



ANNUAL DIGEST 2019 – SA-EU trade under the SADC EU EPA¹

An update on trade-related matters between South Africa and the European Union

Until 2016, the trade and trade-related provisions included in the Trade, Development and Cooperation Agreement (TDCA) governed overall trade relations between South Africa and the European Union. The TDCA provided a solid basis for economic relations, boosting trade exponentially between both partners. Since 2000 the EU has remained South Africa's main trading partner.

In 2016, the SADC EU Economic Partnership Agreement (EPA) entered into application and substituted the trade and trade-related provisions of the TDCA for South Africa. The EPAs are trade and development schemes that emerged as the EU's proposal for a World Trade Organization compatible alternative to replace the unilateral trade regime that had governed trade among the EU and African Caribbean and Pacific (ACP) countries for 40 years.

EPAs are permanent, with no end date, providing potential exporters and investors, whether local or foreign, with predictability and stability. A binding agreement with South Africa, and the region, with clear common goals deepens common understanding, improves the business environment, and creates a platform for resolving differences and pursuing common objectives.

For more information on the SADC-EU EPA and what this agreement means for South Africa and the region in terms of regional integration and trade opportunities in the sugar, wine and fisheries sector, or to better understand concepts like Rules of Origin or Tariff Rate Quotas, please access the following webpage <https://sadc-epa-outreach.com/>.



Highlights

- The EU is South Africa's largest trading partner accounting for 29% of the country's total trade in 2019, up from 27% in 2016.
- Since the implementation of the EPA in 2016, South Africa's exports to the EU have grown at a faster rate than its imports from the EU, resulting in an improved balance of trade for South Africa and a positive trade balance for agri-food products.
- South Africa's exports to the EU are more diversified than its exports to other partners. In 2019, the combined exports of agri-food, vehicles and transport equipment, machinery, chemicals and plastics accounted for more than 60% of its export basket to the EU.
- South Africa is a net exporter of agricultural products to the EU. The EU is a particularly important market for sectors such as fish, flowers and horticultural products where more than half of South Africa's total exports are destined for the EU.
- South Africa is also a net exporter of minerals and metals to the EU.
- A significant portion of South African imports from the EU are processed and capital goods, largely related to the significant South Africa automotive industry.
- The EU and South Africa both benefit from complementarity in the automotive sector with a neutral trade balance (both export R112bn to each other).
- A number of tariff-rate quotas for bilateral trade between South Africa and the EU remain under-utilised, such as for frozen strawberries, canned fruits, ethanol and mortadella di bologna.
- South Africa's preference utilisation rate (PUR) for exports to the EU has increased from 79% in 2016 to 87% in 2019. This is a testament to the uptake by business of the preferential access granted by the agreement.

Overall bilateral trade

Since the implementation of the SADC EU EPA, South Africa's exports to the EU have grown at an annualised rate of 8.5%. By comparison, during those same years South Africa's exports to the world grew at an annualised rate of 5.3%.

Imports into South Africa from the EU have grown at a slower pace, growing at an annualised rate of 3.5% between 2016 and 2019. By comparison, between 2016 and 2019, South Africa's imports from the world grew at an annualised rate of 5%.

Figure 2 shows South Africa's cumulative trade with the EU by month for each of the years between 2016 and 2019 for both exports and imports. As a result of exports growing at a faster pace than imports, South Africa's trade deficit with the EU has shrunk from just over R90 billion in 2016 to under R60 billion in 2019.

Figure 1: South Africa's trade with the EU and the World

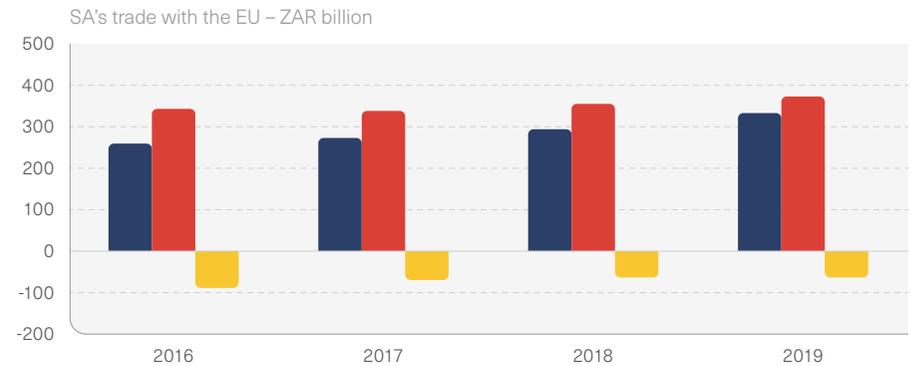
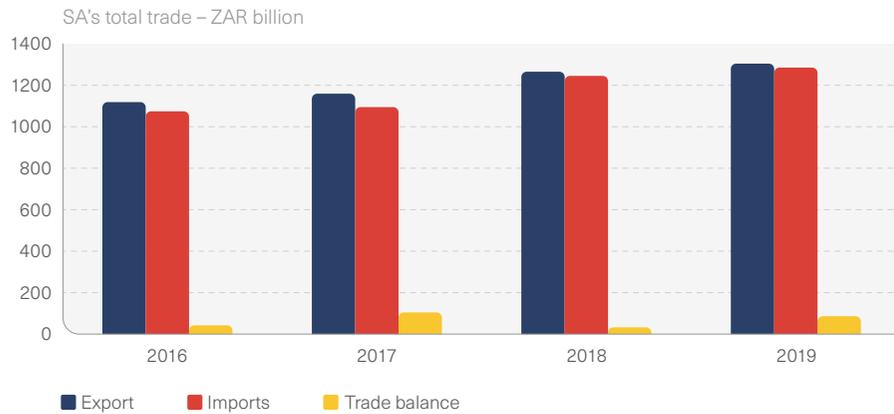
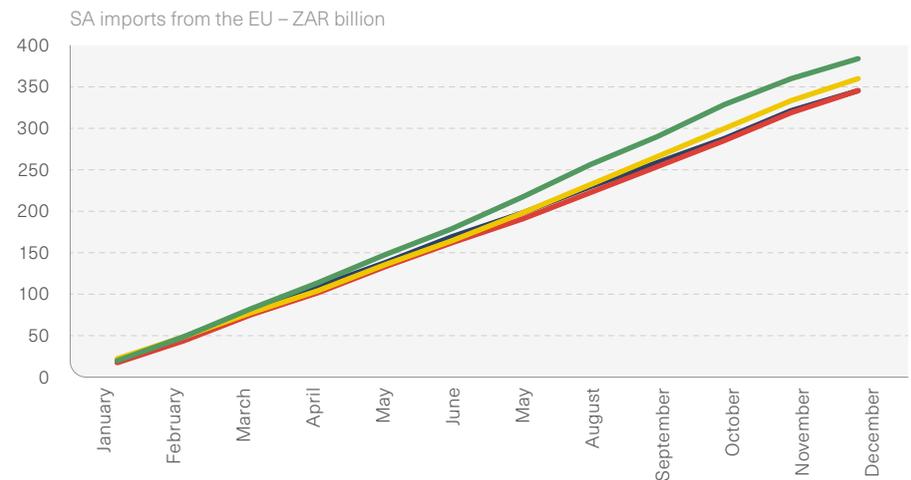
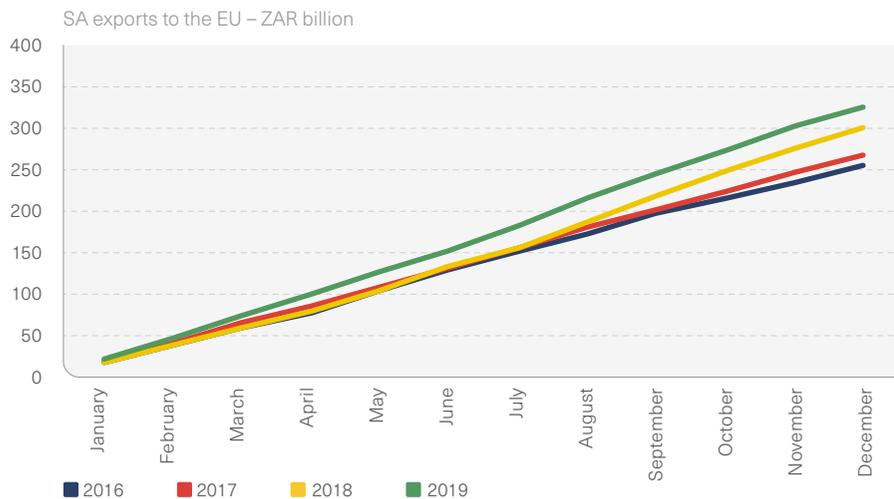


