitution of Land Rights (CRLR) in the Department of Land Affairs is implementing the restitution programme. About 30% of agricultural land is set to be transferred to black owners. The department is also tasked with the implementation of the land-tenure reform and redistribution programme.

INTELLECTUAL PROPERTY LAWS

Intellectual property laws in New Zealand are patterned after English legislation and common law. Other aspects of the law are patents and copyrights, registered designs, company names, domain names etc. South Africa is seen as quite advanced by international standards in terms of its intellectual property rights (IPRs) laws.

MINERALS

In New Zealand minerals are owned by the Crown and no person or entity can prospect without an appropriate permit. In South Africa minerals are the property of the state. The Minerals and Petroleum Resources Development Act (MPRDA) in South Africa, among other things aims to promote the participation of previously disadvantaged people in the sector.

BANKING, FINANCE AND CAPITAL MOVEMENT

For South Africa there are limits to the amount of capital that domestic entities can invest offshore but exchange control regulations do not apply to foreign investors. There is free flow of capital in and out of New Zealand with no restrictions on repatriation of capital.

IMMIGRATION

New Zealand has an open door immigration policy. Its points system under certain criteria enables the country to attract foreign skilled labour and entrepreneurs. Investors wishing to establish their own businesses are eligible to apply for a long term business visa or permit if certain conditions are met. Also, if one has been operating a successful business operation for two years one can apply for a residence permit under the entrepreneur plus category. South Africa's immigration policy is receptive to highly skilled labour and persons who want to invest in the country.

TAXATION

In New Zealand, resident's income tax is imposed on all worldwide income while non-residents taxed only on income derived from New Zealand. For South Africa tax on the income of non-South African residents is source-based. Company tax in New Zealand is being reduced to 28% from 30%, and this applies to resident and non-resident companies. In South Africa domestic companies are taxed at a flat rate of 30% with branches and agencies of foreign companies which have their effective management outside South Africa subjected to taxation on South African-sourced profits at a rate of 35%. Consumption tax in New Zealand is a flat 15% goods and services tax (GST), with the few exceptions being financial services or services performed by employee and residential rental accommodation. In South Africa Goods and services attract a standard rate of value-added-tax (VAT) of 14%. Exports, certain foodstuffs and other supplies are zero-rated, and certain supplies are exempt (mainly certain financial services, residential accommodation and public transport). In addition, New Zealand has a double taxation arrangement with 35 countries including South Africa aimed at avoiding or reducing the incidence of double taxation. South Africa applies a capital gains tax on non-residents, to the extent that they dispose of immovable property situated in South Africa, or have a permanent establishment in SA and dispose of an asset of that establishment.

7.6. Conclusion

Overall there are many similarities between the two countries. While South Africa is on aggregate a developing country its laws and regulations compare with those of the developed world. In part this is because some sectors of the economy, mainly the tertiary sector, are well developed and employ cutting edge technology. New Zealand, a country with slightly more than 4 million people, is a developed country by all measures, but the New Zealand market is small. Differences arise in the fact that, while free market principles are applied in both countries, investing in South Africa requires familiarity with BBBEE requirements, which are sector-specific.

Having considered the regulatory investment environment the broader question that needs to be asked is: what sectors are attractive to industries from either country? South Africa's mining sector is globally competitive. However, Australia and China because of proximity may prove to be more competitive compared to South African entities. For New Zealand, it's a different story. Opportunities exist mainly in the agricultural sector although investors have to deal with the proposed amendments to the Land Act and Minerals Act.

8. Selected views from New Zealand Agencies

8.1 New Zealand Aid Programme

The mission of the New Zealand Aid Programme is to support sustainable development in developing countries, in order to reduce poverty and to contribute to a more secure, equitable, and prosperous world. The New Zealand Aid Programme focuses on the Pacific as its nearest neighbourhood, but South Africa remains an important partner for New Zealand. The New Zealand Government values the cordial relationship that has developed and strengthened over recent years with the Government of South Africa. The partnership aims to strengthen new forms of cooperation (including non-ODA funded) and bilateral relations between South Africa and New Zealand by shifting the relationship to one of mutual benefit based on people-to-people and government-to-government exchange.

