A
GLOBAL / COUNTRY STUDY REPORT
ON
"SOUTH AFRICA"

Submitted to

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PART I

OVERVIEW OF SOUTH AFRICA

1.
HISTORY & CULTURE

The 1910 Act of Union united two British colonies and two independent republics into the Union of South Africa. After the establishment of the first colonial outpost of the Dutch East India Company at Cape Town in 1652, South Africa became a society officially divided into colonizer and native, white and nonwhite, citizen and subject, employed and indentured, free and slave. The result was a fragmented national identity symbolized and implemented by the white minority government's policy of racial separation. Economic status has paralleled political and social segregation and inequality, with the black African, mixed-race ("Coloured"), and Indian and Pakistani ("Asian") population groups experiencing dispossession and a lack of legal rights. Since the first nonracial elections in 1994, the ruling African National Congress (ANC) has attempted to overcome this legacy and create unified national loyalties on the basis of equal legal status and an equitable allocation of resources.

POPULATION

The population is approximately forty million, and is made up of eight officially recognized Bantu-speaking groups; white Afrikaners descended from Dutch, French, and German settlers who speak Afrikaans, a variety of Dutch; English-speaking descendants of British colonists; a mixed-race population that speaks Afrikaans or English; and an immigrant Indian population that speaks primarily Tamil and Urdu. The largest language group, the Zulu, numbers about nine million but does not represent a dominant ethnic grouping. Black Africans make up about seventy-seven percent of the population, whites about eleven percent, Colored's about eight percent, Indians over two percent, and other minorities less than two percent. Most South Africans live in urban areas, with twenty percent of the population residing in the central province of Gauteng, which contains Johannesburg, the surrounding industrial towns, and Pretoria, the administrative capital.

CULTURE

South Africans have been referred to as the 'rainbow nation', a title which epitomizes the country's cultural diversity. In rural African communities, women historically were assigned to agricultural tasks (with the exception of herding and plowing), and to domestic work and child care. Men tended livestock, did heavy agricultural labor, and ran local political affairs. With the dispossession of the African peasantry, many men have become migrant laborers in distant employment centers, leaving women to manage rural households. In cases where men have not sent their wages to rural families, women have become labor migrants. This pattern of female labor migration has increased as unemployment has risen among unskilled and semiskilled African men

PEOPLE

Male dominance is a feature of the domestic and working life of all the nation's ethnic groups. Men are by custom the head of the household and control social resources. The disabilities of women are compounded when a household is headed by a female single parent and does not include an adult male. The new democratic constitution is based on global humanitarian principles and has fostered gender equality and other human rights.

Pre-Christian marriage in black communities was based on polygon and bride wealth, which involved the transfer of wealth in the form of livestock to the family of the bride in return for her productive and reproductive services in the husband's homestead. Christianity and changing economic and social conditions have dramatically reduced the number of men who have more than one wife, although this practice is still legal.

WOMEN AND CHILDREN

In rural African communities, the domestic unit was historically the homestead, which consisted of a senior man and his wives and their children, each housed in a small dwelling. By the mid-twentieth century, the typical homestead consisted more often of small kindred’s composed of an older couple and the younger survivors of broken marriages. The multiform family house has largely replaced or augmented the multi-dwelling homestead, just as nuclear and single-parent families have supplanted polygynous homesteads.

FAMILY

Inheritance among white, Colored, and Indian residents is bilateral, with property passing from parents to children or to siblings of both sexes, with a bias toward male heirs in practice. Among black Africans, the senior son inherited in trust for all the heirs of his father and was responsible for supporting his mother, his junior siblings, and his father's other wives and their children.

2.

GEOGRAPHY

GEOGRAPHY OF SOUTH AFRICA

South Africa is found at the southernmost region of Africa, with a long coastline that reaches more than 2,500 km (1,553 mi) and along two oceans (the South Atlantic and the Indian). At 1,219,912 km2 (471,011 sq mi), South Africa is the 25th-largest country in the world and is almost the size of Colombia.

The Republic of South Africa spans 3 000 km from the South Atlantic to the Indian Ocean and covers an area of 1.221 million km. The major part of the country has an elevation of between 1200 and 1800 m. South Africa is situated within the temperate zone. It has an average rainfall of 511 mm per annum, but has wide interfere and interregional differences with rainfall diminishing towards the west. This diversity of local climates limits the negative effects of severe droughts and offers some protection against general crop failures.

Location of South Africa is on the very southern tip of Africa; it is a republic which is surrounded by land at the top and the two oceans, Indian Ocean and Atlantic Ocean.

Geographical location of South Africa is 25 °43'S, 28°17'E and it lies in the southern hemisphere.The Republic of South Africa is between 22 and 35 degrees south latitude and 17 to 33 degrees east latitude. The area of the country consists of 1,219,912 square kilometres, equivalent to five times the size of Britain. South Africa is been divided into nine provinces: Gauteng, Limpopo, Northern Cape, Mpumalanga, Free State, KwaZulu-Natal, North West Province, Eastern Cape and Western Cape.

The Republic of South Africa covers an area of 122 million hectare of which 18 million hectare is potential land for cultivation. 8% the potential arable lands are under irrigation, which accounts for nearly half of the water requirement in South Africa. With a population of 42 million and an estimated annual population growth of 1, 7%, urbanization and industrialization will increase the pressure on the availability of water resources and the allocation thereof in South Africa.

IRRIGATION AND FOREST AREA OF SOUTH AFRICA

Only 14% (17 million ha) of the total area of South Africa is suitable for rained crop production and a mere 3% of this area is high potential land. The area under forestry and peri-urban smallholdings accounts for some 3 million ha of the better soils, therefore the theoretical area for horizontal expansion is limited to some 200 000 ha. The soil mantle is highly complex and diverse with more than 70 soil forms. The wide range of soils in South Africa arose largely due to various soil-forming factors which depend on parent material, climate and topography.

ROAD DENSITY AND PENETRATION

In 2002 the country had 362,099 km of highways, 73,506 km (17%) of which was paved (including 239 km of expressways). South Africa's total road network is about 754 000 kilometers, of which over 70 000km are paved or surfaced roads. The drive from Musina on South Africa's northern border to Cape Town in the south is a 2,000km journey on well-maintained roads.

Around 3 000km of the national roads are toll roads. About 1 800km of these are maintained by Sanral, while the rest have been concessioned to private companies to develop, operate and maintain. A multi-billion rand freeway improvement scheme has significantly eased congestion on the roads in Gauteng, the country's busiest province.

The national speed limit is between 40 or 80 km/h in residential areas and 120 km/h on national roads/freeways/motorways.

National Roads are designated with the letter N followed by a number indicating the specific route. On signs national roads are shown by a pentagon with the number of the road inside.

3.

Political & Legal Framework of South Africa

MAJOR LAWS GOVERNING AND AFFECTING INTERNATIONAL TRADE

The constitution of South Africa provides for an independent judiciary and the Constitutional Court is the country's highest court of appeal. Alongside the Constitutional Court, the Supreme Court also shares the position of the highest court in the country.
All legal systems deal with the same basic issues, but jurisdictions categories and identify its legal subjects in different ways.

ADMINISTRATIVE LAW

Administrative law is the chief method for people to hold state bodies to account. People can apply for judicial review of actions or decisions by local councils, public services or government ministries, to ensure that they comply with the law.

IMPORT AND EXPORT

Customs procedures affect new business operations in many areas. Most firms rely on imports for initial capital equipment and for needed production materials and supplies. Exporting firms rely on timely clearances to expedite shipments and for documentation to secure rebates.

Import permits

Most goods may be imported into South Africa without restriction. However, the importation of certain goods specified by government notice is permitted only subject to the issuance of an import permit.

- All second-hand goods, including waste and scrap of whatever nature, require an import permit. For goods subject to restriction, importers must be in possession of the required permit before the date of shipment.
- The International Trade Administration Commission of South Africa (ITAC) controls the issuing of permits.
- For a complete list of goods currently subject to import control, an importer should approach the ITAC.

Export permits

A number of products are currently subject to export control and licensing. Exporters should apply directly to the government agency that controls the specific permit in question.

- Currently restrictions exist on strategic goods (exhaustible resources); agricultural products and metal waste and scrap.
- Metal scrap must first be offered to downstream manufacturers at a discount to the price at which it can be exported (15% discount for non-ferrous; 7, 5% for ferrous). If manufacturers turn down the offer, an export permit may be issued.

COMPETITION LAW

South Africa has a well developed and regulated competition regime based on best international practice. Our economic system is predominantly based on free market principles, however, as in most developed economies, competition is controlled. In South Africa the Competition Act, No. 89 of 1998, (the "Competition Act") is the predominant mechanism which aims to keep competition in check.

ENVIRONMENTAL LAW

South Africa's environmental management authorities continuously upgrade legislation to meet international environmental standards. Government departments and provinces have embarked on environmental implementation and management programmers aimed at enhancing uniformity of norms, standards and levels of implementation.

National Environmental Management Act (NEMA) 100 of 1998

NEMA is the overarching environmental Act for South Africa. The Act requires compliance with international sustainable development and environmental principles, inter alia: Giving people access to the judiciary to protect their rights.

LABOUR LAWS

New labor laws have been introduced in South Africa to:

- Regulate the relationship between employers and employees
- Provide basic employment standards for employees
- Advance historically disadvantaged employees in the workplace; and,

- Improve the skills of employees

INFORMATION TECHNOLOGY LAW

The information technology ("IT") sector is not heavily regulated in South Africa. However, there are legislative enactments in force that regulate elements of IT such as e-commerce, privacy and data protection and access to information.

- Information over the internet is not generally regulated by statute, except in relation to specific areas such as online gambling and child pornography.
- Common law protections exist in relation to defamatory material that is published online.

Global Competitiveness: South Africa in the past decade (democratic) is driving for change at an accelerated pace. Science and Technology is at its highest sustainability with the introduction to: biotechnology, information and laser technologies, and technology for reducing poverty

LAWS GOVERNING ENTRY OF FOREIGN BUSINESS ENTITIES MERGERS/ACQUISITIONS UNDER THE COMPETITION ACT AND TAKEOVER REGULATIONS

- Mergers and acquisitions in South Africa are subject to screening and approval under the Competition Act (1998, as amended), with the key exception of the banking sector,
- There are no formal distinctions drawn between foreign and domestic mergers under the Act. The Act defines a merger as occurring when "one or more firms directly or indirectly acquire or establish direct or indirect control over the whole or part of the business of another firm".
- Mergers/acquisitions with a proposed value above a rand threshold require the approval (with or without conditions) of either the Competition Commission for intermediate-sized transactions or the Competition Tribunal for large mergers.

FDI (FOREIGN DIRECT INVESTMENT)

More generally, inward FDI is subject to the requirements of the Companies Act (2008) supporting corporate governance, and, in particular, mergers and acquisitions (domestic and foreign) must comply with takeover regulations, to be administered by the Takeover Regulation Panel (building on the previous Securities Regulation Panel).

- Cross-border direct investment is widely viewed as beneficial for South Africa because of the expected impact on employment, productivity and growth, including the transfer of skills and technology from multinational parent to the host economy, spillovers through the creation of linkages with domestic firms, and prospects for stronger integration with international markets. Internationally, these potential gains form the basis for policy intervention to encourage FDI, reflected in targeted investment incentives (both sectoral and vocational) and associated investment promotion activities.
- A policy stance of encouraging inward investment does not necessarily imply an assumption that all FDI is equally beneficial, however.

4.

Trade, Commerce & Industry

South Africa is regarded as a fairly rich middle-income country. Primary sector contribution of agricultural industry to GDP was about 3%. With respect to secondary market, its contribution to GDP was about 31.2% while highest contribution of services sector was 65% that shows South Africa is going on the path of to be developed countries. The mining industry still plays a prominent part.

Primary / Agricultural sector`s contribution exports constituted 8% of total exports for the past five years. The agricultural industry contributes around 10% of formal employment contributing around 3.6% of GDP for the nation. South Africa is among the world's top five exporters of avocados, grapefruit, tangerines, plums, pears, and table grapes and ostrich products. Wine, citrus, sugar, grapes, maize, fruit juice, wool, and deciduous fruit such as apples, pears, peaches and apricots. Secondary / Manufacturing sector is relatively small, providing just 13.3% of jobs. Major manufacturing industries are automotive industry, pharmaceuticals, Chemical Industry, Metal industry and Textile, Clothing and Footwear Industry.

Major Service related industries are tourism industry, electronics, Outsourcing. South Africa is the 20th largest consumer of IT products and services in the world. South Africa has also established itself as a quality, low-cost call centre destination. It is among the top 30 software development outsourcing destinations. South Africa is well placed to become a favored international location for business process outsourcing.

South African economy is based on foreign trade. More than half of the gross national product (GNP) is achieved through exports and imports. Chief exports include corn, diamonds, fruits, gold, metals and minerals, sugar, and wool. Machinery and transportation equipment make up more than one-third of the value of the country’s imports. Other imports include chemicals, manufactured goods, and petroleum.

Principal international trading partners of South Africa—besides other African countries—include Germany, the United States, China, Japan, the United Kingdom and Spain.

SA provides various incentives for exporters like Export credit incentives, Export credit insurance, Customs and Excise duty refunds. And implies regulations on importers to safeguard the local industries. . The NIP programme is mandatory on all government and other purchases or lease contracts (goods and services) with an imported content equal to or exceeding US$10 million.

Country`s political and legal environment is very favorable for industrial development. Banks and financial intermediaries are in sound condition. SA has world class infrastructure of road, rail, ports etc. It is the world's largest producer and exporter of gold and platinum and also exports a significant amount of coal.

South Africa was found to have the second most sophisticated financial market and the second-lowest effective business tax rate. It stands sixth for its transport infrastructure (considered better than that of China, India, Mexico, Brazil and Poland, but behind that of Korea and Chile), and seventh for Foreign Direct Investment as a percentage of GDP.

South African agriculture and agribusiness have a number of competitive advantages, making the country both an important trading partner and a viable investment destination like World-class infrastructure of Marine resources, Railways, Electricity is still relatively inexpensive, and labor rates are also competitive.

South Africa is falling behind other emerging markets, such as India and China, owing to several factors: the country is relatively small, without the advantage of a huge domestic customer base; it has had for decades an unusually low rate of saving and investment, partly because of political uncertainties; an inadequate education system results in an acute shortage of skilled manpower; The cost of manual labor is more expensive than Brazil, India and China. A strong and volatile currency deters investors and makes its exports less competitive; the infrastructure, though far better than in the rest of Africa, suffers from severe bottlenecks, including power shortages, and urgently needs upgrading.

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Import from South Africa to India include rock phosphates, precious stones and minerals, fertilizers, steel, coal, transport equipment, pulp and pulp manufacturing, etc.

India’s Exim Bank has extended Lines of Credit (LOCs) to support export of eligible goods on deferred payment terms. These Lines of Credit seek to expand export of product groups identified as those with potential to enhance trade between two regions. Total bilateral trade between India and South Africa is approaching Rand 6.5 billion, with imports from India at Rand 3.12 billion and exports to India at Rand 3.35 billion.

5.

Macro-Economic Environment

South Africa is the economic powerhouse of Africa, leading the continent in industrial output and mineral production continent in industrial output and mineral production and generating a large proportion of Africa's electricity. It accounts for 24% of Africa's GDP; but a quarter of its population is unemployed. Development in South Africa is centered on four regions: Cape Town, Port Elizabeth, Durban and Pretoria-Johannesburg.

In South Africa the business cycle reached to turning point in August 2009. Real GDP recovered from -1.7% in 2009 to 2.8% in 2010; this rate of GDP growth remained clearly below potential, estimated around 4% per annum for South Africa. GDP is expected to grow at a rate of 3.6% in 2011 and 4.3% in 2012. GDP growth for 2010 was driven primarily by a steady recovery in consumer spending. Inflation fell to 3.5% by the end of 2010, averaged 4.3% in 2010, and is expected to reach 5.3% in 2011.Of particular significance is that employment also started increasing from the second quarter of 2010.major sources behind increase in growth rate is the increase in final consumption of household.

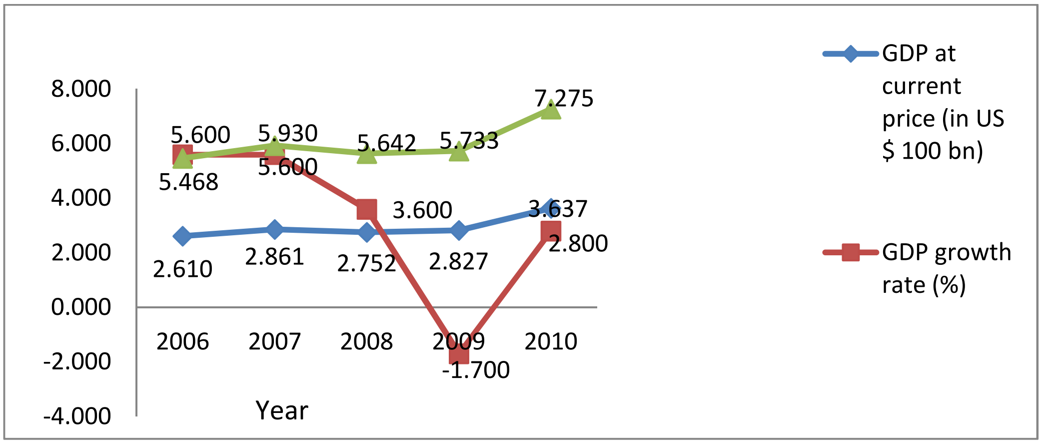
NATIONAL PRODUCTION AND CONSUMPTION

Real Gross Domestic Product Of South Africa

In 1920 the production structure of the South African economy differed radically from that of today. Agriculture was responsible for approximately 20 per cent of total value added and mining for more than 17 per cent, driven by gold and diamonds. Manufacturing had a share of 10 per cent in value added. The tertiary sectors combined produced half of the value added, with the trade sector alone producing 21 per cent.

(GDP, Growth rate and per capita of South Africa)

(Fig. 2.1)



(Source: annual report-2011, SARB)

Sectoral Composition Of GDP:

The largest contributions to the quarter-on-quarter growth of 1.3 per cent were as follows: General government services contributed 0.8 % based on growth of 5.7 per cent; Finance, real estate and business services contributed 0.6 of a percentage point based on growth of 2.9 per cent; The wholesale, retail and motor trade; catering and accommodation industry contributed 0.5 of a percentage point based on growth of 4.1 per cent; and The transport, storage and communication industry contributed 0.4 of a percentage point based on growth of 4.1 per cent.

INFLATION AND INTEREST RATES

Inflation

The inflation rate in South Africa was last reported at 5.3 percent in July of 2011. From 1981 until 2010, the average inflation rate in South Africa was 10.00 percent reaching an historical high of 20.80 percent in January of 1986 and a record low of 0.10 percent in January of 2004. The most well known measures of Inflation are the CPI which measures consumer prices, and the GDP deflator, which measures inflation in the whole of the domestic economy. "The main contributors to the inflation outcome were the categories of housing and utilities, and miscellaneous goods and services.

Purchasing Power Parity

Purchasing Power Parity (PPP) conversion rate in South Africa was reported at 4.80 National Currency per U.S. dollars in 2009, according to the International Monetary Fund (IMF). In 2015, South Africa's Implied Purchasing Power Parity (PPP) conversion rate is expected to be 6.49 National Currency per U.S. dollars. In 2009, South Africa's economy share of world total GDP, adjusted by Purchasing Power Parity, was 0.70 percent. In 2015, South Africa's share of world total GDP is forecasted to be 0.69 percent.

FOREX

Foreign Exchange Rates

An international comparison suggests that countries that experienced the largest appreciation against the US dollar during 2010 were all significant commodity producers. The appreciation in the exchange value of these currencies was uneven as the initial strength of the US dollar in the first half of 2010 turned to weakness during the second half. International commodity prices, which languished during the first half of 2010, accelerated during the second half of 2010 as the US dollar depreciated and demand from emerging Asia exerted upward pressure on commodity prices.

From above table we conclude that exchange rate is highly fluctuated from 2006 to 2011. The currency value of South Africa is continuously goes up from the Indian rupee context. It means that Indian rupee is depreciated. Whereas, in year 2008; Indian Currency appreciated by 19.16%. It's only because of whole world facing problem of recession. In the end of the year 2010 the South Africa currency is appreciated by 4.93% where as in 2011 again it depreciates by 2% approx. From the whole Study between trend of the Indian rupees and South African Rand currency has been continuously fluctuating. So it is not good sign for foreign trade.

HOUSEHOLD INCOMES, CONSUMPTION & SAVINGS

The weak link on the savings side appears to be households. Household consumption as a share of disposable income has been high and household indebtedness has risen sharply in the 2000s, which contributes to the low savings levels. The evidence suggests otherwise. It appears to be adverse declining trend in the household disposable income to GDP ratio that was the driving force behind the household saving patterns; household consumption, by contrast, stayed within a narrow range between 1990 and 2008, before falling sharply from 2008 onward.

Consumption

The overall consumption simply means the final purchase of individuals as well as Government. The consumption of South Africa was 71% of its GDP in 2010, which is good in comparing to year 2006 (83%). It has drastically decreased in 2010 in compare to 2009 from 81% to 71.

Real Final Consumption Expenditure By Household

Having increased at a rate of 8.3 per cent in 2006, – the highest annual growth rate registered in 26 years – growth in real final consumption expenditure by households moderated in 2007 and 2008 before turning negative, for the first time in 17 years, in 2009. However, real expenditure by households rebounded from a decline of 2 per cent in 2009 and increased at a rate of 4.4 per cent in 2010, gaining further momentum in the first quarter of 2011. The recovery in household spending reflected from growth in the real disposable income of households primarily driven by strong real wage increases, and an improvement in the net wealth of households along with a moderation in consumer price inflation which augmented the purchasing power of households. In addition, the low interest rate environment probably encouraged households to spend more.

Concurrent with the contraction in real gross domestic production from the fourth quarter of 2008, real private consumption expenditure also declined in the period up to the second quarter of 2009. Consumer spending, however, picked up thereafter and by the first quarter of 2010 surpassed the real level recorded in mid-2008, immediately prior to the contraction in domestic economic activity. Subsequent to negative growth of around 9.5 per cent in 2008 and 2009, real outlays by households on durable goods improved in 2010, growing at a rate of 24 per cent – the strongest since 1980.

Gross Savings

The national saving ratio increased from 14.3% of gross domestic product in 2007 to 16.4% in 2010 mainly related to higher corporate saving. In the first quarter of 2011 the saving ratio amounted to 16.3%. The increased domestic saving ratio supported the financing of gross capital formation and, as indicated by the decreasing deficit on the current account from 2008, lessened the need for foreign financing during this period. Gross saving by households increased from 1.1% of gross domestic product in 2008 to 1.6% in 2009 and remained at that level in 2010. Household saving was underpinned by continuous steady growth in disposable income from the second half of 2009 to the first quarter of 2011.

INVESTMENTS

Investments

Foreign portfolio investments in South Africa followed a similar pattern. Net portfolio flows turned sharply negative in 2010 Q4 as foreigners reduced their positions in South Africa while South Africans increased their portfolio positions abroad. In 2011 Q1 large issues of foreign currency–denominated bonds by the government and parastatals offset net sales of bonds and stocks on the locals markets by foreigners. Net portfolio investment was still negative as outward portfolio investment by South Africans increased significantly. At the same time, South African banks repatriated significant amounts of foreign currency deposits, reflected in the positive “other investment” in 2011 Q1.

FOREIGN DIRECT INVESTMENTS

Foreign direct investment into South Africa shrank in 2010 compared with 2009. Nonetheless, South African companies operating in the resources, industrial and food-manufacturing industries sold part of their equity holdings to foreign direct investors during the year. Capital inflows in the form of long-term loans granted to some of these companies were also recorded, while a reduction in short-term financing was registered over the period. Inward direct investment was fairly evenly spread between the first and second halves of 2010. During the first quarter of2011, the country’s direct investment liabilities increased further.

South Africa maintains a relatively welcoming attitude to FDI and is the main destination for FDI in Sub-Saharan Africa, although the government still views foreign participation in the economy with some caution. South Africa is also a major outward investor, especially in Africa, and particularly in the services sector (which is often neglected by other investors more keen on natural resource exploitation). The single largest outward investment to date was sealed in 2006 with the purchase by a mobile-phone operator, MTN, of Dubai-listed Invest.com for US$5.5bn. Inward FDI will be encouraged but will be somewhat restricted by the government’s decision to delay the privatization of state assets. The main source of inflows will be through either the takeover of existing South African companies or green field investments in new operations.

The total inflow of FDI from South Africa to India from April 2000 to September 2011 is 110.20 US million dollars, which is 0.07% of total FDI inflows. This shows that we are having a very less share of FDI from South Africa.

FOREIGN TRADE

In South Africa, periods of strong economic growth tend to be accompanied by high imports and large deficits on the current account of the balance of payments as, for instance, observed from 2005 to 2007. The continuation of a large shortfall on the current account in 2008 reflected the adverse impact of the global financial crisis and an almost synchronized contraction in merchandise trade volumes, both on the import and on the export side.

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Current Account of South Africa)

Particular Seasonally adjusted and annualized (R Billions)	2009	2010	2011/Q1
Merchandise Goods Exports	503.7	565.9	620.4
Net Gold Exports	52.8	59.5	63.3
Merchandise Imports	-554.2	-598.2	661.7
Trade Balance	2.3	27.2	22
Net Services, income and current transfer payments	-99.4	-102.2	-109.8
Balance on current account	-97.1	-75	-87.8
As a Percentage of GDP	-4.1	-2.8	-3.1

(Source: South Africa annual report-2011)

Exports to Selected Destinations

An analysis of exports of goods according to country of destination confirmed that China, despite signs of overheating its economy, remained South Africa's top export destination in 2010 followed by the US, Japan and Germany. The composition of exports to these countries remained broadly unchanged from 2009 to 2010, with mineral products continuing to lead exports to China. Despite policy measures taken by the Chinese government to slow economic activity, South African producers sold 38.3 per cent more mineral products, particularly iron ore, to China in 2010. The exports of goods to the US and Japan were largely dominated by platinum group metals, while Germany imported more South African-produced vehicles and platinum for the production of catalytic converters.

Volume of Merchandise Imports

The volume of merchandise imports contracted almost throughout 2009, but turned around and advanced by 8.9 per cent in 2010. The stronger demand for imported goods reflected the recovery in global and domestic economic conditions, including more optimistic business and consumer confidence levels. In addition, the country's manufacturing Purchasing Managers' Index, which remained below the neutral level of 50 basis points for most of 2009, moved to above the neutral level of 50 in 2010, portraying some optimism about potential new orders. These positive developments encouraged domestic producers to step up imports. For 2010 as a whole, the volume of non-oil merchandise imports increased by about 13.5 per cent, while that of imported crude oil declined by 20 per cent.