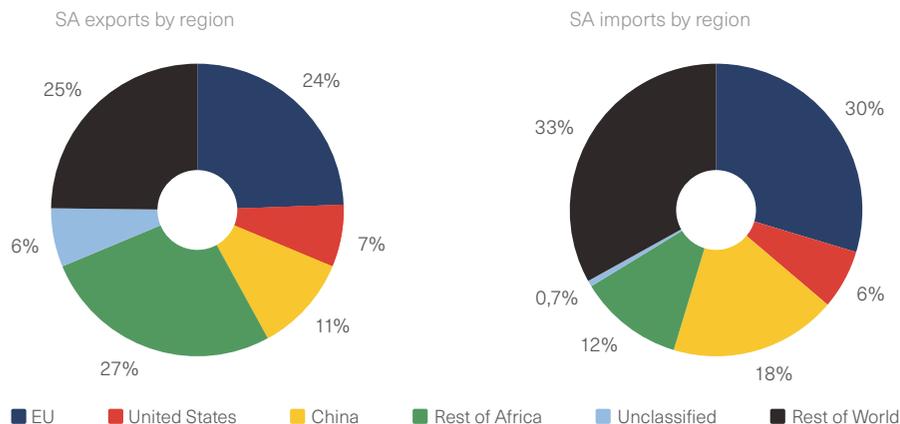
Figure 2: SA's trade with the EU by month (cumulative for each year)



SA's trade by region

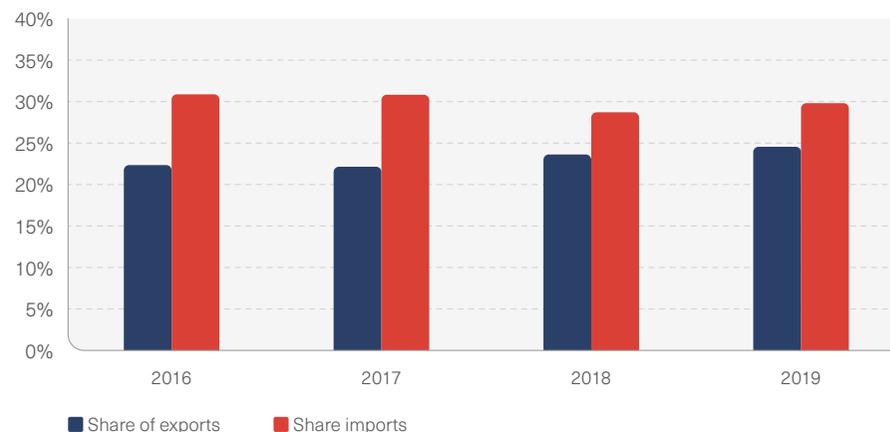
As a single market, the EU is South Africa's largest trading partner, making up 30% of South Africa's imports and 24% of South Africa's exports in 2019.

Figure 3: SA's trade by region, 2019



Since the implementation of the EPA, the EU's importance as a trading partner for South Africa has grown, reflected in its increased share of South Africa's total trade, from 27% in 2016 to 29% in 2019. This is largely due to the fact that the share of South Africa's exports to the EU has increased from 22% in 2016 to 24% in 2019.

Figure 4: EU's share of SA's trade



Bilateral trade by product group and type

South Africa is a net exporter of agricultural, food and beverage products to the EU, with net exports amounting to R8.6 billion in 2019. It is also a net exporter of mineral and metal products, with a positive trade balance of R75.6 billion in 2019². In the automotive sector the balance is neutral, due to high imports of components needed for the local industry.

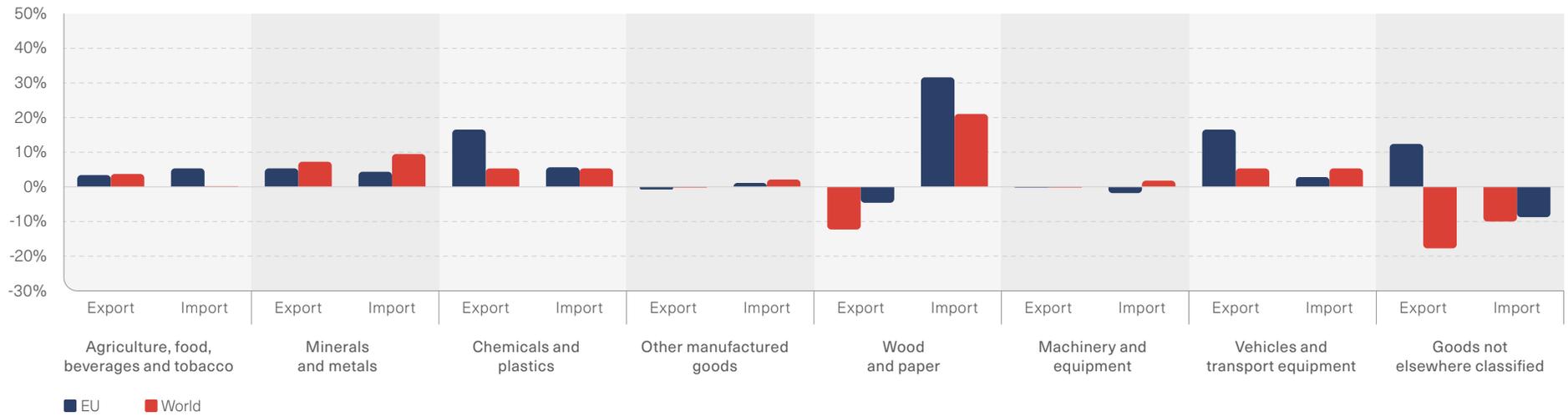
Sectors such as machinery and chemicals, which show a systematic negative trade balance, reflect South Africa's reliance on the EU for key inputs into its manufacturing sector.

