

# PAKISTAN-SOUTH AFRICA BILATERAL TRADE ANALYSIS



Trade Development Authority of Pakistan

Ministry of Commerce

## **COUNTRY REPORT**

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## **EXECUTIVE SUMMARY:**

South Africa occupies the Southern tip of Africa with largely a dry area and is about the twice the size of France. South Africa remains a dual economy with one of the highest income inequality rates in the world. Consistent and sound economic policies have reversed the declining trend of real GDP growth rate of South Africa in 2018.

South Africa remains a most attractive country in Africa for exports. The trade volume soared over the years and touched approximately USD 1.2 billion in 2017. Pakistan's exports to South Africa has recorded an increase of 5 percent from 2017 to 2018. The major drivers for the increase in exports are '**Article of bedding (HS-940490)**', '**Instrument and appliances (HS-901890)**', and '**Plain woven fabrics of cotton (HS-520812, HS-520831)**'. While imports have increased by 106 percent over 2017-18. The import basket of Pakistan is dominated by '**Bituminous coal (HS-270112)**' which has recorded an increase of 366 percent from 2017 to 2018. The coal of South Africa is of high quality and it complements the coal-fired project of Port-Qasim and Sahiwal in a wake of China Pakistan Economic Corridor. The trade balance is continuously favoring South Africa since 2014. Monthly trade statistics depict the poor performance of Pakistan exports on year-on-year basis i.e. exports of Pakistan to South Africa has declined by 0.72 percent for the first six months of 2018. However, imports have increased by 57 percent over the same period.

The South African market bears the immense potential of at least USD 1.64 billion. Major potential products in this context include '**Paper & paperboard (HS-481159)**', '**Instrument & appliances (HS-901890)**', '**Semi & wholly milled rice (HS-100630)**', '**Medicaments (HS-300490)**', and '**Men's or Boys' Trousers, Bib and Brace (HS-620342)**'. Pakistan has strength over the products listed as potential. Except for surgical and pharmaceutical related products, none of the other products were exhibited in trade fairs previously.

Africa is among the non-traditional market for Pakistan but stakeholders are trying to explore the untapped potential of such a big market. Ministry of Commerce of Pakistan has taken initiative for 'Look Africa Plan' in 2017 which has enhanced the trade volume between Pakistan and African countries. Moreover, Ministry has also approved a further 2% duty drawback<sup>1</sup> for textile if exported to South Africa in 3<sup>rd</sup> August 2018.

The study strongly recommends trade agreement between Pakistan and South Africa after consulting business community of Pakistan. The rationale is that the product of Pakistan's strength is exposed to heavy tariffs in South Africa, any agreement would help in rationalizing these tariffs. For instance, potential products of the textile are subjected to 22 to 30 percent. In addition to this, Pakistani exporters should participate in trade fairs in South Africa, especially textile, to generate demand. It is also recommended that Pakistan should schedule a single country exhibition in South Africa. Moreover, Pakistani authorities should negotiate with South African officials to remove anti-dumping duties on Pakistani cement companies. These duties

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<sup>1</sup> SRO No. 1(42-B) TID/18-TR-II

lead to drop Pakistan's export of '**Portland cement (HS-252329)**' to South Africa from USD 53 million to USD 3.5 million.

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## **1. INTRODUCTION**






South Africa is located at the southern tip of sub-continent of Africa. It has retained its status as a gateway of African subcontinent and possesses well-established routes to America, Europe, and increasingly Asia. The discovery of diamond and gold, in 1867 and 1886 respectively, have stimulated wealth and immigration to the region. The major challenges faced by South Africa includes skill shortages, declining global competitiveness, infightings among South Africa's ruling party, and the volatility of the domestic currency. Since 2012, following a sharp decline in the commodity prices for the country's major exports like coal, iron, platinum, and gold.

South Africa is the leading economy of Africa. The economy relies heavily on mining sector as well as dynamic agricultural and financial sectors. The major exports of the country are gold, diamonds, platinum, machinery & equipment, and other minerals & metals to the countries including China (9.5%), US (7.7%), Germany (7.1%), Japan (4.7%), India (4.6%), etc. While the primary import commodities of South Africa comprise foodstuffs, scientific instruments, chemicals, machinery, and equipment. The major exporter to South Africa China (18%), Germany (12%), US (6.6%), Saudi Arabia (4.7%), and India (4.7%).

South Africa -a dual economy- has also faced multiple challenges of both developed and developing economy. For instance, high poverty, unemployment, income inequality, and socioeconomic disparities. A long-held deindustrialization has exacerbated the economic slowdown. The Industrial Policy Action plan 2017-20 indicated the potential of reindustrialization of sectors like textile, clothing, leather, and footwear.

The table-1 below illustrates the key economic indicator. The real GDP growth rate indicates the slowdown in economic conditions over 2013-16. Furthermore, GDP per capita has also been fluctuating and has increased in 2017 after a decline over 2013 to 2016. The consumer price index also reflects the remarkable variation stood highest at 6.3% in 2016. In addition to this, the unemployment rate has also been increasing since 2013. The unemployment rate is also high relative to other African countries. The similar trend is depicted in overall imports of South Africa. Imports from the world have been decreasing since 2013 with some increase in 2017. It can be inferred that the imports of South Africa from the world are directly related to the economic conditions. A recent improvement in economic conditions help anticipate demand, however, the overall trend is mix. The tendencies in exchange rate also illustrate the analogous trend.

Table 1: Key Economic Indicators

	Indicators	2013	2014	2015	2016	2017
	<b>Real GDP Growth (%)</b>	2.5	1.7	1.3	0.3	0.7
	<b>Unemployment Rate (%)</b>	24.725	25.1	25.35	26.725	-
	<b>Population (in Millions)</b>	53.104	53.912	54.75	55.62	56.504
	<b>Consumer Price Inflation (%)</b>	5.8	6.1	4.6	6.3	5.4
	<b>GDP per capita (\$)</b>	6,907.234	6,512.759	5,800.328	5,302.043	6,089.224

Source: International Financial Statistics, IMF

The map below portrays the suppliers (exporters) to South Africa in 2017. The width of the arrow is proportionate to the magnitude of the export value. China ranked first among the suppliers which are followed by Germany, USA, and India.





Figure 1: List of supplying market for product imported by South Africa

South Africa's import profile is illustrated in the figure-2. Imports of the country only increased in 2017 after a continuous decline over 2013-2016. The import products of South Africa that matches Pakistan's export strength includes Furniture (HS-94), Article of apparel (HS-61 and HS-62), Paper & Paperboard (HS-48), Pharmaceutical (HS-30), Surgical instruments (HS-90), and Cereals (HS-10).

Apparently, a share of Pharmaceutical and Surgical instruments has increased in overall import composition of South Africa. While the products mentioned above have also posted some increase. The trend of imports of South Africa mimics the trend of real GDP growth rate of the country.



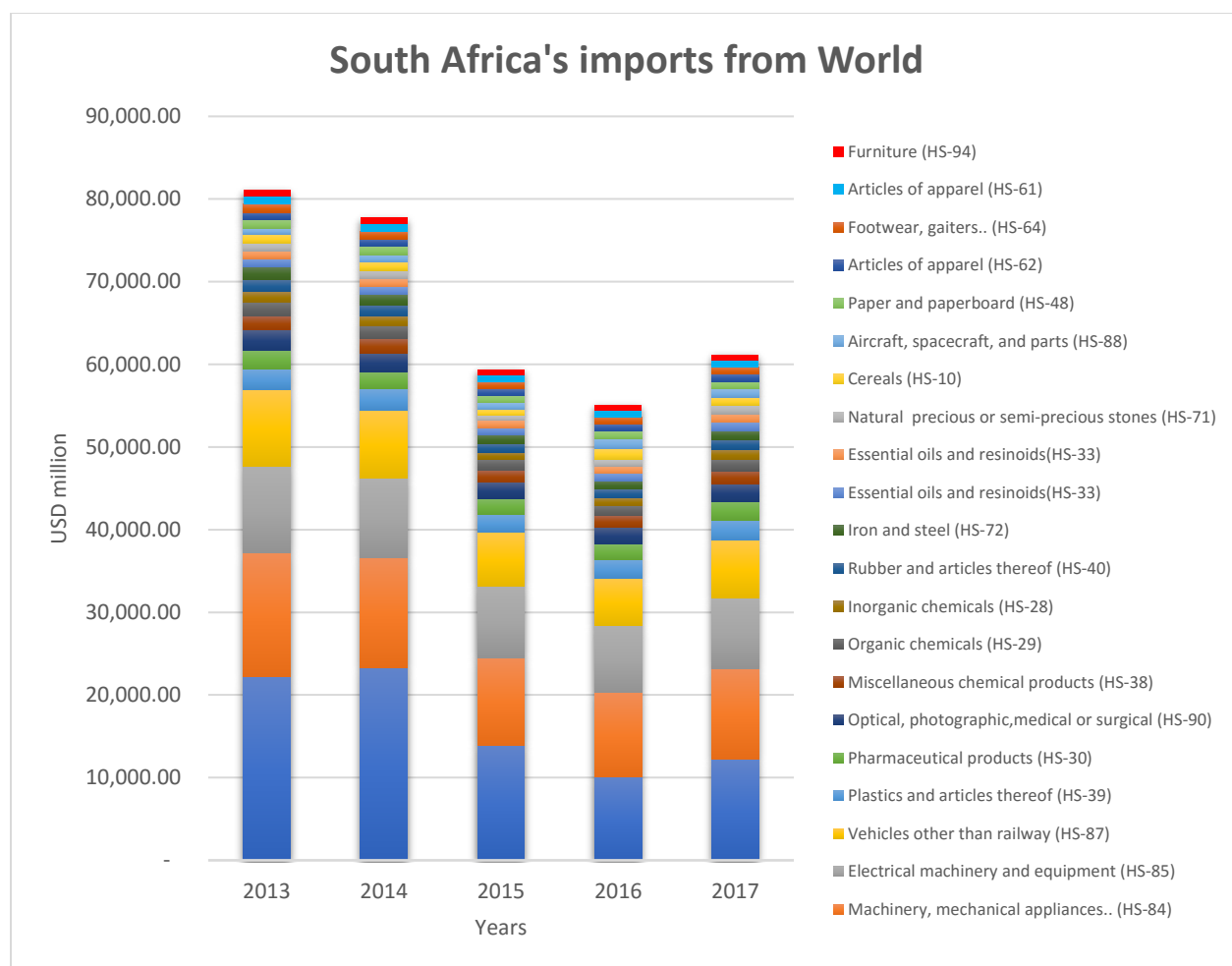


Figure 2: Major imports of South Africa

## 1.1. Bilateral Trade Analysis

### *Look-Africa Plan:*

The Ministry of Commerce of Pakistan has approved ‘Look Africa Plan’ in August 2017 to boost trade ties with African countries. The plan includes 10 out of 54 African countries i.e. Kenya, Nigeria, South Africa, Morocco, Algeria, Egypt, Sudan, Tanzania, Angola, and Ethiopia. These countries together account 80% of the GDP of Africa. The ministry has also prioritized sectors to enhance exports in African countries- pharmaceutical and surgical instruments, electrical appliances, rice, wheat, corn, textiles, cement and construction materials, and services.