Programmes such as the South Africa Fund for Exchange have facilitated people-to-people links between the Eastern Cape and New Zealand for the exchange of skills and learning. Other key aspects of this relationship include the annual consultation meetings between New Zealand and South Africa, the participation of South African Government officials in the New Zealand Aid Programme's OECD DAC peer review and staff orientation for New Zealand's International Development Group. A Declaration of Intent that establishes the formal framework for the development relationship between the two countries is pending.

8.2 NZTE Coverage

NZTE manages its operations for the Middle East and part of Africa out of its Dubai office, where the Trade Commissioner heads a team of nine staff. NZTE maintained a presence in South Africa through a third party contractor until 2005, when a drop in company demand and an inability to justify the cost of that arrangement led to it being discontinued. For the five years since, NZTE was not actively engaged in South Africa, with enquiries typically handled in New Zealand or via NZTE Dubai. Due to a lack of resource on the ground in South Africa or formal relationships with relevant third party providers, company support and advice has generally been light touch or by way of referral through less formal networks, including the local chapter of Kiwi Expatriate Association (KEA). They are in turn looking for this current study to assist in advising them as to whether the South African relationship deserves more formal investigation. Meantime, in May 2010 a NZTE visit to South Africa confirmed market potential in South Africa and an associated knowledge gap relating to specific New Zealand capability.

Possible areas of potential include agritech, healthcare, telecommunications, services and specialised manufacturing (industrial machinery and marine). The food and beverage sector is an important one despite both countries generally being competitors in third markets, as South Africa exports wine and preserved fruits to New Zealand while New Zealand exports meat, seafood, dairy and frozen vegetables (peas) to South Africa. Two market leaders are Sealord Group and Fonterra through its joint venture company Clover Fonterra Ingredients which markets bulk dairy ingredients and food service products throughout Sub-Saharan Africa.

In addition, NZTE Dubai conducted a trip to South Africa in mid-2010 after commissioning a third party to identify and provide background on 20 key South Africa food and beverage (F&B) companies in food service, retail and manufacturing sectors with potential relevance to New Zealand capability. The objective was to engage with key F&B networks, and here the planned meetings with 20 contacts in the retail, foodservice, commodities, and manufacturing and distribution areas grew to 38 due to the interest in New Zealand products. The team found that generally opportunities are available in all sectors, although retail is the sector showing the most viable potential followed by value-added specialized ingredients for manufacturing.

9. ANNEX: 2010 Trade Data

Annex Table 1 shows the most recent December 2010 year imports data into South Africa from New Zealand, with every second year from 1996 to 2006 inclusive and then every year shown. The main table is expressed in New Zealand dollars (million) to be consistent with earlier data, but the second row expresses the total data in South African Rand while the third row shows the same total in US dollars. There is a close (98.4%) correlation between the New Zealand dollar and the Rand totals over the entire 15 year period, and this is confirmed by looking at the right hand column which displays the increase in imports during 2010 over 2009 as both are -0.9% (a decline). Highlighting the strength of both the Rand and the New Zealand dollar against the US dollar is the increase in this trade of 16.1% when US dollar values are used.