Table 1: SA trade with the EU by product sector (ZAR billions)

Product sector	2018			2019		
	Exports	Imports	Trade balance	Exports	Imports	Trade balance
Agriculture, food, beverages and tobacco	40.3	26.3	14.0	38.5	29.9	8.6
Minerals and metals	109.1	41.4	67.7	109.2	33.6	75.6
Wood and paper	3.0	18.7	-15.7	2.4	22.8	-20.5
Chemicals and plastics	21.6	70.1	-48.5	23.2	73.6	-50.4
Machinery and equipment	24.5	86.1	-61.6	26.4	94.8	-68.4
Vehicles and transport equipment	89.2	100.7	-11.5	112.5	112.2	0.2
Other manufactured goods	6.2	9.7	-3.6	5.7	10.2	-4.5
Goods not elsewhere classified	0.7	0.3	0.4	0.9	0.2	0.6
Total	294.5	353.2	-58.7	318.6	377.4	-58.8

As shown in Figure 5, between 2016 and 2019 a number of South African sectors have seen strong export and import growth to and from the EU. This includes annualised growth of more than 17% for chemicals and plastics, and the vehicle and transport equipment sectors. Sectoral growth in imports from the EU was especially high in the wood and paper sector, where imports grew at an annualised rate of more than 30% between 2016 and 2019, though from a relatively low base.

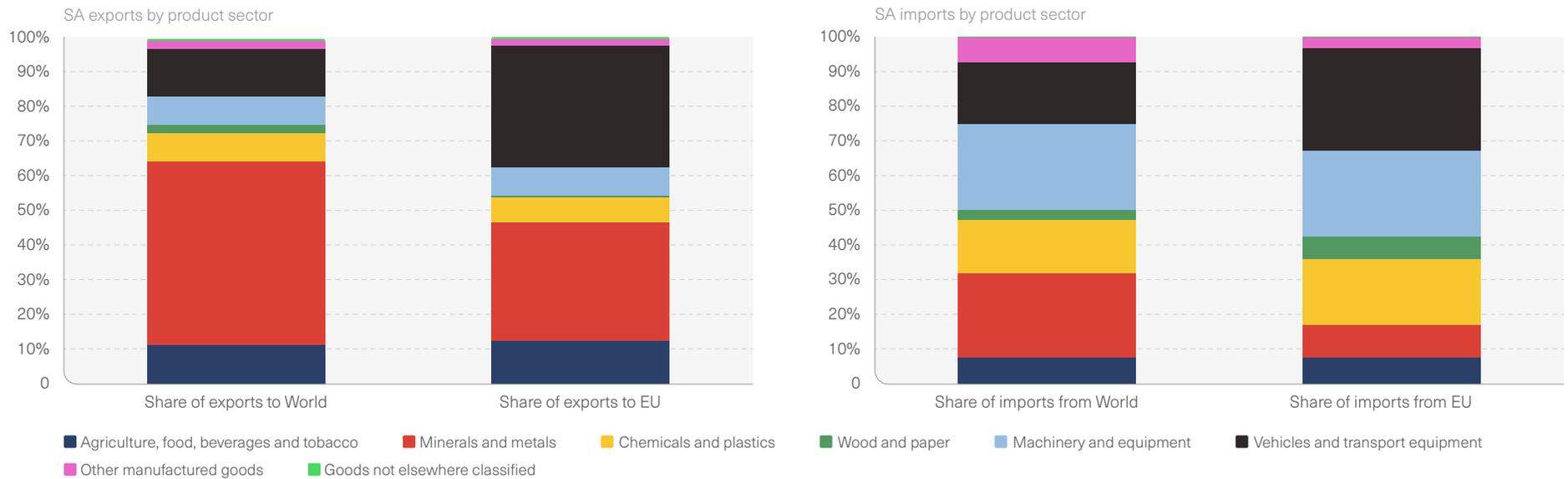
Figure 5: Annualised growth (2016-2019) in SA trade by product sector



South Africa's exports to the EU are more diversified than with other partners. As shown in Figure 6, primary minerals and metals make up roughly one-third of South Africa's exports to the EU, compared to more than half to the World.

The combined exports of agri-food, vehicles and transport equipment, machinery, chemicals and plastics accounted for more than 60% of South Africa's export basket to the EU in 2019.

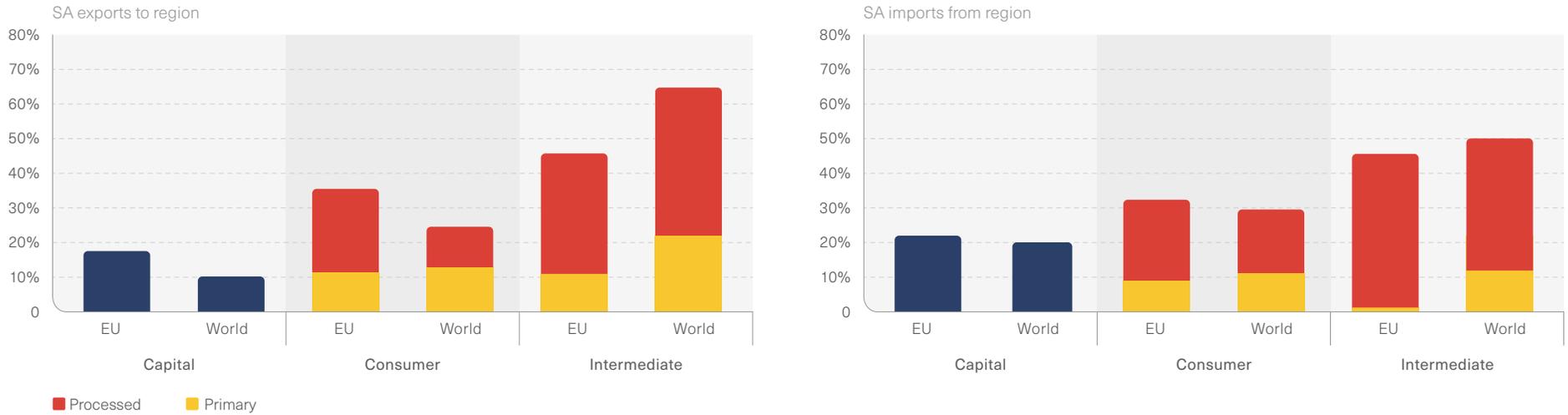
Figure 6: Share of SA's trade by product sector (2019)



A significant portion of South Africa's imports from the EU are processed and capital goods, as seen in Figure 7. This is largely explained by the high value of South African imports into the automotive and other manufacturing industries. South Africa's trade with the EU also consists of a comparatively higher share of capital and final consumer goods when compared to its overall trade profile.³ In particular, 17% of South Africa's exports to and 22% of South Africa's imports from the EU, are goods of a capital nature. Roughly one-third of South Africa's trade with the EU (imports and exports) consists of goods that are mainly consumer in nature.

When looking at goods by the stage-of-processing, a higher proportion of South Africa's trade in consumer and intermediate goods with the EU consists of processed goods, when compared to South Africa's overall trade with the World.