### *Bilateral Trade statistics Pakistan-South Africa:*

The Table-2 provides the comparison on a year-on-year basis. It revealed that the total exports in the first six months of 2018 have declined by 0.72 percent as compared to 2017. Imports, on the other hand, have expanded by nearly 57.6 percent as compared to same period of 2017. The trade deficit over Jan-June in 2018 has widened by 113 percent.

Table 2: Pakistan-South Africa Bilateral Trade (Monthly Statistics)

Exports (USD million)	Jan	Feb	Mar	Apr	May	June	Total (Jan-June)
2018	13.80	12.80	15.31	13.46	13.19	12.61	81.16
2017	14.77	11.77	15.41	13.00	14.11	12.69	81.75
Percent change	-6.58	8.75	-0.65	3.49	-6.53	-0.63	-0.72
Imports (USD million)	Jan	Feb	Mar	Apr	May	June	Total (Jan-June)
2018	39.84	29.38	20.76	109.86	30.38	33.72	263.94
2017	24.02	24.51	16.06	35.58	40.84	26.42	167.43
Percent change	65.82	19.88	29.30	208.77	-25.60	27.60	57.64
Balance (USD million)	Jan	Feb	Mar	Apr	May	June	Total (Jan-June)
2018	-26.04	-16.58	-5.45	-96.40	-17.20	-21.11	-182.78
2017	-9.26	-12.73	-0.65	-22.58	-26.73	-13.74	-85.68
Percent change	-181.30	-30.17	-744.50	-326.98	35.67	-53.67	-113.32
(Source: SBP)							

The bilateral trade scenario between Pakistan and South Africa on yearly basis is presented in Table-3. Pakistan's imports from South Africa have been increasing since 2013. On the other hand, exports witnessed a decline till 2016 and have increased in 2017. It can be inferred that Pakistan exports to South Africa is demand driven and highly correlated with the economic condition of South Africa. The significant jump in imports has tilted trade balance further in the favor of South Africa since 2014.

Table 3: Pakistan-South Africa Bilateral Trade (Annual Statistics)

Trade Map (USD million)	2013	2014	2015	2016	2017
Exports to South Africa	289.18	290.23	222.83	163.38	171.60
Imports from South Africa	287.948	440.051	483.352	505.154	1043.858
Trade Balance	1.23	(149.82)	(260.53)	(341.77)	(872.26)

Source: ITC Trade map

The chart below is the graphical depiction of the bilateral trade scenario. The only marginal trade surplus was posted by Pakistan in 2013. The trade balance is then shifted in favor of South Africa since 2014 and the gap between Pakistan exports and imports to/from South Africa has expanded till 2017.

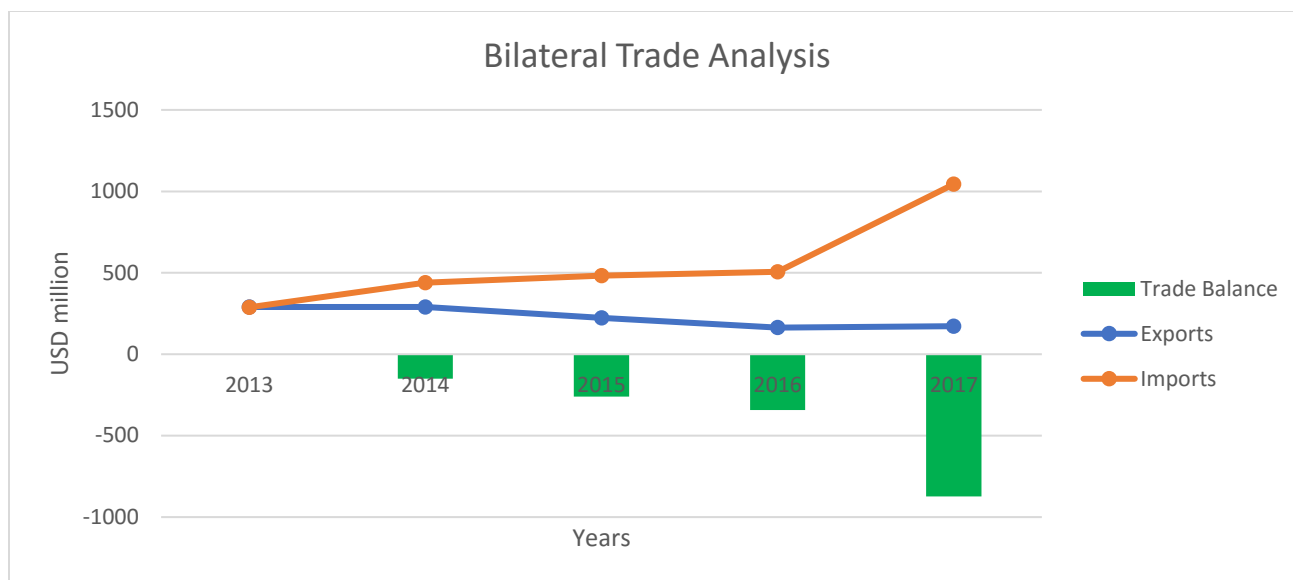


Figure 3: Bilateral Trade Scenario

Pakistan exports to South Africa has increased by 2.37 percent amounting \$ 173.9 million in FY 2017-18. The product of major increase are Art silk & Synthetic Textile, Cement, and Surgical goods. The products of major decline are Cotton Cloth, Paper & Paperboard, and Bedwear.

The exports based on the fiscal year 2017-18 is depicted in the figure below. The top-12 export items are presented with value in USD million and share in Pakistan exports to South Africa in parenthesis. The cotton cloth accounted for the major share with 23.5 percent of Pakistan's total exports to South Africa. It is followed by Art silk & Synthetic Textile (13%), Towel (6.1%), and Knitwear (4.4%).

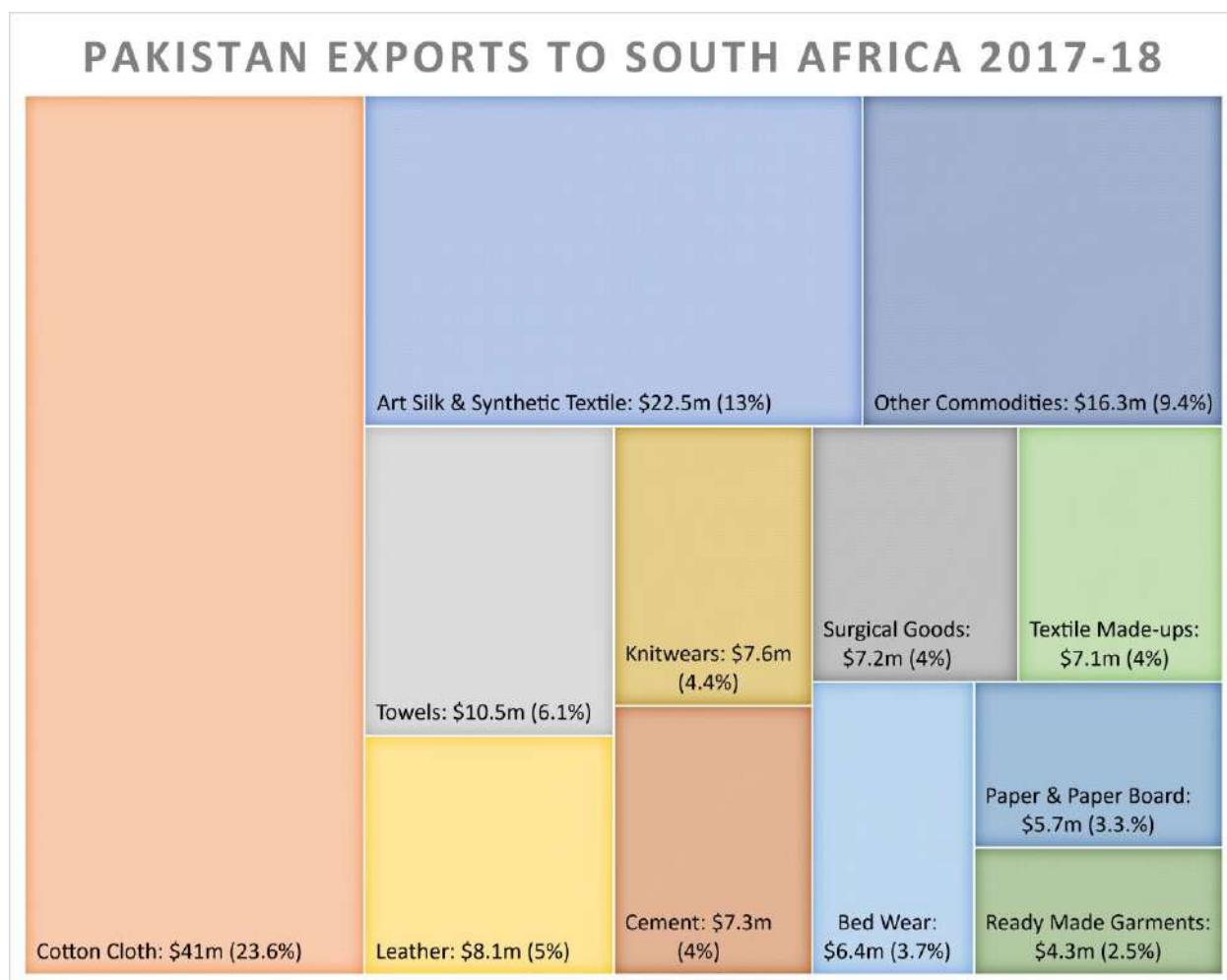


Figure 4: Pakistan Exports to South Africa (by commodity-group)

### Top-15 Exports of Pakistan to South Africa:

The graph below depicts the top-15 exports of Pakistan to South Africa. The export basket is mainly comprised of textile, furniture, metals, surgical items, cement, and leather.

In the context of cement export to Africa, South African Customs Union (SACU) imposed antidumping duties on Pakistan cement exports to member countries in 2014. The major decline of Pakistan export to South Africa is primarily driven by enforcement of South Africa's International Trade Commission (ITAC) antidumping duties ranges from 14 percent to 77 percent on Portland Cement. Duties on Pakistan-based companies; Attock Cement, DG Khan Cement, Bestway Cement, Lucky Cement are 63.5 pc, 68.87 pc, 77.15 pc, and 14.2 pc respectively. Pakistan's export vulnerability of cement is evident in the figures as export of Portland Cement has decreased from USD 54 million in 2013 to USD 3.5 million in 2017.