6.

Capital Market

Government's fiscal policy seeks to support structural reforms of the South African economy consistent with long-run growth, employment creation and an equitable distribution of income. The 2010 budget framework balanced the short-term need for economic stimulus with the long-term imperative of fiscal sustainability.

It aims to promote investment and export expansion while enabling government to finance public services, redistribution and development in an affordable and sustainable budget framework.

REGULATORY BOARD OF SOUTH AFRICAN FINANCIAL MARKET

National Credit Regulator (NCR)

The National Credit Regulator (NCR) was established as the regulator under the National Credit Act No. 34 of 2005 (The Act) and is responsible for the regulation of the South African credit industry. It is tasked with carrying out education, research, policy development, registration of industry participants, investigation of complaints, and ensuring the enforcement of the Act.

The Act requires the Regulator to promote the development of an accessible credit market, particularly to address the needs of historically disadvantaged persons, low income persons, and remote, isolated or low density communities. The NCR is also tasked with the registration of credit providers, credit bureau and debt counselors; and with the enforcement of compliance with the Act.

Registration

The Registration Division is responsible for the registration of Credit Providers, Credit Bureau and Debt Counselors. It also monitors compliance with the conditions laid out in the Act as well as the handling of queries related to the registration process.

Who needs to register?

The National Credit Act requires credit providers, debt counselors and credit bureau to register with the NCR with effect from 01 June 2006.

Registration requirements

- Credit providers who have entered into at least 100 agreements or have a total outstanding book of credit of more than R500 000;

- Are juristic persons and individuals;
- Have a commitment to combating over-indebtedness.

7.

International Trade & Commerce

REGIONAL TRADE BLOCKS

1] Southern African Development Community

SADCC, the organisation was formed in Lusaka, Zambia on 1 April 1980, following the adoption of the Lusaka Declaration.

As a member of SADC, South Africa's focus is on regional co-operation for the socioeconomic development of the region. South Africa's membership of SADC provides an opportunity to tackle, in a coordinated fashion together with other member states issues such as sustainable regional economic growth, HIV/AIDS, the problem of illegal immigration and refugees as well as narcotics and arms smuggling into the region.

2] Common Market for Eastern and Southern Africa (COMESA)

The Common Market for Eastern and Southern Africa is a free trade area with nineteen member states stretching from Libya to Zimbabwe. COMESA formed in December 1994, replacing a Preferential Trade Area which had existed since 1981.

3] Southarn African Customs Union Secretariate (SACU):

The Southern African Customs Union (SACU) consists of Botswana, Lesotho, Namibia, South Africa, and Swaziland. The SACU Secretariat is located in Windhoek, Namibia. And established in 1910,

INTERNATIONAL TRADE BLOCKS

1] BRICS (Brazil, Russia, India, China, South Africa)

South Africa was officially admitted as a BRIC nation on December 24, 2010 in line with the country's foreign policy to strengthen South-South relations. Discussions will centre on strengthening economic and trade cooperation among BRICS members.

As a BRICS member, South Africa's advocacy to prioritize the role of emerging economies will be strengthened in the international developmental agenda.

- South Africa’s BRICS membership will enhance its reputation as one of the leading campaigners for the reform of multilateral institutions, including the World Trade Organization, the World Bank, the International Monetary Fund and the UNSC.
- As part of the G20 and the G5 , South Africa will use its BRICS membership to push for a developmental position on multilateral forums, including on contentious issues such as climate change and agricultural trade. South Africa is the only Africa nation represented in the G20.

2] G 20:

The Group of Twenty (G-20) Finance Ministers and Central Bank Governors was established in 1999 to bring together systemically important industrialized and developing economies to discuss key issues in the global economy. The inaugural meeting of the G-20 took place in Berlin, on December 15-16, 1999, hosted by German and Canadian finance ministers.

3] World Trade Organization (WTO):

South Africa is a founder member of the GATT, which was replaced by WTO, participated in the Uruguay Round and has signed the Marrakesh Agreement. The resultant obligations on South Africa to reduce tariff and non-tariff barriers on foreign goods are in line with the country's stated industrial policy.

South Africa has bilateral trade agreements with the following countries

- Free Trade Agreement with the European Union: The FTA between South Africa and the European Union was signed on 11 October 1999 after five years of protracted negotiations. The agreement, which is due to come into effect in January 2000, is currently being blocked as certain EU countries attempt to secure new concessions on South African exports of wines and spirits.
- Peoples Republic of China/SA bilateral trade agreement: On 2 May 1996, South Africa and the People's Republic of China signed a note of understanding which provides for the mutual extension of most-favored-nation status.

- India/SA bilateral trade agreement: The 1994 trade agreement with India makes provision for the promotion of two -way trade between the two countries and the establishment of a joint inter-governmental committee to review trade relations and facilitate the effective implementation of the agreement.

TRADE BARRIERS

U.S. companies have cited protective tariffs as a barrier to trade in South Africa. Other barriers to trade often cited include port congestion, technical standards, customs valuation above invoice prices, theft of goods, import permits, antidumping measures, IPR crime, an inefficient bureaucracy, and excessive regulation.

Import barriers

Import licenses are required for restricted items. Importers must possess an import permit prior to the date of shipment. Failure to produce a required permit could result in the imposition of penalties. The permit is only valid in respect of the goods of the class and country specified.

Export Barrier

To begin with, there are social, cultural, economic, legal, political, technical and physical differences between South African and the rest of the world. After all, other countries speak different languages they use different currencies they adhere to different standards they follow different laws (such as Islamic law) and they are often governed by different politics These factors all contribute to making exporting more difficult - that is, they are barriers to exporting.

NON-TARIFF BARRIERS

- Licensing requirements - Some goods may only be imported only if they have been issued with import licences by the authorities. South Africa issue only a limited number of licenses, so that they can restrict the import and give the chance to domestic industry to grew. It’s a barrier to import foreign goods in a South Africa.
- Customs and administrative entry procedures - These procedures, while they may be applied uniformly, are often so cumbersome and complex that they represent a major trade restriction in their own right.

- Charges on imports – south Africa apply port-of-entry taxes or levies on imported goods. The purpose of such a tax is usually to offset infrastructure costs at a port, for example, but such levies often stay in place long after their intended purpose has been achieved.

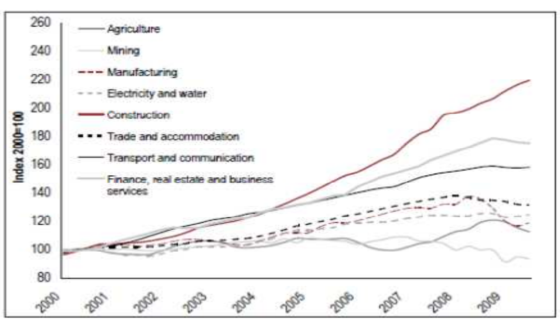
8.

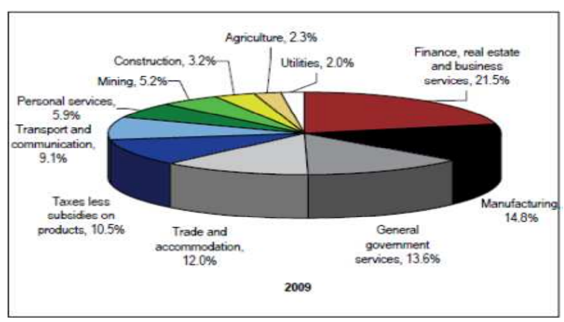
Agriculture

Over the past two decades, South Africa's agricultural sector has been extensively liberalised, both in the domestic as well as in foreign markets. Domestic liberalisation started as long ago as the early 1980s, and was essentially completed by early 1998. The liberalisation of international trade in agriculture started with the Marrakech Agreement in 1993 and was given greater momentum after the first democratic government in South Africa came into power in 1994, as part of a reorientation of the economy from import substitution to an export-led growth strategy. The reorganisation of trade relations in Southern Africa formed an important part of this reoriented trade policy.

The performance in the agricultural sector is also affected by South Africa's participation in different trade agreements. In South Africa, the objective of trade policy in the agricultural sector is to promote the integration of this sector into the world economy in order to encourage greater access to markets, technology, capital as well as competition (OECD 2006). All these activities have a direct or indirect impact on economic growth. The South African agricultural sector is a diverse sector comprising several branches, namely: field crop husbandry; horticulture; animal production); dairy farming, fish farming, game farming and agro-processing.

The contribution of primary agriculture to the gross domestic product (GDP) is about 2.5% and its contribution to formal employment is about 5%. However, agriculture has strong backward and forward linkages into the economy. The agro-industrial sector has a higher contribution of about 12% to GDP. Primary agriculture contributed 2.3% to the GDP in 2009.





Source: National Treasury, Budget Review 2010

South Africa is one of the top global exporters of Avocados, Clementine's, Ostrich, Grapefruit, Table grapes & Plums, and Pears as agricultural produce, where it is ranked first in three products.

DISTRIBUTION OF AGRICULTURAL PRODUCTION

South Africa has 2.76 million hectares of cultivated land, of which nearly 10.45 million hectares (82%) is used for commercial purposes. A total of 0.79 million hectares (only 6.19%) is permanently under cultivation, and more than 10.83 million hectares (85%) is rain-fed. More than 0.7 million hectares of land are degraded and left bare by sheet and gully erosion. About 4.61 million hectares of natural vegetation are degraded, mainly in indigenous forests, woodlands, and grasslands; a further 0.19 million hectares are degraded by mine tailings, waste rock dumps and surface-based mining. Land use in urban areas comprises mainly formal residential suburbs and townships (1 million ha) and informal settlements (0.23 million ha). Savannas (woodlands and bush lands) and grasslands cover 25.70% and 19.92% of South Africa, respectively (Department of Environmental Affairs).

Agriculture plays an important part in provincial development and for most provinces provides a source of employment as well as being a potential focus for increased employment and sustainable livelihoods. Agriculture therefore features as a key focus for economic development.

Categories of Farming Enterprises

South Africa has what is known as a dual agricultural economy. On the one hand, there is a well-developed commercial sector; on the other hand, the majority of people engaged in agriculture are involved in subsistence-oriented practices in rural areas. Within the commercial sector there are large established farming businesses and smaller ones that struggle to survive, and within the less formal sector there are emergent farmers striving to achieve commercial success.

Volume Of Agricultural Production (2006-2011)

The estimated volume of agricultural production in 2010/11 was more or less the same as in 2009/10.

Gross Value Of Agriculture Production (2006-2011)

The total gross value of agricultural production (total production during the production season valued at the average basic prices received by producers) for 2010/11 is estimated at R138 904 million, compared to R129 883 million the previous year—an increase of 6.9%. This increase can be attributed Mainly to an increase in the value of field crops.

Expenditure On Intermediate Goods And Services (2006-2011)

Expenditure on intermediate goods and services during 2010/11 is estimated at R79 416 million, which represents a rise of 10,4% from R71 955 million in 2009/10. Large increases occurred in expenditure on dips and sprays (20.5%), packing material (20.2%), farm services (18.5%) and seed and plants(18.0%). Expenditure on farm feeds remained the biggest expenditure item, accounting for 22.5% of total expenditure, followed by 14.4% for fuel, 12.9% for farm services and 10.6% for maintenance and repairs of machinery and implements.

Capital Assets And Investment In Agriculture

The value of capital assets in agriculture as at 30 June 2011 is estimated at R234 132 million, as against R220 908 million at the end of June 2010—an increase of 6,0%. Land and fixed improvements constituted R138 088 million, machinery and implements R42 783 million and livestock R53261 million of the total value of capital assets.

The gross investment in respect of fixed improvements for the year ended 30 June 2011 increased by 0.9% to R4 009 million. In the case of machinery, implements and vehicles, investment increased by 5.5% and amounted to R6 858 million.The livestock inventory rose by R468.0 million from the previous year.

INTERNATIONAL TRADE

South Africa is a major exporter of Agricultural produce. In particular South African fruit and fruit-derived products such as wine and fruit juice are competitive in the global market. However in many sub-sectors where export potential exists – grain and meat – serious problems face the industry. A key challenge is the uneven playing field experienced by South African exporters. Major global competitors include the United States and the countries of the European Union, where government subsidies in various forms are in place. When the Rand is strong export becomes difficult because it costs more, in the case of the move from R10 to R7 a 30% cost increase for the importer. It is impossible to predict whether the World Trade Organization negotiations, known as the DOHA Round, will achieve progress in the coming years. Nor is it possible to predict the value of the Rand.

South Africa depends largely on world markets for seed production and agrochemicals. Regarding seed production, there are only three community seed production schemes in Limpopo and Mpumalanga being piloted with state funding. Ten top large companies, including two South African companies and multinationals, have rights to over two thirds of registered seed varieties in South Africa There are three large players in the fertilizer sector,. South Africa imports an estimated 70% of fertilizers and pesticides. Fertilizer prices rose by over 200% between 2006 and 2008.

CONSUMER TRENDS

South Africa currently produces enough food to meet the needs of its population. However, consumption of three main staples, maize, wheat and vegetables has been volatile since 1985 and remains below 1990 levels. Consumption of maize and vegetables by South Africans is 17% and 32% less respectively than in 1985. The main reasons for this lie in the growing levels of poverty and the difficulties that families have in purchasing nutritious food. Whilst government has increased the levels of social grants and increased the number of people receiving grants to around 13 million, the incomes of poor families have been badly hit by a range of factors; Rises in food prices have also had a disproportionate impact on the poor. Whilst food is available it is often not accessible to families on the income levels that they have to manage within.

POLICY DEVELOPMENTS

Policy changes from the mid-1990s resulted in deregulation of the marketing of agricultural products, liberalization of domestic markets, and reduced barriers to agricultural trade. These reforms reduced market price support and budgetary support to commercial farming. In contrast, increased budgetary spending went to financing the land reform process and supports its beneficiaries, and the smallholder sub-sector. The average level of support in South Africa, as measured by the Producer Support Estimate (%PSE), indicates a relatively low degree of policy intervention. The overall trend shows a reduction of this support between 1994 and 2010, although with some fluctuation due to Market Price Support variations. The main agricultural policy developments and the main challenges relate to the implementation of the land reform programmed. During 2008-10, new policies were implemented to enhance the pace of land redistribution and to ensure the viability of the emerging farms. They include the Pro-Active Land Acquisition Strategy, and a new focus on bringing strategic partners from private stakeholders to assist in the capacity building process and in the gradual implementation of Rural Development Programmers' in the Provinces.

INTERNATIONAL TRADE & TARIFFS

Imports And Exports Of Agricultural Products (2006-2011)

The estimated value of imports for 2010/11 came to R38 815 million, an increase of 14.3% compared to R33 946 million for 2009/10. The value of exports increased by 6.9%, from R44 469 million in 2009/10 to R47 561 million in 2010/11

According to the 2010/11 export values, citrus fruit (R6 976 million), wine (R5 385 million), maize (R4 054 million), grapes (R3 530 million) and apples, pears and quinces (R3 223 million) were the most important agricultural export products. Wheat and meslin (R3 188 million), rice (R2 986 million), oil cake (R2 966 million), palm oil (R2 705 million) and indentured ethyl alcohol (R2 449 million) accounted for the highest imports in terms of value.

During 2010/11, the Netherlands, the United Kingdom, Zimbabwe, Mozambique and Germany were the five largest trading partners of South Africa in terms of export destinations for agricultural products, with export values of R5 295 million, R4 358 million, R3 465 million, R2 429 million and R1 816 million respectively. About 20,3% of the total value of agricultural exports for the period. The five largest trading partners for South Africa's imported agricultural products during 2010/11 were Argentina, Thailand, the United States, Brazil and the United Kingdom.

9.

Manufacturing

South Africa has developed an established, diversified manufacturing base that has shown its resilience and potential to compete in the global economy. The manufacturing sector provides a locus for stimulating the growth of other activities, such as services, and achieving specific outcomes, such as employment creation and economic empowerment. This platform of manufacturing presents an opportunity to significantly accelerate the country's growth and development. Manufacturing is relatively small, providing just 13.3% of jobs and 15% of GDP. Labour costs are low, but not nearly as low as in most other emerging markets, and the cost of transport, communications and general living is much higher. The South African automotive industry accounts for about 10% of South Africa's manufacturing exports, contributes 7.5% to the country's GDP and employs around 36,000 people. Annual production in 2007 was 535,000 vehicles, out of a global production of 73 million units in the same year. Vehicle exports were in the region of 170,000 units in 2007, exported mainly to Japan (about 29% of the value of total exports), Australia (20%), the UK (12%) and the US (11%). South Africa also exported ZAR 30.3 billion worth of auto components in 2006. BMW, Ford, Volkswagen, Daimler-Chrysler and Toyota all have production plants in South Africa. Large component manufacturers with bases in the country are Arvin Exhaust, Bloxwitch, Corning and Senior Flexonics. There are also about 200 automotive component manufacturers in South Africa, and more than 150 others that supply the industry on a non-exclusive basis.

<u>MAJOR MANUFACTURING INDUSTRIES IN SOUTH AFRICA</u>

Industries	Name of Companies
Automotive industry	National Association of Automobile Manufacturers in SA Automotive Industry Export Council Automotive Industry Development Centre
Chemicals industry	Chemical and Allied Industries' Association, Sasol, AECI Dow Sentrachem
ICT and electronics industries	Telkom, Vodacom, MTN, Cell C, Independent Communications Authority of SA, State Information Technology Agency
Metals industry	SA Iron and Steel Institute, Iscor

Automotive industry

The South African automotive and components industry is growing rapidly and is perfectly placed for investment opportunities. Vehicle manufacturers such as BMW, Ford, Volkswagen, Daimler-Chrysler and Toyota have production plants in the country, while component manufacturers (Arvin Exhaust, Bloxwitch, Corning, and Senior Flexonics) have established production bases in the country.

Chemicals industry

South Africa's chemical industry is very significant to the country, contributing around 5% to the gross domestic product (GDP) and approximately 25% of its manufacturing sales.

ICT and electronics industries

The telecommunications industry contributes more than 7% to South Africa's gross domestic product (GDP). The South African information technology (IT) industry growth outstrips the world average. The country's established and sophisticated indigenous information and communications technology (ICT) and electronics sector comprises morethan3 000 companies and was ranked 22nd in 2001 in terms of total worldwide IT spend Growing at a rate of 50% per year and fourth fastest growing cell phone market in the world, the South African GSM cell phone market has three operators: Vodacom, MTN and Cell-C.

Metals industry

South Africa's large, well-developed metals industry, with vast natural resources and a supportive infrastructure, represents roughly a third of all South Africa's manufacturing. Ranked the world's 19th largest steel producing country in 2001, South Africa is the largest steel producer in Africa (almost 60% of Africa's total production). South Africa is a net exporter, ranked 10th in the world, to more than 100 countries. Approximately 500 000 tons of ferrous-scrap were exported by metal recyclers in 2001. Imports accounted for only 5,8% of total domestic consumption of primary steel products in 2001. Sales to the local market increased by more than 6% during 2001 when compared with 2000

South Africa's non-ferrous metal industries comprise Aluminum and other metals (including copper, brass, lead, zinc and tin). Aluminum is the largest sector but, as SA has no commercially exploitable deposits, feedstock is imported. South Africa is ranked eighth in world production of aluminum. Key players include Billiton (with smelters in Richards Bay) and Hulett Aluminum. Textiles, clothing and footwear industry. The South African textile and clothing industry has a powerful vision. It aims to use all the natural, human and technological resources at its disposal to make South Africa the preferred domestic and international supplier of South African manufactured textiles and clothing

Textiles, clothing and footwear industry

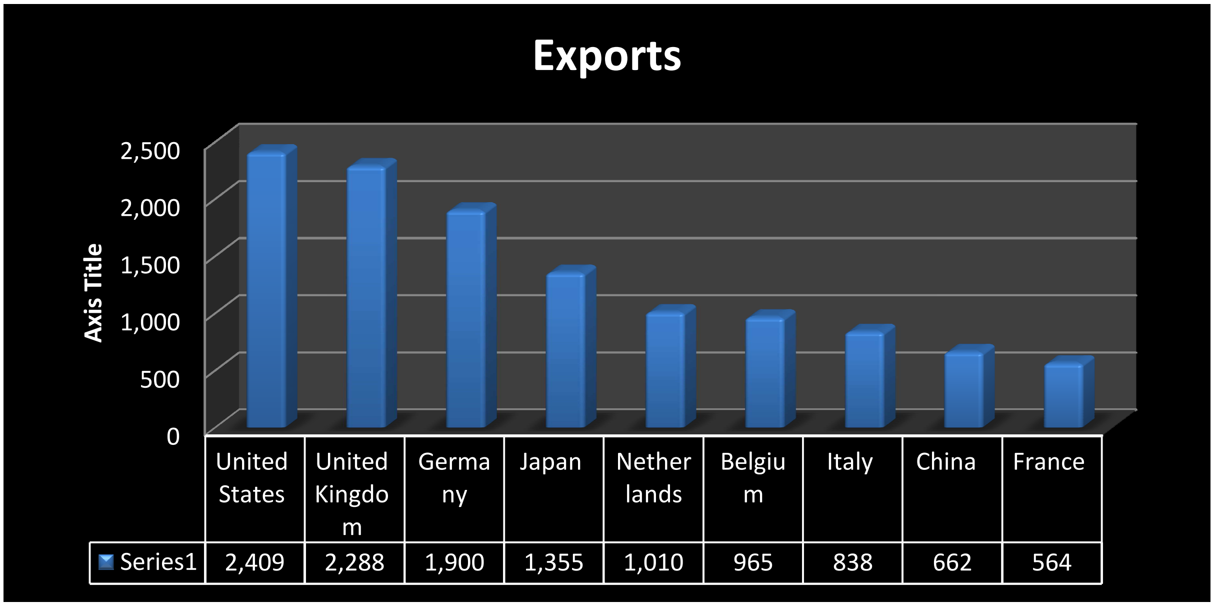
The South African textile and clothing industry has a powerful vision. It aims to use all the natural, human and technological resources at its disposal to make South Africa the preferred domestic and international supplier of South African manufactured textiles and clothing. Since 1994, about US$900 million has been spent on modernizing and upgrading the industry, making it efficient, internationally competitive, and ready to become a major force in the world market. Exports account for R1,4 billion for apparel and R2,5 billion for textiles, mostly to the US and European markets. Exports to the US increased by a dramatic 62% in 2001, driven primarily by the benefits offered under the Africa Growth and Opportunity Act (AGOA) which provides for duty-free imports of apparel produced in South Africa

DESTINATION OF IMPORTS AND EXPORTS

Exports

South Africa Trade: Exports

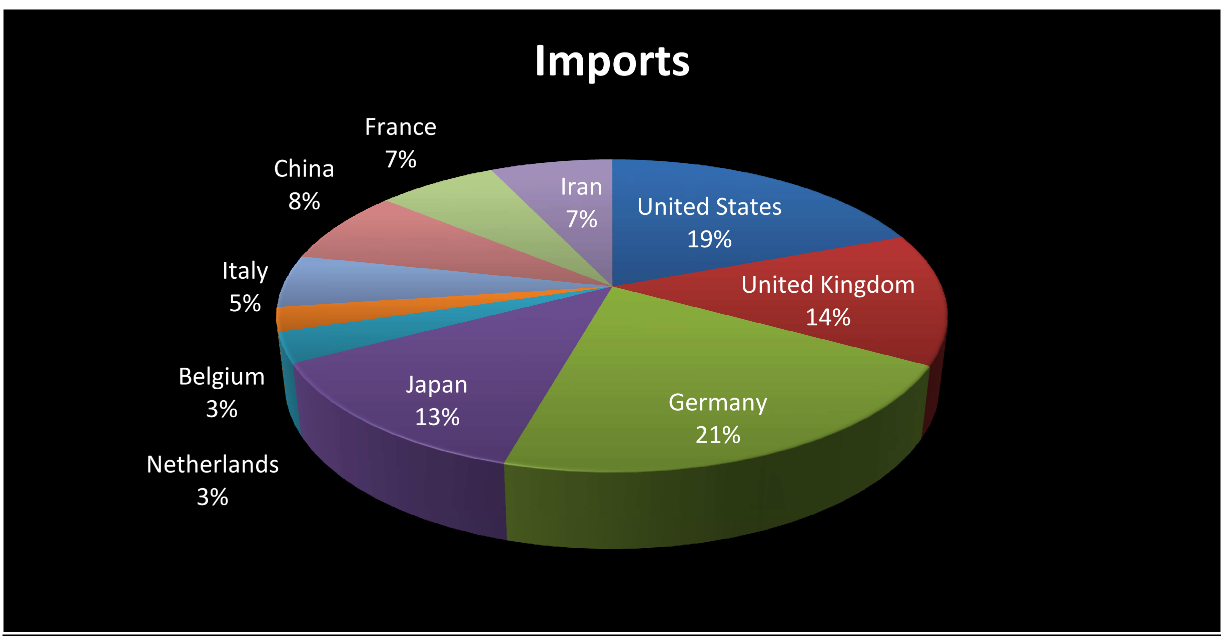
South Africa's exports were worth $67.93 billion in 2009, down from $86.12 billion in 2008. The following chart shows the distribution of South Africa's export partners. All data are in percentages.



Imports

South Africa: Imports

South Africa's imports were worth $70.24 billion in 2009, down from $90.57 billion in 2008. The following chart shows the distribution of South Africa's import partners. All data are in percentages.



PEC is actively engaged in trading of industrial raw materials. It imports coking coal, steam coal, coke, Lam Coke, Anthracite Coal for buyers in India from major producers in Australia, China, Indonesia and South Africa. Steel is imported in the form of scrap, billets, HR Coils and Wire Rods. Zinc and Manganese concentrates are imported from Australia and Latin America. PEC also imports Industrial Solvents like Toluene, Methanol, and Butyl Acetate etc. Imports for the pharmaceutical sector include Penicillin G Crystals, PHPG base, Ethyl & Methyl Aceto Acetate etc. Other industrial raw materials being imported include raw jute, pre-oriented polyester yarn, ABS resin etc. PEC also undertakes export of iron ore fines, iron ore lumps, Ferro-alloys, silico manganese lumps, steel products like reinforcing bars, galvanized sheets etc. Airports Company South Africa (ACSA) handles about 90% of the country's aviation requirements, operating three international airports (Johannesburg International, Cape Town International and Durban International), seven national airports (Port Elizabeth, East London, George, Kimberly, Upington, Bloemfontein, and Pilanesberg Airport near Sun City). Encouraged by the potentially lucrative retail and property sectors, ACSA has identified opportunities in airport retailing, and continues to develop both airport infrastructure and peripheral property.