Figure 7: SA trade by product type, 2019 (as a percentage of total trade with each region)



Key import and export products

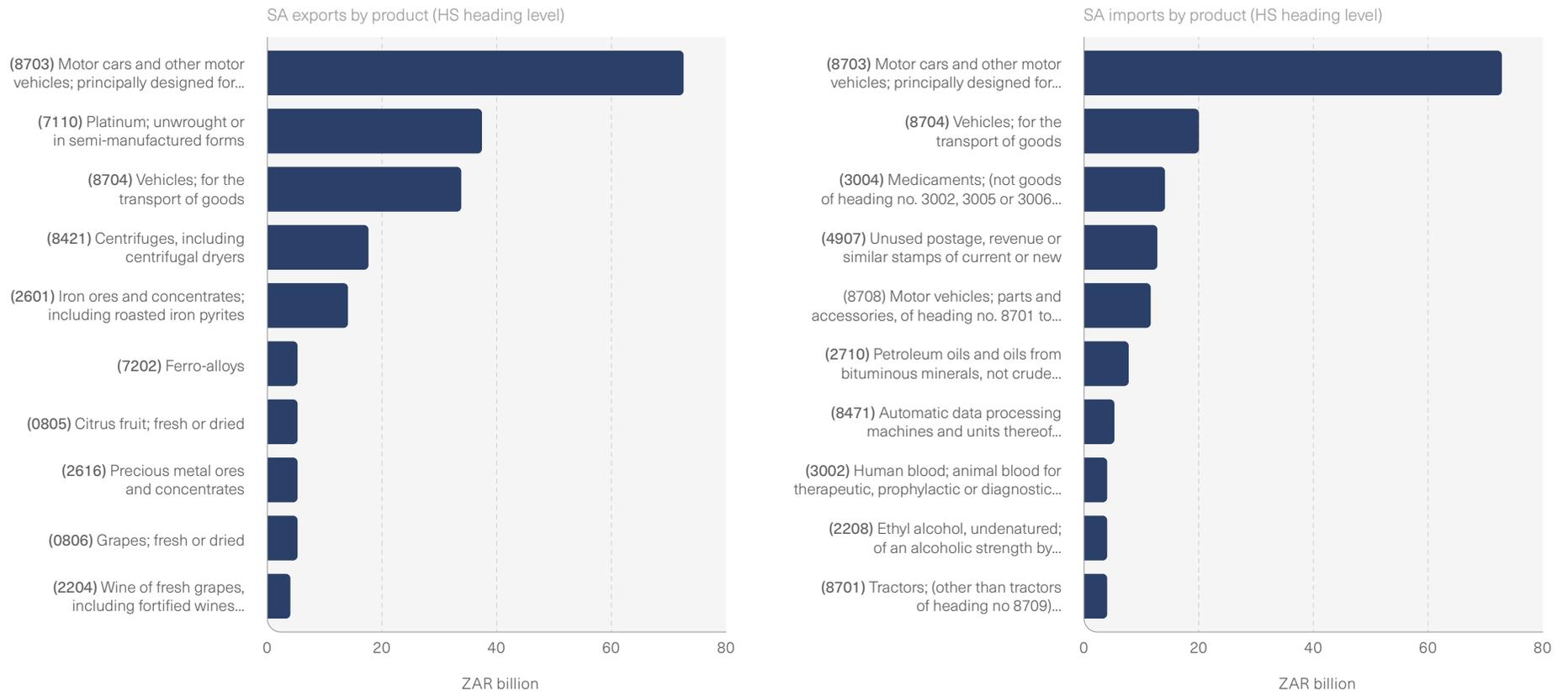
Though comparatively diversified in terms of the nature of the goods exported, South Africa's export basket to the EU is still relatively concentrated, with the top ten products exported (at the harmonized system (HS) heading level) in 2019 making up over 50% of South Africa's total exports to the EU. Imports are also concentrated, with the ten largest imported products accounting for approximately 40% of South Africa's imports from the EU in 2019.

Motor vehicles (designed for transport of persons and for the transport of goods, HS 8703 and HS 8704 respectively) were the products with the highest share of both imports and exports to the EU in 2019, together accounting for over one quarter of South Africa's trade with the EU.

Other major exports to the EU include platinum (South Africa is the largest exporter of platinum in the world), parts of centrifuges and centrifugal dryers and ferro-alloys. The top ten exports to the EU also include agricultural and agri-processed goods such as citrus fruit, grapes and wine.

In terms of imports from the EU, the top ten products in 2019 include medicines, petroleum oil, postage stamps and banknotes (HS 4907) as well as motor vehicle parts and accessories.

Figure 8: SA's top ten products traded with the EU, 2019



HS heading reflects product categories at the HS 4-digit level. Percentages reflect the product share of SA's total imports from or exports to the EU.

Products that have seen the largest annual growth in 2019 (from a base value of at least R10 million in 2018) are shown in the following tables. From an export perspective, combustion engines, reagents and motor vehicle bodies have seen annual growth in exports to the EU in excess of 300%. Meat products, copper and other miscellaneous manufactured articles have also seen large annual growth in exports to the EU.

Table 2: SA export products to the EU with the largest annual growth in value between 2018 and 2019

HS Heading	2018 (ZAR million)	2019 (ZAR million)	Annual growth
(8408) Compression-ignition internal combustion piston engines (diesel or semi-diesel engines)	33.5	253.7	658%
(3822) Reagents; diagnostic or laboratory reagents on a backing and prepared diagnostic or laboratory reagents whether or not on a backing, other than those of heading no. 3002 or 3006; certified reference material	12.8	59.1	361%
(8707) Bodies; (including cabs) for the motor vehicles of heading no. 8701 to 8705	60.6	259.7	329%
(6506) Headgear; n.e.c. in chapter 65, whether or not lined or trimmed	14.4	56.5	291%
(0208) Meat and edible meat offal, n.e.c. in chapter 2; fresh, chilled or frozen	14.9	45.2	203%
(7402) Copper; unrefined, copper anodes for electrolytic refining	303.2	754.4	149%
(9506) Gymnastics, athletics, other sports (including table tennis) or outdoor games equipment, n.e.c. in this chapter, swimming pools and paddling pools	35.6	87.0	144%
(9018) Instruments and appliances used in medical, surgical, dental or veterinary sciences, including scintigraphic apparatus, other electro-medical apparatus and sight testing instruments	171.6	416.5	143%
(9703) Sculptures and statuary; original, in any material	177.3	418.6	136%
(3906) Acrylic polymers in primary forms	18.8	43.4	131%

Source: Based on data from South African Revenue Service (SARS). For some product groups (primarily gold) SARS does not provide the region of bilateral trade. South Africa's reported trade with the EU (and the World) therefore excludes any trade in some of these goods.

The list of imported products that have seen significant growth from the EU includes zinc (annual growth in imports from the EU of more than 1,000%), sea transport equipment, aluminium products and a range of equipment and machinery.

Table 3: SA import products from the EU with the largest annual growth in value between 2018 and 2019

HS Heading	2018 (ZAR million)	2019 (ZAR million)	Annual growth
(7901) Zinc; unwrought	18.4	235.3	1,177%
(8901) Cruise ships, excursion boats, ferry-boats, cargo ships, barges and similar vessels for the transport of persons or goods	11.9	82.3	592%
(8502) Electric generating sets and rotary converters	539.5	3,288.1	510%
(8404) Auxiliary plant for use with boilers of heading no. 8402 or 8403; e.g. economisers, super-heaters, soot removers, gas recoverers), condensers for steam or other vapour power units	15.3	89.5	483%
(7612) Aluminium casks, drums, cans, boxes etc (including rigid, collapsible tubular containers), for materials other than compressed, liquefied gas, 300l capacity or less, lined, heat-insulated or not	10.5	53.4	406%
(8104) Magnesium; articles thereof, including waste and scrap	12.6	55.9	344%
(2815) Sodium hydroxide (caustic soda); potassium hydroxide (caustic potash) peroxides of sodium or potassium	29.9	123.8	314%
(8454) Converters, ladles, ingot moulds and casting machines; of a kind used metallurgy or in metal foundries	46.7	174.9	275%
(8439) Machinery; for making pulp of fibrous cellulosic material, or for making or finishing paper or paperboard	435.3	1,577.7	262%
(8446) Weaving machines (looms)	33.1	108.7	229%

Source: Based on data from South African Revenue Service (SARS). For some product groups (primarily gold) SARS does not provide the region of bilateral trade. South Africa's reported trade with the EU (and the World) therefore excludes any trade in some of these goods.