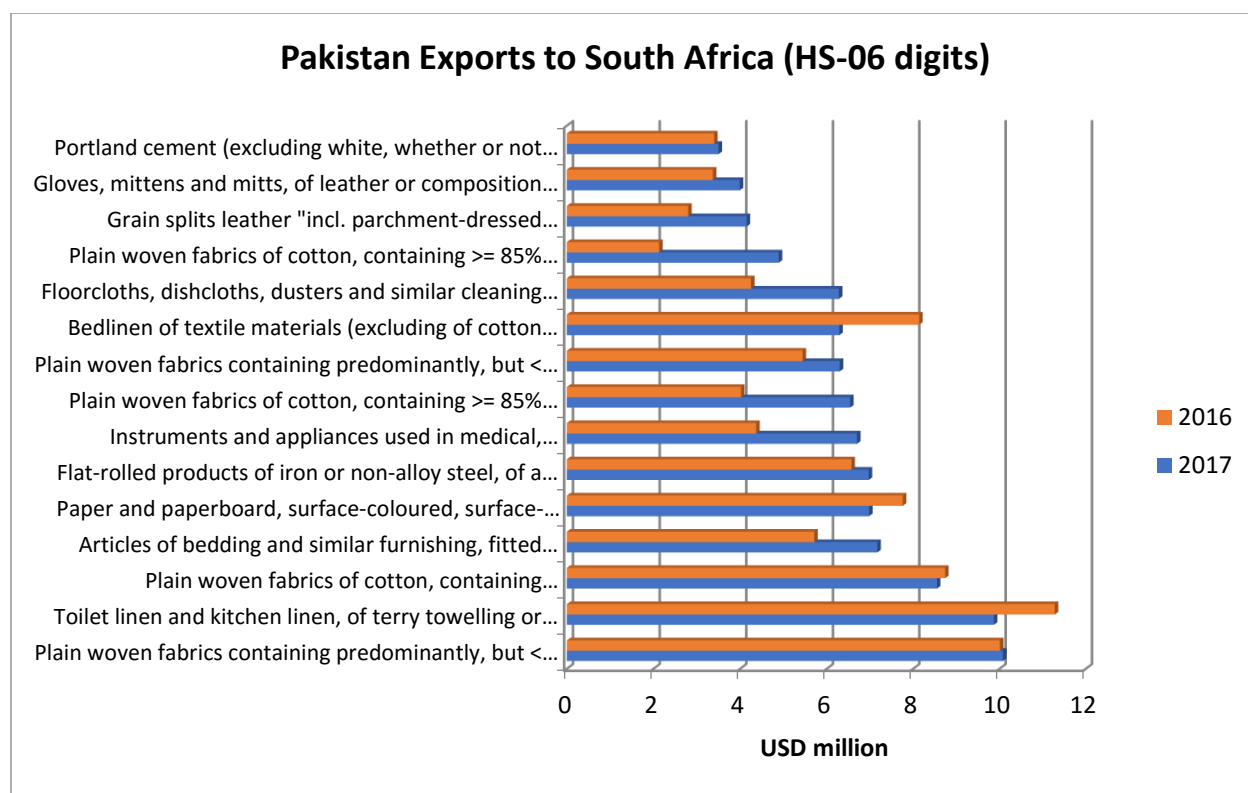


Figure 5: Pakistan Exports to South Africa (HS-06-digit)

### Top-15 imports of Pakistan from South Africa:

The import basket of Pakistan from South Africa is heavily dominated by coal and metals. They both account for 31 percent of the Pakistan total imports from South Africa. The imports of coal from South Africa is surged by 365 percent from USD 154 million to USD 718 million. The primary reason for a remarkable increase is the coal-fired power project of Pakistan in a wake of China-Pakistan Economic Corridor (CPEC). The two large coal-fired power plants at Sahiwal and Port-Qasim will come online in upcoming months<sup>2</sup>.

The ‘waste and scrap of iron & steel’ has also increased as Pakistan is revamping its infrastructure and a huge influx of these products to the country complements the dam constructions and multiple projects under CPEC. The National Tariff Commission of Pakistan has initiated, in June 2018, an investigation for antidumping duties against national tariff lines 72101210 and 72101290.

<sup>2</sup> <https://www.dawn.com/news/1387570>

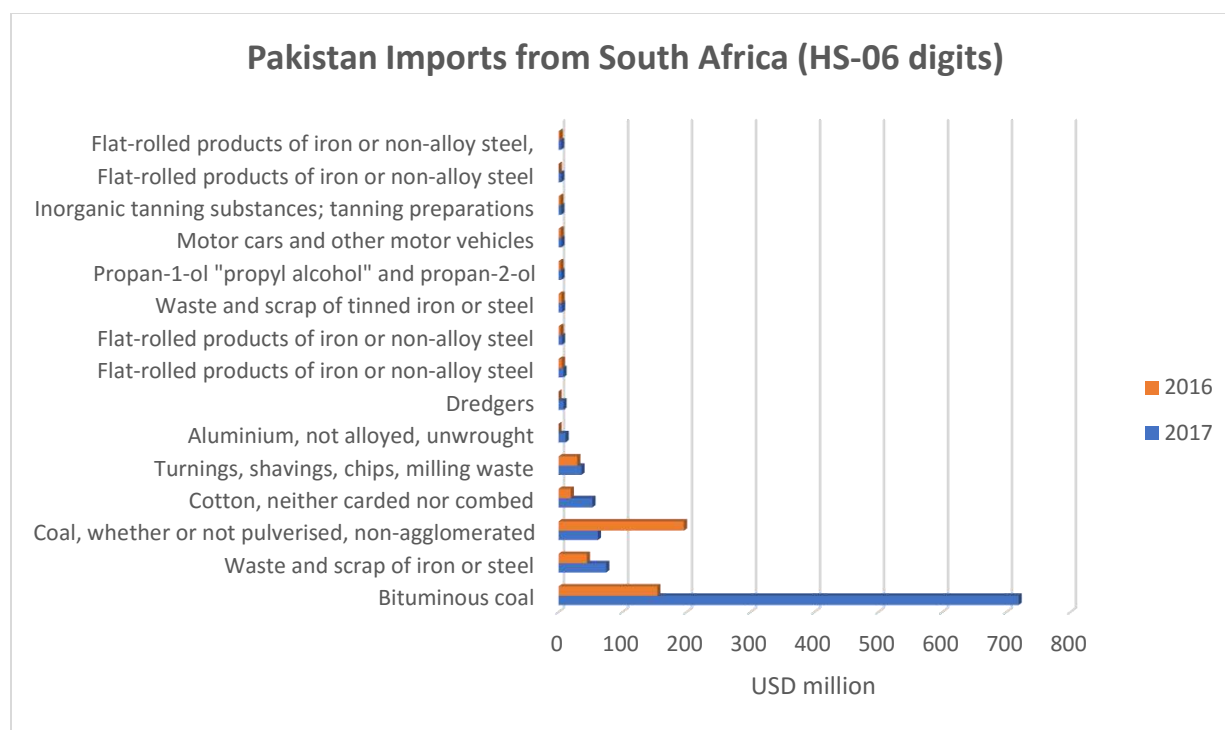


Figure 6: Pakistan Imports from South Africa (HS-06-digit)

## 2. VALUE CHAIN MAPPING

This section analyzes the performance of potential product of Pakistan (identified in the previous section) to the South African market. The top five potential products among the list of ten products have examined. The analysis has been made on the behalf of export values, compound annual growth rate, and market concentration.

### 2.1. Potential Products Scenario

The Table-4 reflects the potential products that Pakistan can export to South Africa. The South African market bears immense potential. The top-11 potential products listed below have the potential of USD 1,644 million which highlights that Pakistan exports to South Africa can be expanded from USD 171 million to USD 1,815 million. Products like ‘Semi-milled or wholly milled rice’, ‘Instrument and Appliances used in medical’, and ‘Men’s or boys’ trousers’ dominate the potential product basket.

Table 4: Potential Products (HS-06-digits)

Product Code	Product Label	Pakistan Export to South Africa		South Africa overall Imports 2017	Pakistan overall exports 2017	Trade Potential <sup>3</sup>
		Value in 2016*	Value in 2017*			
'481159	Paper and paperboard	7.756	6.983	93.70	81.07	74.1
'901890	Instruments and appliances used in medical	4.365	6.702	339.44	360.58	332.7
'100630	Semi-milled or wholly milled rice	5.677	2.897	451.27	1512.69	448.4
'620342	Men's or boys' trousers, bib and brace	0.84	0.466	198.64	410.42	198.2
'300490	Medicaments consisting of mixed or unmixed products	0	0.01	1349.18	70.79	70.8
'620462	Women's or girls' trousers, bib & brace	0.481	0.319	139.34	197.08	139.0
'610910	T-shirts, singlets and other	0.541	0.319	135.79	197.76	135.5
'300439	Medicaments containing hormones	0	0.086	56.65	48.65	48.6
'610990	T-shirts, singlets and other vests of textile	0.194	0.059	70.66	106.42	70.6
'640399	Footwear with outer soles of rubber	1.797	1.582	117.01	68.99	67.4
'100640	Broken rice	0.985	0.394	59.52	182.57	59.1

Source: ITC Trade map

### 2.1.1. Paper and Paperboard (HS-481159)

The paper industry of Pakistan can be dated back to 1956 and before that there was no single paper manufacturing plant. Almost 70% of the paper industry is located in Punjab because of the availability of the groundwater. Due to the extremely low density of forest in Pakistan, the paper production is primarily based on non-wood fibrous materials such as wheat straw, baggasse, and river grass<sup>4</sup>.

Pakistan's National Tariff Commission had slapped anti-dumping duties on paperboard importable from Korea, Indonesia, China, and Taiwan effective from December 2012 for the five years. It helped the paper industry to boost further.

The Table-5 below depicts the indicators related to the product mentioned above. Brazil has captured almost 20 percent of the market which is followed by Turkey and Pakistan. It can be seen that shares of Pakistan and Turkey have declined while Brazil's share has increased remarkably over the period of 2016-17. Improvements in China and India's share also appear as a threat. Brazil, despite offering greater average unit price than Turkey remained competitive, low distance is the potential reason.

<sup>3</sup> Trade potential= Minimum (Pakistan's World Exports, South Africa's World Import) – Pakistan exports to South Africa

<sup>4</sup> <https://fp.brecorder.com/2018/01/20180123337779/>



Table 5: Trade Statistics for 'Paper & Paperboard (HS-481159)'

Ranks based on exports	Countries	Value of Exports in 2017	CAGR (2013-17)	Share in South Africa's imports	Unit value	Growth 2016-17	Ranking of partner countries in World	Average tariff	ECI	
									2013	2017
1	Brazil	16.355	28.22	20.7	2248	195	12	1.7	7	2
2	Turkey	8.964	232.89	11.3	1539	-47	15	1.7	22	3
3	<b>Pakistan</b>	<b>6.983</b>	<b>65.71</b>	<b>8.8</b>	<b>2299</b>	<b>-10</b>	<b>21</b>	<b>1.7</b>	<b>15</b>	<b>7</b>
4	Italy	6.29	3.41	7.9	2019	43	3	0	6	4
5	Germany	6.266	-30.32	7.9	3716	-11	1	0	2	5
6	Austria	6.058	-6.05	7.6	2555	91	13	0	3	1
7	India	5.492	15.46	6.9	3407	35	23	1.7	10	8
8	France	3.578	36.19	4.5	4401	50	8	0	14	10
9	China	2.802	13.86	3.5	2723	15	5	1.7	13	14
10	Spain	2.54	-31.53	3.2	2258	65	7	0	4	11

Source: ITC Trade map

The graphs in Figure-7 depicts market share and trends of the competitors' in the South African market. The major chunk of the market is captured by Brazil amounting USD 16.3 million. It is visible that Brazil has captured the market share of both Pakistan and Turkey and reached the top in 2017. Brazil has a comparative advantage of distance over others.