Annex Table 1: South African imports from New Zealand

HS	Description/year	1996	1998	2000	2002	2004	2006	2007	2008	2009	2010	Incr
	Rand	193	290	373	573	539	887	1,067	1,531	1,120	1,110	-0.9%
	US\$	45.1	52.9	53.4	54.9	83.9	131.3	151.8	185.9	130.9	152.0	16.1%
	NZ\$	65.6	98.3	118.2	117.0	127.1	202.8	206.1	262.5	213.1	211.1	-0.9%
2701	Coal	0.00	0.00	5.49	23.34	17.71	47.01	47.20	76.77	39.31	45.72	16%
0303	Fish, Frozen	0.95	4.84	3.65	1.94	2.45	9.80	20.19	11.95	10.35	14.71	42%
0206	Edible Offal	2.06	4.02	1.92	3.12	7.26	8.01	8.97	9.74	8.63	10.74	24%
0204	Meat Of Sheep	0.86	1.53	4.64	0.79	4.53	11.99	13.40	12.98	8.74	10.66	22%
0406	Cheese	3.57	4.38	5.11	6.67	7.37	7.93	7.34	11.07	7.07	7.67	8%
4810	Paper & Paperboard	0.00	0.03	0.02	0.00	0.07	1.33	4.65	6.81	9.37	7.33	-22%
4407	Timber	0.02	0.00	0.07	0.00	0.03	0.03	0.40	1.04	5.46	6.12	12%
0402	Milk powder	0.33	0.08	0.94	3.36	0.85	13.63	4.10	2.64	2.91	5.88	102%
1209	Seeds	0.90	1.20	1.08	1.21	3.72	3.39	2.85	4.58	4.37	5.71	31%
8433	Harvesting Mchy	0.74	0.71	0.13	0.31	1.82	3.00	4.00	11.16	8.58	5.23	-39%
0404	Whey, Concentrated	0.26	0.12	0.00	0.00	0.03	0.15	0.72	3.74	3.86	5.08	32%
0405	Butter	0.53	0.36	2.76	0.67	0.54	1.28	2.81	1.19	0.69	4.98	617%
1702	Sugars	0.18	1.21	2.18	4.71	2.66	2.47	3.06	1.68	1.76	4.07	132%
8525	Radio equip	5.95	10.42	7.78	5.20	3.95	12.84	7.42	6.68	5.40	3.97	-27%
3501	Casein	8.30	11.01	11.51	9.46	5.81	4.12	2.32	2.31	0.95	3.21	239%
0710	Vegetables	0.45	5.00	6.07	1.61	5.10	2.58	1.43	3.17	4.35	2.89	-34%
9019	Mech-Therapy Appl	0.03	0.03	0.66	0.86	1.27	1.70	0.58	0.02	1.73	2.87	66%
8543	Electrical Machines	0.83	1.39	2.19	2.08	2.16	2.74	3.18	3.22	2.47	2.78	12%
3004	Medicaments	0.39	0.81	1.24	0.74	3.47	3.56	1.51	1.12	2.33	2.44	5%
8504	Elect Transformers	0.17	2.11	6.23	4.31	5.88	1.16	1.19	0.90	2.15	2.31	7%

Source: World Trade Atlas

Annex Table 2 shows the South Africa exports to New Zealand, using the same format and currencies. Note that there are slight differences in the annual change for 2010 over 2009, with an increase of 13.6% for Rand but 14.4% for New Zealand dollars (there is more variation as this time the 15 year correlation is a lesser 95.8%). Vehicles moved into number one place with an increase of 88%, while there were adjustments in the second and third categories of paper products.