A focus on agricultural trade

South Africa's trade in agricultural and agri-processing products with the EU is shown in the following table. As previously highlighted in figure 6, the agriculture, food, beverage and tobacco sectors made up 12% and 8% respectively of South Africa's total exports to and imports from the EU in 2019. Within this, the edible fruit and nuts product group (HS chapter 08) accounted for the largest proportion of agricultural exports to the EU, with ZAR 21 billion worth of exports or 6.6% of South Africa's total exports. Other major agricultural exports to the EU include fish (HS chapter 03) with ZAR 4.2 billion, and beverages (HS chapter 22) with ZAR 5.7 billion.

Agricultural imports from the EU are somewhat more diverse, with major agricultural import product categories including meat (HS chapter 02), animal and vegetable fats (HS chapter 15) and beverages (HS chapter 22).

From a growth perspective a number of agricultural product categories have seen strong annualised growth in exports to the EU between 2016 and 2019. This includes dairy-related products (27%), cereals (36%) and other vegetable products – mainly cotton linters (37%) and sugar products (250%). However, certain product categories, such as meat products (-37%), have also seen a significant annualised contraction in exports to the EU (due to SPS issues related to ostrich resolved in 2019). In terms of imports from the EU, cereals have seen the largest annualised growth, growing by more than 35% annually between 2016 and 2019, due to the TRQ in wheat granted to the EU in the EPA.

In general, South Africa's market share of EU imports is low for agricultural goods, though there are some exceptions. This includes the edible fruit and nuts product category and the beverages, spirits and vinegar product category where South Africa's share is close to 8% and 6% respectively. Conversely, the EU has a comparatively high market share of South African imports in the agricultural sector. For product categories such as dairy and poultry, wheat and milling products, cocoa products as well as beverages, the EU accounts for 60% or more of South Africa's total imports.

Furthermore, South Africa is highly dependent on the EU as an export market for agricultural products, with the EU accounting for a significant proportion of South Africa's agricultural product exports. For example, close to 60% of fish products, more than 50% of horticultural products and more than 40% of edible fruit and nut products were exported to the EU in 2019.

Table 4: SA trade dynamics for HS chapters 01 – 24 (all figures in % unless otherwise specified)

HS chapter (chapter number in brackets)	Value of SA trade with EU, 2019 (ZAR million)		Annualised growth in SA trade with EU (2016-2019)		Share of SA's total trade with EU, 2019		Market share, 2019		Geographic export concentration, 2019	
	Exports	Imports	Exports	Imports	Exports	Imports	EU imports from SA as share of extra-EU imports from World	SA imports from EU as share of SA imports from World	SA exports to EU as share of SA exports to World	EU exports to SA as share of extra-EU exports to World
Total trade (all HS chapters)	318,641	377,425	8.5	3.5	100.0	100.0	1.3	29.6	24.4	1.2
Total agricultural trade (HS chapters 01 - 24)	38,453	29,874	3.6	5.5	12.1	7.9	2.1	31.4	26.8	1.3
(01) Live animals.	4	192	0.3	-2.0	0.0	0.1	0.4	7.8	0.4	0.5
(02) Meat and edible meat offal.	75	2,751	-36.7	-14.6	0.0	0.7	0.1	32.5	2.2	1.4
(03) Fish and crustaceans, molluscs and other aquatic invertebrates.	4,217	144	6.7	9.9	1.3	0.0	1.2	3.2	58.8	0.2
(04) Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included.	0	1,985	26.7	15.3	0.0	0.5	0.0	75.2	0.0	1.0

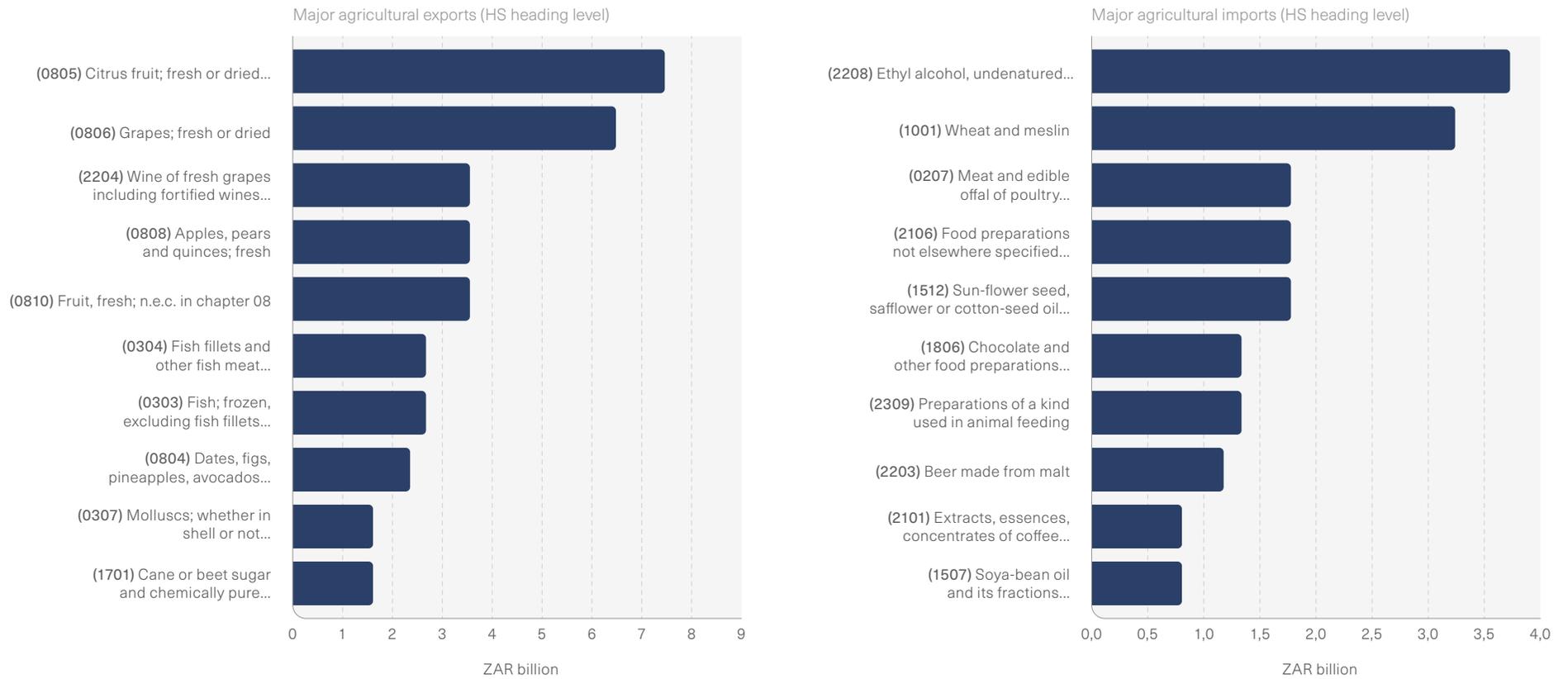
HS chapter (chapter number in brackets)	Value of SA trade with EU, 2019 (ZAR million)		Annualised growth in SA trade with EU (2016-2019)		Share of SA's total trade with EU, 2019		Market share, 2019		Geographic export concentration, 2019	
	Exports	Imports	Exports	Imports	Exports	Imports	EU imports from SA as share of extra-EU imports from World	SA imports from EU as share of SA imports from World	SA exports to EU as share of SA exports to World	EU exports to SA as share of extra-EU exports to World
(05) Products of animal origin, not elsewhere specified or included.	13	300	-16.3	11.6	0.0	0.1	0.2	15.9	3.6	1.7
(06) Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage.	679	95	7.8	6.0	0.2	0.0	2.5	28.0	50.4	0.2
(07) Edible vegetables and certain roots and tubers.	445	381	7.1	11.0	0.1	0.1	0.7	30.4	14.5	0.7
(08) Edible fruit and nuts; peel of citrus fruit or melons.	21,055	388	2.4	7.0	6.6	0.1	8.4	14.6	42.6	0.7
(09) Coffee, tea, maté and spices.	162	260	8.0	3.1	0.1	0.1	0.1	9.6	8.5	0.9
(10) Cereals.	178	3,374	36.2	35.3	0.1	0.9	0.2	23.3	3.1	3.1
(11) Products of the milling industry; malt; starches; inulin; wheat gluten.	24	980	-3.2	5.2	0.0	0.3	0.5	62.3	0.9	1.9
(12) Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder.	803	303	8.9	-19.1	0.3	0.1	0.5	16.8	23.9	0.9
(13) Lac; gums, resins and other vegetable saps and extracts.	66	221	13.1	3.2	0.0	0.1	0.4	49.2	29.8	0.9
(14) Vegetable plaiting materials; vegetable products not elsewhere specified or included.	7	4	36.7	21.8	0.0	0.0	0.1	7.1	1.2	1.8
(15) Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes.	300	3,032	5.5	-3.1	0.1	0.8	0.2	33.1	9.4	3.6