- Food and beverages

  South Africa has always had a well-developed food and beverage industry, partly because of the country's major agricultural activity, and partly because of its relatively sophisticated food requirements. During the apartheid years the food industry developed mainly to satisfy the domestic market and, as growth was limited by local requirements, a consolidation of the major companies took place. Since South Africa has become a member of the global market, a number of multinational companies have formed partnerships with local food companies, and new opportunities have opened up.

TRADE WITH INDIA

- **India's Import from Africa**

  Bradman (2007) points out that during 1990-2004, India's import from Africa has risen at an annual average growth rate of 14 %. Between 1997 and 2005, it got doubled. It was predominantly mineral fuel/lubricants (55.1 %) in 1997 but by 2005, the commodities in

SITC1 9, which includes Gold, became very prominent as it accounted for two-fifth of total imports. However, it is notable that during 1997-2005, the import volume for commodities in SITC 9 got more than twelve-fold increase; machinery and transport equipment sector has had a seven-fold increase, while the import volume of mineral fuel/lubricants reduced to its one-fifth. It is evident that India's import composition has changed dramatically over the last decade. Growing economy and ever-enlarging gold consumin class has dictated the import structure. South Africa, the largest gold producer, accounted for 68 % of India's total import from Africa in 2004 (Broad man 2007).

- **India's Export to Africa**

  India's export to Africa had 182 % increment from 0.95 billion dollar in 1997 to 2.7 billion dollar in 2005. Manufacturing goods (40 %) is not a predominant sector in 2005 as it was in 1997; it is more diversified into chemical products, machinery transport equipment, food and livestock etc. Unlike import situation in the same period, every single sector has observed positive growth; however their trade-deficit has kept looming.

10.

Services

The economic importance of services in the South African economy has grown considerably - not only has it become a major generator of employment, but is playing an increasingly important role in trade in two specific ways. Firstly, it plays an important role as an input to manufacturing and can critically influence the competitiveness of this sector. Secondly, parts of the service sector are highly tradable and South Africa is increasingly becoming a significantly more important exporter of services. The service sector makes up 65% of the GDP, 63% of employment and 74% of capital formation in South Africa and has been the main source of growth for the economy in the 1990's. The largest sectors are community/social services (18.6%), distribution services (14.5%), business services (11.2%), financial services (6.1%) and transport services (5.3%).

Personal Services

They have been consistently growing from around 50,000 in the year 1998 to around 70,000 in the year 2008. This shows an increase of 40% in a period of 10 years. The reason for this may be the increase in population which has demanded services for self consumption.

General Government Services

These services have remained almost constant in the period of 10 years which indicates that though there is a growth in the overall economy and the economy is in the boom stage the govt. services isn't growing.

Finance, Real Estate And Business Services

They have shown the maximum amount of growth in this period. This shows that people are willing to invest in South Africa. The trend of people to save is also notably increasing as the sector is growing. Thus there is inflow of money. The sector has increased from 1, 49,000 in the year 1998 to 2, 51,000 in the year 2008. This shows an increase of almost 69%.

Transport, Storage And Communication

These services have contributed in the growth of the country as well as the GDP of the country. This sector has grown from 74,500 in 1998 to 1, 25,500 in the year 2008 this indicates an increase of close to 69%.

Wholesale And Retail Trade, Hotels And Restaurants

This sector has constantly been growing in the span of the years from 1998 to 2008. The tourism, restaurant and hotel industries have flourished have increased due to sponsorship of various events. The sector shows an increase of 67%.

Construction

The sector has outgrown from 20,000 to 50,000 in the span of 10 years. This indicates that the earning capacity of the people has increased which has lead them to increase the spending.

Manufacturing

This sector has also shown a lot of ups and downs and it has grown consistently over a period of time. This sector has grown by 38%.

Mining And Quarrying

This is the only sector whose contribution has reduced in the period stated. The contribution has reduced by -7.14%. If proper attention is not given to this sector then the downfall may keep on increasing.

Agriculture, Forestry And Fishing

This sector has also increased from 25,000 to 30,000 in a period of 10 years. Interesting thing is that it has remained constant in the initial 6 years and then it has started increasing. This shows that possibly efforts were directed in this direction due to which the increase of 20% has been achieved

MAJOR SERVICE IN SOUTH AFRICA

Tourism

With a population of approximately 41 million and a land area of 1.27 million sq. km, South Africa's resource base for tourism is phenomenal. The country's tourism attractiveness lies in its diversity. Some of the features which make South Africa an incredibly attractive tourism proposition include: accessible wildlife, varied and impressive scenery, unspoiled wilderness areas, diverse cultures.

Growth

International travel to South Africa has surged since the end of apartheid. In 1994, the year of South Africa's first democratic elections, only 3.9-million foreign visitors arrived in the country. By 2004, international arrivals had more than doubled to 6.7-million. And in 2007 a total of 9.07-million foreigners visited South Africa - an 8.3% increase over

2006 - as the country broke its annual tourist arrivals record for the third year running. Tourism is also one of the fastest growing sectors of South Africa's economy, its contribution to the country's GDP increasing from 4.6% back in 1993 to 8.3% in 2006. Directly and indirectly, tourism constitutes approximately 7% of employment in South Africa.

Cultural Tourism

South Africa is home to diverse cultures, ranging from the Zulus who resisted European conquest to the nomadic San of the Karoo desert. Each culture has evolved its own distinctive art forms, music and traditional rituals, while the descendants of colonial settlers have evolved variations of their European roots. Four of South Africa's eight UNESCO World Heritage sites are cultural sites, while one is a mixed cultural/natural site.

Adventure Tourism

Being at the southern tip of a large continent, South Africa offers 3000 kilometres of coastline along with breathtaking mountains - often side by side. The country's diverse terrain, together with a climate suited to outdoor activities; make it an ideal hunting ground for adrenaline seekers. South Africa offers world-class climbing, surfing, diving, hiking, horseback safaris, mountain biking, river rafting.

Sports Tourism

More than 10% of foreign tourists come to South Africa to watch or participate in sport events, with spectators accounting for 60% to 80% of these arrivals. There are numerous world-class sporting events on South Africa's calendar every year, and the country has proved that it can successfully pull off the really big events.

FINANCIAL SERVICES

The South African financial services industry is complex and multi-faceted, making it very difficult to categorize. Firstly, there is a bewildering array of products and services, with new ones being added almost daily. Secondly, changes in the external environment are leading to on-going and unpredictable change in the structure of the industry: South Africa’s financial sector accounts for about 20 percent of GDP. Consolidation has reduced the number of domestic banks to less than 40. The financial services industry in South Africa comprises a wide and complex range of activities, including banking, insurance, investment services, managed funds (unit trusts) and other financial services.

Banking

The heart of the banking system is the South African Reserve Bank, which is the primary monetary authority and custodian of the country's gold and foreign exchange reserves. The Reserve Bank uses monetary policy to control inflation, primarily by adjusting the liquid-asset requirements of private banking institutions and by restricting bank credit in order to control consumer demand.

Insurance

The South African Insurance Association (SAIA) promotes the short-term insurance industry in order to create an awareness and understanding of the industry, and to add value to all stakeholders. The South African Insurance Association (SAIA) represents most of the short-term insurance companies in South Africa and is authorized to negotiate on their behalf.

Stock Market

The JSE Ltd ("JSE") is licensed as an exchange under the Securities Services Act, 2004 and Africa's premier exchange. It has operated as a market place for the trading of financial products for nearly 120 years. In this time, the JSE has evolved from a traditional floor based equities trading market to a modern securities exchange providing fully electronic trading, clearing and settlement.

Transportation

South Africa has a modern and well developed transport infrastructure. The roads are world-class. The air and rail networks are the largest on the continent. And the country's ports provide a natural stopover for shipping to and from Europe, the Americas, Asia, Australasia and both coasts of Africa. The transport sector has been highlighted by the government as a key contributor to South Africa's competitiveness in global market.

Ports And Shipping

Major shipping lanes pass along the South African coastline in the south Atlantic and Indian oceans. Approximately 96% of the country's exports are conveyed by sea, and the eight commercial ports are the conduits for trade between South Africa and its southern African partners as well as hubs for traffic to and from Europe, Asia, the Americas and the east and west coasts of Africa. The state-owned Transnet National Ports Authority manages the country's ports. These are: Richards Bay and Durban in KwaZulu-Natal; East London, Port Elizabeth and the Port of Ngqura in the Eastern Cape; and Mossel Bay, Cape Town and Saldanha in the Western Cape.

Airports And Airlines

Airports Company South Africa Ltd. (ACSA) operates the country's principal airports, providing airlines with world-class. In 2009/10, ACSA's total revenue grew by 12% to R3.5 billion. ACSA handles more than 32 million passengers annually. The number is expected to rise to 40 million in 2013. There are 21 air traffic control centers, run by Air Traffic and Navigation Services, support operations that cover 145 licensed airports with paved runways and more than 580 aerodromes with unpaved runways. South African Airways (SAA) is by far the largest air carrier in Africa.

Telecommunication

With a network that is 99.9% digital and includes the latest in fixed-line, wireless and satellite communications, the country has the most developed telecommunications network in Africa. The domestic telecommunications infrastructure provides modern and efficient service to urban areas, including cellular and internet services. South Africa is considered to have the 4th most advanced mobile telecommunications network worldwide. The five major cellular providers are Vodacom, MTN, Cell C, and Virgin Mobile. The growth in telecom services has been primarily driven by the mobile sector, and South Africa's mobile penetration rate grew to 105 percent in 2010, a total of 51.6 million subscribers.

Mobile Market

South Africa has a vibrant mobile market that has seen rapid uptake since competition was introduced to the sector in the 1990s. With market penetration around 100% in 2010, the network operators - Vodacom, MTN, Cell C and Telkom SA - are increasingly forced to find innovative ways of distinguishing themselves from the competition in order to gain and retain customers.

PART II

SECTORAL STUDY – SOUTH AFRCIA

1.

Chemical Industry

ANALYSIS OF CHEMICAL TRADE BETWEEN INDIA AND S.AFRICA

The current trading relationship between S. Africa and India

Total trade of India with Africa during 2007-08 amounted to US $ 34693.74 million with exports amounting to US $ 14196.09 million and imports at US $ 20497.65 million. Agro-chemicals have a highest export potential for India. Indian exports of agro-chemicals have impressive growth rate of 35% over last five. Key export destinations for agro-chemical are African countries. Other major chemicals are exported to S. Africa includes such as alco - chemicals, caustic soda, phthalic anhydride, phenol, refrigerant gases.

The products are mainly exported by S. Africa to India in 2011 were mineral products, base metals, chemical products, machinery and paper products. Chemical products are exported by S. Africa accounted for 11% in 2010-2011. S. Africa's imports from India accounted for 4 percent of S. Africa's global imports in 2011. In 2011 S. Africa mainly imported the product from India includes mineral products, transport equipment, chemical products, machinery and base metals. Chemical products are imported by S. Africa accounted for 12% in 2010-2011 from India.

Major items exported from India to S. Africa

- Drugs and pharmaceuticals products, fine chemicals, Instrument and Machinery, Transportation vehicle and equipment, Iron and steel, Inorganic/organic/agrochemicals

Major Items of imports from S. Africa to India

- Gold, InorganicChemicals, Wood&Wooden Product, Metal Scrap, Iron&Steel, Coal, coke & Briquettes, waste paper, Organicchemicals, Electronicequipments

The Indian chemical industry's size is 30% bigger than the S. African chemical industry. India Industry will be a huge threat to S. African chemical industry in their home market. The Indian chemical industry also offers attractive opportunities to the S. African chemical industry because of the untapped market potential in India. As compared to Indian chemical industry, slow growth of S. African chemicals because of factors such as the small local market, high cost of capital, low cost raw material, inadequate skills and cost of regulatory compliance

India's imports from Africa are crude petroleum, gold and inorganic chemical products. In a joint venture by Indian pharmaceutical company CIPLA with the government of Uganda, and Ugandan pharmaceutical manufacturer Quality Chemicals Industries Ltd, new plant was built in Kampala to produce anti-retroviral and anti-malarial drugs in 2008 of US$ 32 billion.

Chemical trade between India and S. Africa

The imports and exports of chemicals between India and S. Africa tend to balance in the aggregate. Imports amounted to US$10.4 billion in 2004. S. Africa supplied 2.3% of India's imports and managed to sustain a positive balance with India that came to US$ 104 million in 2004. Trade between India and S. Africa grew 37.64 per cent year-on-year in 2010-11 at $10.64 billion, with India's exports at $4.16 billion and imports at $6.48 billion.

Growth in S. Africa's imports from India was faster than its average to the world. It mainly Imports of organic chemicals, pharmaceuticals and products grew at high rates. India's chemical industries are on a strong growth path and should offer an increasing number of export opportunities to S. African business. Rapid increases in imports occurred in pharmaceutical products, fertilizers, essential oils, soap, active surface agents and plastics. Plastics and products is the single most important sub-group in imports followed by pharmaceutical products, inorganic chemicals and organic chemicals.

CHEMEXCIL, the Chemicals Promotion Council of India is hosting the largest chemicals exhibition of chemicals in Durban every year. The exhibition which showcases the offerings of major manufacturers, exporters and importers of chemicals from India, expose the wide range of Indian chemical products to the S. African market. This exhibition will lead to the development of mutually beneficial partnerships between the Indian and S. African chemical sectors. The participating companies from India represent sectors like Dyes, Dye Intermediates & Pigments, Inorganic and Organic Chemicals, Agrochemicals, Pesticides & Insecticides, Cosmetics & Toiletries, Soap, Detergents, Essential Oils & Castor Oil, Agarbattis and Food Colours.

Following are the Indian companies who are trading in chemicals with S. Africa.

1. **Milton Chemicals Pvt. Ltd**

   Address: 303,Yogeshwar, 135/139, KaziSayed Street, Mumbai, Maharashtra India

Milton chemicals is Exporters of mainly following categories of chemicals:

- Agrochemicals, Organic Pigments, Organic Chemicals, Hydrochloric Acid, Plasticizers

2. **Agro Chemicals**

The Agro Chemicals fertilizer includes Chelates and Humates that are sourced from the reliable vendors. The ingredients used in the formulation of the Industrial Agricultural Chemicals are of optimum quality,notable features and performance in respective application. Customers are eased with the availability of the Agro Chemicals in varied grades and specifications.

3. **Dhruv Chemicals**

   Address: B/9, R. No-7, Bhadran Nagar, Behing Ganesh Mandir, S.v. Road, Malad, Mumbai, Maharashtra

Dhruv chemicals has following types of chemicals:

- Cobalt Chloride, Copper Acetate, Copper Sulphate, Di Potassium Phosphate, Mono Potassium Phosphate, Nickel Chloride, Nickel Sulphate, .Sodium Potassium Tartrate, Stannous Chloride, Stannous Sulphate.

4. **Ace Chemicals**

   Address: Mr. BhavyaDoshi (Manager)

   No. 3/1-2, Basappa Road, Off. K. H. Road

   Bengaluru, Karnataka - 560 027, India

Ace chemical is one of the leading wholesalers, suppliers, and exporters of Industrial Bulk Chemicals, Active Pharma Ingredients and Finished Dosage Formulations and it is well known for their stability, accurate composition, and high pH value.

Exporters of chemicals from Gujarat

1. **Rubmach Industries**

is a India based Exporter which has been servicing the textile, paint, ink and various other industries with the supply of water treatment chemical, industrial water treatment chemicals, waste water treatment chemical and related treatment chemicals for many years at S. Africa.

Address- Foundry Shed No. 6 Plot No. 130/2, Naroda - GIDC, Ahmedabad, Gujarat

2. **N.B. Enterprise**

Address- 3,Lower Ground, Ranchhod Apartment, Hanumansheri, Sagrampura, Surat.

N.B Enterprise is Exporters and Suppliers of ascorbic acid, malic acid, food chemicals, citric acid, lactic acid, sorbitol, stearic acid, tri-sodium citrate, trataric acid to S. Africa.

3. **KarnChem Corporation**

Address: 102, Venice Flats, Punit Nagar, Old Padara Road, Vadodara.

Established in 1994 by Dr.Kaushik.N.Vyas ,KarnChem Corporation stands prominent amongst India's Photography, Electroplating, Fine Chemicals, Specialty Chemicals , Oil Field chemicals & Leather Chemicals manufacturers. KarnChem is exporting products to different countries like USA, UK, Switzerland, Nepal, Bangladesh, Germany, Spain, Portugal, Italy, S. Africa, Canada, Indonesia, Sweden & Mauritius and now is in the process of expanding its business in international market.

4. **S.B CHEMICALS-VAPI**

Address - Plot No. 5003, Lane 52, 4th Phase, G. I. D. C. Industrial Estate Vapi, Gujarat

S.B CHEMICALS was established in the year 1992,“S. B. Chemicals” is engaged in the sphere of manufacturing and exporting a wide range of industrial chemical and speciality chemicals. These company is manufacture and export variety of Industrial Chemical to S. Africa that includes Fluorides, Cryolites, Fluoborates, Potassium Zirconium Fluoride, Potassium Titanium Fluoride, Silicates, Fluoboric Acid and Silicofluorides.

5. Gujarat Alkalies and Chemicals Limited

Gujarat Alkalies and Chemicals Limited operate in the Alkalies and chlorine sector. Gujarat Alkalies and Chemicals Limited is a producer of caustic soda. The Company's products are used by various industries, such as textiles, pulp and paper, soaps & detergents, alumina, water treatment, petroleum, fertilizers, pharmaceuticals, agrochemicals, plant protection, and dyes and dyes intermediates. GACL exports its products, such as aluminum chloride, hydrogen peroxide, caustic soda flakes and prills, poly aluminum chloride and chlorinated paraffin wax to S. Africa.

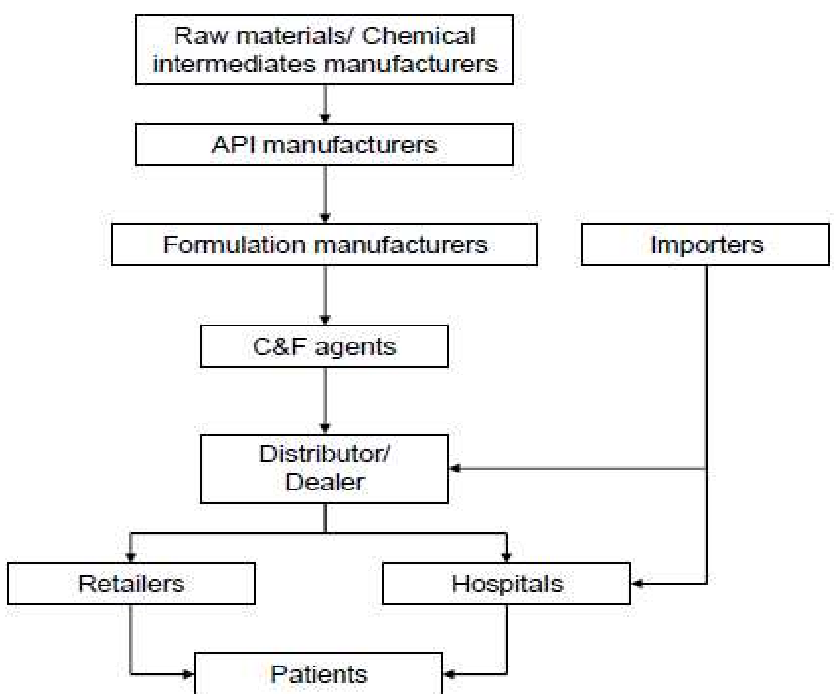
2.

Pharmaceutical Industry

S. Africa has a relatively well-developed pharmaceutical industry, which consists of manufacturers, distributors and dispensers forming the supply-chain. Given the challenges faced by the healthcare sector in S. Africa, the structure of the pharmaceutical industry is set to change with the object of provide increased access to money-making healthcare. The S. African pharmaceutical market is characterised by having a high amount of original medicines – 68% of the drug market in 2008.

Pharmaceutical spending in S. Africa increased from US Dollar 2.34bn in 2008 to US Dollar 2.43bn in 2009. A compound annual growth rate (CAGR) of 9.7% will follow from 2009-2014 to give an expected market value of US Dollar 3.86bn. By 2019, the total drug market is likely to be worth US Dollar 4.74bn, with a 2014-2019 CAGR of 4.1% in US dollar terms. In December 2009, a new Southern African Generics Medicines Association (SAGMA) was established to drive growth in the region's pharmaceutical sectors. The SAGMA plans to develop initiatives to encourage further investment in local pharmaceutical firms operating in the region.

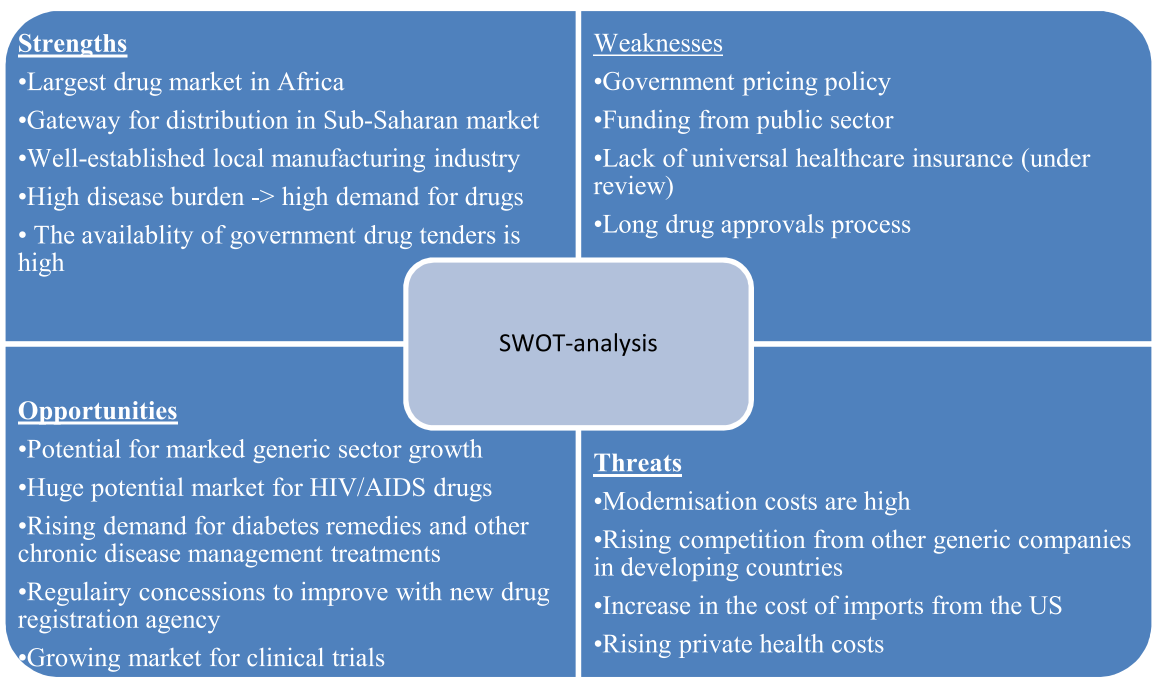
<u>S. AFRICA PHARMACEUTICAL MARKET STRUCTURE</u>



- The number of people per hospital bed is 380
- There are 83,200 doctors, 77,000 nurses and 14,700 dentists
- The number of patients per doctor is 800
- The population per dentist is 4,500
- S. Africa annual per capita health expenditure is USD 160.
- Europe-wide per capita spending on health care goods and services is USD 2,140.
- There are 22,000 pharmacies in S. Africa.
- There are about 900 pharmacists graduate from university each year.

SWOT ANALYSIS OF THE S. AFRICAN PHARMACEUTICAL SECTOR

The figure below shows a SWOT analysis of the S. African pharmaceutical sector.



COMPARATIVE POSITION

In the BMI's Business Environment Ratings for Q1:2010, S. Africa is now considered a more attractive proposition than Israel and Bahrain – considered to be more developed regional markets – and is less than a full point ahead of the two markets occupying the joint third place. S. Africa's benefits include its large market size in regional terms and favourable growth forecast.

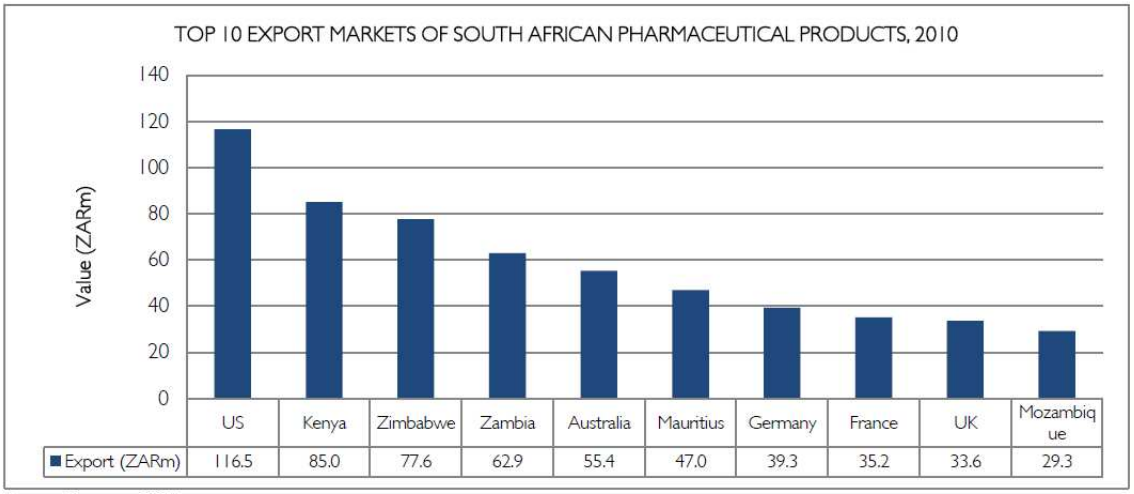
S. African Trade

The table below shows the value of global pharmaceutical exports from S. Africa for the period 2008 to 2010. In 2010 S. Africa pharmaceutical exports were valued at ZAR937m compared to ZAR1.3bn in 2009, decreasing by 28.6%.