Annex Table 2: South African exports to New Zealand

HS	Description/year	1996	1998	2000	2002	2004	2006	2007	2008	2009	2010	Incr
	Rand	150	150	211	425	643	638	739	1,000	567	644	13.6%
	US\$	34.8	27.0	30.3	40.8	101.1	94.1	105.3	122.6	69.6	88.2	26.7%
	NZ\$	50.5	50.6	67.0	86.7	152.0	145.2	142.2	171.6	107.0	122.3	14.4%
8703	Vehicles	3.15	2.42	18.37	24.47	64.20	45.82	37.86	34.61	11.13	20.89	88%
4802	Paper, Uncoat	3.69	4.46	2.73	2.05	13.56	20.17	19.86	24.32	17.66	11.92	-32%
4804	Kraft Paper	0.00	0.29	0.00	0.15	6.03	5.57	6.43	10.60	5.38	10.52	96%
2008	Fruits, Nuts	2.36	1.64	0.89	0.54	2.92	2.46	2.08	4.45	4.96	8.80	77%
2204	Wine	1.43	0.82	1.86	2.75	4.38	1.36	5.57	12.66	6.57	7.56	15%
5703	Carpets	0.02	0.00	0.02	0.46	1.39	3.71	4.58	5.48	4.68	6.15	31%
2009	Fruit Juices	0.07	0.34	0.24	0.87	1.65	1.33	1.11	2.25	2.33	2.69	16%
7309	Tanks, Vats etc	0.00	0.00	0.08	0.00	0.00	0.00	0.00	0.00	0.00	2.50	na
3304	Beauty, Make-Up	0.13	0.26	0.12	0.29	0.83	3.90	3.02	3.23	3.11	2.45	-21%
7407	Copper	0.00	0.02	0.41	0.17	0.92	5.38	2.98	3.39	3.18	2.43	-24%
2907	Phenols	0.00	0.02	0.05	0.02	0.04	0.41	1.50	1.00	0.76	2.28	200%
7215	Bars & Rods Iron	0.00	0.08	0.00	0.00	0.67	0.90	0.96	2.32	0.90	1.88	109%
2849	Carbides	0.00	0.01	0.34	0.48	2.68	1.35	0.89	0.04	0.68	1.76	158%
9028	Gas Meters	0.00	0.08	1.21	1.27	0.29	1.08	2.47	2.20	1.56	1.65	5%
8516	Water Heaters	0.08	0.18	0.62	0.29	0.35	0.21	0.31	0.45	1.05	1.57	49%
3808	Insecticides	0.03	0.10	0.58	0.36	0.39	0.47	1.29	2.11	1.81	1.45	-19%
3202	Inorgn Tanning Subs	0.04	0.15	0.34	0.43	0.13	0.52	0.87	0.83	0.39	1.17	201%
8479	Mech Appliances	0.05	0.03	0.06	0.18	0.07	0.25	0.16	0.21	0.01	1.13	large
7606	Aluminum	0.00	0.00	0.00	0.66	1.57	0.49	1.73	2.63	1.10	1.00	-9%
3208	Paints	0.01	0.02	0.06	0.08	0.10	0.06	1.71	0.73	1.22	0.97	-20%

Source: World Trade Atlas

Annex Table 3 shows the exports from New Zealand to South Africa for the 2008, 2009 and 2010 years, with the data expressed in New Zealand dollars only. Here this is an overall increase of 4%, in contrast to a minor decline of 1% using the South African data. At the HS four-level the main export is "Special" or classified as Confidential by Statistics New Zealand, but this is almost certainly all coal.

Annex Table 3: New Zealand's exports to South Africa, NZ\$ million

HS	Description/year	2008		2009		2010		Incr
		NZ\$	US\$	NZ\$	US\$	NZ\$	US\$	
	Total	250.9	179.3	207.05	131.4	215.55	155.5	4%
9809	Special	69.7	49.8	47.1	29.9	54.8	39.5	16%
303	Fish, Frozen	11.7	8.4	11.1	7.0	13.9	10.1	26%
204	Meat Of Sheep	12.9	9.2	9.4	5.9	9.8	7.1	4%
206	Offal	8.8	6.3	7.3	4.7	9.3	6.7	27%
406	Cheese	10.3	7.3	7.1	4.5	7.7	5.6	9%
402	Milk powder	6.0	4.3	5.1	3.2	7.3	5.3	44%
4810	Paper & Paperboard	7.2	5.1	9.1	5.8	7.0	5.1	-23%
4407	Timber	3.1	2.2	4.9	3.1	6.4	4.6	30%
1209	Seeds	3.9	2.8	4.2	2.6	5.7	4.1	36%
2106	Food Preparations	5.2	3.7	4.7	3.0	5.3	3.9	13%
405	Butter	1.2	0.9	0.7	0.4	5.0	3.6	616%
8433	Harvest Etc Machines	9.3	6.6	7.7	4.9	4.8	3.5	-37%
1702	Sugars	1.7	1.2	1.5	0.9	3.9	2.8	168%
710	Vegetables	3.1	2.2	4.2	2.7	3.0	2.1	-29%
3501	Casein	2.5	1.8	1.4	0.9	2.9	2.1	113%
7601	Aluminum	0.0	0.0	2.1	1.3	2.6	1.8	21%
9019	Mech-Therapy Appl	0.0	0.0	1.2	0.7	2.5	1.8	115%
8517	Line Telephony	6.0	4.3	5.6	3.6	2.4	1.7	-57%
8525	Radio equip	0.6	0.5	0.8	0.5	2.3	1.7	205%
8434	Milking Machines	4.3	3.1	3.0	1.9	2.2	1.6	-26%

Source: World Trade Atlas

Finally, Annex Table 4 shows the 2010 data for New Zealand's imports from South Africa, again with the values expressed in New Zealand dollar millions. Notable is the big increase in motor vehicles over 2009, but that figure is still well below the 2008 imports.