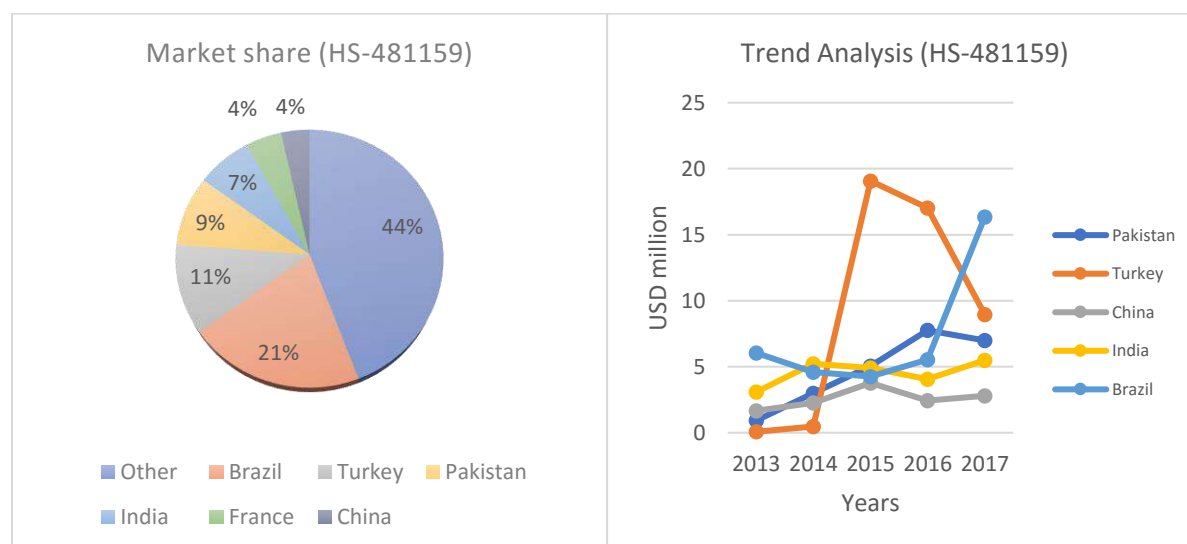


Figure 7: Market share & trend, Paper & Paperboard (HS-481159)

### Competitors Analysis:

**India:** The paper industry of India accounts for 3 percent of the world's paper production. They generally import prime grades of paper imported from Europe, Dubai, USA, and Singapore. It then exports the grades of paper like A4, MG varieties (from small agro-based mills), and products like stationery, books, magazines and many others.

### Competitive strategies of India:

- **Recycling Programme:** Solid Waste Management program ('WOW'- Well Being Out of Waste program) helps in the creation of a clean and green environment. The recycling of

papers remained a key raw material for the industry. Moreover, it also has improved reputation of the Indian paper and paperboard industry.

- **Foreign Direct Investments:** India remained a home for multinational since the opening of its economy in the 1990s. It was most evident in paper industry when US-based International paper acquired 53.5 percent stake in Andhara Pradesh Paper Mills in 2011. It has generated a great interest and the FDI has become a continuous fuel for industry. Moreover, India also allows 100 percent FDI, making it an appealing landscape.
- **New manufacturing policy:** To address the concerns around labor laws and boost industry, National Manufacturing Policy (NMP) aims to increase the share of the manufacturing sector to 25 percent by 2025.

**Turkey:** The Turkish paper industry has turned its face to exports since the 2000s. The paper production by modern methods began in 1936 and papers were only manufactured by SEKA- a public paper manufacturing company. Turkey has turned its face from net importer to net exporter after 1960s.

#### **Competitive strategies of Turkey:**

- **E-commerce:** Turkey has experienced a large-scale e-commerce platform which enables it to accommodate wholesalers, retailers, and consumers.
- **Export promotion measures:** The ‘Turkish Packology’ initiative by Istanbul Exporters Association is aimed to conduct marketing and promotional activities in target export destination. It remained successful in improving quality and cost competitiveness which allowed it serve the need of best brands in the world with cost-effective and cutting-edge technology.
- **Turkish Currency Crisis:** The recent currency crisis of lira has made exports of Turkey cheaper. Moreover, Turkey has shown its interest in BRICS which may improve its competitiveness in the South African market<sup>5</sup>.

**Brazil:** The country is rich in natural resources 17% of world forest, low wages, a major supplier of pulp to Asian countries, 60% of Amazon in Brazil. The plantation forest has resulted from the government initiative of fiscal incentive in 1966. The initiative was very successful and since the plantation forest has been the major source of expanding forest products.

#### **Competitive strategies of Brazil:**

- **Natural Resources:** Brazil is rich in natural resources. About two-thirds of the Amazon forest is covered under the country. Due to ample natural resources, Brazilian production of pulp and paper is entirely coming from plantation forests. Moreover, *Eucalyptus* is considered as the world’s top-quality pulping species due to high fibre yield. The world leading producer of Eucalyptus is located in Brazil.
- **Environmental Credentials:** The paper products of Brazil have clear environmental credentials- duly certified by the labels of FSC, PEFC, Nordic Swan and European Flower.

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<sup>5</sup> <http://www.atimes.com/explaining-turkeys-interest-in-brics/>

- **BRICS:** Brazil has an edge over Pakistan because of its presence in BRICS. The member of the bloc includes Brazil, Russia, India, China, and South Africa.

Table 6: Some Exporters & Importers of 'Paper & Paperboard'

<i><b>Pakistani Exporters</b></i>	<i><b>South Africa Importers</b></i>
<i>Adamjee Paper &amp; Board Mills Ltd</i>	<i>B&amp;S Packaging (Pty) Ltd</i>
<i>Arimas Exports</i>	<i>Kimberly-Clark (Pty) Ltd</i>
<i>Dean Industries</i>	<i>Petrotap (Pty) Ltd</i>
<i>M/S Packages Ltd</i>	<i>Prima Board and Pulp (Pty) Ltd</i>
<i>Zahra Textile</i>	<i>Progressive Orientalcote</i>

Source: ITC Trade map

### 2.1.2. Instrument and Appliances used in Medical (HS-901890)

The city of Sialkot is trendy in the World for the manufacturing of surgical instruments. One of the significant strengths of Pakistan lies in surgical goods, however, due to lack of value addition the product's demand and the average unit price have fallen considerably. The surgical industry of Pakistan is labor intensive because of the lack of technology and availability of cheap labor.

The table below portrays some indicators of Pakistan as well as competitors in the context of the South African market. Germany and USA remain the primary competitor of Pakistan for the above-mentioned product in the concerned market. Ironically, both of these countries import instrument and appliances in less precise and raw form which is then re-exported (after repackaging, labeling, fulfilling certificates,) to the world with the average unit price at least five times greater than that of Pakistan. Local producers are suppliers of the international brands based in the US and Europe, who outsource the artisans in Sialkot<sup>6</sup>.

Table 7: Trade Statistics for 'Instrument and Appliances (HS-901890)'

Ranks based on exports	Countries	Value of Exports in 2017	CAGR (2013-17)	Share in South Africa's imports	Unit value	Growth 2016-17	Ranking of partner countries in World	Average tariff	ECI	
									2013	2017
1	Germany	62.961	5.96	24.1	73725	19	2	0	4	2
2	USA	57.233	-5.09	21.9		-16	1	0	3	3
3	Belgium	37.781	11.00	14.5	90169	55	3	0	1	1
4	Netherlands	22.829	-8.24	8.7	209440	-1	4	0	2	4
5	France	10.769	-0.74	4.1	136316	35	10	0	11	8
6	China	9.955	-11.00	3.8	21688	8	8	0	12	12
7	UK	8.03	-15.52	3.1	88242	-23	13	0	7	11
8	Italy	7.911	-4.08	3	37671	-4	12	0	15	10
9	<b>Pakistan</b>	<b>6.702</b>	<b>1.57</b>	<b>2.6</b>	<b>1.94</b>	<b>54</b>	<b>25</b>	<b>0</b>	<b>18</b>	<b>16</b>
10	Switzerland	6.466	-7.79	2.5	497385	4	7	0	5	6

Source: ITC Trade map

The figures below reveal that nearly 24 percent of the market is captured by Germany which is followed by the USA and China with 22 percent and 4 percent respectively. Pakistan's share is hovering around USD 6 million and has increased by 54 percent to USD 6.7 million over 2016-

<sup>6</sup> <https://www.dawn.com/news/1279191>

17. The trend shows that Germany's share has been increasing since 2015. The overall trend for the US is adverse and its only increase is 2016.

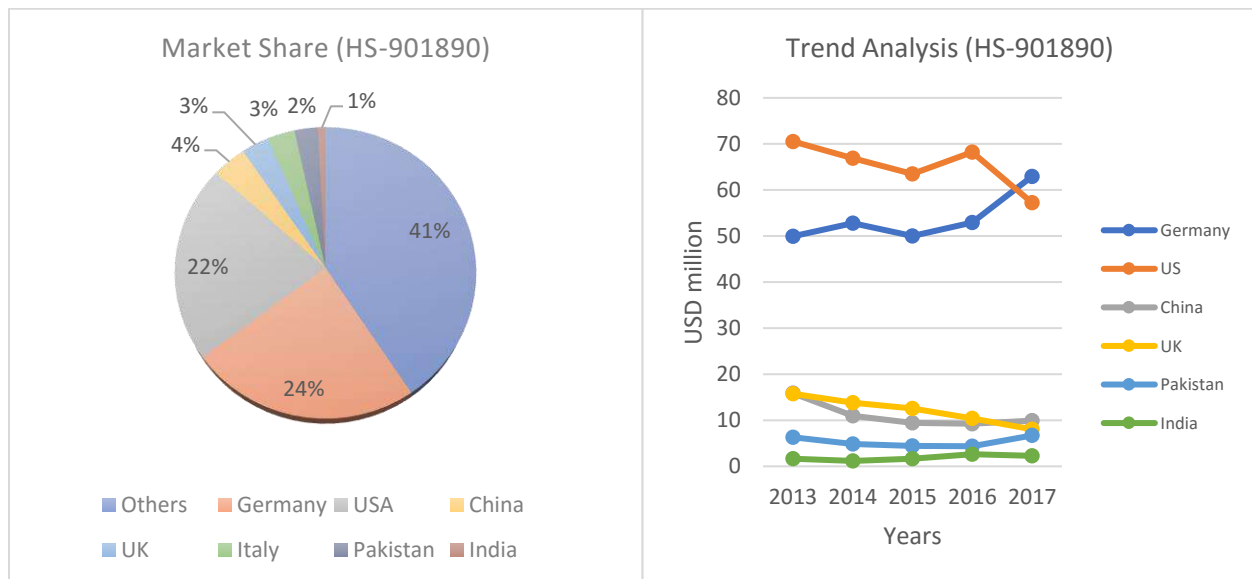


Figure 8: Market share & trend, Instrument & appliances (HS-901890)

### Competitors Analysis:

**Germany:** Due to its large number of well-trained physicians, researchers, and engineers remained the major reason for high standard medical technology. It also imports these products from Pakistan in less precise form and add value by improving its precision, branding, and get necessary certification requirements. Moreover, ample raw material and higher efficiency retain it among top exporter.