SOUTH AFRICA'S EXPORTS OF PHARMACEUTICAL PRODUCTS				
	VALUE 2008 (ZAR)	VALUE 2009 (ZAR)	VALUE 2010 (ZAR)	% GROWTH 2009-2010
TOTAL EXPORTS	636 791 399 018	506 476 558 430	575 700 674 061	13.67
Pharmaceutical products	1 277 612 421	1 311 838 615	937 283 944	-28.55
Medicaments, therapeutic, prophylactic use, in dosage	892 330 816	998 425 111	571 297 112	-42.78
Medical wadding, gauze, dressings	118 837 773	112 395 849	123 706 259	10.06
Blood, antisera, vaccines, toxins and cultures	138 581 260	99 639 486	121 513 690	21.95
Medicaments mixed together for therapeutic use, bulk	34 180 886	46 499 738	79 804 037	71.62
Special pharmaceutical goods	93 578 825	54 501 854	38 684 703	-29.02
Glands, dried, organ extracts, for therapeutic use	102 861	376 577	2 278 143	504.96

Source: Quantec, 2011

The figure below shows the top 10 export markets for pharmaceutical products from S. Africa in 2010. The United States was the leading export destination valued at ZAR116m. Kenya and Zimbabwe rank second and third, valued at ZAR85m and ZAR78m respectively.



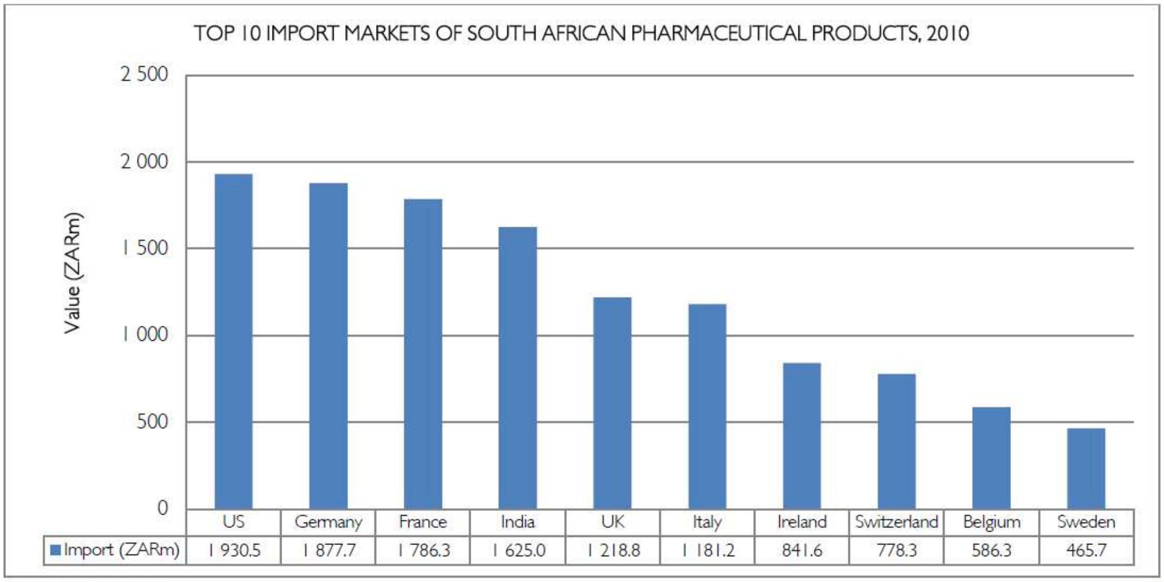
Source: Quantec, 2011

The table below shows the value of global pharmaceutical imports from S. Africa for the period 2008 to 2010. S. Africa's global imports of pharmaceutical products were valued at ZAR15bn in 2010 compared to ZAR13bn in 2009, increasing by 11.8%.

SOUTH AFRICA IMPORTS OF PHARMACEUTICAL PRODUCTS				
	VALUE 2008 (ZAR)	VALUE 2009 (ZAR)	VALUE 2010 (ZAR)	% GROWTH 2009-2010
TOTAL IMPORTS	721 082 119 702	535 764 548 899	575 087 432 296	7.34
Pharmaceutical products	13042844486	13 482 391 662	15 073 800 455	11.80
Medicaments, therapeutic, prophylactic use, in dosage	10306189276	10 359 817 518	11 608 084 331	12.05
Blood, antisera, vaccines, toxins and cultures	1312317132	1 676 514 289	1 972 570 363	17.66
Medicaments mixed together for therapeutic use, bulk	670890112	703 856 091	647 102 359	-8.06
Special pharmaceutical goods	441078008	436 778 583	546 841 820	25.20
Medical wadding, gauze, dressings	264650003	272 147 347	230 929 834	-15.15
Glands etc, dried, organ extracts, for therapeutic use	47719955	33 277 834	68 271 748	105.16

Source: Quantec, 2011

The figure below shows the top 10 import markets for pharmaceutical products from S. Africa for the period 2010. The United States was the leading destination market valued at ZAR1.9bn. Germany and France rank second and third valued at ZAR1.88bn and ZAR1.79bn respectively.



Source: Quantec, 2011

Bilateral trade between S. Africa and India

Exports:

Product code	Product label	S. Africa's exports to India			S. Africa's exports to world		
		Value in 2009	Value in 2010	Value in 2011	Value in 2009	Value in 2010	Value in 2011
'3001	Glands & extracts, secretions for organotherapeutic uses; heparin	0	0	0	45	312	1,512
'3002	Human & animal blood; antisera, vaccines, toxins, micro-organism culture	29	81	120	12,846	18,554	16,011
'3003	Medicament mixtures (not 3002, 3005, 3006) not in dosage	4	319	633	7,945	11,195	18,986
'3004	Medicament mixtures (not 3002, 3005, 3006), put in dosage	3,409	715	5,107	137,267	98,356	113,721
'3005	Dressings packaged for medical use	18	8	16	13,542	17,149	20,068
'3006	Pharmaceutical goods, specified sterile products sutures, laminaria, b	4	1	20	6,538	5,388	8,380

Sources : ITC calculations based on S. African revenue services (SARS) statistics since January, 2011.

Imports:

Unit : US Dollar thousand

Product code	Product label	S. Africa's imports from India			S. Africa's imports from world		
		Value in 2009	Value in 2010	Value in 2011	Value in 2009	Value in 2010	Value in 2011
'3001	Glands & extracts, secretions for organotherapeutic uses; heparin & it	0	1	0	3,903	9,342	6,523
'3002	Human & animal blood; antisera, vaccines, toxins, micro-organism cultu	486	173	180	196,387	268,560	296,047
'3003	Medicament mixtures (not 3002, 3005, 3006) not in dosage	8,714	10,008	6,180	82,671	88,500	54,746
'3004	Medicament mixtures (not 3002, 3005, 3006), put in dosage	158,492	210,309	254,757	1,221,868	1,588,061	1,739,080
'3005	Dressings packaged for medical use	1,114	1,571	1,345	32,116	31,584	42,644
'3006	Pharmaceutical goods, specified sterile products sutures, laminaria, b	64	18	234	51,190	77,840	76,730

Sources : ITC calculations based on S. African revenue services (SARS) statistics since January, 2011.

Business Opportunities In Future

Many Indian companies operate their work in S. Africa by many ways like to starting own subsidiaries, joint venture and many more. New companies can easily enter in pharma markets of SA by getting ample opportunities .There are some example of Indian / Gujarat companies operate in SA:

- India's fourth largest drug manufacturer Zydus Cadila has acquired 70 per cent stake in Simayla Pharmaceuticals of S. Africa through its wholly owned subsidiary Zydus Healthcare SA PTY Ltd for an undisclosed amount. The product will be manufactured at Ahmedabad. Besides S. Africa, Simayla would also market the groups products in Nambia, Angola, Botswana, Swaziland and Mozambique.
- Ranbaxy (S.A.) (Pty) Ltd – S. Africa, a wholly owned subsidiary of Ranbaxy, was set up in 1998. There has been a constant effort to differentiate Ranbaxy from the other generic manufacturers by establishing the corporate heritage and the vision of becoming a research based international pharmaceutical company.
- Cipla took a 25% stake in the manufacturing division of Cipla Medpro, S. Africa’s third-largest drugmaker and a key ally of the Indian company. Cipla Medpro has been a partner of Cipla since it was founded 17 years ago. Cipla Medpro’s manufacturing (CMM) division is setting up one of the largest contract manufacturing facilities in Africa at an investment of over Rand 225 million (Euros 23 million).
- Dr. Reddy’s Laboratories Ltd. started its operations in S. Africa through Triomed who were holding registration for two products, OMEZ (Omeprazole) and CIFLOC (Ciprofloxacin). Soon after Triomed was acquired by Aspen, They decided to enter the market directly through a joint venture with Venturepharm in 2004. In August, 2010, the joint-venture became a 100% wholly-owned subsidiary of Dr. Reddy’s.

3.

Textile Industry

S. African Textile Industry

- Before the time of democratization and S. Africa's integration into the world with its trading system, the clothing and textile industry (like many other) was focused on import substitution. The policy of import substitution industrialization (ISI) which then resulted in high tariff and non-tariff barriers which insulated local industries from outside competition, resulting in an inefficient and uncompetitive industry.
- Since 1994, more than US$1-billion has been spent on upgrading and modernizing S. Africa's textile, clothing and footwear industry, making it efficient and ready to compete internationally.
- By the year 2014 the S. African clothing and textiles industries, in partnership with the government of S. Africa, is committed to increase their competition and outputs, attracting investments, promoting exports and creating and sustaining quality job opportunities and living standards for their employees.\

Market access

There are several factors make the prospect of investing in SA's textiles, clothing and footwear market attractive.

- S. Africa has trade agreements with the European Union and the United States whereby the country enjoys a 17.5% duty advantage
- S. Africa will soon also have preferential access to the Southern African Development Community (SADC) region, with the help of SADC Free Trade Agreement.
- Availability of raw materials.
- The major fibre types used are cotton, staple and filament polyester, acrylic, nylon, polypropylene, PP/HDPE - Raffia , viscose, and jute/sisal.
- Cotton:- S. Africa produces in the region of 40,000 tonnes of cotton a year with above world average lint, providing the potential for the local cotton pipeline to become increasingly export-oriented. Cotton fibre and yarn can also be imported from the SADC region to supplement production for Agoa purposes.
- Leather:- Bovine, ostrich, Nile crocodile, game leather, textile and PVC and PU synthetic raw materials can all be sourced locally without any difficulty.

- Vegetable fibers:- S. Africa is successfully growing and processing natural fibres such as flax and hemp, in response to increasing demand from the automotive and aeronautics industries for environmentally friendly body parts.
- Wool and mohair:- S. Africa is the world's largest mohair producer and the 5^{th} largest producer of wool.

ROLE OF TEXTILE IN THE ECONOMY OF S. AFRICA

The clothing and textile sectors play a major economic role in most developing countries especially in Africa and Asia. The textile and clothing sectors provide one of the first stages of economic upgrading or diversification away from a dependency on primary commodities and it has significant forward and backward linkages for many developing countries. The sector provides vital commodities such as shirts, trousers, suits, dresses, hats, stockings and underwear blankets, towels. The S. African (SA) clothing and textiles (C&T) industry has relatively large share of manufacturing employment. The problems that plague the industry are rooted in its inability to compete with foreign competitors and market. There are valuable opportunities that SA can realize by exploiting its strengths and so policy measures are suggested that address the problem of how to improve SA's competitiveness domestically and internationally to unlock its comparative advantages.

Contribution to Employment

About 44 000 people were employed in 2008 by clothing and textile sector, which has been earmarked as a key job-creating sector by S. African government.

Structure of textile in S. Africa

The textile industry in S. Africa comprises the following major sectors:

- Fibre production
- Spinning
- Weaving
- Knitting
- Non-wovens
- Carpet production

- Fabric Coating

There is also a wide range of other consumer and industrial converting sectors including:

- Apparel Home Fabrics
- Woven and Knitted packaging
- Tyre and belting packaging
- Webbing and Narrows Hose Manufacturing
- Cordage Filtration fabrics Tarpaulins
- Geotextiles Sewing
- Thread Sleeping bags
- Fibre Production

Present Position Of Textile In India

- The Indian Textiles contributes about 14% to the industrial production,
- 4% to the Gross Domestic Product.
- 14% to the countries' export earnings.
- It provides direct employment to over 35 million people.
- India is the largest producer of Jute
- The 2nd largest producer of Silk
- The 3rd largest producer of Cotton and Cellulosic Fibre / Yarn
- 5th largest producer of Synthetic Fibers/Yarn.
- 9% of excise collections comes from textile sector industries.
- The Industry contributes around 25% share in the world trade of cotton yarn.
- India is the largest exporter of yarn in the international market and has a share of 25% in world cotton yarn export market.
- India contributes for 12% of the world's production of textile fibers and yarn.
- Indian textile industry is second largest after China, in terms of spindle age, and has share of 23% of the world's spindle capacity.
- India has around 6% of global rotor capacity.
- The country has the highest loom capacity, including handlooms, and has a share of 61% in world loomage.

- The Apparel Industry is one of largest foreign revenue contributor and holds 12% of the country's total export.
- 18% of employment in industrial sector from textile sectors

Textile In Gujarat

- In terms of its presence across sectors, Gujarat contributes significantly to the country's cotton (31 per cent) and Textiles (31 per cent).
- As per the quick estimates, Gross State Domestic Product (GSDP) at factor cost at current prices in 2009-10 has been estimated at Rs. 429356 crore as against Rs. 367745 crore in 2008-09, showing a growth of 16.8 percent during 2009-10
- The per capita income at current prices is estimated at Rs. 63961 in 2009-10 (which is higher than the national average of Rs. 46492), as against Rs. 55140 in 2008-09, registering an increase of 16.0 percent over the previous year.
- Apparel Export Promotion Council (AEPC), the apex body of apparel exporters in India has compiled data which reflected that the exports have increased by 11.2 per cent from the previous month and totaled US$ 1144 million in Jan. 2011.
- In rupee terms, the exports have increased by 18.1 percent in January 2010-11 over the same month of previous financial year. There was substantial increase in exports from previous month of this financial year. In rupee terms, the cumulative figure of export for April- January 2010-11 was Rs. 39,787 Crore.
- Increase in the exports from the previous financial year of same month has been quite substantial and reached at 19.5 per cent, however, cumulative figure for April-Jan. 2011 has declined -0.3 per cent in dollar terms. Cumulative figure for April-January 2011 stood at US$ 8719 million.
- To replicate the data Apparel Export Promotion Council (AEPC), reflects an increase in exports for the month of December 2010 by 40 per cent from the previous month viz. November 2010. For the first time in December 2010, apparel exports touched USD 1 billion mark.
- The data shows that in the month of November 2010, apparel exports were clocked at USD 7.10 million. For the three months ended on December 31, 2010, the apparel

industry posted exports of USD 2,438 million, as against exports of USD 2,398 million for the corresponding year of FY 2009-10.

TRENDS OF TEXTILE BUSINESS

Growth of the Fashion Industry – S. Africa

- US$ 4.3 Billion industries in S. Africa are Fashion industries, and yet the industry is fragmented across a number of different competing fashion weeks each year in S. Africa.
- Increase in the number of large fashion events held in the country which highlights the Growth of the fashion industry (From 2 in 2004 to 9 in 2008). This is attributed to government support which increase in awareness of domestic brands among consumers
- Fast emerging fashion capital of Africa is Johannesburg.
- Government initiatives Economic Development Unitare fueling the growth of the fashion industry in S. Africa through the Johannesburg.
- Armani, Prada, and Versace, are certain high profile brands that have short-listed S. Africa for expansion beyond the traditional fashion capitals
- The Paris Fashion Week gave invitation to Young S. African fashion designers to showcase their creations.

Growth of the Fashion Industry – India

- Significant expansion has experienced by the Indian fashion industry in the last decade mainly driven by the growth of domestic designers and gained international recognition in recent years such as Rina Dhaka, Anamika Khanna, and Manish Arora.
- The Indian fashion industry is expected to grow 178% between 2008 and 2012, and expected to reach US$ 189 MM by 2012
- The increase in the number of large fashion events (from 1 in 2004 to 5 in 2008) highlighted the growth of the Indian fashion industry.
- The growing exposure of domestic designers at international forums resulted in growth of India industry, but the other factors such as the launch of focused business education courses for emerging designers and the establishment of an industry association is also supporting in the growth.

- For luxury brands India is considered as an attractive market and about 50 premium and luxury brands, including Jimmy Choo, Gucci, Christian Dior, and Chanel, have opened stores in recent years in India.
- From 2002 to 2007 consumer spending on fashion products has grown at 7.1% annually.

POLICIES AND NORMS OF S. AFRICA WITH INDIA

Trade Liberalization And Textile Sector

Trade was governed by the Multifibre Arrangement (MFA) between 1974 and 1994, which allowed countries whose domestic industries were facing serious damage from rapidly increasing imports to introduce quotas limiting imports. S. Africa has undertaken an extensive trade liberalization programme, agreed to under the then General Agreement on Tariffs and Trade (GATT) and implemented by the World Trade Organization (WTO) since 1994. In 1995The WTO's Agreement on Textiles and Clothing (ATC) was formalized and required that WTO members gradually reduce quotas on textile imports over 10 years and bring their industries in line with the regulations decided upon under the GATT. All quotas were to be removed by 1 January 2005 under the agreement.

The General Agreement on Tariffs and Trade to the World Trade Organisation – Confronting the new international trade agenda

In 1947(came into existence) the General Agreement on Tariffs and Trade (GATT) was a system of liberalisation of trade that grew out of the Bretton Woods and operated until 1995 when it was superseded by the World Trade Organisation like GATT is primarily responsible for policing the world trading system and making sure nation-states adhere to the rules laid down in trade treaties signed by WTO member states. Free trade seeks by the GATT but it stipulates that if protection is to be granted to industries, tariffs and not quotas must be used to provide this. While GATT was simply a forum for the meeting of representatives of countries, with as of 2008, WTO (having 152 member nations) is an independent multilateral organisation headquartered in Geneva, Switzerland.

WTO negotiations have dealt with such issues as reducing tariffs on the trading of goods, dealing with non-tariff barriers (e.g. quotas, national subsidies to industry and agriculture), and the liberalisation of international trade in agriculture over the years. More of it, attention has shifted to such issues recently as “international trade in services, trade-related international property rights (TRIPS), and trade-related investment measures (TRIMS). To ensure that the multilateral trading system confronts the issues pertinent to developing economies which would enhance the legitimacy and credibility of the WTO, many developing economies are advancing a more developmental agenda for the WTO. Although developing countries room for manoeuvre in policy making is now greatly circumscribed, the existing tariffs on manufacturers continue to provide developing countries with some degree of protection from outside competition.

Common Monetary Area (CMA) –when countries which are geographically closely located to each other agree to accept one dominant currency as legal tender is a Common Monetary Area and it is allied to the Southern African Customs Union (SACU). After its independence Namibia automatically became a member but withdrew with the introduction of the Namibian dollar in 1993. However, Namibia has chosen not to pursue its own flexible exchange rate policy, and the Namibian dollar is at par with the S. African rand and there is no immediate prospect of change. And it is the same with the lilangeni of Swaziland and the loti of Lesotho. Although strictly speaking it is not legal tender the rand continues to circulate freely in these countries. Throughout the CMA, Foreign exchange regulations and monetary policy continue to reflect the influence of the S. African Reserve Bank.

Potential for trade of S. Africa with India

The textile and India's apparel industry is on an expansion drive and they are looking at new markets like S. Africa.

- The India Clothing and Textile Trade Show held at the Durban International Convention Centre in 2012 highlighted the importance of S. Africa to the developmental growth of India's clothing, textile and fashion sector.
- Durban is cementing closer links with India through fashion and can create a path of mutual sustainable economic benefits.
- India's $5bn textile export sector had marginal drops due to the global recession and declining orders from the US and Europe.
- India’s government is allocating around $510m to assist domestic textile companies.

- The S. African industry can learn from the support structures the Indian government and their textile sectors have in place for promoting Indian style, as they have a collaborative focus, working as a collective for the betterment of the industry.
- In an effort to boost trade ties with Africa, India to provide duty-free access to products from the least developed countries of Africa.
- The Indian cabinet has already approved the draft framework of a preferential trade agreement with the Southern African Customs Union (SACU).
- Bilateral trade has further shot up to $18,538 million during April 2006-January 2007.
- Africa is the largest recipient of India's technical and economic cooperation programme with an outlay of over a billion dollars.

OPPURTUNITIES OF TRADE IN GUJARAT FOR TEXTILES

Infrastructure

- The Blueprint for Infrastructure in Gujarat 2020 (BIG 2020) is an integrated plan for the state's infrastructure development, to make Gujarat a globally preferred place to live in and to do business through accelerated, balanced, inclusive and sustainable growth driven by robust social, industrial and physical infrastructure.
- It envisages an investment of Rs11,80,912 crore across 19 infrastructure sectors, is an integrated plan for the state's infrastructure development.
- This integrated infrastructure investment plan will increase productivity and ensure high investments in infrastructure, propel Gujarat's per capita income into the league of top fifty countries of the world.

Apparel Park Operator Training

- Apparel Park Operator Training Programme have been started, with Modern Technology, at 25 ITIs with a 1270 seating capacity, considering the employability in readymade garments
- National Institute of Fashion Technology (NIFT), Gandhinagar is imparting training for the apparel sector employees.

Special Economic Zones (SEZs)

- Special Economic Zones (SEZs) are growth engines that can boost manufacturing, augment exports and generate employment.

- The Government has enacted Special Economic Zones Act, 2004 in order to provide a hassle free operational regime and encompassing state of the art infrastructure and support services.
- Board of Approval (BOA) in Ministry of Commerce and Industries (MoCI), New Delhi has accorded approvals to 60 SEZs in Gujarat at the end of November-2010.
- The SEZ Developers total proposed investment is around Rs.267373.45 crore in the apparel segment.

Textile Industries

- Textile contributes 6% of the total industrial production in Gujarat (organized sector).
- State is largest producer (35%) and exporter (60%) of Cotton in the country.
- State is 3rd largest in the world and largest in India (65-70%) in the Denim production
- Textiles sector About 24% to 28% of fixed investment, production value and employment of Small Scale Industries (SSI) comes from.
- Presence of textile related academic institutes cater to the manpower requirement of this highly labour intensive industry.
- Technical Textiles is a key emerging area with over 860 units in Gujarat as per a survey report Government of Gujarat.
- In this connection, Garment and Apparel Parks are being developed at Surat, Ahmedabad and other locations.
- Trained manpower is developed as critical input under the Industrial Policy 2009 for success of apparel parks in the state of Gujarat.
- There is a 5% interest subsidy in Spinning, Weaving Knitting Apparel and Machine Carpeting and 6% interest subsidy in Technical Textiles in guajarat.
- The state has also established of Centre of Excellence at ATIRA and MANTRA for providing training.
- Financial Support to ATIRA and MANTRA for training weavers, jobbers and powerloom owners.
- Stipend to trainees in all 5 Powerloom service centers in Gujarat.
- Assistance for Technology acquisition and up gradation

Business opportunities in future in S. Africa

- S. Africa to provide R25 billion over the next six years to stimulate industrial development zones
- To attract businesses from employment-intensive industries and services into industrial development zones, which have the potential to export, become part of global supply chains and competitive logistics hubs so incentives are under consideration
- Government of India is interested in a trilateral agreement with trade bloc Mercosur and S. Africa Customs Union (SACU) and is under consideration to widen the scope of South-South Cooperation.
- Following the conclusion of a Preferential Trade Agreement in 2005, India and Mercosur had agreed to give tariff concessions, ranging from 10 per cent to 100 per cent on 450 and 452 tariff lines.
- "The process of expansion of PTA coverage has also been initiated in persuasion of the IBSA Declaration made by the Heads of India, Brazil and S. Africa in 2006
- It is supposed that S. Africa would most likely choose to import its apparel from India, who would most likely offer a superior product to Botswana, and given that any previous tariffs would no longer apply, S. Africa is likely to prefer the Indian product.

Conclusions

The Department of Trade and Industry (DTI) has since 1994 developed strategies such as supply side measures and a range of policy interventions such as the Micro-economic Reform Strategy and the Customised Sector Programme.

These policies and strategies were intended to provide greater certainty to economic actors and positively influence areas such as growth, employment, broad based black economic empowerment and a more equitable geographical spread of investment and economic activities.

By signing the Global Agreement on Tariffs and Trade in 1994 S. Africa has become a player in the global trading system, and a series of trade reforms including a tariff reduction and rationalisation programme have been implemented.

- Market access has been enhanced through free trade agreements with the European Union and the Southern African Development Community and the implementation of the Africa Growth and Opportunity Act by the United States.
- S. Africa has not implemented the most obvious export-promoting policy and – unlike developing countries with comparable textiles sectors, such as Mauritius, Nigeria and Vietnam – does not have Export Processing Zones
- EPZs allow the industry to grow and employ thousands more workers without their produce threatening, and potentially saturating, the local market.
- In late 2006, S. Africa unilaterally imposed quotas on the importation of selected clothing lines from China.
- The intention of the quota imposition was to decrease the trade flows of clothing imports from China and to provide an opportunity for the S. African clothing sector to regain competitiveness.

4.

Machinery & Instruments

Introduction of the Machinery Industry and its role in the economy of S. Africa

In recent years, S. Africa has been interested in developing its trade, particularly with other developing countries, including Brazil, India and China.

The trade deficit with these countries has been widening over this period, while South Africa is keen to increase its exports to these three partners. Currently exports to these countries are primarily resource-based, with the dominant categories of exports being: Mineral fuels and oils; Iron and steel and Aluminum and articles thereof.

On the import side, advanced manufactures dominate trade, though it is of interest to note that 9% of imports from India are of Iron and steel and that 10% of trade with Brazil is of Meat and edible meat products. Around 18% of imports from China are of clothing and footwear and another 41% is of advanced manufactures including machinery.

Asia is becoming an important source. China accounts for a large proportion of the volume of trade, but importance of India, Singapore, Thailand and South Korea becomes most apparent.

India`s major machinery industry:

The Indian machine industry manufactures complete range of metal-cutting and metal-forming machine to special purpose machines. The products also comprise Computer Numerically Controlled (CNC) machines and include special purpose machines, robotics, handling systems, and Total Productivity Management (TPM) friendly machines.

With a wide production capacity base, India is perhaps the only developing country, which is totally self-reliant in such highly sophisticated equipment. Only 75% of these companies export machineries and instruments to other countries.

Countries like S. Africa are investing in mining so there is huge demand for mining machineries. India can emerge as a lower cost sourcing hub for equipment. India is one of the leading exporters of machines required for the steel industry, mining equipments for the mining industry, and equipment for the fertilizer industry, cement industry, petrochemical manufacturing industry and heavy engineering equipment.

Agriculture machinery industry

Soil working equipment, tractors, power tillers and engines, processing machinery, crop protection machinery, irrigation & drainage equipment machinery, milling equipment etc.

There are government schemes that provide loans to farmers to buy agriculture machinery to increase their yield. The tractor industry in India is one of the major components of the agriculture machinery industry. More than 10 companies manufacture tractor vital agriculture machinery in India.