HS chapter (chapter number in brackets)	Value of SA trade with EU, 2019 (ZAR million)		Annualised growth in SA trade with EU (2016-2019)		Share of SA's total trade with EU, 2019		Market share, 2019		Geographic export concentration, 2019	
	Exports	Imports	Exports	Imports	Exports	Imports	EU imports from SA as share of extra-EU imports from World	SA imports from EU as share of SA imports from World	SA exports to EU as share of SA exports to World	EU exports to SA as share of extra-EU exports to World
(16) Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates.	218	116	-9.9	15.0	0.1	0.0	0.2	4.8	12.8	0.4
(17) Sugars and sugar confectionery.	1,087	379	250.4	-1.5	0.3	0.1	3.6	5.9	12.7	0.9
(18) Cocoa and cocoa preparations.	21	1,387	-15.4	10.5	0.0	0.4	0.0	60.1	2.0	1.5
(19) Preparations of cereals, flour, starch or milk; pastrycooks' products.	41	1,390	3.9	11.4	0.0	0.4	0.1	54.6	1.1	0.7
(20) Preparations of vegetables, fruit, nuts or other parts of plants.	2,452	1,269	7.8	13.3	0.8	0.3	2.7	33.7	27.7	1.4
(21) Miscellaneous edible preparations.	361	2,919	-3.6	3.2	0.1	0.8	0.5	60.0	5.6	1.8
(22) Beverages, spirits and vinegar.	5,666	6,375	-0.9	12.2	1.8	1.7	6.0	63.3	30.6	1.3
(23) Residues and waste from the food industries; prepared animal fodder.	469	1,499	-4.1	6.2	0.1	0.4	0.3	27.5	10.9	1.7
(24) Tobacco and manufactured tobacco substitutes.	111	128	20.2	-10.8	0.0	0.0	0.2	4.6	3.5	0.2

Source: Based on data from South African Revenue Service (SARS) and EU Comext / Eurostat. EU total trade reflects extra-EU trade only.

In terms of major agricultural products, Figure 9 summarises the top 10 products traded between South Africa and the EU in 2019. For exports, the top 10 exports accounted for more than 75% of total agriculture and food exports to the EU, while the top 10 imports accounted for just under 59% of total agriculture and food imports from the EU. Major export products include citrus fruit (20%), grapes (16%) and wine (14%). Major import products include spirits (13%), wheat (11%) and other food preparations.

Figure 9: Major agricultural exports and imports to and from the EU at HS heading level (2019)



Source: Based on data from South African Revenue Service (SARS). HS heading reflects product categories at the HS 4-digit level. Percentages reflect the product share of SA's agricultural imports from or exports to the EU.

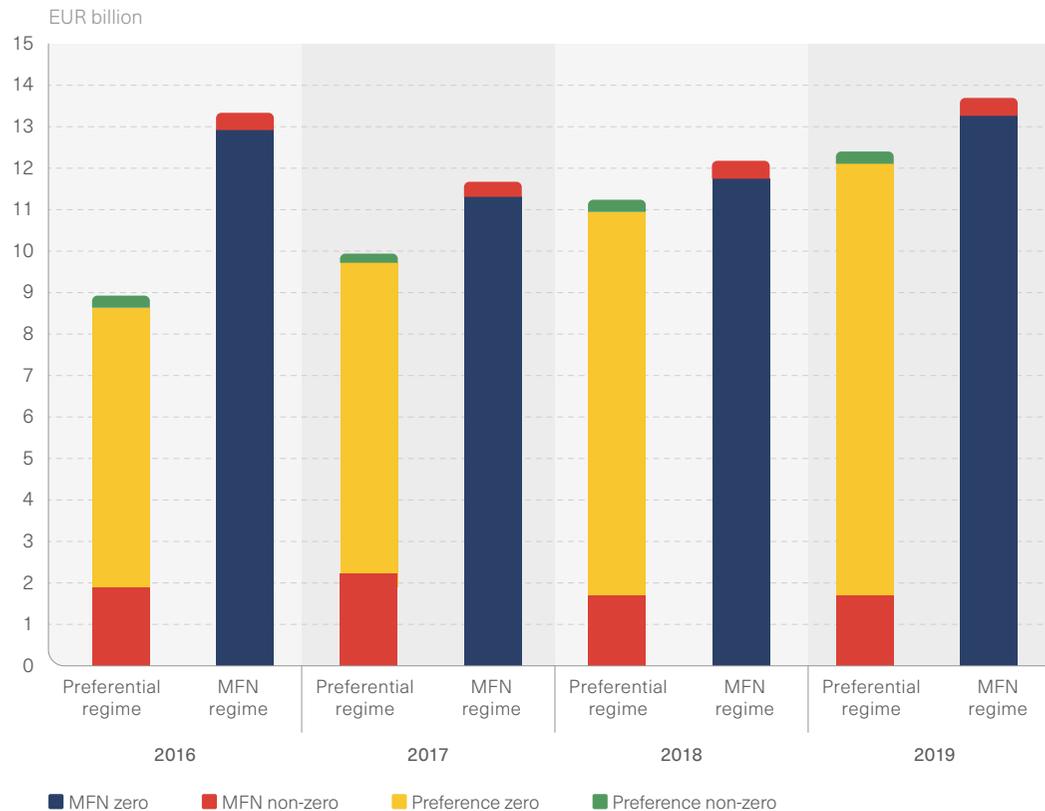
Preference utilisation

An analysis of the trade regime through which products are imported provides a guide as to the extent to which exporters make use of existing preferential agreements. The preference utilisation rate (PUR) can be seen as the proportion of preference-qualifying goods that are actually imported through a preferential regime.

South Africa's PUR for exports to the EU (the sum of goods exported under full or partial preferential access divided by the total value of goods exported that *could* have been exported under a preferential regime) has increased from 79% in 2016 to 87% in 2019.⁴

It is also noteworthy that, in value terms, a higher proportion of goods exported by South Africa to the EU have qualified for duty-free access under the standard MFN regime than under preferential access granted through the EPA. This is explained by the fact that EU data includes a large proportion of gold imports from South Africa, which are imported at an MFN duty-free rate.