### Competitive strategies of Germany:

- **Open and Transparent market:** German law does not make a distinction between Germans and foreign nationals regarding investments, incentives, or establishing a company. It attracted foreign investment as well.
- **Competitive Labor costs:** The labor cost of the medical technology industry is relatively low and is not commensurate to their level of productivity.
- **Industry Associations:** There are multiple industry clusters which are governed by a separate association. It includes the German Healthcare Export Group (GHE), SPECTARIS- German Hightech Industry Association, ZVEI, and VDDI. These association remained far more competitive and boosted export.

**China:** The programs like healthy China 2030 and rising consumer demands compelled China to expand its industry.

### Competitive strategies of China:

- **E-commerce:** China has registered surgical instruments and appliances on the web portal (*Alibaba.com, Aliexpress.com*)

- **Demography:** Several key drivers are pushing forward the growth of China's medical industry. It includes (i) Ageing population, as 230 million people in China are expected to be aged 65 or over by 2030. (ii) The increasing middle class has fueled China's cosmetic surgery industry. It is the third largest market for cosmetic surgery (SMEs, 2015).
- **Health Reform:** The government of China has introduced the Healthcare reform in 2009 with the aim to have universal health insurance coverage by 2020 (Agency, 2016).

Table 8: Some Exporters & Importers of Instrument and Appliances

<i>Pakistani Exporters</i>	<i>South Africa Importers</i>
<i>Abbott Laboratories Pakistan Ltd</i>	<i>Arthrocom (Pty) Ltd</i>
<i>Accuray Surgical Ltd</i>	<i>B. Braun Medical (Pty) Ltd</i>
<i>Agile Industries</i>	<i>Boston Scientific (Pty) Ltd</i>
<i>Aiz &amp; Co- A.I.Z &amp; Co</i>	<i>Johnson and Johnson Medical (Pty) Ltd</i>
<i>Akhtar Brothers</i>	<i>Murex Biotech South Africa (Pty) Ltd</i>

Source: ITC Trade map

### 2.1.3. Semi and Wholly Milled Rice (HS-100630)

Rice is considered a staple food in some of the most populous countries of the world. Pakistan exports more than 50 percent of the total rice produced in a country and is the third largest source of the country's export earnings (Trade Development Authority of Pakistan, 2016).

The table below illustrates the statistics related to Pakistan and its competitors in the South African market. Pakistan remains among the top-three in terms of export value but there is a decline of 49 percent over 2016-17. The major competitors in this context are Thailand, India, and China. Thailand is the major competitor in the South African market as its share has increased by 34 percent. Moreover, China's share has also expanded. Pakistan's average unit price has also increased.

Table 9: Trade Statistics for 'Semi-wholly milled rice (HS-100630)'

Ranks based on exports	Countries	Value of Exports in 2017	CAGR (2013-17)	Share in South Africa's imports	Unit value	Growth 2016-17	Ranking of partner countries in World	Average tariff	ECI	
									2013	2017
1	Thailand	309.511	7.67	79.3	402	34	2	0	20	20
2	India	74.467	-21.55	19.1	427	-28	1	0	16	17
3	<b>Pakistan</b>	<b>2.897</b>	<b>-10.50</b>	<b>0.7</b>	<b>605</b>	<b>-49</b>	<b>3</b>	<b>0</b>	<b>1</b>	<b>16</b>
4	China	1.57	-	0.4	338	1486	7	0	14	15
5	USA	0.63	-22.19	0.2	1021	-25	5	0	11	13
6	Italy	0.464	6.48	0.1	885	27	6	0	17	12
7	Brazil	0.238	-46.36	0.1	471	-73	14	0	18	10
8	Uruguay	0.155	-60.39	0	517	17	8	0	1	18
9	Portugal	0.148	-	0	733	37	28	0	13	11
10	Swaziland	0.064	-20.35	0	376	547	97	0	15	19

Source: ITC Trade map

The Figure-9 illustrates that 79 percent of the market of South Africa is taken by Thailand whereas India's share is nearly 19 percent. Pakistan's contribution is only negligible and has faced a decline of 49 percent over 2016-17. Pakistan's position is controversial in a sense that it

is the major supplier of the same product to the South African market which put some endorsement to the competitiveness of Pakistan in terms of rice.

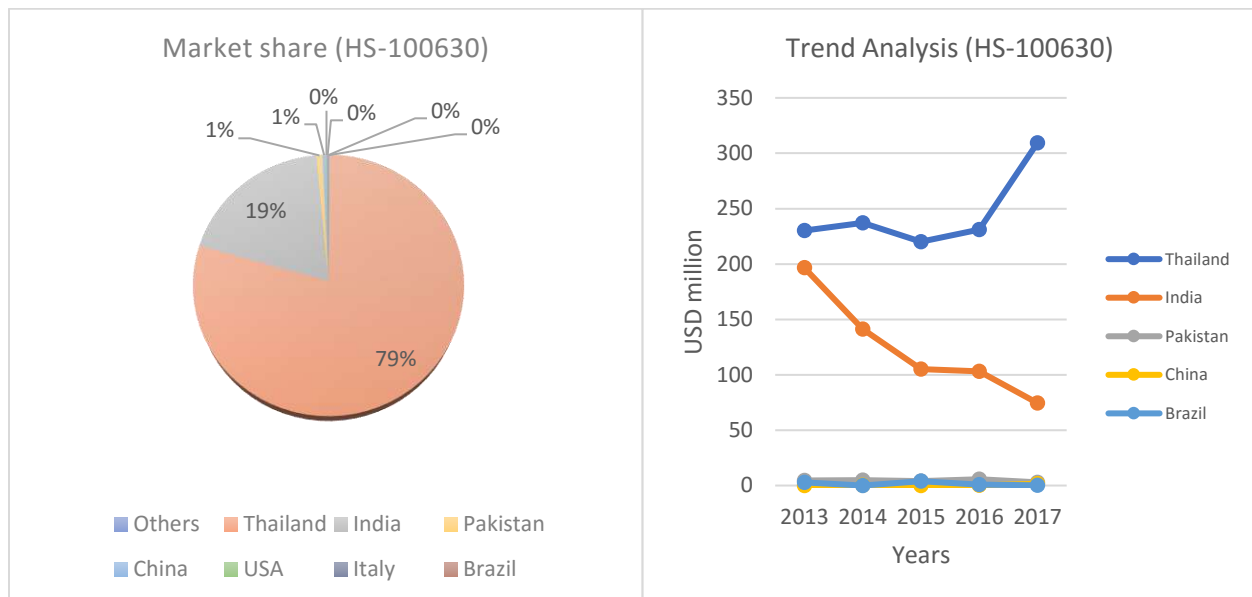


Figure 9: Market share & trend, Semi & wholly milled rice (HS-100630)

### Competitors Analysis:

The primary competitor of Pakistan for the product stated above is Thailand followed by India. Thailand mainly exports sticky ‘Semi-wholly milled’ rice whereas Pakistani and Indian based rice is premium basmati rice with an aroma. Pakistan is currently facing the water scarcity that threatens the exports of rice in the future but the presence of hybrid seeds indicates the potential to increase rice production.

**Thailand:** Thailand’s major variety of rice include white rice and jasmine rice. Yingluck government’s rice scheme of 2011 supported rice farmers with a plan to purchase rice at above market price. In June 2011, rice prices were at a record high and Thailand was the world’s leading exporter when Thailand supplied 28.79 percent of the rice to the world [see (Poramacom, 2014)]. Moreover, Prayut government’s rice scheme allocated eight billion Thai baht for the provision of soft loans to the farmers.

### Competitive strategies of Thailand:

- **Government Initiatives:** Apisit’s government’s ‘Income Guarantee Scheme’ for rice in 2011, and Yingluck’s government ‘Rice Pledging Policy’ scheme remained successful in promoting rice exports.
- **Certification:** In 2013, Thung Kula Ronghai region of Thailand was awarded by the European Union’s Geographical Indication certification. This has created a positive image of Thai-rice in the world.
- **E-selling:** Thailand has registered a variety of rice on online trading websites like alibaba.com, pawineetscsupplies.com, and many others.

**India<sup>7</sup>:** It offers relatively more varieties of basmati rice than Pakistan and Thailand. In addition to this, UNDP and FAO sponsored projects for the development and use of hybrid rice technology. India was a net importer in mid-1960s and became a net exporter of quality rice by early 1990s.

### Competitive strategies of India:

- **Hybrid Rice seeds<sup>8</sup>:** India has followed a strategy similar to China to make use of hybrid seeds to improve cultivation. Several international agencies like UNDP, FAO, ADB, and International Rice Research Institute have supported R&D in the early 1990s. It received USD 8 million between 1990 and 2000. In the 1990s, a huge influx of private sector expecting a huge business of seed.

Table 10: Some Exporters & Importers of 'Semi-wholly milled rice'

<i>Pakistani Exporters</i>	<i>South Africa Importers</i>
<i>Abdullah &amp; Sons</i>	<i>Atlas Trading Company (Pty) Ltd</i>
<i>Agro Hub International Pvt Ltd</i>	<i>General Overseas Traders (Pty) Ltd</i>
<i>Al-Asad Rice Mills</i>	<i>Industrial Commodities Holdings (Pty) Ltd</i>
<i>Amin Ittefaq Rice Mills</i>	<i>Rice Tic South Africa</i>
<i>Ashrafi Food Industries</i>	<i>Crown National (Pty) Ltd</i>

Source: ITC Trade map

### 2.1.4. Men's or Boys' Trousers, Bib and Brace (HS-620342)

This product possesses the potential of USD 200 million approximately. The market share is dominated by China (67%) while, among other regional competitors, India's share is nominal (1.1%). Pakistan has recorded a robust decline of 45 percent whereas CAGR based on 2013-17 also evident a decline. In terms of ECI, Pakistan's ranking has declined.

Table 11: Trade Statistics for 'Mens' or boys' trousers (HS-620342)'

Ranks based on exports	Countries	Value of Exports in 2017	CAGR (2013-17)	Share in South Africa's imports	Unit value	Growth 2016-17	Ranking of partner countries in World	Average tariff	ECI	
									2013	2017
1	China	143.244	-6.42	66.7	12262	9	2	45	2	2
2	Mauritius	40.489	3.41	18.8	35238	0	32	0	1	1
3	Swaziland	15.189	13.79	7.1	14920	30	55	0	3	3
4	Madagascar	3.447	-0.80	1.6	5328	6	42	0	6	4
5	India	2.26	2.68	1.1		25	14	45	8	6
6	Italy	2.113	-3.19	1	91870	-29	5	27	7	5
7	Spain	1.852	22.22	0.9	24368	30	8	27	10	7
8	Germany	1.462	-24.82	0.7	86000	-26	3	27	5	8
9	France	0.965	33.70	0.4	68929	-38	17	27	18	10
10	Pakistan	0.466	-3.57	0.2		-45	15	45	13	14

Source: ITC Trade map

<sup>7</sup><http://www.fao.org/docrep/x7164t/x7164t05.htm>

<sup>8</sup> [https://www.jstor.org/stable/4412746?seq=1#page\\_scan\\_tab\\_contents](https://www.jstor.org/stable/4412746?seq=1#page_scan_tab_contents)



Chinese monopoly is prevalent in the South African market for the product mentioned above. It appears that the trend remained adverse till 2016, however, upticks were recorded in 2017 regarding China. Pakistan's share is only marginal accounting less than 1 percent share in the market.