Sugar Machinery

Figure in US$ Million			
	2007-2008	2008-2009	2009-2010
Import	420.51	505.64	265.23
Export	453.54	988.59	669.08

Interpretation: In Sugar machinery there is a decline in both import and export in the year 2009-2010 where as both import and export have increased from the year 2007-2008 to 2008-2009. But it can also be seen that export have increased at higher rate than the import.

Rubber Machinery

inter-mixer, tyre curing presses, tube splicers, bladder curing presses, tyremoulds, tyre building machines, turnet servicer, bias cutters, rubber injection moulding machine, bead wires etc.

Figure in US$ Million			
	2007-2008	2008-2009	2009-2010
Import	5.21	12.95	32.41
Export	16.83	20.77	6.79

Interpretation: In Rubber machinery there is an increase for imports in all 3 years i.e, from 2007-08 to 2009-10 and export have increased in the year 2008-2009 where as it shows a high decline in the year 2009-2010

Dairy Machinery

Evaporators, milk refrigerators and storage tanks, milk and cream deodorizers, centrifuges, clarifiers, agitators, homogenizers, spray dryers and heat exchangers.

Figure in US$ Million			
	2007-2008	2008-2009	2009-2010
Import	15.58	22.99	1.34
Export	4.96	4.71	3.83

Interpretation: In Dairy machinery there is a decline in both import and export in the year 2009-2010 whereas import have increased from the year 2007-2008 to 2008-2009. But it can also be seen that import have shown a high decline rate in 2009-2010.

Textile machinery industry

The textile machinery industry in India is the second largest in the world. Used textile machinery also has a pretty good 20 % market share. The Indian textile machinery industry is a significant component of the capital goods industry. The range includes textile machinery required for sorting, cording, processing of yarns/ fabrics and weaving.

Textile Machinery:

Figure in US$ Million			
Year	Production	Exports	Imports
2007-2008	6155	640	5255
2008-2009	4063	607	4411
2009-2010	4245	525	4500

Interpretation: In Textile machinery it is clearly seen that most of the production is being imported in all the 3 years and the export is very less compared to the import. Moreover the exports as well as import have shown a decline trend from 2007 to 2010. In these 3 years the decline stage of import and export may be due to the recession period.

Construction machinery industry

More than $35 billion is earmarked for road and highway construction projects of which 20% is for construction machinery. It is anticipated that through 2020 about $10billion of construction machinery will be required in the country.

Heavy Electrical Industry

Leading Players in Heavy Electrical Industry

Categories	Players
Transformers	Crompton Greaves, BHEL, Vijay Electricals, Emco, Bharat Bijlee
Switchgears	ABB, Siemens, L&T, Crompton Greaves, BHEL, Areva T & D India Ltd (formerly Alstom)
Steam & Hydro Turbines	BHEL, Triveni Engineering & Inds., Belliss India
Generator/Generating Sets	Honda Siel Power Products, Powerica, Kirloskar Electric Co., Cummins India
Boilers	BHEL, Thermax, Saraswati Industrial Syndicate, Sterling Strips
Electric Furnaces	Electrotherm (India) Ltd.

Source: Prowess; Compiled by D&B Research

COMPARATIVE POSITION OF MACHINERY INDUSTRY WITH INDIA AND GUJARAT

Here balance of trade is in negative for both the Machinery appliances and transport Equipments which implies that imports are more than the exports. The trade surplus of R4.7 billion in December 2011 was mainly due to a decrease in imports of products of chemical or allied industries, original equipment components, mineral products and machinery and electrical appliances. This shows that in 2010 out of total export of 590.036 Rm, 197.251 Rm to Asia. And machinery consist 98 Rm of total exports. While imports are of 585.230 Rm. out of which Asia supplies 259.880 Rm and imports of machinery is 210 Rm.

In 2011, balance of trade is negative. And Asia becomes major trade partner with S. Africa. This growth is because of machinery and equipment.

Direction of India’s Foreign Trade – Exports (US$ million)

Out of total export of US $ 54129.6 mn, 3% is with S. Africa which shows increasing export from previous year export of 1%.

Direction of India’s Foreign Trade –Imports (US$ million)

In imports, India imports 2% from its total import of US $ 90070.7 mn. It shows that India is in trade surplus with S. Africa. In totality India imports more than exports.

India's Exports of Principal Commodities (US$ million)

	APRIL-JUNE		
	09-10	10-11	11-12
Machinery and Instruments	2115.5	2448.8	4035.5
Transport Equipments	3571.4	5608.8	9546.8
Total Exports	38398.5	54129.6	82034.6

India's Imports of Principal Commodities (US$ million)

	APRIL-JUNE		
	09-10	10-11	11-12
Machine Tools	410.8	462.5	739.6
Machinery except Electrical and Electronics	4934.7	5611.2	7486.9
Electrical machinery except electronics	721.8	885.2	1177.0
Transport Equipments	2467.4	2647.3	2285.2
Total Exports	62432.1	90070.7	117105.7

INDIA’S EXPORT TO S. AFRICA

In 2008-09 (April-February) Machinery & Instruments (US$ 123.8 mn) are the India’s export to S. Africa.

S. Africa imports were worth 67.5 Billion ZAR in January of 2012

India exports Machinery and Equipments of 13237 US Dollar in 2006 and reached to 32081 in 2010 which shows an increase of 142%. Indian imports show 40792 US Dollar in 2006 and reached to 56031 in 2010 which shows an increase of 37%. S. Africa exports show minor increment from 2006 to 2010 of 19%. Whereas S. African imports shows an increase of 9.22%.

Machinery export to S. Africa:

India had total export of 5996.93 crore Rs. In April 2005-feb 2006 and in April 2006 – February 2007 it was 8926.28 crore Rs. In 2008-09 machinery & instruments (US$ 123.8 mn). Amongst this the machinery export of India with S. Africa is following.

Types of machine	2004 (values in Rs. Lacs)	2005 (values in Rs. Lacs)
Hydrofluoric presses	5.68	75.63
Other presses	82.15	0.3
Drilling treading for tapping	100.59	60.95
Drilling machine	3	
Lathes for removing melt	8.05	70.98
Horizontal lathes	0	19.97
Centre lathes	0	35.93

Detail of individual machinery

The most popular types of CNC machines produced are CNC lathes, vertical and horizontal machining centers, wire cut EDM, CNC external grinders and flexible CNC SPMs. In fact in standalone CNC Machine and Equipments. Indian Machine industry is achieving a key advantage of the volume driven competitiveness. This substantial growth makes CNC Machine and Equipments a sunrise segment of the Industry.

CONSTRUCTION AND MINING EQUIPMENT

Bulldozers, Angle Dozers, Graders Levlrs, Scrprs, Mchncl Shovls, Excvtrs, Shovl Loaders, Tamping Machines & Road Rollers.

Countries	(Exports) Values in Rs. Lacs		
	03-04	04-05	% growth
S. Africa	370.68	196.89	-46.88

Policies and Norms of S. Africa for Machinery Industry for import / export including licensing / permission, taxation etc.

The S. African government and the Department of Trade and Industry (the dti) in particular have embarked on a policy framework to ensure that the SA economy becomes competitive. In an increasingly traded global economy, it is recognized that national economic welfare will be enhanced by both greater efficiency, brought about by liberalization, and SA's exports in the world economy. The State of Trade Policy in S. Africa 2003 aims to develop a rigorous approach to the analysis of trade reform and the impact it has had on aspects of SA's economy- the overall macro-economy, export behavior, labour markets, resource allocation and growth. The report consists of a synthesis of existing research in SA, as well as specifically commissioned research, and is intended to be a reference point for government, academia, the private sector and others.

S. Africa Import Regulations for Machinery and Instruments

S. Africa is a member of the WTO and follows the Harmonized System (HS) of import classification. Import permits are required for specific categories of goods. Importers must have an import permit prior to the date of shipment. Failure to produce a required permit could result in the imposition of penalties.

No Foreign Trade Zones or Free Ports are established in S. Africa. According to S. African Government countertrade is a second-best alternative to be engaged when normal trade cannot be conducted. Bonded warehouses are available at various points of entry. S. African banks can accommodate all international transactions. The dutiable value of goods imported into S. Africa is calculated on the F.O.B. price in the country of export. In conformance with its WTO commitments, S. Africa has lifted import surcharges.

S. Africa's liberalization of tariffs is likely to have contributed to an increase in import penetration.

Policies and Norms of India for Import or export to the S. Africa including licensing / permission, taxation Etc.

In every five years, the Ministry of Commerce and Industry, Government of India, announces the Export-Import (EXIM) policy. This is an effort towards the encouragement of foreign trade and creation of a complimentary Balance of Payments. The EXIM policy, updated yearly on 31st of March, is followed from 1st April. The Customs Act was formulated in 1962 to prevent illegal imports and exports of goods. Besides, all imports are sought to be subject to a duty with a view to affording protection to indigenous industries as well as to keep the imports to the minimum in the interests of securing the exchange rate of Indian currency.

Duties of customs are levied on goods imported or exported from India at the rate specified under the customs Tariff Act, 1975 as amended from time to time or any other law for the time being in force. For the purpose of exercising proper surveillance over imports and exports, the Central Government has the power to notify the ports and airports for the unloading of the imported goods and loading of the exported goods, the places for clearance of goods imported or to be exported, the routes by which above goods may pass by land or inland water into or out of Indian and the ports which alone shall be coastal ports.

Required documentation varies according to the following factors:

- Any shipment with a value, even if the goods are free of charge to the recipient, will still require the fully completed FedEx international air waybill and a commercial invoice for customs clearance.
- If you are shipping documents with a commercial value, samples, or dutiable goods you require a FedEx International Air Waybill and a Commercial Invoice.
- If you are shipping electronic goods and computer parts for personal use or resale you need a test report from the S. African Bureau of Standards (SABS). If the Letter of Authority is not available within five days of the goods arrival, the shipment will be confiscated.

- FedEx Ship Manager invoices are not acceptable. Invoices must be on company letterhead and be on the outside of the shipment.
- Responsible for guidance in local and international trade, licencing, rebates, permits, and small business development.

The highest growth of export is 42.95% which is seen in insulated (Incl. Enamelled or Anodised) Wire Cable (Incl. Co-Axial Cable) And Other Insulated Electric Conductors from 1992 to 1996 whereas the highest growth in export from the year 2001 to 2006 is seen in Spark Ignition reciprocating Or Rotary Internal Combustion Piston Engines at the rate of 61.52%. The highest growth of import is seen in Transmission Apparatus For Radio-Broadcasting or Television which has grown at around 52.71% from 1992 to 1996 whereas the highest growth seen from 2001 to 2006 is in Electric Generating Sets and Rotary converters which is about 49%.

Here we can analyze that purchase of machinery in 1992 was 51 R-million and it will be increase with 50% and it will be 391 R-million that shows positive relations with india. And at 2006 it was at 976 R-million so that imports have increasing day by day with India to S. Africa and As per exports, it also increase but not that much as compared to import.

Future opportunities of S. Africa's Machineries for the India

There are the following opportunities that India can get benefited which are:

1. S. Africa is lot investing in the mining sector and India's export in the mining sector is quite growing so the India can export the mine to the S. Africa because of the import of it is very much.
2. The export of sugar machineries of India were highest 2008-09 about 988 million dollars. It can create better opportunity for the S. Africa's sugar Industry.
3. India is also big manufacture for the Industrial machinery like turbines and boilers so the S. Africa's Industrial machineries firm can import the machinery from the India and can take advantage of it.
4. Oil industry is one of the most growing industry and India also have been doing tremendously on the production of oil oriented machineries so the there is a huge scope

for S. Africa oil industry to grab the expertise of Indian oil equipments manufacture firms.

Threats

Most S. African exports are destined for developed markets, primarily within the EU, but also Eastern Asia and the North American Free Trade Area (NAFTA).

China, Australia, India and Angola are today key destinations for S. African exports, China has also become a dominant source of imports for S. Africa, as has India.

EU and NAFTA can pose major threat to India, if India intends to export machineries and instruments to S. African developing countries, because S. Africa's major import of m/c and instruments is from EU for 2006 that is 48% app from NAFTA its 15% approx where no imports shown for SADC so for India to expand the market it would be threat to India. Whereas, exports of 2006 from EU is 57% and NAFTA is 9% and SADC is 16% so we can say that here S. Africa's major export is towards electrical machineries.

Conclusions and Suggestions

In recent years, S. Africa has been interested in developing its trade, particularly with other developing countries, including Brazil, India and China. 2010 was equally a year of delight for the other Asian performers - Korea, Taiwan and India. All three countries grew at over 65 % and secured leading positions of fifth, sixth and thirteenth, respectively in the overall production ranking.

On the import side 9% of imports from India are of Iron and steel. Countries like S. Africa are investing in mining so there is huge demand for mining machineries. India can emerge as a lower cost sourcing hub for equipment. India is one of the leading exporters of machines required for the steel industry, mining equipments for the mining industry, and equipments for the fertilizer industry, cement industry, petrochemical manufacturing industry and heavy engineering equipments.

The textile machinery industry in India is the second largest in the world. Used textile machinery also has a pretty good 20 % market share. Textile machinery production has shown the positive growth by increase in production of such machinery by 4.47% in 2010. But the export of such machinery shows the negative growth rate of 13.50% in

2010 which seem the less demand of such Indian machinery in abroad market. Likewise import increase by 2% that seems the increased demand of the textile product with latest technology.

In India it is anticipated that through 2020 about $10billion of construction machinery will be required in the country.

Mining machinery import continuously increased from 2008 i.e. 137% increase in 2010. Export increased by 3 times in 2010 of such machinery which shows the rapid growth in mining machinery.

India's total export as in 2010-11 was US $ 54129.6 mn and out of this 3% is with S. Africa which shows increasing export from previous year export of 1%. In imports, India imports 2% from S. Africa from its total import of US $ 90070.7 mn. It shows that India is in trade surplus with S. Africa. In totality India imports more than exports.

Contribution of machinery and instrument in India's export was 4% in 2010 which is less that previous year i.e. 5% in 2009. Export of such machinery and instrument was increased by 15% in 2010. Contribution of transport equipment 10% in 2010 which is more than previous year, i.e. 9% in 2009. Export of transport equipment was increased by 57% in 2010.

India's exports improved as compared to April-June 2010. It reflects the impact of government's policy focus on diversification of Indian exports to other markets, especially those located in Latin America, Africa, parts of Asia and Oceania.

Total import of India was 44% increased in 2010. Contribution of machine tools, machinery except and electronics, electrical machinery, transport equipments were 0.51%, 6.22%, 0.98%, 2.94% respectively. Imports of all such commodities had been increased in year 2010-11.

S. Africa exports show minor increment from 2006 to 2010 of 19%. Whereas S. African imports shows an increase of 9.22% that shows S. Africa was in requirement of machinery and equipment as compare to Indian market. In construction and mining equipment SA shows the negative growth in export by 46.88% especially in 2004-05.

In heavy electrical machineries, India showed the positive growth since 2003-04. According to the regulation part for import export tariff in SA, both tariff and import penetration had been declined in 2004 from 1996. That shows the opportunities for other countries to trade with S. Africa. Tariff decreased by 2.9% and import penetration decreased by 11.5% for electronic machinery. Likewise for machinery it was decreased by 0.6% and 6.8% for tariff and import penetration respectively. Excise Duty on Earthmoving and Construction Equipment has progressively gone up from 8 to 16% in the last decade.

5.

Processed Foods Industry

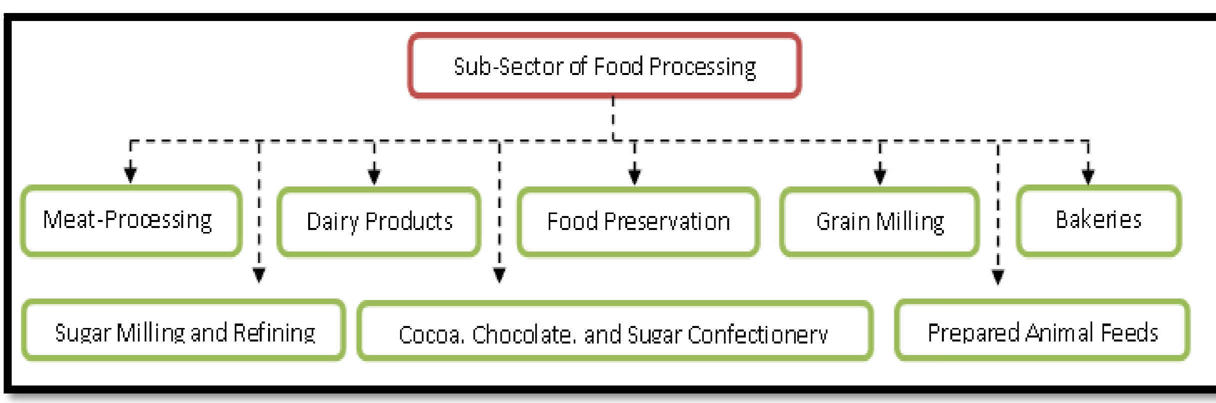
The food industry in S. Africa is partly a reflection of the country's major agricultural activities and partly a reflection of the existence of a sophisticated smallish (market capitalization of 24 food manufacturing companies quoted on the Johannesburg Stock Exchange being of the order of R30 billion as at mid-2000) First World economy in a larger Third World one. However, if the liquor industry is included, the sector grows substantially with a company like S. African Breweries (beer manufacturers) being the 4th largest brewing company in the world.

Of the world's main food crops, only rice is not significant, with most of S. Africa's rice requirements being imported from the Far East and the USA. For the rest, S. Africa is at least self sufficient, and in certain cases, e.g. maize, is sometimes a net exporter except in times of excessive drought or floods. The climate varies from Mediterranean (winter rainfall) in the South Western Cape, to semi-dry grasslands in the central highlands to subtropical on the Natal Coast and Mpumalanga (north east area adjoining Mozambique). This diversity results in a wide variety of crops being grown which in turn leads to a variety of secondary food processing industries, both large and small.

This industry is dominated by a few very large, diversified, national and multinational food manufacturers, who have established market shares and control both production capacity and sales in most food categories. These conglomerates tend to be involved in a number of food groups, as well as in the production and retailing these products. New and smaller processors play an important role and continue to change the competitive environment of food processing in S. Africa despite their limited market share.

Sub Sector Composition

The S. African food processing industry can be sub-divided into the following categories:



Sales Turnover of Sub-Sector of the Industry

According to Statistics S. Africa, the production of food and beverage manufactured products for October 2011 grew by 3.6 percent and total estimated value sales increased by 8.2 percent compared to October 2010. The table below highlights food and beverage annual percentage change in volume of manufactured production and value of sales:

Food and Beverage Manufacturing Division	Percentage of Total SA manufacturing Industry	*Value of Sales in (US$ million)*			
		Jan-Oct 2010	Jan-Oct 2010	Annual % Change Between 2010-11	Difference in Sales between 2010-11
Food and Beverages	15.4	25014	27065	8.2	2051
Meat ,Fish, Fruit, etc	1.8	6781	7554	11.4	773
Dairy Products	0.8	2275	2408	5.9	133
Grain mill Products	0.8	4335	4716	8.8	381
Other Food Products	5.2	5655	6007	6.2	352
Beverages	6.8	5970	6380	6.9	410

Market Structure of the Food Processing Industry in S. Africa

S. Africa's food processing sector is highly concentrated, with several large listed companies controlling both production capacity and sales in most food categories (Hill, 2000; Fig, 2002). These conglomerates tend to be vertically integrated into both primary production and retailing. Tiger Brands, for instance, has a controlling interest in the Spar retail group as well as interests in grain milling. Companies with backward linkages into primary production include Anglo Vaal Industries and Tongaat-Hulett, both of which are involved in primary production of raw material for processing into food commodities. A further characteristic of the large food processors is the interests they have outside of food production – usually in the pharmaceutical sector – and their recent investments in overseas food and non-food companies.

Major Players of the Food Processing Industry in S. Africa

Over 4000 food production companies in S. Africa, Only top 10 responsible for 70% of industry's turnover.

Major players forming part of top 10 are:

- ✓ Unifoods /Best foods,
- ✓ Nestle,
- ✓ National Brands,
- ✓ Tiger Brands,
- ✓ Premier Foods

Five (5) companies listed at the JSE and their market concentration:

- ✓ Tiger Brands (50%)
- ✓ AVI Ltd (25%)
- ✓ Tongaat-Hullet Group (16%)
- ✓ Illovo Sugar Ltd (8%)
- ✓ All Joy Foods Ltd (1%)

Role of Food Processing Industry in S. Africa's Economy

The food processing sector is recognized as an important component of S. Africa's manufacturing economy. Food processors contribute about 2.4% to total GDP, 3.2% to exports and 2% of total employment. The sector is a significant part of S. Africa's manufacturing economy, and in 1998 contributed 13% of production volume in rand terms, about 12% of employment and 4% of manufactured exports. Besides these direct contributions to employment and output, there are also significant forward and backward linkages between food processing and other sectors of the economy (the dti, 1998). In 2003, the food sector spent R32-billion in primary industries, R14bn in secondary industries, including manufacturing, and R17bn in the tertiary sector (Fig, 2002).

The most important agricultural exports of S. Africa include: edible fruit and nuts, beverages, preserved food, tobacco, cereals, wool not carded or combed, miscellaneous food, sugar, meat, milling products, malt and starch. The dairy industry consists of around 4,300 milk producers providing employment for 60,000 farm workers and contributing to the livelihoods of around 40,000 others. The food sub-sector is the largest employer within the agro-processing sector – contributing 1.4% to total employment, and 11.5% within the manufacturing sector. In 2006, the agro-processing sector represented 24.7% of the total manufacturing output. Although the economy as a whole gained

975,941 jobs between 1995 and 2006, the agro-processing sector lost 45,977 jobs. The competitive pressures from abroad, particularly from China and India, played a role in the decline of exports for the food, textiles and paper sub-sectors, as firms in these sectors increasingly compete with lower cost producers. Increased exports from the beverages, tobacco, wood and leather sub-sectors over the period are probably due to the presence of large dominant firms within these sectors in S. Africa, that have managed to remain competitive.

Food Processing Industry Of India

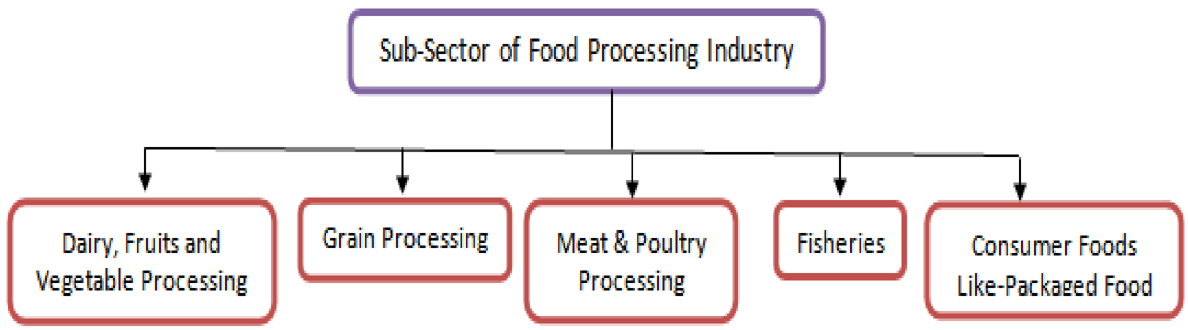
The Food Processing Industry sector in India is one of the largest in terms of production, consumption, export and growth prospects. The government has accorded it a high priority, with a number of fiscal reliefs and incentives, to encourage commercialization and value addition to agricultural produce, for minimizing pre/post harvest wastage, generating employment and export growth. Food industry is one of the key sectors which is the mainstay of Indian economy because of its high share in employment and major contribution to GDP. At present the food processing sector employs about 13 million people directly and about 35 million people indirectly. The food market in India is estimated at over Rs. 9,100 billion and accounts for about two third of the total Indian retail market.

India's food processing sector covers a wide range of products fruit and vegetables, meat and poultry; milk and milk products, alcoholic beverages, fisheries, plantation, grain processing and other consumer product groups like confectionery, chocolates and cocoa products, Soya-based products, mineral water, high protein foods etc. Looking into some of the key facts, India has largest irrigated land in the world. India produces annually 90 million tones of milk (highest in the world), 150 million tones of fruits & vegetables (second largest), 485 million livestock (largest), 204 million tones food-grain (third largest), 6.3 million tons of fish (3rd largest), 489 million Poultry and 45,200 million eggs.

Food processing industry is currently growing at around 14%. The industry received FDI totaling Rs. 7190 million in 2007-08.However, India’s share in export of processed food in global trade is only 1.5 %; whereas the size of the global processed-food market is estimated at Rs. 190 trillion and nearly 80 per cent of agricultural products in the developed countries get processed and packaged. India's processed food output is likely to grow by 44.2 per cent to touch Rs. 4,505 billion, while packaged food sales will increase by 67.5 per cent to reach Rs. 1,085 billion. On a per capita basis, per capita packaged food spending is expected to grow by 56.5 per cent to Rs. 903 by 2012.

Composition of India's Food Processing Industry

Food processing is a large sector that covers activities such as agriculture, animal Husbandry, horticulture, fisheries and plantation. It also includes other industries that use agriculture inputs for manufacturing of edible products. The Ministry of Food Processing, Government of India has defined the following segments within the Food Processing industry:



While the industry is large in terms of size, it is still at a nascent stage in terms of development. Out of the country's total agriculture and food produce, only 2 per cent is processed. The highest share of processed food is in the Dairy sector, where 37 per cent of the total produce is processed, of which 15 per cent is processed by the organized sector. Primary food processing (packaged fruit and vegetables, milk, milled flour and rice, tea, spices, etc.) constitutes around 60 per cent of processed foods. In comparison, the organized sector is relatively small, with around 516 flour mills, 568 fish processing units, 5,293 fruit and vegetable processing units, 171 meat processing units and numerous dairy processing units at state and district levels.

FOOD PROCESSING INDUSTRY OF GUJARAT

This industry is one of the largest industries in India; as it constitutes about 13 percent of manufacturing GDP and employs over 12 million people. Gujarat has witnessed an impressive agricultural growth in the last five years and is the largest producer of castor and tobacco in India. Gujarat boasts of being the leader in exports of processed food and vegetables in India with a strong base of 3,700 small scale and 150 large & medium scale food processing units. Companies such as ITC, Amul, Hindustan Lever, and McCain have explored the potential of this sector in Gujarat.

Gujarat with a strong agricultural base, 3.6 million hectares of irrigated land and well developed agro research capabilities is well positioned to drive the growth of food processing industry. Gujarat offers a large number of incentives to set up food processing units. Hassel free policies such as single window clearance, a strong agricultural marketing network with over 200 Agricultural Produce Marketing Committees (APMCs) and over 110 cold storages are some of the enablers that have facilitated the rapid growth of this industry.