Annex Table 4: New Zealand's imports from South Africa, NZ \$ million.

	Description/year	2008	2009	2010	Incr
HS	Total	185.33	123.28	135.52	10%
8703	Vehicles	27.67	11.27	18.58	65%
2008	Fruit, Nuts	5.43	5.88	9.26	57%
4804	Kraft Paper	11.73	6.38	8.84	39%
5703	Carpets	6.00	6.01	8.76	46%
4802	Paper, Uncoat	30.94	17.83	7.98	-55%
9809	Special	2.37	1.35	6.98	418%
2204	Wine	14.43	8.89	6.84	-23%
3304	Beauty, Make-Up	4.05	3.19	3.48	9%
7407	Copper	3.69	3.32	2.78	-16%
2009	Fruit Juice	1.69	2.30	2.58	13%
2849	Carbides	6.74	2.76	2.28	-17%
7308	Structures Iron/Steel	0.04	0.09	2.23	large
8455	Metal-Rolling Parts	0.00	0.05	2.02	large
3808	Insecticides	2.23	1.41	1.82	29%
9028	Gas Meters	2.12	1.41	1.68	19%
7215	Bars & Rods Iron	1.82	1.03	1.56	52%
7409	Copper Plates	2.07	1.02	1.50	47%
0806	Grapes	2.04	2.31	1.48	-36%
2916	Unsat Acyclic Acid	0.00	0.00	1.40	na
8516	Water Heaters	0.46	1.11	1.34	21%

Source: World Trade Atlas

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11. Endnotes

¹ CIA (2009).

² Harberger (1998).

³ Galt (2000).

⁴ The integrated action plan focused on 5 broad areas, these were; Cross Cutting issues; Key Input sectors; Key Growth areas and Integration. Cross cutting issues deal with all the issues that affected the entire economy and included the following sub- categories; Infrastructure, access to finance, Human Resource Development and technology. The Key input sectors section of the integrated action plan focused specifically on the Transport, Telecommunications and Energy sectors. The key growth sectors identified in the integrated plan included exports, tourism, agriculture and Information and Communications Technology as well South Africa cultural heritage. In all these activities the integrated action plan incorporated the concept of integration across racial; and spatial distribution, as well as the inclusion of the under-developed economy into the mainstream developed economy. For further details see Dobson (2002).

⁵ New Zealand experienced balance of payments crises in 57–58, 1961, 1966–67, 1974–75 and 1979. The other crisis came in the form of oil price and supply shocks (in 1973 and in 1979). To add to New Zealand's woes, its main market the United Kingdom, joined the European Economic Community (1973), restricting the New Zealand access to the UK market.

⁶ The institutions that were set up were the Development Finance Corporation, Inventions Development Authority, Industrial Research and Development Grants Scheme and New Zealand Industrial Design Council. The government held several joint conferences (in the 1960s and early 1970s), that presented a platform for government and industry to discuss the challenges faced by entrepreneurs and the areas that the government could assist.

⁷ The government invested heavily in the paper and pulp industry, to the effect that 49% of manufactured export earnings in 1960, and 30% in 1970 came from the paper and pulp industry. The government allowed for import substitution, and this industry took full advantage of that seen by locally produced newsprint became available once Tasman Pulp and Paper began production.

⁸ Moritz (1994); Draper & Alves (2007); the **dti** (2007).

⁹ the **dti** (2007).

¹⁰ Draper & Alves (2007).

¹¹ The incentives included tax holiday schemes and the Small and Medium Manufacturing Development Programme (SMMDP) - later changed to the Small and Medium Enterprise development Programme (SMEDP) - as well as the Strategic Industrial Programme, (SIP), an incentive programme for large strategic projects and the Spatial Development Initiative (SDI) targeting areas of economic potential.

¹² Kaggwa (2009).

¹³ Galbraith (2007) in Kaggwa (2009).