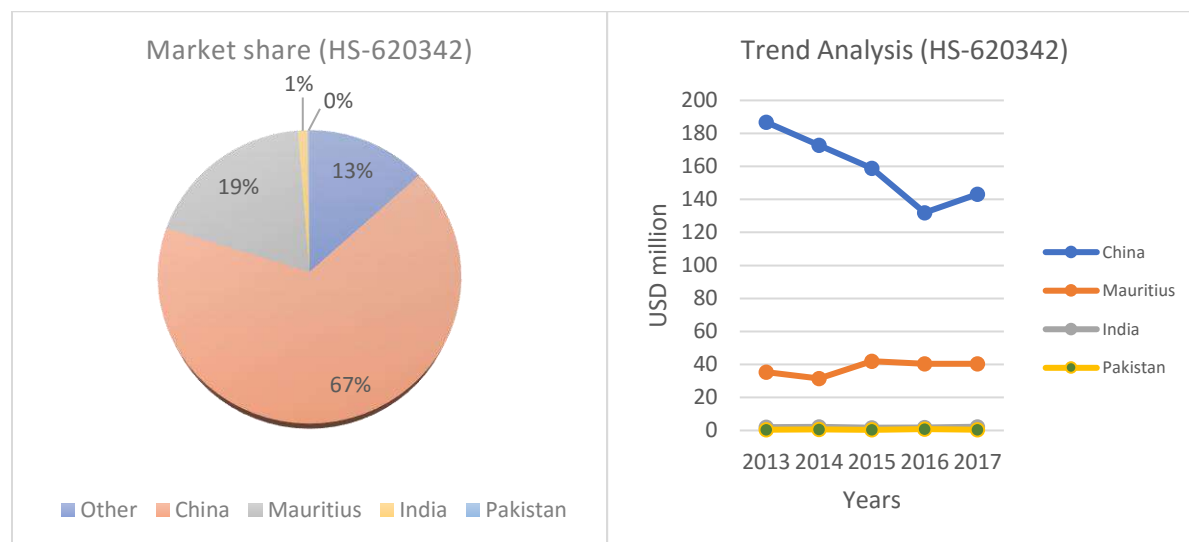


Figure 10: Market share & trend, Mens' or boys trousers (HS-620342)

### Competitors Analysis:

Pakistan major competitors in this market are China, Mauritius, and India. The textile industry is the major export driving industry of Pakistan. Cotton being the prime crop of Pakistan which works as the backbone of the textile industry. The Government of Pakistan has announced 'Prime Minister Trade Enhancement Package' and has paid Rs 25.7 billion by June 2018.

**China:** Its primary strategy is to compete by offering the lower price than India in the South African market as well. It remains one of the primary competitors of Pakistan in most of the markets. It is the largest clothing producer and possesses the largest production capacity. It accounts for a 40 percent share of the world's textile market.

### Competitive strategies of China:

- **E-commerce:** The online retailing method assisted exports through marketing and boosting sale globally, examples in this context includes *Alibaba.com*, *Aliexpress.com*, and many others.
- **Environment-friendly products:** High-tech and green products added value to the exports of China and its green manufacturing products are able to compete with top textile brands. China is the world's largest producer of textile and natural fiber.
- **Skilled-labor:** Low-cost inputs help China in maintaining its competitive position. In 2015, the wage in the textile industry of Chinese labor is 1/18 and 1/21 to the wage rate prevailing in UK and US respectively. Moreover, the average years of education (i.e. 12 years) of labor employed in the textile sector is relatively higher.

**India:** The government has sought multiple ways to enhance the textile exports to the world. Invest India program, a successful story, is the national investment and facilitation agency. Other such programs include the scheme for textile integrated parks and technology upgradation fund scheme.

#### **Competitive strategies of India:**

- **Textile parks:** Scheme for textile integrated parks (SITP) was approved in 2005. It is launched by merging two existing schemes: Apparel Parks for Exports (APE) and Textile Sector Infrastructure Development Scheme. The scheme attracted an investment of INR 3500 crore and remained successful in enhancing the textile sector.
- **Training and consultancy:** Highly skilled labors trained with international skills and standards helped to achieve higher productivity. Moreover, international consulting firms which are specialized and have sound expertise in training textile workforce.

**Mauritius:** It is one of the largest fully-fashioned knitwear producing country and is the main supplier of the value-added products. Mauritius, a south-east African country, strategically located along the trading route between Asia and Africa.

#### **Competitive strategies of Mauritius:**

- **Value-added textile:** The country competes on high value-added products rather than price wars. It came up with an eco-friendly slogan along with other brands.
- **Trade Agreements:** Mauritius is an FTA member of the Common Market for Southern and Eastern Africa (COMSEA) and the Southern Africa Development Community (SADC). These agreements benefited Mauritius in terms of tariff and non-tariff relaxations.
- **Export Promotion Zone:** Mauritius successfully implemented the EPZ program within a country and has boosted the textile sector of the country. It made the sector competitive enough to compete with low-cost input countries like China.
- **Phasing out MFA:** Multi-fibre agreement (MFA) governed the world trade in textile over 1974-2004 by imposing quotas on the amount developing countries could export to developed countries. Mauritius lose out under MFA and phasing out of MFA in January 2005 benefited the country in terms of quota relaxation.

*Table 12: Some Exporters & Importers of 'Mens' or boys' trousers'*

<b><i>Pakistani Exporters</i></b>	<b><i>South Africa Importers</i></b>
<i>3 Star Hoisery Mill</i>	<i>African Ostrich Marketing Trust</i>
<i>Accurate Services Pakistan – Asp</i>	<i>G Fox &amp; Co</i>
<i>Active Apparels International (Private) Limited</i>	<i>Green Cross Manufacturers (Pty) Ltd</i>
<i>Ali Trading Company (Private) Limited</i>	<i>Elegant Travel Goods (Pty) Ltd</i>
<i>Amna Apparels</i>	<i>A Greenaways Natal cc</i>

Source: ITC Trade map

### 2.1.5. Medicaments Consisting of Mixed or Unmixed Products (HS-300490)

The pharmaceutical industry is considered as the backbone of health industry of every country. Low cost of production and the huge potential of the local market has attracted several major multinationals related to pharmaceutical products during the early 1950s. However, there is a number of challenges. For instance, Pakistan does not have WHO/FDA approved facility and the country's reference lab- The Drug Laboratory (DTL) - is not yet approved by WHO.

The statistics depicted in table-13 represents India on the top in terms of export value which is followed by Germany and France. China's share is also weak but has recorded a growth of 18 over 2017-18. However, Pakistan's export performance is quite vulnerable. It has captured nearly no share and has witnessed a negative average annual growth rate of 13.7 percent.

Table 13: Trade Statistics for 'Medicaments (HS-300490)'

Ranks based on exports	Countries	Value of Exports in 2017	CAGR (2013-17)	Share in South Africa's imports	Unit value	Growth 2016-17	Ranking of partner countries in World	Average tariff	ECI	
									2013	2017
1	India	429.037	-0.08	34.6	55,705	20	10	0	7	7
2	Germany	142.647	1.51	11.5	17,305	-6	1	0	9	8
3	France	105.985	-4.34	8.6	81,402	-6	5	0	8	9
4	UK	87.804	-5.86	7.1	31,494	-9	6	0	10	12
5	Belgium	79.662	-10.59	6.4	130,167	38	3	0	1	3
6	Switzerland	71.322	-5.52	5.8	201,879	11	2	0	2	1
7	Netherlands	55.845	-12.32	4.5	524,37	33	7	0	5	6
8	USA	53.869	-8.17	4.3	150,905	-30	4	0	19	17
9	China	8.127	-5.80	0.7	99,183	18	21	0	30	28
10	Pakistan	0.01	-13.67	0	5,000	0	69	0	62	53

Source: ITC Trade map

The Figure-11 below represent the market share and trend analysis of the top competitors of Pakistan in the South African market. The market is nearly unexploited and there exists a huge potential for Pakistani medicaments.

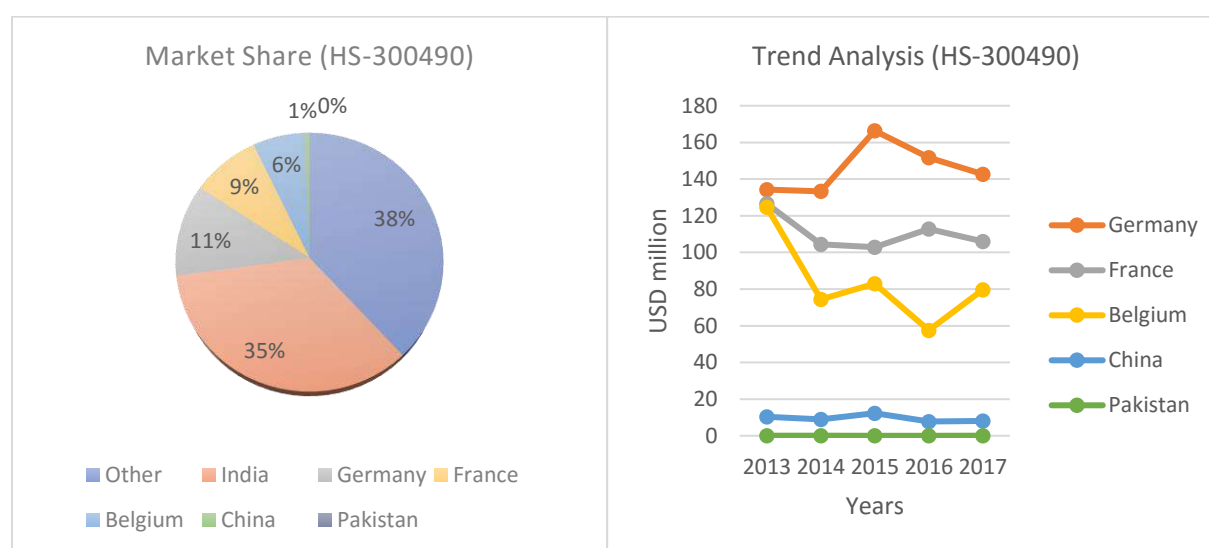


Figure 11: Market share & trend, Medicaments (300490)

### *Competitors Analysis:*

**India:** The Indian pharmaceutical industry is the third largest in terms of volume and thirteenth largest in terms of value<sup>9</sup>. It is the largest provider of generic drugs globally. The Indian drug & pharmaceutical sector has attracted cumulative FDI inflows of USD 13.8 billion over 2000-2016.

#### **Competitive strategies of India:**

- **Bio-friendly products:** Its biotechnology industry comprising bio-pharmaceuticals, bio-services, and bio-agriculture.
- **Government Initiatives:** The government initiative includes National Health Protection Scheme, single-window facility to provide consents and approval by Drug Controller General and ‘Pharma Vision 2020’ aimed at making India a global leader in end-to-end drug manufacturers. Moreover, Indian companies are investing for R&D that made them more competitive and the pharma sector of India is under various branding campaign which enables to sell products with higher per unit value.