Salient Features of Food Processing Industry of Gujarat

- ✓ Oil seed processing - 1200 oil extraction units
- ✓ 49 solvent extraction units
- ✓ Fruit and vegetable processing - 15 organized units, 30 small/ medium scale units
- ✓ Seed spices - 40 units of ground spices
- ✓ 25 units of Isabgol processing
- ✓ Fish processing - 60-65 sea food processing units
- ✓ Milk processing - 13 co-operative sector dairies
- ✓ 26 private sector dairies

Production of Food Processing Industry of Gujarat

Gujarat has highest Production in World for					
Castor (67%)	Fennel (67%)	Cumin (36%)	Isabgol (35%)	Groundnut (8%)	Guar Seed (6%)

Fisheries:

- 3.54 lakh hectors of inland reservoirs
- Fish industry generates approx. Rs. 1200 crore yearly with exports worth Rs 390 crore
- Leading producer of marine fish (6.71 lakh mt/year) in the country (24% share)

PRESENT BUSINESS RELATIONSHIP BETWEEN INDIA AND SA RELATED TO FOOD PROCESSING

S. Africa's Imports from India

The following tables are showing the product category wise import of the S. Africa from India and its contribution in percentage of the total import of that product by S. Africa from other countries of the world.

Pro. code	Dairy/Bakeries Products	(in Us Dollar Thousands)				
		2008	2009	2010	2011	% of world
'04	Dairy products, Eggs, Honey, Edible animal product nes	737	631	1040	7	0.0030
'19	Cereal, Flour, Starch, Milk preparations and Products	1336	2048	2255	2209	0.8181
TOTAL		2073	2679	3295	2216	

Source: DGFT

If we see the data of dairy and bakeries products, can check that the import of the Dairy products, eggs, honey, edible animal product nes is reduced drastically from 2008 to 2011. It was more in 2010 than the 2008, but it suddenly reduced in 2011. It contributes for around 0.0030 % of the total import of S. Africa of that product. The import of Cereal, flour, starch, milk preparations and products is increased by 53.2 % in 2009, then it further increased by 10.10 % in the year 2010, but after that it is reduced by 2 % in the year 2011. It counts for about 0.8181 % of the total import by S. Africa for that product in the year 2011.

The import of the Sugars and sugar confectionery is reduced from 2008 to 2010 tremendously. But in the year of 2011 it is improved. It contributes for around 0.0724 % of the total import of S. Africa of the Sugars and sugar confectionery. The import of the Beverages, spirits and vinegar is reduced by the 73.4 % in 2009. But in 2010 it shows the very high growth, but then in 2011 it is reduced by the 73 %. It counts for around 0.281%

of the total import of S. Africa of the Beverages, spirits and vinegar. The overall import of the Sugar Milling, Beverage processing is reduced by around 50 % from 2008 to 2011.

The Meat and edible meat offal import of S. Africa from India is done for first time in 2011 in 4 years and it counts for 0.1662 % of the total import of the Meat and edible meat offal by S. Africa. The import of Animal, vegetable fats and oils, cleavage products, etc is also shows a keen increase in values from 2008 to 2011 and it contributes 1.8329 % of the total Animal, vegetable fats and oils, cleavage products, etc by S. Africa in the year 2011. The Residues, wastes of food industry, animal fodder import is decreased in 2011 compared to 2008 and it counts for 0.29 % of the total Residues, wastes of food industry, animal fodder import by S. Africa in the year 2011.The overall import of the Meat Processing of S. Africa from India is increased.

The Fish, crustaceans, mollusks, aquatic invertebrate's nes import of S. Africa from India is increased in 2011 in 4 years and it counts for 1.5910% of the total import of the Fish, crustaceans, mollusks, aquatic invertebrate's nes by S. Africa. The import of Meat, fish and seafood food preparations nes is also shows a keen increase in values from 2008 to 2011 and it contributes 2.4489 % of the total Meat, fish and seafood food preparations nes import by S. Africa in the year 2011. Overall the import of the Marine Products is grown in 2011 as compared to 2008.

S. Africa's Export to India

The export of the dairy/bakeries products from S. Africa to India is reduced in 2009, but then it is increased in 2010 and also increased in 2011. Overall, the export of the dairy/bakeries products is increased in 2011 as compared to 2008.

The export of the Beverages, spirits and vinegar from S. Africa to India is counts for the 0.36 % of the total export of the India from S. Africa in the year of 2011.

The export of the Meat and edible meat offal from S. Africa to India is counts for the 0.0909 % of the total export of the Meat and edible meat offal of India from S. Africa in the year of 2011.

The overall export of Marine Products of India from S. Africa has increased in the year 2010 than 2008.

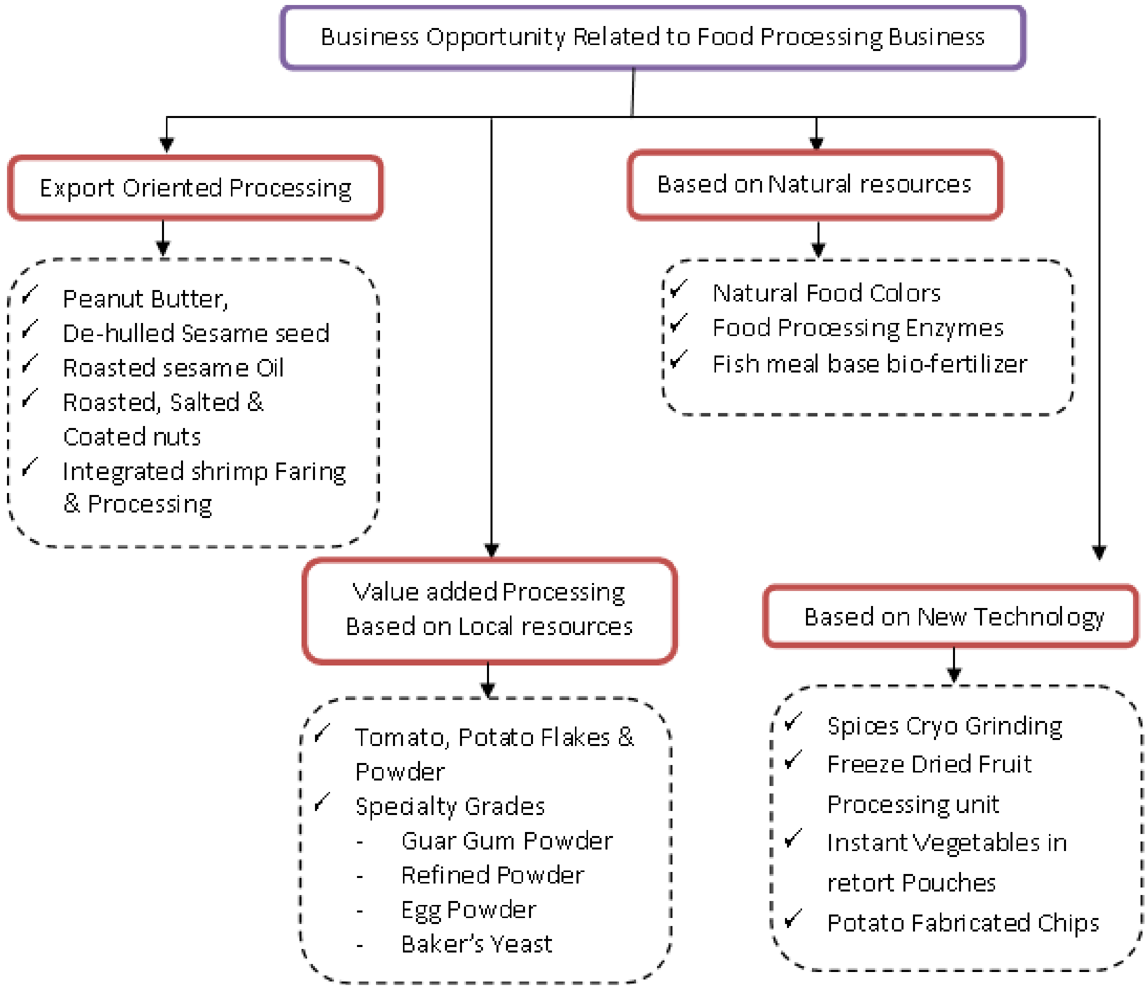
POTENTIAL FOR EXPORT AND IMPORT IN GUJARAT MARKET

Gujarat stands out among the Indian states as one of the most vibrant growth stories. This was evident during the Vibrant Gujarat Summit, where the State engrossed nearly $ 100bn funds in January 2007. Gujarat's State GDP has grown by 12% in real conditions in the previous 12 years. Gujarat is one of the key drivers of India's development, where GDP is growing at a rate of 9.2%.

"With 5% of the country's population and 6 percent of the country's geological area, Gujarat contributes to about 16 percent of industrial production in India."The State's exports stand at 14% of India's total exports, exhibiting a strong worldwide direction of the industrial structure.

Business Opportunity in Gujarat Market

With only 2 percent of India's total agriculture and food produce currently being processed, the country offers huge potential for growth. To ensure rapid growth of this industry in Gujarat, the Government should ensure a more efficient supply chain by increasing linkages between food processing industries and farmers. Crop planning and farm advisory to farmers would help produce better quality of processed food. Promoting agricultural export zones, encouraging contract farming and developing an expansive cold storage infrastructure would enable Gujarat to lead the way in tapping this opportunity.


Business Opportunity Related to Food Processing Business
Export Oriented Processing
Peanut Butter,
De-hulled Sesame seed
Roasted sesame Oil
Roasted, Salted & Coated nuts
Integrated shrimp Faring & Processing
Based on Natural resources
Natural Food Colors
Food Processing Enzymes
Fish meal base bio-fertilizer
Value added Processing Based on Local resources
Tomato, Potato Flakes & Powder
Specialty Grades
- Guar Gum Powder
- Refined Powder
- Egg Powder
- Baker's Yeast
Based on New Technology
Spices Cryo Grinding
Freeze Dried Fruit Processing unit
Instant Vegetables in retort Pouches
Potato Fabricated Chips

Present trade barriers for food processing products in S. Africa

(A) Tariff Barriers

1. Import Tariffs, Taxes and Preferential Trade Regimes

The framework of the external tariff is the two-column Harmonized Commodity Coding and Description System (HS). Import duties are levied ad valorem on the FOB (free on board) value.

- ✓ The tariffs on fresh and processed fruits and vegetables range from zero to 37% depending on the product. In most instances, where S. Africa is not a producer of the product, the tariff rate is zero for all sources. This is the case with spices. All goods originating in fellow Member States of the Southern African Customs Union (SACU) and Southern African Development Community (SADC) enter duty free.
- ✓ A full schedule of the tariffs on the products under study is provided in appendix II. A value-added tax (VAT) of 14% is payable on all imports. It is levied on the value for customs duty, which is the FOB value plus 10% of the FOB value plus any additional duties paid.
- ✓ Where goods are imported from within the SACU region, no customs duties are applicable and the 10% upliftment in value is not applied provided that the goods have their origin in a SACU member country. However, VAT is still payable on importation into S. Africa at 14% of the value for customs purposes.
- ✓ The EU/SA Free Trade Agreement came into effect in January 2000. Under the agreement, the European Union (EU) undertook to reduce its import tariffs to zero over a period of seven years. S. Africa also undertook to reduce its duties to 50% of the most-favored nation (MFN) tariff level over an eight-year period.

The SACU contract with the European Free Trade Association (EFTA) 3 member countries came into effect on 1 January 2007. The Agreement covers trade in industrial goods and processed agricultural products. Trade in basic agricultural products is covered by individual bilateral agreements with SACU States. On implementation, EFTA States abolished all duties on goods originating in SACU and SACU has agreed to a progressive reduction of all tariffs.

(B) Tariff Barriers

1. Special import regulations

The International Trade Administration Act (Act 71 of 2003) provides for the control of the import and export of goods specified by regulation through a permit system. The International Trade Administration Commission (ITAC) is charged with issuing import and export permits under the provisions of Section 6 of the Act, and with conducting investigations and ensuring enforcement in accordance with Part E. About 208 tariff subheadings covering new goods are subject to import control measures.

All imports of fresh fruits and vegetables, nuts and spices are detained at the port of entry for inspection by the Directorate of S. African Agricultural Food, Quarantine and Inspection Services (SAAFQIS) of the Department of Agriculture. SAAFQIS inspects for pests under the Agricultural Pests Act (Act 36 of 1983).

All foodstuffs are detained for inspection by the Port Health Officer, except when they are intended for consumption by diplomatic and consular representatives.

2. Freight forwarding and other transport requirements

"Fresh fruits and vegetables are transported by air and require the maintenance of a cold chain…"

Given the relatively short shelf life of fresh fruits and vegetables, retailers tend to purchase their requirements direct from suppliers. Most often, fresh produce is flown in either daily or twice daily for delivery to central distribution depots from where it is transported by road to retail stores. Fruits and vegetables require special treatment in that the maintenance of the cold chain is essential. Companies dealing in these products require refrigerated warehouses and transport.

Imports by sea are cleared through the ports of Cape Town or Durban. Products destined for Gauteng are generally taken to Durban, the port closest to Johannesburg, the capital of Gauteng. It is important to understand that Gauteng is S. Africa's consumption hub and most imported food products will ultimately end up in the province. Fresh produce air freighted to S. Africa is usually consigned to OR Tambo International in Gauteng.

"Imports arriving by road are subject to high transport costs… "

Imports from southern Africa entering the country by road may be at a disadvantage as the cost of road transport both internally and regionally is very high and often has the effect of making prices uncompetitive.

3. Requirements of Labeling

The Foodstuffs, Cosmetics and Disinfectants Act of 1972 govern the labeling and advertising of foodstuffs, and its regulations have been in place for many years. They are very specific on such matters as the name of the foodstuff, prohibited statements, size of lettering, nutritive value claims, ingredients and nutrition information format. Any pre-packaged foodstuff imported into or consigned to any place in S. Africa must bear a label carrying the particulars specifically required by the Act or its regulations.

Among the key points in the new regulations are the following:

- ✓ Labels should be in English and, where possible, at least one other official language of S. Africa.
- ✓ Labels should have information on the country of origin, and labels of all imported food products must carry the entry ―Product of......‖

** Labels should be in English or any one offical language of SA*

- ✓ Labels must carry the name of the foodstuff, the name and address of the manufacturer, a list of ingredients, instructions for use where appropriate, and information on special storage conditions and net contents.
- ✓ Containers must contain a date marking which must be preceded by the words ―Best before or ―Sell by.

Conclusion

From entire study on food processing industry of S. Africa, we conclude that Food Processing Industry has increasing commercialization of agricultural and food systems worldwide, the food industry saws increasingly dominated by large agribusiness firms. A rapid growth in food processing was led by trade liberalization policies through multi-lateral and regional trade agreements. Global sales of food and beverage products were $11, 6 trillion in 2009, and are projected to reach $15 trillion in 2014.

S. Africa's' Food processing industry is dominated by a few very large, diversified, national and multinational food manufacturers, who have established market shares and control both production capacity and sales in most food categories. Industry has tuff competition in S. Africa. The largest subsector by number of registered companies is the 'manufacture of food preparation products' with 2 770 companies, and the smallest is the 'dairy manufacturing' subsector. India's food processing sector covers a wide range of products fruit and vegetables, meat and poultry; milk and milk products, alcoholic beverages, fisheries, plantation, grain processing and other consumer product groups like confectionery, chocolates and cocoa products, Soya-based products, mineral water, high protein foods etc.

In Last Four years, Commodities which are saws higher growth for India's Export to S. Africa are Cocoa And Cocoa Preparations, Beverages, Spirits And Vinegar, Lac, Gums, Resins, Vegetable Saps And Extracts Nes, Vegetable, Fruit, Nut, Etc Food Preparations, Meat, Fish And Seafood Food Preparations Nes. Commodities which are saws higher growth for S. Africa's export to India are Cocoa and cocoa preparations, Edible fruit, nuts, peel of citrus fruit, melons, Vegetable, fruit, nut, etc food preparations.

Gujarat stands out among the Indian states as one of the most vibrant growth stories and Government of Gujarat providing infrastructure facilities like Crop planning and farm advisory to farmers would help produce better quality of processed food, Promoting agricultural export zones, encouraging contract farming and developing. So there are many opportunity for Export Oriented products, value added products, based on Natural resources products and new technology based Products in Gujarat as well as India.

Recommendations

There are some of the recommendations relating to the foreign trade opportunity between S. Africa and India is as under-

1. There is good opportunity for Trade of Cocoa and Cocoa Preparations from India to S. Africa. It is shows the higher growth in both side export and Import between the nation in last four years.
2. Meat, Seafood and Fish products are shows higher growth export from India to S. Africa. And there is no import tariff in S. Africa relating to these products. So it is shows good opportunity for trade.
3. The Edible fruit, nuts, peel of citrus fruit, melons export from S. Africa to India has seen a very nice growth rate of the 190.21 % in just 4 years with regular increase in its export to India every year in 4 years and it has the future potential for the growth in export to India.
4. The export of the Vegetable, fruit, nut, etc food preparations from South to India has reported a very high growth rate of export to India. Its export is increased by the 183.96 %. Its export is also increasing continuously each year. So, there is an opportunity for traders for trade with the country in future
5. The Beverages, Spirits and Vinegar’s export from India to S. Africa has increased by 364.22 % in 4 years. So, the traders have great opportunity for exporting Beverages, Spirits and Vinegar to S. Africa in future with the expectation of increase in export of Beverages, Spirits and Vinegar.
6. There is also an opportunity for exporting the Edible Vegetables and Certain Roots and Tubers to S. Africa in future, because it is showing the very high potential for future growth in export with current growth rate in export of 132.53 %.

The export of Tobacco and Manufactured Tobacco Substitutes from India to S. Africa is continuously increasing over the 4 years except the year 2011. Its export has increased by

106.55 % in 4 years. So, one can imagine its future growth perspective and the opportunity is lies there.

6.

Ferrous and Non Ferrous Metals

FERROUS AND NON-FERROUS METALS

Non- Ferrous metals

S. Africa's non-ferrous metal industries comprises of aluminum and other metals, which includes copper, brass, lead, zinc and tin. S. Africa ranks at eighth position in world production of aluminum. The aluminum industry consists of primary and secondary rolled products and extruded products. S. Africa produces approximately 677 kilotonnes of primary aluminum per year, of which 512 kilotonnes are exported.

Chromium

S. Africa's chromium deposits contain about 72 percent of the world's reserves. In 1993 its mines produced 2.8 million tons of chromium, or about 32 percent of world output. It was almost 3.6 million tons in 1994. Chromium was one of S. Africa's export successes in the 1980s. Prices reached US$0.70 per pound but dropped sharply when producers tried to undercut each other in 1990.

Manganese

S. Africa contains the largest deposits of manganese ore in the world. Its reserves of at least 12.5 billion tons constitute 75 percent of the world total, mostly in the Northern Cape mineral complex. Manganese is essential in the manufacture of iron and steel, and more than 90 percent of S. Africa's manganese is used for manufacture of iron and steel. During the late 1980s, production slightly fluctuated, but still it remained between 3 and 4 million tons per year, while prices nearly doubled in 1989. By the end of 1991, S. African producers were forced to reduce prices in response to a weak international market. In 1994 more than 2.8 million tons of manganese ore were produced, almost 17 percent of world output.

Vanadium

S. Africa produced between 25,000 tons and 30,000 tons of vanadium a year in the early 1990s, roughly 45 percent of the world's supply. Its estimated 5.4 million tons constitute one-third of world reserves. The world's largest producer is a S. African firm, Highveld Steel and Vanadium. In the year 1989 S. Africa set a record in terms of both production and exports, but when world steel production declined, demand for vanadium dropped and prices plummeted, which lead to closing down of S. African vanadium producer. Prices again surged in early 1995, and Highveld Steel and Vanadium expected earnings to rise more than double in 1995, compared with 1994. Vanadium is used in manufacturing steel, to provide tensile and torsional strength and resistance to abrasion.

Copper

S. Africa has only about 2 percent of the world's copper reserves, with the largest deposits in the Transvaal complex in the northeast. Copper is also mined in the Northern Cape and the Western Cape. Mining costs are high, because there is high concentration of other minerals in copper ore. At the country's largest copper mine, i.e. at Phalaborwa, production decreased in early 1993, in part because of floods. Nationwide copper production fell from more than 176,000 tons in 1992 to about 165,000 tons in 1994, and copper exports decreased to roughly 82,000 tons in 1994.

Ferrous metals

Iron

S. Africa is the largest producer of iron ore in the continent, with reserves estimated at more than 9.4 billion tons. Iron is mined in:

- the Northern Cape, the Bushveld, the Transvaal complexes, and KwaZulu-Natal.

More than 29.3 million tons of iron ore, roughly 3 percent of world output, were produced in 1993. Almost half of that amount was used in the steel industry. A record 19.6 million tons were exported in 1994, much of it to Japan.

Steel

S. Africa's steel manufacturing industry is the largest on the continent, though comparatively small by world standards. Steel production increased dramatically in the 1970s due to the development of port facilities at Saldanha Bay and the associated rail line connecting it to the high-grade Sishen ore deposits in the Northern Cape. Projections for the use of steel in local construction increased as the government began to implement its Reconstruction and Development Programme in 1994. Government's plan to implement stricter automobile emission standards promised another boost to the steel manufacturers, who produce stainless steel for use in catalytic converters.

S. African primary steel industry

The primary steel industry is a significant contributor to the S. African economy as it earns considerable amounts of valuable foreign exchange.

S. Africa ranks 20th in terms of crude steel producing countries in the world, producing 1% of the world's crude steel. S. Africa is the largest steel producer in Africa, producing more than half of the total crude steel production of the continent. Total S. African crude steel production is in the order of 10 million tones per year.

S. African primary steel producers manufacture in excess of 8 million tones of finished steel products per year of which about 5 million tones are consumed domestically. S. Africa Iron and Steel Industry's (SAISI) members strive to be responsible and non-disruptive long-term exporters in selected international markets.

The range of primary carbon steel products and semi-finished products manufactured in S. Africa includes billets, blooms, slabs, forgings, light-, medium- and heavy sections and bars, reinforcing bar, railway track material, wire rod, seamless tubes, plates, hot- and cold-rolled coils and sheets, electrolytic galvanized coils and sheets, tinplate and pre-painted coils and sheets. The range of primary stainless steel products and semi-finished products manufactured in S. Africa includes slabs, plates and hot- and cold-rolled coils and sheets.

S. Africa produces 500 000 tones of stainless steel per annum. Only 150 000 tones are converted locally into value-added products, with the balance being exported to 50 countries world-wide.

The catalytic converter industry is the highest single consumer of stainless steel in S. Africa, with expectations of doubling its present capacity to 20% of the world market.

The relationship between S. Africa and India

Diplomatic relations between the two countries; India and South-Africa were only fully established after the demise of apartheid, but high level government interaction since then has been frequent and is pursued in the most positive spirit. There have been several S. African state visits to India- the last by President Zuma in 2010.

The chain operation in S. Africa and India produces a range of carbon and alloy steel chains and fitting used extensively in mining, fishing, agriculture and other industrial applications.

India and S. Africa are both constitutional democracies in which former liberation movements have dominated government. Before BRICS emerged as a distinct economic bloc, Brazil, India and S. Africa initiated IBSA in 2003 as a venture in south-south cooperation. IBSA continues to meet despite the development of the broader BRICS grouping. And its fourth summit took place in Brazil in April 2010. There are several significant Afro-Asian forums in which both the countries i.e. India and S. Africa participate, including the India-African Legal Consultative Organization and the Afro-Asian Rural Development Organization. Despite of warn political relationship, there is little doubt that India has the upper hand in economic relations.

Bilateral trade between India and South-Africa has been formalized through a series of agreement which has increased from Rs 6.5 billion in 2003 to Rs 33.5 billion in 2009. Both the country's export is a mixture of manufactured goods, agricultural products and raw materials but India's exports have a higher weighting of manufactured goods, while metals and chemicals feature significantly in S. Africa's exports. India imports gold and diamonds from S. Africa, but these are challenged by third party markets and do not feature in S. Africa's figures on export to India. S. African business is most likely to grow through maximizing niche export opportunities in areas such as;

- Mining technology,
- Automotive components,
- Equipment and consultancy,
- Medical equipments,
- Infrastructure development,
- Fresh products,
- Processed foods and beverages.

S. Africa as a trade and investment destination

Africa, as a continent has always remained largely untapped compared to world's developed economies. Development has taken place in recent years through trade partnerships with the world's emerging economies & it has lifted millions of people from subsistence living and into contributors to their country's powerful emerging economy

Ranking given by the World Bank makes S. Africa a dynamic, systematically important & an emerging market as an investment destination of choice to the rest of the world. S. African investment market offers availability of capital, financial market sophistication, good business tax rates, infrastructure and a GDP of 277.4 billion US$ (2009). It also provides an abundance of natural minerals, precious metals and strong contribution by its agricultural sector.

The Union Minister of Commerce Industry and Textiles, Shri Anand Sharma expressed his confidence that India and S. Africa will achieve the target of trade of USD 15bn by 2014 before the deadline. The CEOs, Mr. Ratan Tata, Chairman, Tata Sons and Mr. Patrice Motsepe, Executive Chairman, African Rainbow Minerals met for the second meeting of the India-S. Africa CEOs Forum with the objective to give further impetus to the growing bilateral economic relations. The meeting addressed the challenges and constraints hampering the growing economic partnership between two countries.

Taking forward the agenda of the first meeting which was held in August last year, the sectoral Groups led by their respective Chairmen discussed at length the issues regarding tariff barriers, visa constraints, early finalization of PTA, technology transfer etc. which if addressed in the right manner would help in promoting bilateral trade and investments.

In year 2010-11, provisional figures show 37.64% increase in the bilateral trade between INDIA & SA which stood at US$ 10,643.52 million with export of US$ 4,161.51 million and imports of US$ 6,482.01 million. Investments from and into S. Africa has also shown substantial rise. Indian High Commission figures have put the cumulative value of Indian investment in S. Africa at US$ 6.7 billion. Shri Anand Sharma expressed happiness over the substantial and healthy growth in two way investment flows.

Atmospheric Emissions with regard to Africa Metal Products

Atmospheric emissions of noxious waste have become a world-wide issue of concern. From a health perspective, it can contribute to respiratory diseases in humans and livestock. Atmospheric emissions could also pose health risks if they are chemically modified in the atmosphere into carcinogens.

Investment Promotion

S. Africa is one of the most sophisticated and promising emerging markets globally. The unique combination of a highly developed first-world economic infrastructure and a huge emergent market economy has given rise to a strong entrepreneurial and vibrant investment environment.