Figure 10: EU imports from South Africa by trade regime

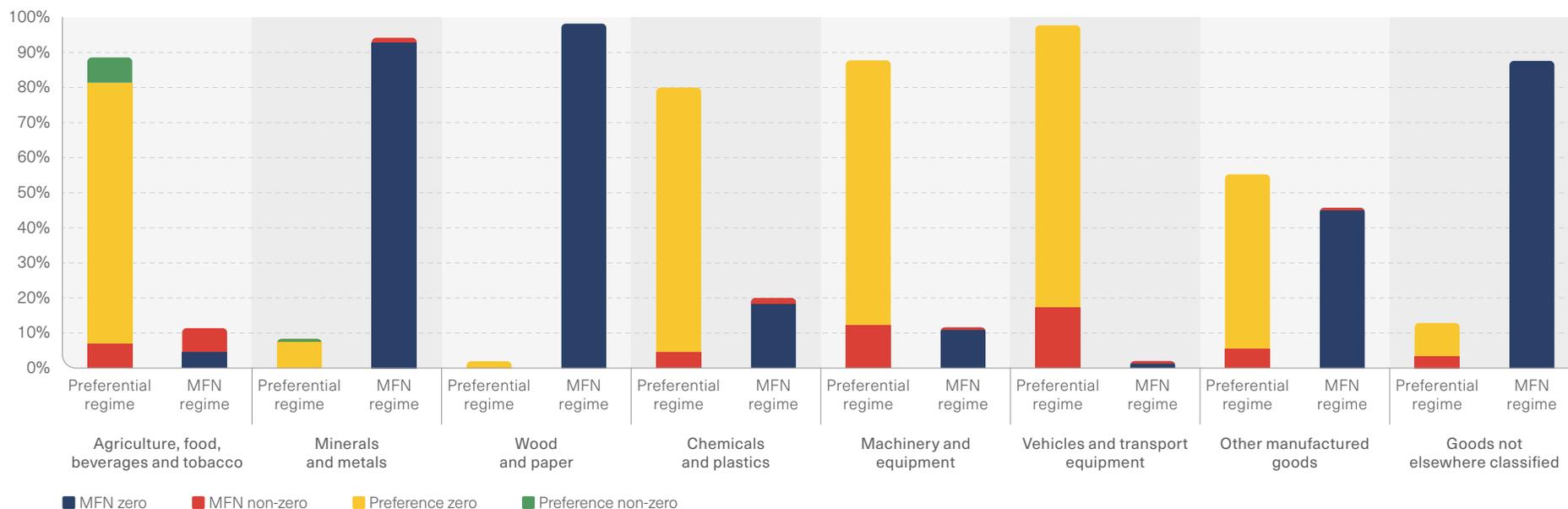


Source: Based on data from EU Eurostat and excludes unclassified trade. Note that Eurostat data captures a significant amount of imports of gold from South Africa, which is not reflected in South Africa's own data for exports to the EU. This is because the South African Revenue Service (SARS) currently captures a large proportion of gold as being destined to "unclassified" regions. The data reported by the EU (through Eurostat) will therefore not equate to data reported by SARS.

It is also important to note that a fair amount of South African exports to the EU, that qualify for preferences under the EPA, are still charged an MFN tariff. This is likely because the MFN tariff is already very low and there is little to gain from applying for the preference; or the exporter is unable to meet the rules of origin requirement for the preference.

Figure 11 shows South Africa's exports to the EU by sector and by tariff regime. For 4 of these 8 sectors, more than 80% of goods were exported to the EU under a preferential regime in 2019. Moreover, almost all goods that qualified for a preferences were exported at a duty-free preferential access rate.

Figure 11: EU imports from South Africa by trade regime and product sector, 2019 (as a % of total sectoral imports from South Africa)



Source: Based on data from EU Eurostat and excludes unclassified trade. Note that Eurostat data captures a significant amount of imports of gold from South Africa, captured under the "Minerals and metals sector", and which is not reflected in South Africa's own data for exports to the EU. This is because the South African Revenue Service (SARS) currently captures a large proportion of gold as being destined to "unclassified" regions. The data reported by the EU (through Eurostat) will therefore not equate to data reported by SARS.

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Percentages in each sector may not add to 100% due to rounding.

For the other 4 sectors (including minerals, wood products and other manufactured goods), the proportion of exports traded under the preferential regime was much lower, but this was primarily because goods were exported at an MFN rate of zero.

There are however a number of exceptions worth noting. Whereas a large proportion of agriculture exports are traded duty-free under a preferential regime, 8% of exports were charged a preferential duty. Moreover, around 12% of exports in the agricultural sector attracted non-zero MFN tariffs in 2019, regardless of the regime under which they were exported. This likely due to a combination of tariff-rate quotas (TRQs), which often include some level of duty, even when exported within the quota (while all goods outside of the TRQ attract the MFN rate); and the comparatively higher proportion of tariff lines in this sector where there is no preferential access granted under the EPA.

In the machinery and vehicles / transport equipment sectors, preference utilisation was high, but a significant proportion of goods exported in this sector attracted non-zero MFN tariffs, *even though they qualified for preferential access* (13% of exports in the machinery sector and 18% of exports in the vehicles sector). Given that there are no tariff-rate quotas in these sectors, possible explanations for this could be that the transaction costs of using the EPA preferential rate or complying with the rules of origin are too high or that firms may not be aware of the preferential access available under the EPA. This warrants further investigation.

Tariff-rate quotas⁵

South Africa has preferential access under quotas for a number of agricultural products. As seen below, South Africa has not fully utilised these TRQs for all product groups. Significantly under-utilised TRQs provided to South African exporters include those for butter, citrus jam, frozen strawberries, milk powder and white crystalline powder. This could be explained by sanitary requirements not being met (as in the case of butter and milk powder), a lack of accompanying domestic regulation (as in the case of ethanol), or a lack of awareness by business.

Table 5: TRQs for SA exports to EU

Export product	Quota (tonnes), 2019	Duty under quota	Utilisation of TRQs			
			2016	2017	2018	2019
Frozen orange juice	100,000	100% off MFN	100%	96%	98%	100%
Refined sugar of cane sugar for refining	50,000	100% off MFN	0%	34%	99%	96%
Wine Quota B (bulk wine)	1,099	50% off MFN	0%	98%	94%	86%
Cane sugar for refining	33,953	100% off MFN	0%	87%	100%	80%
Wine Quota A (bottle wine)	79,224	100% off MFN	0%	63%	84%	47%
Canned fruit, except tropical canned fruit	3,829	50% off MFN	16%	52%	44%	35%
Active yeast	57,156	36% off MFN	11%	24%	21%	18%
Ethanol	350	100% off MFN	7%	14%	16%	12%
Apple juice	80,000	100% off MFN	0%	18%	83%	4%
Tropical canned fruit	3,140	50% off MFN	0%	0%	8%	0%
Butter	500	100% off MFN	0%	0%	0%	0%
Citrus jams	100	50% off MFN	0%	0%	0%	0%
Frozen strawberries	400	100% off MFN	0%	0%	0%	0%
Skimmed milk powder	500	100% off MFN	0%	0%	0%	0%
White crystalline powder	500	100% off MFN	0%	0%	0%	0%

Source: Based on EU CIRCABC database

EU exporters also have preferential access through TRQs provided by South Africa, with TRQs for barley, cereal-based food preparations and Mortadella Bologna under-utilised. In the case of barley the TRQ is not used because the MFN is currently 0%, whilst for Mortadella Bologna, import volumes are very low and importers are seemingly unaware of the potential benefits provided through the TRQ.