**China:** Chinese pharma industry is the second largest after the US. More than 20 percent of the Chinese population is aged over 54 years according to CIA Factbook estimates of 2017, thus, healthcare demand has improved remarkably. The current and anticipated demand has appealed to investors and helped the industry to grow further. The industry has witnessed economies of scale due to large-scale production, therefore, able to offer low price products.

#### **Competitive strategies of China:**

- **Newly-added products:** It has widened drugs basket and has got approval to almost 35 new product launches. More than 300 drugs were added to the National Reimbursement drug list. Chinese pharmaceuticals obtained approval for 38 generic drugs from the US Food and Drug Administration.
- **Artificial Intelligence:** Medical Artificial Intelligence is penetrating so intensely and improving the efficiency of the medical treatment process. For instance, in pathology analysis, the accuracy of the medical imaging diagnosis has reached 99.5%. For innovative Chinese pharmaceuticals, 2018 is being considered as a year full of hopes and opportunities.
- **Made in China 2025:** Prime Minister Xi Jinping identified pharmaceutical to be the part of “Made in China 2025” industry plan. The sector has been enhancing and the biggest Chinese pharma ‘Jiangsu Hengrui’ has a market capitalization of USD 35 billion which is about 1/10<sup>th</sup> of Johnson & Johnson’s.

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<sup>9</sup> <https://www.ibef.org/archives/detail/b3ZlcnZpZXcmMzcwMDYmOTA>

Table 14: Some Exporters & Importers of 'Medicaments'

<b>Pakistani Exporters</b>	<b>South Africa Importers</b>
<i>Abbott Laboratories Pakistan Limited</i>	<i>Abbott Laboratories Regional Africa (Pty) Ltd</i>
<i>Adamjee Pharmaceutical Pvt Ltd</i>	<i>ACS Promotions (Pty) Ltd</i>
<i>Agp (Private) Limited - Agp Private Limited</i>	<i>AEC Amersham (Pty) Ltd</i>
<i>ATCO Laboratories Limited</i>	<i>Akacia Health Care (Pty) Ltd</i>
<i>Bosch Pharmaceuticals (Private) Limited</i>	<i>Alcon Laboratories South Africa (Pty) Ltd</i>

Source: ITC Trade map

The Table-15 summarize the potential products and statistics related to these products.

Table 15: Potential products highlights

<b>Potential Product Highlights</b>
<p><b>Paper and Paperboard (HS-481159)</b></p> <p><u>Trade potential:</u> USD 74 million</p> <p><u>Primary competitors:</u> Brazil, India, Turkey</p> <p><u>Edges to Pakistan:</u> Low unit value</p> <p><u>Challenges to Pakistan:</u> Premature paper industry, low scale forestation, share declined 2016-17, no marketing activity.</p>
<p><b>Instrument and Appliances used in Medical (HS-901890)</b></p> <p><u>Trade potential:</u> USD 333 million</p> <p><u>Primary competitors:</u> Germany, USA, China</p> <p><u>Edges to Pakistan:</u> Share increased, low unit value</p> <p><u>Challenges to Pakistan:</u> Premature paper industry, share declined 2016-17, less value-added products</p>
<p><b>Semi and Wholly Milled Rice (HS-100630)</b></p> <p><u>Trade potential:</u> USD 448 million</p> <p><u>Primary competitors:</u> Thailand, India</p> <p><u>Edges to Pakistan:</u> Production increased, new hybrid seeds available, Guard Research: 2 million tons more rice would be available in next three years.</p> <p><u>Challenges to Pakistan:</u> Relatively large irrigatable area in India, e-selling methods.</p>
<p><b>Men's or Boys' Trousers, Bib and Brace (HS-620342)</b></p> <p><u>Trade potential:</u> USD 198 million</p> <p><u>Primary competitors:</u> China, India, Mauritius</p> <p><u>Edges to Pakistan:</u> Product of strength, FDI attractive sector</p> <p><u>Challenges to Pakistan:</u> China and Mauritius captured major market share, Mauritius faces 0% tariff and Pakistan faces 45% tariff.</p>
<p><b>Medicaments (HS-300490)</b></p> <p><u>Trade potential:</u> USD 71 million</p> <p><u>Primary competitors:</u> India, China</p> <p><u>Edges to Pakistan:</u> Low unit value, level playing field</p> <p><u>Challenges to Pakistan:</u> No WHO certified laboratories, licensing and regulatory issues.</p>

Source: ITC Trade map

### 3. NON-TARIFF MEASURES

#### Import Requirements and Documentation:

1. **Bill of Lading:** Customs in South Africa requires one negotiable and two non-negotiable copies of the bill of lading.
2. **Declaration of Origin:** A declaration of origin form, DA59 is to be used when the rate of duty is lower than the general rate as well as for goods subjected to antidumping and countervailing duties.
3. **Commercial Invoice:** One original and four copies of commercial invoice are required.
4. **Insurance Certificate:** In the case of sea freight, one copy of the insurance certificate is required.
5. **Packaging List:** Three copies of the packaging list are required.

Further details can be found at the South African Bureau of Standards (SABS<sup>10</sup>) website. It is the national standard body that oversees labeling and marking.

### 4. DEMAND AND SUPPLY SIDE ISSUES

#### Demand-side Issues:

Pakistan export to South Africa is highly correlated with economic conditions of South Africa. It suggests that Pakistan's export basket regarding South Africa is heavily weighted with elastic commodities whose demand can be adjusted with economic conditions. In addition to this, population growth rate of South Africa (i.e. 1.6 percent) is greater than the real GDP growth rate (i.e. 0.7 percent). It implies that less income would be distributed over a greater number of people as compared to the previous year thus depressing the purchasing power of the individuals which in turn may decrease demand. Moreover, the exchange rate of South Africa remained volatile and decline of rand also discourages their imports.

Since 2012, the South African government has tightened labor and foreign ownership laws and encourages local industrialization<sup>11</sup>.

#### Supply-side Issues:

A troublesome supply-side condition hampers Pakistan's export to South Africa. Cement remained the major export commodity to South Africa has imposed to antidumping duties in the last few years. Pakistani officials have decided to drag South Africa to WTO over the issue. In addition to this, Pakistan's business conditions are relatively poor than regional competitors. Moreover, South Africa has a complex import process. Over 90,000 product tariff codes that are strictly imposed on all imports defined by South African Revenue Service<sup>12</sup>.

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<sup>10</sup> <https://www.sabs.co.za/>

<sup>11</sup> <https://www.export.gov/article?id=South-Africa-market-challenges>

<sup>12</sup> <https://www.export.gov/article?id=South-Africa-import-requirements-and-documentation>

### **Business conditions comparison:**

The table-16 below depicts the indicators related to competitiveness and business environment. According to GCI, Pakistan's performance is poorest among the regional competitors. Moreover, in the context of Ease of Doing Business ranking Pakistan only manage to perform better than Bangladesh.

*Table 16: World comparison indices*

	<b>Total Countries</b>	<b>Pakistan</b>	<b>India</b>	<b>China</b>	<b>Bangladesh</b>	<b>Nepal</b>	<b>Sri Lanka</b>	<b>Bhutan</b>
<b>Global Competitiveness Index (GCI)</b>	137	115	40	27	99	88	85	82
<b>Ease of Doing Business Index (EOB)</b>	190	147	100	78	177	105	111	75
<b>Economic Freedom Index (EFI)</b>	180	131	130	110	128	133	111	87

Source: World Economic Forum, World Bank

Next is the comparison of tariffs and wages of Pakistan with India and China. It can be seen that inputs are relatively expensive for Pakistan.

*Table 17: Tariff Comparison*

	<b>Labor cost (US\$ /month)</b>	<b>Electricity cost (US cents/KwH)</b>	<b>Gas Cost (US\$ /MMBTU)</b>
<b>Pakistan</b>	143	14	5.72
<b>Bangladesh</b>	65	11	2.52
<b>India</b>	81	8	2.80

Source: Pakistan Business Council

## **5. MARKET INITIATIVES BY TDAP**

Trade Development Authority of Pakistan (TDAP) has played a vital role in promoting exports and facilitating trade activities. A list of international fairs to be held in South Africa forming part of TDAP's annual exhibition calendar for 2017-18 is provided in Table-18.

*Table 18: International Trade Fairs*

<b>S.No.</b>	<b>Details of Events</b>	<b>Dates</b>	<b>Products</b>
1	Automechenika, Johannesburg, South Africa	2017	Automotive
2	Africa Health Expo (AFH), Johannesburg, South Africa	2017-18	Surgical & Pharmaceutical
3	Pro Beauty, Johannesburg, South Africa	2017-18	Beauty Products
4	SECUREX 2017/18 Johannesburg, South Africa	2017-18	Security and fire industries
5	Cape Argus Sports Show 2018, South Africa	2018	Sporting goods

Source: Trade Development Authority of Pakistan International Exhibition Calendar



## 6. SWOT ANALYSIS

### Strengths:

- The export basket of Pakistan regarding South Africa is relatively diversified. The top exports range from textile, leather, paper & paperboard, article of bedding, and surgical instruments.
- The product **‘Instrument & appliances (HS-901890)’** also strengthening its position as the share has increased by 53 percent. There is no real competitor of Pakistan of these products and the product complements the health industry of South Africa.
- The successive rounds of rupee depreciation since December 2017 favors Pakistan’s exports to South Africa. The weaker currency lowers the average unit price of the product to be exported and inflate the quantity if the product is responsive enough. There is some evidence that Pakistan’s export basket is weighted with the elastic nature of products.

### Weaknesses:

- Pakistan’s import from South Africa is heavily weighted by **‘Bituminous coal (HS-270112)’** and the share has increased by 365 percent, depressed the trade balance.
- No trade agreement also serves as a potential weakness. For instance, in exporting **‘Men's or boys' trousers, bib and brace (HS-620342)’** Pakistan; Swaziland, Madagascar, and Mauritius face duty-free access while Pakistan faces 45 percent tariff.
- There is a mismatch of Pakistan export basket and South African import basket. Major imports of South Africa comprise of Machinery & Equipment, Chemicals, Petroleum products, scientific instruments, and foodstuffs. While Pakistan’s export strength lies on products like textile, foodstuff, pharmaceutical etc.
- Pakistan is continuously losing its share of cement after imposition of antidumping duties on these products. The value of ‘Portland Cement’ has declined from USD 54.3 million to USD 3.5 million.

### Opportunities:

- The market possesses an untapped potential of USD 1.6 billion for top-11 potential products. All these products are of major strength for Pakistan.
- The product **‘Semi-wholly milled rice (HS-100630)’** has the potential of USD 448 million alone. The rice is among the primary exports of Pakistan and Africa is considered among the top importing region of rice.
- Cement products are much in demand in South Africa and remained the major export item of Pakistan to South Africa before antidumping duties. Pakistani official should bargain the terms in order to regain its lost share.
- Trade agreement between Pakistan and South Africa is a considerable opportunity. Pakistan overall export basket is heavily dominated by textile products but South Africa’s stance in this regard is protectionist therefore tariff rationalization would benefit Pakistan. On the other hand, Pakistan mainly imports high-yield coal from South Africa which

complements power projects of Pakistan under CPEC which implies that tariff reduction for such product is also in the favor of Pakistan.