S. Africa's GDP grew at a healthy 5,2% in 2007, declining to 2,8% in 2010 due to the recovery from the global economic crisis in 2008. Despite this, the country has one of the most sophisticated and promising emerging markets, contributing a unique combination of highly developed first-world economic infrastructure with an energetic emerging-market economy.

The minerals and metal industry of s. Africa

The minerals industry continues to dominate S. Africa's foreign exchange earnings. The exploitation of minerals marked the development of an industrial society unequal on the African continent. It attracted sectors like agriculture, industrial development, and extensive transport, financial infrastructure and also attracted investment capital from abroad. In recent years, along with huge numbers of small scale mining operations there have been several large ventures based on minerals such as aluminum, stainless steel, titanium projects steel production.

S. Africa possesses huge reserves of chromium, iron, uranium, platinum, vanadium, titanium, lead, zinc, manganese and many other metals required by many countries as the basis for the production of goods.

The minerals and metals industry is considered to be a major contributor to the S. African economy as it directly employs many of the economically active population of S. Africa. The number of persons employed in the mining industry has declined over the past decade and the employment in associated materials technology has increased. This follows the trends in the developed countries of the world, all of which continue to rely on the raw products from developing nations like S. Africa. The success of the S. African minerals and metals industry in the past had been due to its people. With the coming new ages it was well said that the future holds challenges and rewards for new generations choosing one of the many careers that the minerals and metals industries offer.

S. Africa is a major world producer of platinum, gold, coal, chrome, iron ore, diamonds and many other minerals, and has developed the skills and technology to add value to minerals by producing steel, copper, stainless steel, and more recently, aluminum for the world market. The major mining companies have become international players with operations on nearly every continent and thus providing new opportunity to their employees. Making people experienced, S. Africa gives an opportunity to become a citizen of the world.

The iron and steel industries involve the manufacturing of primary iron and steel products from smelting to semi-finished stages. Primary steel products and semi-finished products include billets, blooms and slabs, forgings, reinforcing bars, railway track material, wire rod, seamless tubes and plates.

Ranked as the world's 19th largest steel producing country in 2001, S. Africa is the largest steel producer in Africa (almost 60% of Africa's total production). With regard to trade services S. Africa is a net exporter, ranked 10th in the world, to more than 100 countries. Approximately 500 000 tons of ferrous-scrap were exported by metal recyclers in 2001. While Imports accounted for only 5.8% of total domestic consumption of primary steel products in 2001. Sales to the local market increased by more than 6% during 2001 when compared with 2000.

Iscor is S. Africa's largest steel producer. Other industry players include Scaw Metals, Cape Gate, Columbus Stainless Steel, Highveld Steel and Vanadium and Cisco.

S. Africa's non-ferrous metal industries comprise aluminum and other metals (including copper, brass, lead, zinc and tin). S. Africa is ranked eighth in world production of aluminum. Key players are Billiton (with smelters in Richards Bay) and Hulett Aluminum. Other non-ferrous metals are small in relation, but are still important for exports and foreign exchange earnings. Although the country's copper, brass and bronze industries have declined, it is hoped that new mining and reclamation technologies will allow exploitation of previously unviable deposits.

The S. African primary steel industry had taken major steps to become more efficient and competitive. Many of the local steelworks had engaged in ongoing restructuring processes and productivity improvements.

Trade relations between India and S. Africa

India is a partner with countries in Africa and is ranked among the top 10 investing countries in S. Africa. S. Africa's investments into India have also been growing steadily with the investment amounting to $250-million (approx). The records as of 2010-2011, show 37.64% increase in bilateral trade and stood at $10.64 billion, which shows the substantial rise in investment from and into S. Africa.

S. Africa and India have set an annual trade target of US$10 billion by 2012 and so it is expected that both the countries will meet or exceed the target. S. Africa has been the constitutional democracy and the business synergies between the two countries are enhanced by the warm inter-governmental relationship between them. S. Africa is the continent's largest steel producer, accounting for 48% of the total crude steel production in 2008.

India is one of S. Africa's key trading partner in the world and partners in multilateral organizations such as: IBSA and the G-20, NAMA-11 and most recently BRICS, amongst others. India was ranked S. Africa's 9th largest trading partner globally in 2009 and the 3rd largest on the Asian continent after China and Japan. S. Africa's large, well-developed metals industry, with vast natural resources and a supportive infrastructure, represents roughly a third of all S. Africa's manufacturing.

India is also a key partner to S. Africa. As India's economy continues to grow, so too will its requirements for Africa's resources, providing further impetus to the African growth story. It is an opportunity to further advance S. Africa's trade agenda in the following identified sectors:

- Agro processing,
- Beneficiated metals & mining technology,
- Automotive components,
- Electro-technical and Logistics and attract foreign direct investment and joint venture partnerships in the following sectors: pharmaceuticals, ICT, energy, manufacturing and infrastructure.

S. Africa's relations with India continue to yield positive results. Annual trade between India and Africa increased 15-fold within a decade to US$46-billion in 2010 from $3-billion in 2000 and is also hoped to achieve the target of increase by $15 billion for 2014 in trade much before than the proposed deadline.

Conclusion

S. African economy has been traditionally known for primary sectors that is the outcome of a wealth of mineral resources and the favorable agricultural conditions. However, the economy has been characterized by a structural shift in sectorial output. Among the key sectors that contribute to the economic progress are physical and economic infrastructure, natural mineral and metal resources, a growing manufacturing sector, and strong growth potential in the tourism, higher value-added manufacturing and service industries.

S. Africa's industrial production growth is well above the average for developing markets. The country's manufacturing output is becoming increasingly technology-intensive with high-tech scientific equipments and other advanced instruments. Their technological research and quality standards are world-renowned. The country has developed a number of leading technologies, particularly in the fields of energy and fuels, steel production, deep-level mining, telecommunications and information technology.

Growth potential of S. Africa's Metal Industry

S. Africa's well-developed metals industry, with vast natural resources and a supportive infrastructure, stands as third of all S. Africa's manufacturing. The primary steel industry is a significant contributor to the economy and makes an economy earn considerable amount of valuable foreign exchange. S. African primary steel producers manufacture in excess of 8 million tones of finished steel products per year, of which about 5.5 million tonnes are consumed domestically and its imports account for about 9% of locally consumed primary steel.

S. Africa ranks at 20th among the crude-steel producing countries in the world and is considered as the largest steel producer in Africa (total S. African crude steel production is in the order of 10 million tones per year). With regard to the production of Aluminum, S. Africa is ranked eighth in the world production.

Other non-ferrous metals have a lesser role, but are still important for exports and foreign exchange earnings. The country's copper, brass and bronze industries have declined, but has been hoped that the advanced mining technologies will allow the exploitation of all available resources. The international and local steel industry has changed dramatically over the past years. The country leads the continent in industrial output (40% of total output) and mineral production (45%).

Steel products are considered as vital inputs into labor intensive manufacturing processes. However, current anticompetitive pricing practices in the steel industry are one of the constraints to the growth of manufacturing industries. Increasing competition in the local steel industry is also looked as one of the interventions for countering anti-competitive pricing strategies.

With regard to which various efforts were made to create an enabling environment for the development of steel and stainless steel plants in S. Africa. Different projects (with manganese, chromium, nickel and vanadium) were also identified to enable the new facilities to compete with existing players. The development of the plants would also help in creating competitive pricing environment in the domestic market.

7.

Agriculture

INTRODUCTION OF THE AGRICULTURE SECTOR AND ITS ROLE IN THE ECONOMY OF S. AFRICA

S. Africa has a dual agricultural economy, with both well-developed commercial farming and based production in the deep rural areas. Over the past two decades, S. Africa's agricultural sector has been liberalised, both in the domestic as well as in foreign markets. Today, S. Africa is not only self-sufficient in all major agricultural products. S. Africa has a broad and well-developed agricultural sector. Agriculture in S. Africa plays a major role in the economy of S. Africa. Agricultural production increased commercialization and mechanization in twenty first century. The performance in the agricultural sector is also affected by S. Africa's participation in different trade agreements. S. Africa undertook several labour policy reforms. The liberalization and stricter labour laws exposed the agricultural sector to the adverse effects of globalization.

In S. Africa, the objective of trade policy in the agricultural sector is to promote the integration of this sector into the world economy in order to encourage greater access to markets, technology, capital as well as competition. All these activities have a direct or indirect impact on economic growth.

The contribution of primary agriculture to the GDP is about 2.5% and its contribution to formal employment is about 5%. However, agriculture has strong backward and forward linkages into the economy. The agro-industrial sector has a higher contribution of about 12% to GDP. Primary agriculture contributed 2.3% to the GDP in 2009.

Economic Overview

Gross Value Of Agriculture Production (2006-2011)

The total gross value of agricultural production (the average basic prices received by producers) for 2010/11 is estimated at R138 904 million, compared to R129 883 million the previous year an increase of 6.9%. This increase can be attributed mainly to an increase in the value of field crops.

COMPARATIVE POSITION OF S. AFRICA WITH INDIA AND GUJARAT

India's agricultural growth is 21% more than S. Africa which is ranked 46th while S. Africa ranked 105th. The arable land in India is 159,430,000 hectares which is 10 times more than S. Africa i.e 14,753,000 hectares.

In case of banana production , India produces 11,000,000 hectares and in case of S. Africa 250,000 hectares and ranked 1st and 7th respectively. India produces 43 times more than S. Africa. Cereal production of S. Africa is 121,000 MT which is 21% more than S. Africa. India ranked 46th and S. Africa ranked 105th.

In grain Production like corn , India produces 13,000 , 000 MT ansd SouthAfrica produces 8,900,000 MT and they ranked 8th and 10th. In case of rice consumption India consumes 85,250,000 MT and S. Africa consumes 675,000 MT. India ranked 2nd while S. Africa ranked 19th. The consumption in India is 125 time more than S. Africa.

Because of use of land the equipments and machines related to agriculture also required. So in India1,252,000 tractors are use while in S. Africa 72,300 tractors used.the india uses 20 times more tractors than S. Africa.

Present position and trend of business (import / export) with India / Gujarat .

India

Tobacco represented 22.7 % of total AFF imports from India. Total AFF exports to India amounted to US$ 99 million, consisting mainly of wood pulp, wool, oranges, pears and quinces as well as cane/beet sugar. Chemical wood pulp represented 52.9 % of total AFF exports to India.

Table 17: S. African AFF Trade with India, 2010

	Commodity	Description	Value, USD Million
		AFF Products	158.40
	240120	Tobacco, Stemmed	28.27
	100630	Rice	19.98

Imports	240110	Tobacco, not Stemmed	7.81
	091030	Turmeric	7.58
	210130	Roasted Chicory & Coffee	7.52
Exports		AFF Products	99.88
	470200	Chemical Wood Pulp	52.90
	510111	Wool	30.81
	080510	Oranges, Fresh	2.35
	080620	Pears & Quinces Fresh	1.99
	170199	Cane/Beet Sugar	1.73

Sources:Global Trade Atlas (2011).

SWOT Analysis of the S. African Agriculture Sector

Strengths:

- The diversity of S. African agricultural ecosystems furnishes flexibility although this heterogeneity also requires sophisticated and nuanced management.
- Small holder agriculture can be highly efficient producing five or more tons of grain per hectare with appropriate inputs and management.
- Farm-level production costs in Africa are often relatively low.
- More organized and concerted African leadership through CAADP (Comprehensive Africa Agriculture Development Programme).
- There is a strong tradition of village-level farmer associations providing a basis for growth and innovation.
- Acceleration in GDP growth in SSA has been driven by faster agricultural growth.

Weaknesses:

- A lack of coherent, cross-ministerial policies and leadership on agriculture.
- Poor incentives for small business investment.
- S. African soils are heavily despoiled and useless of nutrients
- Access to input and output markets are often weak.
- Average cereal yields are only one ton per hectare.

- The predominant rain-fed agriculture is in danger to unreliable and unpredictable rainfall.
- Tenure over more than 90% of land remains outside the formal legal system in Africa and is therefore at risk of dispossession.
- Agricultural mechanization is poorly developed.
- Total agricultural R&D spending in S. Africa grow at only 1.9% between 2000 and 2008, although there is wide variability between countries

Opportunities:

- There is a large agricultural workforce: 65% of S. Africa's population lives and works in rural areas.
- Large opportunities to improve yields through increasing fertilizer application rates and irrigating more land.
- Only around 4% of cultivated land in SA is irrigated. Potentially over 20 million hectares of land under irrigation.
- Already in motion are agricultural growth corridor projects in areas with high agricultural potential that will encourage investment and develop regional value chains.

Threats:

- 80% of all S. African farms (33 million farms) are less than two hectares in size, which can increase transaction costs.
- The success of investments in agriculture depends on the engagement of women who make up 50% of the agricultural labour force and have relatively poor access to resources and services.
- (Sub Saharan African Agricultural) SSA farmers face the lowest agricultural incentives in the world.
- SSA has many cockroaches, diseases and weeds such as Striga, Black Sigatoka, Banana wilt, Cassava mosaic virus, Maize leaf streak, Maruca beetles, stem borers, downy mildew and locusts that are capable of destroying harvests.

Conclusion

The importance of the agricultural sector in S. Africa cannot be stressed enough. In 2006, the agriculture sector contributed about 2.8 percent of Gross Domestic Product (GDP), 8.5 percent of total employment and approximately 4 percent of total exports. The agricultural sector has three sub-sectors: agriculture, forestry and fishing. The agriculture sub-sector comprises field crops, horticulture and livestock farming.

The performance of field crops has a pivotal role in the determination of food security and overall performance of the sector. The most important field crops grown in S. Africa are maize, sugar, sunflower and wheat. S. Africa is a net exporter of maize and sugar and a net importer of wheat. In S. Africa, horticulture consists of fruit (deciduous, citrus and subtropical), vegetables and flowers. Most horticultural exports are sent to the European Union (EU).

The performance in the agricultural sector is also affected by S. Africa's participation in different trade agreements. S. Africa is a signatory to a number of trade agreements which contributed to the liberalization of the agricultural sector. Participation in global trade agreements reduced distortions which existed from indirect export subsidies such as electricity and transport rebates, export finance and credit guarantees and marketing allowances. Agriculture is therefore a crucial sector and an important engine of growth for the rest of the economy. Gross farming income from all agricultural products for the year ended 30 June 2011 is estimated at R131 699 million, which is 0,4% lower than for the previous corresponding period. Gross farming income from field crops decreased by 12.0% and amounted to R27 610 million.

The income from horticultural products rose by 0.7%, from R35 261 million to R35 490 million. Income from animal products amounted to R68 599 million, which showed an increase of 4.7%. Prices received by farmers for agricultural products and prices paid by farmers for farming requisites increased on average by 4.3% and 13.2% respectively, resulting in the terms of trade weakening from 0,93 to 0,86 during the period under review.

The weighted average price of field crops increased by 6.7%. This resulted from increases in the prices received for winter grain, oilseeds, cotton, sugar cane, tobacco and summer grain, by 38.3%, 25.6%, 18.2%, 14.8%,3.2% and 2.3% respectively, while prices received for hay and dry beans declined by 18.6% and 14.1% respectively.

The prices of horticultural products increased on average by 3.1%, mainly because of an increase of 13.3% in the price of fruit. Prices of vegetables declined by 7.2%, while prices of viticulture products remained unchanged. Prices of animal products increased by 3.6%. The average prices of pastoral products, slaughtered animal and poultry rose by 23.6%, 11.1% and 0.8% respectively, while those of dairy products dropped by 6.5%.

The prices paid for farming requisites, including machinery and implements, material for fixed improvements as well as intermediate goods and services, increased by 13.3%, compared to 6.7% the previous year. Prices for fertilizers and fuel increased by 22.5% and 5.7% respectively. Net farming income decreased by 18.3% and amounted to R33 161 million for the 12 months up to 30 June 2011.

8.

Edible Oilseeds

OVERVIEW OF EDIBLE OIL INDUSTRY: S. AFRICA

Industry Description

India is one of the world's leading producers of oil seeds and oil, contributing to 9.3% of world oilseed production. It produces the largest number of commercial varieties of oil seeds over nearly 28.4 million hectares of land. The major edible oils produced in India are groundnut, rapeseed, Soya, cottonseed, sesame seed, castor seed, sunflower, safflower etc.

India is the fourth largest oilseed producing country in the World next to USA, China, and Brazil, harvesting about 25 million tons of oilseeds per annum. The edible oil sector occupies a distinct position in Indian economy, as it provides job to millions of people, achieves on an average a domestic turnover of about US $ 10 billion per annum and earns foreign exchange of US $ 90 million per annum.

Soybean is the third largest oilseed crop in India next to Groundnut & Mustard and accounts for 25% of the total oilseeds produced in the country in a year. Soya oil contributes about 10% of total vegetable oils produced in the country. Groundnut is the most widely consumed and traded edible oil determining edible oil economics. India is the world’s second largest producer of groundnut, next only to China. But groundnut being primarily a Kharif (monsoon) crop is vulnerable to vagaries of monsoon and also speculative activities.

In 1996, the Government set up a Technology Mission on oil seeds, to increase production of other oil seeds and oil, and to reduce dependence on imports.

The strategy followed was:

- To increase productivity with better farm inputs and practices.
- To increase area under oilseed crop.
- To encourage winter (Rabi) oilseed crops.

The total oilseeds crop (inclusive of nine major oilseeds and also copra and cottonseed) for this kharif season is estimated at 207.2 lakh tonnes giving marketable surplus for crushing 154.8 lakh tonnes and Kharif Oil availability 47.3 lakh tonnes compared to last year 140.5 , 100.9 and 33.1 lakh tonnes respectively.According to trade estimates during the 2003-04 season, Gujarat is expected to top the kharif groundnut oilseed production at 33 lakh tonnes in shell out of the total 56 lakh tonne (in shell) estimate.

Madhya Pradesh is expected to produce 42 lakh tonnes of Soya bean , followed by Maharashtra at 18.70 lakh tonne of the total expectation of 68.5 lakh tonne Soya bean production. Total production of Sunflower seed is expected to be 2.7 lakh tonne, torai at 1.5 lakh tonne, sesame seed at 3.8 lakh tonne, castor seed at 6.7 lakh tonne, niger seed at 0.7 lakh tonne, cottonseed at 46.5 lakh tonne (marketable surplus) and copra at 6.5 lakh tonne. Based on the marketable surplus and oil recovery rates, the total oil availability of this kharif crop is estimated at 47.4 lakh tonnes, as against previous kharif's 33.10 lakh tonne.

The highest oil will be recovered from groundnut and Soya bean, both at 10.5 lakh tonne each, followed by rice bran oil at 6.5 lakh tonne, cottonseed oil at 5.2 lakh tonne and copra at 4.2 lakh tonne. Rest will be recovered from balance oilseed crops. India’s winter groundnut output is expected to top 5.5 million tones with the crop in good shape after sufficient rains. Incessant rain for a week in the groundnut-growing region of western Gujarat had threatened to damage the crop, but the rains have since stopped. Saurashtra grows nearly half of India’s winter groundnut-crop, which is sown in May-June and harvested in October-November. Groundnut output in the 2002 winter season fell to 3.03 million tones, by the country’s worst draught in 15 years.

S. Africa Statistics of Edible Oil

Total Oilseeds

It is expected that the area to be planted with oilseeds later in 2011 for the 2012-marketing year will increase as farmers will plant more sunflower and soybeans and less corn. Corn is currently in oversupply on the domestic market, which is putting downward pressure on corn prices, while the recovery in the prices of oilseeds will motivate farmers to plant more oilseeds. Post forecasts sunflower production for the 2012-marketing year at 845,000 tons (two percent more than in the 2011-marketing year) on 650,000 hectares. It is expected that the area to be planted with soybeans will increase by almost 20 percent to 500,000 hectares, which, on average yield, could produce 850,000 tons of soybeans (20 percent more than in the 2011-marketing year). Peanut production for the 2011/12 marketing year is expected to stay constant at 85,000 tons.

The S. African Crop Estimates Committee (CEC) released its second oilseeds production estimate for the 2011-marketing year on March 24, 2011. According to the CEC, S. Africa will produce a record oilseed crop of 1.626 million tons on 1.116 million hectares (see also Figure 1). Favorable weather conditions and increased hectares planted with oilseeds are the two main contributors to the 2011-marketing year's record oilseed crop. The previous record of 1.538 million tons on 1.053 million hectares was produced in 1999. The sharp increase in oilseed plantings for the 2011- marketing year (45 percent more than the 766,600 hectares planted in the 2010-marketing year) was mainly due to a 13 percent or 359,100 hectares decrease in corn plantings. After three excellent production years, S. Africa has an oversupply of corn on the domestic market, especially white corn, which continues to put downward pressure on corn prices. Hence, farmers switched some corn hectares to oilseeds where returns could be better. Of the 1.116 million hectares planted with oilseeds for the 2011-marketing year, sunflowers constitute about 58 percent, soybeans 37 percent and peanuts five percent.

With an increase in the area planted and favorable weather conditions, a 70-percent increase in the production of sunflower seed in S. Africa is expected for the 2011-marketing year compared to the 2010-marketing year (from 490,000 tons in 2010 to 831,220 tons in 2011). The soybean crop for the 2011-marketing year is estimated at about 709,350 tons, almost 26 percent more than in the 2010-marketing year. Soybean production in S. Africa increased by more than three-fold the past five years and could reach 1.62 million tons by 2020 if the trend continues. It is estimated that about 85,575 tons of peanuts will be produced for the 2011/12- marketing year, three percent less than the 88,000 tons produced for the 2010/11-marketing year. Figure 2 illustrates the trends in oilseed production the past 30 years in S. Africa.

Sunflower is mainly planted in the western, drier areas of the Free State and the North West provinces while soybeans are grown more in the higher rainfall areas of Mpumalanga and the eastern Free State provinces. The increase in the area planted with sunflower for the 2011-marketing year happened mainly in the Free State (125,000 hectares) and North West (95,000 hectares) provinces. The increase in soybeans planting for the 2011-marketing year occurred mainly in the Free State (40,000 hectares) and Mpumalanga (45,000 hectares) provinces.

Consumption

Almost the entire sunflower crop that is produced in S. Africa is destined for the processing industry for conversion to sunflower oil. Sunflower meal, a by-product of the oil extraction process, is sold to feed manufacturers domestically. It is generally regarded as a low-value product that does not compare well to soybean meal in terms of nutritional value and fiber content.

The crushing capacity for soybeans is estimated at around 240,000 tons with another 200,000 tons new capacity to be added in the next two years. Investors have realized that the increasing trend in soybean production in S. Africa will continue and that real opportunities exist in investing in new and modernized crushing facilities. The processing capacity for full fat soy is estimated at 530,000 tons. Figure 4 illustrates the production and utilization of soybeans in S. Africa since 2000. From Figure 4 illustrates an increasing trend in the local utilization of soybeans in S. Africa, mainly driven by an increase in local soybean production. Like in the case of sunflower seed, is local soybean utilization strongly correlated with local soybean production, except for the last two years. In 2009 and 2010, local production of soybeans outstrips local utilization and as a result S. Africa exported between 20 percent and 30 percent of its local produced crop. This illustrates the need for the soybean industry in S. Africa to increase and modernized the local processing ability.

The domestic market is relatively stagnating at around 70,000 tons with about 40,000 tons of peanuts being consumed in the direct edible market and about 25,000 tons for the peanut butter market.

As already mentioned, the local utilization of sunflower seed and soybeans is strongly correlated with the production of these crops. With the expected sharp increase in production in the 2011-marketing year, utilization is also expected to increase by more than 30 percent.

Production

In the 2010-marketing year, S. Africa crushed 771,000 tons of oilseeds which produced 394,000 tons of meal. In Figure 7, the trends in oilseeds crushed in S. Africa since 2000 are illustrated. Due to a bumper soybean and sunflower crop, it is estimated that S. Africa will crush a record 990,000 tons of oilseeds in 2011, which will produce approximately 496,000 tons of oilseed meal. This is 26 percent more meal than in 2010, but only about 32 percent of the local consumption of oilseed meal (see also Table 9). For the 2012-marketing year, post forecast that S. Africa will crush about 1.050 million tons, six percent more than this year, due to an increase in the crushing capacity of soybeans.

Consumption

In 2010, S. Africa consumed about 1.4 million tons of oilseed meal. The consumption of oilseed meal in S. Africa is expected to grow by four percent in 2011 to 1.5 million tons and by another three percent in 2012 to 1.6 million tons, due to an increase in demand and the availability local produced oilseed meal.

Total Oils

Production

It is estimated that S. Africa will produce 334,000 tons of oilseed oil in the 2011-marketing year. This is 30 percent more than in 2010 due to the increase in sunflower seed and soybean production in S. Africa. It is expected that oilseed oil production will increase to 349,000 tons in 2012-marketing year. In Table 11, the production of soybean oil and sunflower oil in S. Africa are shown for marketing years 2010 (actual), 2011 (estimate) and 2012 (forecast). Crushing yields used include 38 percent oil for sunflower seed and 18 percent oil for soybeans.

Consumption

S. Africa consumes about one million tons of vegetable oil per annum. Approximately 30 percent of the vegetable oil is locally produced. In Table 12, the consumption of soybean oil, sunflower oil, palm oil and other vegetable oils in S. Africa are shown for marketing year 2010 (actual), 2011 (estimate) and 2012 (forecast). For the 2011-marketing year sunflower oil and soybean oil consumption is expected to increase to 380,000 tons and 300,000 tons respectively on the back higher local production.

The substitution in 2009 of soybean oil with sunflower oil due to relative higher soybean oil prices can clearly be seen from the graph. The positive trend in vegetable oil consumption in S. Africa is expected to continue in relation to economic growth.

Overview of Edible Oil Industry: India

The Edible Oils Market in India

India is having a wide range of oilseeds crops grown in its different agro climatic zones. Groundnut, mustard/rapeseed, sesame, safflower, linseed, nigerseed/castor are the major traditionally cultivated oilseeds. Soyabean and sunflower have also assumed importance in recent years. Coconut is most important amongst the plantation crops. Efforts are being made to grow oil palm in Andhra Pradesh, Karnataka, Tamil Nadu in addition to Kerala and Andaman & Nicobar Islands. Among the non-conventional oils, ricebran oil and cottonseed oil are the most important. In addition, oilseeds of tree and forest origin, which grow mostly in tribal inhabited areas, are also a significant source of oils. Figures pertaining to estimated production of major cultivated oilseeds, availability of edible oils from all domestic sources and consumption of edible oils (from Domestic and Import Sources) during the last few years are as under: -

Oilseeds crushing units include crushing units in the small-scale sector as also in the organised sector. The capacity utilisation generally ranges from an average of 10% for the ghanis (small scale sector) to around 30% in case of the expellers in the organized sector.