Table 6: TRQs for EU exports to SA

EU export product	Quota (tonnes), 2019	Duty under quota	Utilisation of TRQs, 2018
Pork	1,250	50% off MFN	100%
Butter and other dairy fats	350	50% off MFN	100%
Pig fat	140	100% off MFN	100%
Wheat and Meslin	251,495	100% off MFN	99%
Ice Cream	105	50% off MFN	76%
Cheese	5,345	100% off MFN	45%
Barley	8,970	100% off MFN	0%
Cereal-based food preparations	1,610	25% off MFN	0%
Mortadella Bologna	70	100% off MFN	0%

Source: Based on data provided by EU delegation / SACU Secretariat

Tariff reductions under the EPA

Based on the EPA schedule, a number of product lines will have preferential tariffs further reduced in 2020, under a phased liberalisation approach. As seen in Table 7 and Table 8, for both South African and EU imports these tariff reductions will apply mainly to fish products.

Table 7: Tariff reductions in 2020, based on EPA schedule, for SA imports from EU

HS heading	Number of tariff lines	Change in preferential tariff
0302 (Fish, fresh or chilled (excluding fish fillets and other fish meat of heading 03.04))	2 tariff lines	Reduction from 15% to 12.5%
	2 tariff lines	Reduction from 8.25% to 4.25%
0303 (Fish, frozen (excluding fish fillets and other fish meat of heading 03.04))	3 tariff lines	Reduction from 15% to 12.5%
	1 tariff line	Reduction from 8.25% to 4.25%
0304 (Fish fillets and other fish meat (whether or not minced), fresh, chilled or frozen)	32 tariff lines	Reduction from 15% to 12.5%
0305 (Fish, dried, salted or in brine; smoked fish, whether or not cooked before or during the smoking process; flours, meals and pellets of fish, fit for human consumption)	9 tariff lines	Reduction from 15% to 12.5%
	1 tariff line	Reduction from 8.25% to 4.25%
1604 (Prepared or preserved fish; caviar and caviar substitutes prepared from fish eggs)	3 tariff lines	Reduction from 15% or 120c/kg to 12,5% or R100/kg
	1 tariff line	Reduction from 1.44c/kg to 1.20c/kg

Source: Based on EU-SADC EPA

Table 8: Tariff reductions in 2020, based on EPA schedule, for EU imports from SA

HS heading	Number of tariff lines	Change in preferential tariff
0302 (Fish, fresh or chilled (excluding fish fillets and other fish meat of heading 03.04))	5 tariff lines	Reduction from 6.9% to 5.75%
0303 (Fish, frozen (excluding fish fillets and other fish meat of heading 03.04))	4 tariff lines	Reduction from 6.9% to 5.75%
0304 (Fish fillets and other fish meat (whether or not minced), fresh, chilled or frozen)	10 tariff lines	Reduction from 3.3% to 2.75%
	1 tariff line	Reduction from 1.3% to 0.68%
	3 tariff lines	Reduction from 4.7% to 3.95%
0307 (Molluscs, whether in shell or not, live, fresh, chilled, frozen, dried, salted or in brine; smoked molluscs, whether in shell or not, whether or not cooked before or during the smoking process; flours, meals and pellets of molluscs, fit for human consumption)	1 tariff line	Reduction from 1.68% to 1.4%
0805 (Citrus fruit, fresh or dried)	1 tariff line	Reduction from 10.2% to 8.8%
1604 (Prepared or preserved fish; caviar and caviar substitutes prepared from fish eggs)	1 tariff line	Reduction from 5.4% to 4.5%
	1 tariff line	Reduction from 12.3% to 10.25%
	3 tariff lines	Reduction from 12.9% to 10.75%
	3 tariff lines	Reduction from 14.4% to 12%

Source: Based on EU-SADC EPA

Endnotes

1 The digest is a annual release that provides an update on trade-related matters between South Africa and the EU. For this version of the digest, the EU refers to the EU 28 group (including the United Kingdom) given that the trade analysis and data is up to the end of 2019.

Unless otherwise stated, data is classified according to the Harmonized System (HS) nomenclature.

Trade data is based primarily on data reported by the South African Revenue Service (see <https://www.sars.gov.za/ClientSegments/Customs-Excise/Trade-Statistics/Pages/default.aspx>). A number of methodological practices employed by the South African Revenue Service in collating trade statistics mean that there is a significant difference between bilateral trade reported by the EU and South Africa (see <https://www.sars.gov.za/AllDocs/OpsDocs/Policies/SC-GP-15%20-%20Trade%20Statistics%20-%20External%20Policy.pdf>).

In relation to gold exports, the South African Revenue Service allocates a large proportion of refined gold to an “unknown” destination, rather than to a specific country destination. This is likely to result in under-reporting of exports to the EU, which is seen as a significant importer of gold from South Africa. The South African Revenue Service also excludes goods that are imported or exported for processing from its trade statistics.

Data on preferential utilisation rates for EU trade is sourced from the EU Comext database (<http://epp.eurostat.ec.europa.eu/newxtweb/>).

For the analysis of South African trade data, trade classified under HS Chapter 98 (country-specific use) has been re-consolidated under a specific product grouping, based on the product description and underlying tariff line. Goods under this HS chapter are primarily vehicle-related products. Other than this exception, product groups are consolidated according to the following table based on the tariff code specified in the data.

Product groups	HS section
Agriculture, food, beverages and tobacco	(S01) Live animals, animal products
	(S02) Vegetable products
	(S03) Animal or vegetable fats & oils
	(S04) Food, beverages & tobacco
Minerals and metals	(S05) Mineral products
	(S13) Non-metallic minerals
	(S14) Precious stones and metals
	(S15) Base metals
Chemicals and plastics	(S06) Chemical products
	(S07) Plastic products

Product groups	HS section
Wood and paper	(S09) Wood products
	(S10) Paper products
Vehicles and transport equipment	(S17) Transport equipment
Machinery and equipment	(S18) Specialised equipment
	(S16) Machinery
	(S20) Misc manufact articles
Other manufactured goods	(S11) Textiles & clothing
	(S12) Footwear
	(S08) Raw hides
	(S21) Collectors' pieces & antiques
Goods not elsewhere classified	(XX) Commodities nes

- As noted in other sections of the report, this figure would also exclude a large proportion of gold exports from South Africa, given the way in which SARS classifies the trade in gold in its reported statistics.
- This analysis is based on data from South African Revenue Service (SARS) and classified using correspondence tables from UN Trade Statistics. The classification is based on the UN's Broad Economic Categories (BEC) system. This system categorises products according to end-use: capital, consumer and intermediate goods. Capital goods are fixed assets (such as machinery and equipment), intermediate goods reflect those that are used in production processes and consumer goods consist of goods primarily used and consumed by households. Intermediate and consumer goods are further broken up into a stage of processing, distinguishing between primary and processed. Primary goods are those from the primary sectors of the economy (agriculture and mining), but also those goods from manufacturing sectors that have undergone only minor transformation. Processed goods mainly reflect those where substantive transformation or value addition has occurred. For more see: <https://unstats.un.org/unsd/trade/classifications/bec.asp>. Where goods may occur in multiple categories they have been classified according to their main end-use and stage of processing. The percentages for each region will not add to 100% as a proportion of goods are unclassified.
- A low PUR is often attributed to difficulties in administrative processes related to the preferential regime, e.g. difficulties in securing certificates of origin for products.
- A separate study has been commissioned looking at the usage and application of tariff-rate quotas for selected sectors. This report can be found here: <https://www.euchamber.co.za/>