¹⁴ We used an electric copy of the original TDCA agreement for both the MFN and EU rates, but note that there may have been minor adjustments to this version of the TDCA.

¹⁵ This shows that New Zealand is not really at a disadvantage vis a vis the EU for access into South Africa.

¹⁶ We have not looked before 2000 to assess the growth rates of this bilateral trade, as in general we consider that since trade relations did not normalize before the mid 1990s there is little to be gained by a detailed assessment of changes prior to that time.

¹⁷ This ranking recognises the EU as individual member countries and not one trading identity.

¹⁸ It has been suggested that the South African market is a lower valued market for the cheaper fish. Analysis of the trade data shows that in 2009 New Zealand exported some US\$393 million in HS 0303, the basic non-filletted frozen fish category. Some US\$245 million of this was in HS 030379, the only HS 0303 export to South Africa that was the destination for 4.5% of this trade (the US\$10.35 million). The average value of the entire HS 030379 exports was US\$1.58 per kg, with South Africa's average value reported as US\$1.45 per kg. Thus, although it is not the premium fish being exported to South Africa, the values indicate that it is an important market for a fish category at a value just below the HS line average for that category.

¹⁹ We would point out that this is somewhat of an anachronistic view of confidentiality in the modern world where trading partner import data is generally readily available.

²⁰ We note without comment that the South African *Business Day* reported on 12 December 2010 that 'CLOVER, the former dairy co-operative that lists on the JSE tomorrow, is interested in acquiring wine and spirits maker KWV'.

²¹ We note the Pike River coal mine disaster will have little impact on these coal exports as Pike river coal was exported to India.

$$GL_{sector i} = 1 - \left(\frac{|X_I - M_M|}{|X_I + M_M|} \right)$$

²² See Krakoff (2003).

²³ This section is based upon and draws heavily from the tralac publication "South Africa's way ahead: Shall we Samba?" by Ron Sandrey, Hans Grinsted Jensen, Taku Fundira, Willemien Denner, Paul Kruger, Bonani Nyhodo and Sean Woolfrey (2010).

²⁴ TIPS South African Service Trade Project Sector Research Programme

²⁵ Note that for exports of tourism we are talking of revenues from tourists coming to your country, while imports of tourism are your nationals travelling outside of your country.

²⁶ E.g. business services; communication services (courier services and telecommunication services); construction and related engineering; distribution services; environment services; financial services (insurance and insurance related services, and banking and other financial services); tourism and travel related services; and transport services.

²⁷ SACU Trade Policy Review pg. 362.

²⁸ Ibid pg. 364.

²⁹ Ibid pg. 371.

³⁰ Deputy President Kgalema Motlanthe told a business breakfast hosted in Johannesburg (December 2010) by the International Marketing Council of South Africa that partnerships between the government and the private sector were crucial to improving education in the country. <http://www.southafrica.info/about/education/motlanthe-291110.htm>.

³¹ Three broad classes of assets are currently defined as sensitive within the Act: acquisition of a 25% or greater ownership interest in business assets valued at over US\$100 million, all fishing quota investments, and investment in sensitive land as defined in Schedule 1 of the Act (Economic and Financial Review-2009 pg 34).

³² Trade Policy review (2003:77).

³³ Moreover, interconnection charges offered by Telecom to its competitors are amongst the highest in the world (New Zealand Trade Policy review). This may explain why there are only two cellular service providers in the country.

³⁴ Economic and Financial Review (2009).

³⁵ New Zealand 'punching above its weight' in Export Education - New Zealand, Media release, 26 11/08.

³⁶ Trade Policy Review (2009).

³⁷ Using 2008 average data this would suggest export earnings around US\$7.8 million for 2009, a figure that Table 4 suggests would place education between exports of paper and paper products of US\$9.5 million and exports of wood products of US\$6.5 million. Source: 'The Economic Impact of Export Education', Prepared by Infometrics, NRB and Skinnerstrategic. A report jointly commissioned by Education New Zealand & Ministry of Education, 2008.

³⁸ Doing Business in New Zealand – Chapman Tripp (2009).

³⁹ <http://www.compcom.co.za/assets/Files/pocket-book-2005-R.pdf>