### Threats:

- SACU-India Preferential Trade Agreement is under negotiation which serves as a threat to Pakistani exports to South Africa. India remained regional competitor of Pakistan in most of the markets. Moreover, because of similar geographical locations both Pakistan and India have similar export baskets.
- The strong correlation exists between Pakistan exports to South Africa and the macroeconomic conditions of South Africa. The country (South Africa) had faced poor economic conditions till 2016, however, a little reversal is witnessed in 2017.

## 7. CONCLUSION/ RECOMMENDATION

The trade balance is continuously shifting in favor of South Africa since 2014. The biggest chunk of Pakistan imports from South Africa is driven by coal. First, six months of 2018 posted adverse trend as an export decline by 0.72 percent and imports increased by 57.6 percent year-on-year basis.

- Textile remained the major strength of Pakistan's export potential, however, South Africa stance is protectionist in terms of textile-related products. The products of Chapter 55 and 63, appeared in top-15 exports items, are subjected to the tariff of 22 percent and 30 percent respectively. Tariffs should be negotiated in order to promote textile exports in the South African region.
- Pakistani cement is exposed to antidumping duties from South Africa. It is needed to be relaxed and the necessary measures should be taken to regain the market share.
- Rice remained the major strength of Pakistan but the share has been declining while the share of Thailand has increased. The '**Semi and Wholly Milled Rice (HS-100630)**' bears zero tariffs, while it is exposed to 35 percent tariff in Kenya. It implies that the South African market for rice remained untapped for Pakistan.
- The market is open for medicaments and surgical instruments and the products are highly demanded. Products '**Instrument & appliances used in medical (HS-901890)**' and '**Medicaments consisting of mixed or unmixed products (HS-300490)**' together account the potential of USD 400 million but Pakistan's existing share for the same is 2.6 percent and 0 percent respectively.
- It also recommended organizing the single country exhibition in order to diversify the existing product basket. Moreover, the Trade Development Authority of Pakistan should assist exporters (especially textile) to participate in existing exhibitions.
- Pakistan should consider a Free Trade Agreement with South Africa. It would be beneficial in the following context:
  - ▲ The South African market is quite big with total imports of USD 83 billion and well-diversified import basket, therefore, possess immense potential.
  - ▲ Textile products are subjected to tariffs up to 40 percent while competitors like Mauritius faces no tariff. Aggressive negotiation would ultimately reap benefits.

- ▲ South African coal complements coal-power projects of Pakistan under CPEC. Under FTA, any tariff relaxation would benefit both Pakistan and South Africa. Tariff-free entry of coal allows Pakistan to produce low-cost electricity.

**ANNEXURE**  
**Pakistan exports to South Africa (Commodity Group-wise)**

		Exports 2017-18	% Share	Exports 2016-17	% share	Change in value	% Change
<b>Overall</b>		173,942	0.75	169,915	0.83	4,027	2.37
	<b>Product Increase</b>			<b>Product Decrease</b>			
<b>Commodities</b>	<b>2017-18</b>	<b>2016-17</b>	<b>% Change</b>	<b>Commodities</b>	<b>2017-18</b>	<b>2016-17</b>	<b>% Change</b>
Art Silk & Synthetic Tex.	22,592	15,584	45.0	Cotton Cloth	41,021	45,696	
Cement	7,323	3,110	135.5	Paper & Paper Board	5,670	9,623	(41.1)
Surgical Goods, Medical	7,204	4,015	79.4	Bed Wear	6,485	8,685	(25.3)
Knitwears	7,613	5,833	30.5	Leather Footwear	1,216	2,005	(39.4)
Leather Gloves	4,228	3,079	37.3	Cotton Yarn	365	1,022	(64.3)
Machinery Specialized	1,837	761	141.4	Leather	8,165	8,651	(5.6)
Towels	10,585	9,569	10.6	Rice Other Varieties	2,086	2,549	(18.2)
Tex.Made Ups (Exc.T.& Bed).	7,184	6,273	14.5	Wol. Carpets & Rugs	1,056	1,421	(25.7)
Rice Basmati	2,295	1,472	55.9	Spices (Incl. Chillies)	619	945	(34.5)
Un-Manuf. (Tobacco)	770	-	-	Plastic Materials	557	875	(36.3)
Sugar Refined	664	-	-	Oth. Leather Manuf.	160	469	(65.9)
House-Hold Equipment	1,070	589	81.7	Other Machinery	1,319	1,536	(14.1)
Fruits	832	555	49.9	Guar And Guar Products	213	406	(47.5)
Other (Sports)	1,969	1,735	13.5	Fish & Fish Prep.	-	147	(100.0)
Other Footwear	231	22	950.0	Yarn Oth.Than C. Yarn	47	175	(73.1)
Oth.Electrical Machinery	129	9	1,333.3	Carpets Knotted & Other	21	91	(76.9)
Other Chemical	780	665	17.3	Ready Made Garments	4,336	4,397	(1.4)
Fruit & Veget. Juices	181	115	57.4	Pharmaceutical Prod.	106	163	(35.0)
Electric Fans	193	130	48.5	Auto Parts	105	151	(30.5)
Apparel & Clothing	2,600	2,542	2.3	Tents & Oth.Canvas Goods	-	33	(100.0)
Transport Equipment	89	32	178.1	Foot Balls Complete	1,479	1,503	(1.6)
Articles Of Plastic	71	35	102.9	Cotton Thread	34	56	(39.3)
Handicrafts	45	31	45.2	Gloves (Sports)	844	865	(2.4)
Furniture	24	10	140.0	Tex. Fabrics Woven (Other	5	21	(76.2)
Vegetables	129	120	7.5	Kintted Or Croch. Fabrics	11	23	(52.2)
Cutlery	281	272	3.3	Rubber Manufactures	1	12	(91.7)
Jewellery	8	-	-	Books & Printed Matters	36	45	(20.0)
Tule, Lace, Embroid. Etc	104	97	7.2	Waste Material Of Tex.	118	126	(6.3)
Onyx Manufactured	3	-	-	Cotton Waste	442	448	(1.3)
Wol.Carpet Machine Made	2	-	-	Feed. Stuff For Animals	1	5	(80.0)

Raw Wool	2	-	-	Cotton Bags/Sacks	-	2	(100.0)
Wheat Flour	22	21	4.8	Textile For Machinery	-	1	(100.0)
Oil Seeds Nuts& Kernals	1	1	0.0	Other Commodities	16,363	21,091	(22.4)
<b>TOTAL</b>	<b>81,061</b>	<b>56,677</b>	43.0	<b>TOTAL</b>	<b>92,881</b>	<b>113,238</b>	(18.0)
	<b>92,881</b>	<b>113,238</b>	<b>(18)</b>				
	173,942	169,915	25				

Source: Pakistan Bureau of Statistics

**PAKISTAN EXPORTS TO SOUTH AFRICA (HS-06-DIGIT)**

S.No.	HS-codes	Product Name	Value in 2013	Value in 2014	Value in 2015	Value in 2016	Value in 2017	% Change	Mkt share	Tariff
	'TOTAL	All products	289.18	290.23	222.83	163.38	171.60	5.03	0.00	
1	'551341	Plain woven fabrics containing predominantly	22.03	21.01	15.42	10.01	10.08	0.65	0.99	22
2	'630260	Toilet linen and kitchen linen	10.55	8.12	12.46	11.28	9.87	(12.51)	0.22	30
3	'521021	Plain woven fabrics of cotton,	11.73	12.01	8.64	8.74	8.55	(2.15)	10.91	22
4	'940490	Articles of bedding and similar furnishing	5.87	5.32	5.11	5.71	7.17	25.56	0.32	20
5	'481159	Paper and paperboard	0.93	2.98	5.05	7.76	6.98	(9.97)	0.09	2
6	'721049	Flat-rolled products of iron or non-alloy steel	6.49	5.73	2.78	6.57	6.97	6.09	0.07	10
7	'901890	Instruments and appliances used in medical	6.30	4.88	4.45	4.37	6.70	53.54	0.02	0
8	'520812	Plain woven fabrics of cotton	2.69	2.24	2.37	4.02	6.54	62.65	1.13	22
9	'551321	Plain woven fabrics containing predominantly	11.59	10.68	9.48	5.44	6.30	15.77	0.39	22
10	'630239	Bedlinen of textile materials	12.71	10.98	9.39	8.14	6.29	(22.68)	5.79	30
11	'630710	Floorcloths, dishcloths	3.83	3.85	4.52	4.25	6.28	47.77	0.72	30
12	'520831	Plain woven fabrics of cotton	2.68	2.30	2.64	2.13	4.89	129.27	10.84	22
13	'410712	Grain splits leather	4.42	2.97	5.74	2.80	4.15	47.90	1.04	5
14	'420329	Gloves, mittens and mitts	4.90	4.87	3.94	3.37	3.99	18.56	0.55	20
15	'252329	Portland cement	54.21	80.95	35.50	3.40	3.50	2.94	0.28	0

Source: ITC Trade map

**PAKISTAN IMPORTS FROM SOUTH AFRICA (HS-06-DIGITS)**

S. No.	HS-codes	Product Name	2013	2014	2015	2016	2017	% Change	Share in Pk imports	Tariff
	TOTAL	All products	287.948	440.051	483.352	505.154	1043.858	106.64	2	
1	'270112	Bituminous coal	2.524	0	0	154.408	718.905	365.59	79	3
2	'720449	Waste and scrap of iron or steel	18.147	36.361	47.893	44.222	74.421	68.29	9	9
3	'270119	Coal, whether or not pulverised, non-agglomerated	145.299	250.283	285.4	195.97	61.381	(68.68)	49	11
4	'520100	Cotton, neither carded nor combed	3.527	2.463	22.169	19.044	52.74	176.94	7	3
5	'720441	Turnings, shavings, chips, milling waste	26.814	58.335	58.867	29.25	35.711	22.09	7	3
6	'760110	Aluminium, not alloyed, unwrought	0	0	1.398	0	10.914	-	15	3
7	'890510	Dredgers	0	0	0	0	7.648	-	31	3
8	'721012	Flat-rolled products of iron or non-alloy steel	2.394	3.236	4.293	5.209	7.6	45.90	18	16
9	'721049	Flat-rolled products of iron or non-alloy steel	12.871	10.676	3.024	3.054	5.363	75.61	4	16
10	'720430	Waste and scrap of tinned iron or steel	18.568	16.591	10.37	4.661	5.329	14.33	14	3
11	'290512	Propan-1-ol "propyl alcohol" and propan-2-ol	1.478	3.406	4.193	2.933	4.488	53.02	27	3
12	'870323	Motor cars and other motor vehicles	0	0	2.438	3.487	4.355	24.89	1	92
13	'320290	Inorganic tanning substances; tanning preparations	4.427	4.398	2.533	2.783	4.127	48.29	41	16
14	'720838	Flat-rolled products of iron or non-alloy steel	5.056	2.936	0	0.212	4.071	1,820.28	34	16
15	'721030	Flat-rolled products of iron or non-alloy steel,	0.773	1.225	0.752	1.871	3.939	110.53	7	16

Source: ITC Trade map