Import:

The bulk amount of the edible oil consumption is met through imports of the same.A closer look at the distribution of import of the different types of edible oil reveals that there is an increasing pattern of import of the soybean oil and the crude palm oil. The table below depicts a detailed picture.

In order to harmonise the interests of farmers, processors and consumers and at the same time, regulate large import of edible oils to the extent possible, import duty structure on edible oils is reviewed from time to time for example w.e.f 24.03.2009 custom duty on crude Soyabean oil has been reduced to zero percent vide Notification No. 27/2009-customs. Ban on export of edible oils (except coconut oil and oils of minor forest origin through Kochi port) extended upto 16.03.2010 vide Notification No. 98(RE- 2008)/2004-09 dated 17-4-2009.

Export Promotion of Edible Oils/Oilseeds:

Export of oilseed, minor oils and fats and oil meals during the last eight years are as under:-

Table 6: Export of Oil

(Qty.in lakh tonne) (Value in Rs.Crores)

Year (Apr-Mar)	Oilseeds		Minor Oils and Fats		Oilcake/ extraction		Total	
	Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value
1998-1999	1.39	515.4	1.96	614.6	36.27	2042.9	39.62	3172.9
1999-2000	2.40	663.6	2.37	918.6	26.77	1736.9	31.54	3319.1
2000-2001	3.23	837.7	2.32	843.8	23.53	1711.6	29.08	3393.0
2001-2002	3.73	860.4	2.09	581.3	30.22	2118.1	36.04	3559.7
2002-2003	2.10	591.6	1.65	530.7	19.02	1530.7	22.77	2653.0
2003-2004	3.85	1287.3	2.62	1096.6	33.71	3065.06	40.18	5449.5
2004-2005	3.66	1261.2	2.60	1027.7	27.34	2323.9	33.60	4612.8
2005-2006	4.18	1314.5	1.84	635.97	44.57	3563.6	50.59	5513.6
2006-2007	5.23	1825.26	1.89	668.96	65.92	5502.97	73.04	7997.19
2007-2008	6.03	2756.0	1.99	914.0	54.63	7125.4	62.63	10795.4

Source: Solvent Extractors' Association of India, Mumbai

Major markets in India

Madhya Pradesh and Maharashtra are the largest producers of Soya bean in India and major spot markets are located in these two states. The important Soya bean spot markets are Madhya Pradesh: Indore, Ujjain, Dewas, Sehore, Bhopal, Rathlam, Neemuch, Guna and Mandsore Maharashtra: Nagpur, Nasik and Latur,Rajasthan:-

Policy on Import of Edible Oils

In pursuance of the policy of liberalization of the Government, there have been progressive changes in the Import Policy in respect of edible oils during the past few years. Edible Oil, which was in the negative list of imports was first de-canalised partially in April, 1994 when import of edible vegetable palmolein was placed under Open General Licence (OGL) subject to 65% of basic Custom Duty. When edible oil imports were placed under the OGL system in 1994, private traders were permitted to import any quantity of vegetable oils, subject only to a tariff. The tariff was initially set at 65 percent on all edible oils—still relatively high, but significantly below the implied tariff when imports were under quantitative controls.

Challenges and Opportunities in the Edible Oil Sector:

Challenges:

- Depends on vagaries of monsoon:
- Lake of adequate seed multiplication:
- Production under energy starved condition:
- Vulnerability to pests and diseases.
- Resource poor farmers.
- Weak infrastructure
- Technical inefficiency of oil industry
- Weak transfer of technology.

Opportunities:

- Biotechnological options for genetically enhanced germplasm
- Exploiting niche areas of oilseeds cultivation.
- Value addition to oilseeds, oils and by-products
- Scope for improving efficiency of oilseeds processing
- Exploiting supplementary sources of oil
- Public private partnership in varietal development
- Promotion of contract farming
- Gap-specific extension strategies
- Providing effective market linkage

Conclusion

The importance of the agricultural sector in S. Africa cannot be stressed enough. In 2006, the agriculture sector contributed about 2.8 percent of Gross Domestic Product (GDP), 8.5 percent of total employment and approximately 4 percent of total exports (Statistics S. Africa, 2007; Department of Trade and Industry (dti), 2007). The agricultural sector has three sub-sectors: agriculture, forestry and fishing. The agriculture sub-sector comprises field crops, horticulture and livestock farming.

The performance of field crops has a pivotal role in the determination of food security and overall performance of the sector. This activity was responsible for 25.5 percent of the gross value of production in the agriculture sector in 2006 (Department of

Agriculture, 2007). The most important field crops grown in S. Africa are maize, sugar, sunflower and wheat. S. Africa is a net exporter of maize and sugar and a net importer of wheat. In 2006, exports of sugar and its products (sucrose, lactose, glucose, fructose, molasses and confectionery) constituted 19 percent of total agricultural exports (dti, 2007). Horticulture also played an important role as it accounted for 24.7 percent of agricultural sector production in 2006 (Department of Agriculture, 2007). In S. Africa, horticulture consists of fruit (deciduous, citrus and subtropical), vegetables and flowers. Most horticultural exports are sent to the European Union (EU).

The income from horticultural products rose by 0.7%, from R35 261 million to R35 490 million. Income from animal products amounted to R68 599 million, which showed an increase of 4.7%. Prices received by farmers for agricultural products and prices paid by farmers for farming requisites increased on average by 4.3% and 13.2% respectively, resulting in the terms of trade weakening from 0,93 to 0,86 during the period under review.

The weighted average price of field crops increased by 6.7%. This resulted from increases in the prices received for winter grain, oilseeds, cotton, sugar cane, tobacco and summer grain, by 38.3%, 25.6%, 18.2%, 14.8%,3.2% and 2.3% respectively, while prices received for hay and dry beans declined by 18.6% and 14.1% respectively.

The prices of horticultural products increased on average by 3.1%, mainly because of an increase of 13.3% in the price of fruit. Prices of vegetables declined by 7.2%, while prices of viticulture products remained unchanged. Prices of animal products increased by 3.6%. The average prices of pastoral products, slaughtered animal and poultry rose by 23.6%, 11.1% and 0.8% respectively, while those of dairy products dropped by 6.5%.

The prices paid for farming requisites, including machinery and implements, material for fixed improvements as well as intermediate goods and services, increased by 13.3%, compared to 6.7% the previous year. Prices for fertilisers and fuel increased by 22.5% and 5.7% respectively. Net farming income decreased by 18.3% and amounted to R33 161 million for the 12 months up to 30 June 2011.

On exploring the edible oil sector of the country we found that the demand for edible oil is rising in throughout the world but its supply is limited. Depending on their chemical composition, a distinction may be drawn between fatty, essential, mineral and silicone oils. Fatty oils include liquid, semisolid and solid products of vegetable and animal origin. In present scenario, import prices of edible oils are shooting up to $1,100 a ton.

S. Africa produced a record oilseed crop of 1.626 million tons on 1.116 million hectares for the 2011-marketing year on the back of lower corn prices that resulted in 45 percent increased in oilseeds hectares planted and favourable weather conditions . Of the 1.116 hectares planted with oilseeds, sunflowers constitute about 58 percent, soybeans 37 percent and peanuts five percent. A 70 percent increase in the production of sunflower seed is expected for the 2011-2012 marketing year compared to the 2010-marketing year (from 490,000 tons in 2010 to 831,220 tons in 2011). With the increased production of soybeans and limited processing facilities, S. Africa has become a net exporter of soybeans. S. Africa exported 122,814 tons of soybeans in the 2010-marketing year and expectation are that it will increase to 245,000 tons in the 2011-2012 marketing year. It is estimated that about 85,575 tons of peanuts will be produced for the 2011/12- marketing year, three percent less than the 88,000 tons produced for the 2010/11-marketing year. Due to a bumper soybean and sunflower crop, it is estimated that S. Africa will crush about 990,000 tons of oilseeds producing approximately 496,000 tons of oilseed meal and 334,000 tons of oil in 2011. This represents only 32 percent of the local consumption of oilseed meal and 30 percent of vegetable oil per annum. This means that for the 2011-2012 marketing year S. Africa's imports of oilseed meal and vegetable oil is expected to be around 1.1million tons and 800,000 tons, respectively. S. Africa imports most of its sunflower oil and meal and soybean meal from Argentina.

India is one of the world's leading producers of oil seeds and oil, contributing to 9.3% of world oilseed production. It produces the largest number of commercial varieties of oil seeds over nearly 28.4 million hectares of land. The major edible oils produced in India are groundnut, rapeseed, Soya, cottonseed, sesame seed, castor seed, sunflower, safflower etc.

Though both the nations are in import and export of Edible oil but there is no significant trade found between S. Africa and India. The reasons could be high international prices or taste and quality of products.

9.

Automobile Industry

S. Africa has a history of automotive assembly since 1920. Currently, the country is the leading producer on the continent - & in 2003 SA produced 84% of the vehicles in Africa. BMW, Mercedes-Benz, Audi, Volkswagen, Toyota, Chevrolet, Opel, Ford, Nissan, Fiat, Mazda, Mitsubishi and Isuzu are assembled in the country. In numbers there are approximately 250 first tier suppliers and in excess of 300 second and third tier suppliers. The auto industry in S. Africa has undergone change in recent years due to government policy shift from import substitution to export promotion. Tariff protection has been scaled down from 65% to 36% on CBU's (1995 to 2004) and duty free allowances have been introduced based on the value of exports. The real value of vehicle and automotive component imports rose by 12% annually from 1996 to 2001, and exports rose by a massive 32% per annum over the same period – it is the fastest export growth rate for a major sector of the S. African economy. In real terms investment in vehicle assembly and component manufacture has also increased at an annual rate of 12% during 1996 to 2001. Evidence suggests that much of this investment has been export-driven and located in the Eastern Cape to access world trade routes .The automotive industry S. Africa's most important sectors, with many of the major multinationals using S. Africa to source components and assemble vehicles for both local and international markets.

S. Africa's automotive industry is a global, turbo-charged engine for the manufacture and export of vehicles as well as component parts. The sector accounts for about 10% of S. Africa's manufacturing exports, making it a crucial contribution in the economy. The government has identified the automotive industry as a key growth sector, it aim's of increasing vehicle production to 1.2-million units by 2020.

The sector has shown significant growth under the Motor Industry Development Programmed (MIDP). MIDP introduced in 1995 and will be there till 2012. MIDP's successor, the Automotive Industry Programmed (AIP), has been developed to boost production of automotive vehicles and components in S. Africa, also to encourage the expansion of motor-industry investment and employment.

The automotive and components industry is perfectly placed for investment opportunities. Vehicle manufacturers such as BMW, Ford, Volkswagen, Daimler-Chrysler and Toyota have production plants in the country, while component manufacturers (Arvin Exhaust, Bloxwitch, Corning, Senior Flexonics) established there production bases in S. Africa. The industry is largely located in two provinces, the Eastern Cape (coastal) and Gauteng (inland). Companies with production plants in S. Africa are placed to take advantage of the low production costs, coupled with access to new markets as a result of trade agreements with the European Union (EU) and the Southern African Development Community (SADC) free trade area. Opportunities also lie in the production of materials (automotive steel and components).

Ranked 19th amongst the world's vehicle producing countries , S. Africa is the dominant market and vehicle producer. In 2006 it produced 5,25,271 vehicles, while the next largest producer Egypt produced 69,223 units only. IOMVM (International Organisation of Motor Vehicle Manufacturers) identifies 49 vehicle manufacturers globally. Of these, 15 major players produce significantly more than million units annually. Ten of these OEMs have S. African manufacturing operations, or they manufacture locally in partnership with another OEM. Prior to 1990s, major OEMs had licensed operations in S. Africa but Toyota, Ford , Daimler Chrysler, Nissan and General Motors have acquired their local operations since then, while BMW and Volkswagen have maintained 100% ownership of their operations without any collaboration. Above all, there are a number of smaller global OEMs with manufacturing facilities in S. Africa like Man, Scania and Volvo.

In the auto component sector, eight of the largest multinational component manufacturers have a S. African subsidiary, joint venture or licensees. These lists include Bosch, Delphi, Denso, Magna, Johnson Controls, Visteon, Lear and Aisin Seiki. In 2005 the S. African local automotive sales reached R138 billion (USD 19.44 blln). In the same year with the component exports totalled R23 billion (USD3.24 blln) and vehicle exports R22 billion, the automotive industry contributed 7.6% of the SA GDP.

In 2005, total automotive employment, inclusive of retail and manufacturing climbed to 3, 17,105, near about 10% growth on 2000 levels. The export capabilities of S. African based vehicle assemblers is evident in the fact that 2005 exports were principally bound for Japan, Australia and the UK. Of all exports by value, Germany was the most important destination for component exports in 2005 at 33%.

The era of 1995-2005 reflected strong growth in S. African vehicle sales. Toyota enjoys 21% market share. VW, GM and Ford also enjoy prominent share of 12-16%. The greatest proportion of vehicles sold domestically fall into Model segment C (52%) .Vehicle imports into S. Africa have climbed sharply due to the MIDP's (Motor Industry Development Programmed) import-export complementation mechanism and the rapid growth for the domestic market. In 2005- 2,32,091 units were imported primarily from Germany and Japan.

<u>Incentives Available to Automotive Manufacturers</u>

Incentives is very important factor in a all business hub because it motivate to do a business and increase confident about their business. In India government give some small sector specific incentive so this kind of policy need a business.

Identified as crucial to the manufacturing sector, the S. African government has offered a range of incentives to the automotive industry, most important one being the Motor Industry Development Programme. The introduction of the MIDP in 1995 heralded a fundamental shift in the vision and aims for the automotive industry, away from import substitution to export orientation. The MIDP's technical parameters can be summarised as follows :

Import Rebate Credit Certificates (IRCCs) :

Automotive vehicle and component manufacturers can earn duty credits from exporting (IRCCs) . IRCCs are tradable and can be used to offset import duties on vehicles, components or materials . IRCCs allows assemblers to either earn their own credits from exporting or to buy credits from component exporters to finance the importing CBUs or components not produced locally, or which they prefer to source from abroad.

Vehicle manufacturers in S. Africa

BMW

With over 30 years of BMW in S. Africa, the company started with a production of 12,000 units in the year 1974.

By 2005, BMW targeted for 50,000-60,000 units with its 3 series E90 models and produced 55,000 units in 2006. This accounts for 4% of the total BMW production world-wide.

20% of share of this production is for domestic sales, rest for exports. Japan accounts for the largest share of the BMW SA exports with 42% followed by 24% to USA.

Mercedes-Benz

Mercedes-Benz S. Africa manufactures Mercedes-Benz and Mitsubishi vehicles at its manufacturing plant in East London in the Eastern Cape. The company's headquarters are located in Gauteng province, from where the Mercedes-Benz, smart, Maybes, Mitsubishi Motors, Freightliner, Western Star and FUSO brands are marketed and financed. Mercedes-Benz SA recently spent about R2-billion on upgrading its manufacturing plant, and now produces both right- and left-hand drives versions of the latest Mercedes-Benz C-Class car for domestic and export markets.

Volkswagen

Located in Uitenhage, Port Elizabeth, Volkswagen SA, was established 55 years ago, and is the oldest OE plant in SA . Volkswagen has invested R750 million (USD 105.6 mln) at its new paint shop and trained 1000 more people for the new paint technology. The City Golf is assembled locally with CKDs from Brazil (40% imports). 70% of assembly is manual with low percentage of robots as the management cannot get past the union. Cables , brakes, harnessing, engines, gear boxes and dashboard are all imported.

General Motors

General Motors S. Africa, which is based in Port Elizabeth in the Eastern Cape, markets the brands Chevrolet, Opel, Isuzu, Saab, Cadillac and Hummer. In 2005, the company was awarded a six-year contract to assemble and export the Hummer H3, resulting in a US$100-million investment in its Struan dale plant.

In 2008 GM S. Africa is building a new multimillion-rand vehicle conversion and distribution centre and is investing another R481-million in its operations, upgrading its production facilities and tooling.

Toyota

Toyota S. Africa recently completed a five-year, R2.4-billion modernization and revitalization programmed. Its Prospection facility, just south of Durban, is now one of the most technologically advanced Toyota facilities in the world outside of Japan, and is capable of producing around 2,20, 000 units a year.

As a global production facility, Toyota S. Africa has transformed from a purely local supplier into an effective export base to supply vehicles into markets in Europe and Africa. The company, which exports to more than 40 destinations, says it expects to export around 140 000 units in 2008, or almost 60% of total automotive exports from S. Africa.

Ford Engine Plant

The Struan dale Engine plant of Ford, in Port Elizabeth established in 1964 has manufactured more than 2.1 million petrol engines till date.

The range of products includes 1.6 litres Kent, 3 to 3.4L V6 Essex, 1.4 & 1.6L PTE to recent 1.3 and 1.6 L RoCAM engines. For assembly of Mazda B-series 1.3 & 1.6L engines, components are imported from Japan.

Auto components manufacturers in s. Africa and exporter at worldwide level

Guateng (Johannesburg)

1) FEDERAL MOGUL IGNITION
2) KOLBENCO Pty Ltd:
3) ALFRED TEVES BRAKE SYSTEMS (Pty) LTD.

Port Elizabeth

1) TENNECO
2) UNIVEL TRANSMISSIONS Pty Ltd
3) DORBYL AUTOMOTIVE SYSTEMS LTD
4) LUK (Africa) Pty Ltd
5) MURRAY AND ROBERTS FOUNDRIES

Plants At Kwazulu Natal (Durban)

1) FEDERAL MOGUL FRICTIONS
2) BEHR S. Africa (Pty) Ltd
3) SMITH PLASTICS PTY LTD

INDIA AUTOMOBILE SECTOR

The Indian Automobile Industry manufactures over 11 million vehicles and exports about 1.5 million each year. The dominant products of the industry are two-wheelers with a market share of over 75% and passenger cars with a market share of about 16% Commercial vehicles and three-wheelers share about 9% of the market between them. About 91% of the vehicles sold are used by households and only about 9% for commercial purposes the industry has a turnover of more than USD $35 billion and provides direct and indirect employment to over 13 million people

The supply chain is similar to the supply chain of the automotive industry in Europe and America. Interestingly, the level of trade exports in this sector in India has been medium and imports have been low. However, this is rapidly changing and both exports and imports are increasing. The demand determinants of the industry are factors like affordability, product innovation, infrastructure and price of fuel. Also, the basis of competition in the sector is high and increasing, and its life cycle stage is growth. With a rapidly growing middle class, all the advantages of this sector in India are yet to be leveraged.

With a high cost of developing production facilities, limited accessibility to new technology, and increasing competition, the barriers to enter the Indian Automotive sector are high. On the other hand, India has a well-developed tax structure. The power to levy taxes and duties is distributed among the three tiers of Government. The cost structure of the industry is fairly traditional, but the profitability of motor vehicle manufacturers has been rising over the past five years. Major players, like Tata Motors and Maruti Suzuki have material cost of about 80% but are recording profits after tax of about 6% to 11%.

The level of technology change in the Motor vehicle Industry has been high but, the rate of change in technology has been medium. Investment in the technology by the producers has been high. System-suppliers of integrated components and sub-systems have become the order of the day. However, further investment in new technologies will help the industry be more competitive. Over the past few years, the industry has been volatile. Currently, India's increasing per capita disposable income which is expected to rise by 106% by 2015 and growth in exports is playing a major role in the rise and competitiveness of the industry.

Tata Motors is leading the commercial vehicle segment with a market share of about 64%.Maruti Suzuki is leading the passenger vehicle segment with a market share of 46%.Hyundai Motor India and Mahindra and Mahindra are focusing expanding their footprint in the overseas market. Hero Honda Motors is occupying over 41% and sharing

26% of the two-wheeler market in India with Bajaj Auto. Bajaj Auto in itself is occupying about 58% of the three-wheeler market.

The key to success in the industry is to improve labour productivity, labour flexibility, and capital efficiency. Having quality manpower, infrastructure improvements, and raw material availability also play a major role. Access to latest and most efficient technology and techniques will bring competitive advantage to the major players. Utilising manufacturing plants to optimum level and understanding implications from the government policies are the essentials in the Automotive Industry of India.

Present relationship with Indian trade and commerce

India and S. Africa present relationship is grew year to year so this is very important present scenario Bilateral trade grew exponentially from USD 3 million in 1992-93 to USD 4 billion in 2005-06, and the two governments have targeted increasing bilateral trade to USD 12 billion by 2010. Gold bullion constitute one-third of India's imports from S. Africa, while India polishes and processes diamonds from S. African mines. S. Africa has promoted signing a free trade agreement with India and the Southern Africa Customs Union (SACU), which includes Botswana, Lesotho, Namibia and Swaziland along with S. Africa.

In the automotive segment, Indian firms like Apollo Tyres, Tata Group, Ashok Leyland and others have active presence in S. Africa and in the healthcare segment Bharat Biotech have established a base in our country. Murugappa Group has a major presence, catering to various business segments. Rajeev Ranjan (IAS) Principal Secretary, Industries Department, Government of Tamil Nadu said: "There are huge investment opportunities that can be explored by both countries. Tamil Nadu being one among the top tree recipients of FDI, is an ideal destination for investments by S. African entities. Tamil Nadu, with its leadership in technical education, availability of skilled manpower supported by a conducive industrial environment would help in enhancing the competitiveness of the firms investing in the State".

A panel discussion on promoting trade between Chennai and S. Africa was also held, where Sujith Haridas, Regional Director of CII-SR; Rev Harris Majeke, High Commissioner of S. Africa to India Daryl Swanepoel; Jardine Omar, Trade

Representative, S. African High Commission; Arijit Dutta Chowdhury, AGM (International Operation), Ashok Leyland; TD Sivakumar, AGM & Resident Representative, EXIM Bank and P Sridharan, Director & Head, CII Chennai Zone, CII-SR took part. For detailed reports watch this section.

Investment

All of the major vehicle makers are represented in S. Africa, as well as eight of the world's top 10 auto component manufacturers and three of the four largest tyre manufacturers. Many of the major multinational companies use S. Africa to source components and assemble vehicles for both the local and overseas markets.

Between 2000 and 2006, the industry's investment in production and export infrastructure quadrupled, from R1.5-billion to R6.2-billion, before slowing to R3-billion in 2007. Capital investment is expected to be around the R4-billion mark in 2008.

Most of this has been foreign investment, with the parent companies of local car manufacturers expanding local operations to improve production capacity, export facilities and supporting infrastructure.All of the large manufacturers in the country have launched major export programmes in recent years - the latest (in January 2010) being Ford Motor Company of S. Africa.

10.

Jewellry Industry

JEWELLRY

The value of the jewellery industry world-wide has been estimated at over US $200bn, of which gold makes up the greatest proportion followed by diamonds, platinum and precious stones. Most of this jewellery is produced and consumed in Asia, which is not a source of the raw materials used in jewellery industry. S. Africa is a foremost producer of the world's precious metals and minerals, but its jewellery fabrication industry accounts for less than one percent of the world production total. S. Africa has the world's largest gold and platinum reserves and is the fifth largest producer of diamonds in the world.

By the end of the 1980s, the production of minerals was made over 60 different minerals from more than 1000 mines. 25 years later, there has been a drastic decline in the production of minerals, indicating the same 60 different minerals being produced from 700 quarries and mines. This accounts for approximately 7% to GDP, and it contributes for 30% to the country's total exports.

DIAMONDS

The discovery of the first diamonds in 1866 near Kimberley made the growth of modern diamond industry in S. Africa. This discovery, followed by others, spawned a rush of prospectors to the area and surroundings, culminating in the formation of De Beers Consolidated Mines, the largest diamond company in the world. In the global economy, there are about 80 diamond mines, the majority of which (36), are located in S. Africa.

GOLD

With the discovery of the world's largest known gold reserves in the Witwatersrand, gold production has been the cornerstone of the S. African economy. Gold production in **S. Africa on the other hand** continues to decline. Until 2006, this country was the world top producer but after almost a century of hegemony, its ranking declined to the second position in 2007 and fourth in 2010. Gold production in S. Africa has decreased by 80% within the last 40 years. It is however interesting to point out that the 2010 Chinese gold production represents only a third of the S. African production in the late 60s. S. Africa is the world's 4th (200 tons in 2010) largest gold producer that is home to 7 of the 13 leading gold producing mines._The Witwatersrand area of S. Africa is home to the world's largest gold mine.

PLATINUM

Platinum mining in S. Africa is supported by the country possessing over 80% of the world's **platinum** group metal reserves. Along with Russia, **platinum mining in S. Africa** produces a total of 90% of the world's **platinum** demand – which is about 130 tonnes per year (6% of gold production per annum). Platinum mining in S. Africa regards AMPLATS the industry leader in the mining, marketing, and distribution of the precious mineral. Other key platinum mining in S. Africa companies include the likes of BHP Billiton and Impala Platinum.

A profile of the structure of the jewellery industry in s. Africa

In light of S. Africa's enormous mineral wealth and the sophistication of its mining sector, the extent of the downstream beneficiation of its precious metals into jewellery is minimal. The value of S. Africa's jewellery industry is estimated at R3 billion, based on an acquisition study conducted by De Beers in 1997, in which the local diamond jewellery industry was valued at R1.3 billion. The silver mine production in 2007 was at 69.8 t this was 19.7% lower than the 2006 figure of 86.9t. Domestic sales value has decreased from R11.0 million to R10.9 million due to the higher price, despite lower sales volume volumes. The export sales value decreased from R239.6 million to R2224.1 million. S. African PGM production dropped by 1.7 % to 304 t in 2007 from 309.3 t in 2006. The import for precious stones was US $1.12 Billion whereas the exports were US $ 12.6 Billion for year 2007-08. The average tariff rate was 8.70%. The jewellery industry in S. Africa is presided over by the Jewellery Council of S. Africa.

The Jewellery Council of S. Africa is the umbrella body of 3 Constituent Bodies:

- Jewellery Council of SA direct membership (representing wholesalers)
- Jewellery Manufacturers Association of SA (representing manufacturers)
- Jewellers Association of S. Africa (representing retail jewellers)

The Council, situated in Johannesburg, plays a diverse role in representing the interests of wholesalers, manufacturers and retailers. Activities are specific to the above 3 sectors and include marketing (local and international), representation to Government, organization of local and international trade fairs, seminars and training courses, the operation of an internationally recognised Diamond Certification Laboratory, and the dissemination of information to the industry.

COMPARISION OF INDIAN & S. AFRICAN JEWELLERY INDUSTRY

Indian Scenario

In India, jewellery is revered and valued as a treasure from ages, be it any festival or a marriage, the celebrations are incomplete without gold and silver ornaments. However, the market is highly dominated by the unorganized players, but with the prospering economy and surging income levels, the organized segment and retailing of branded jewellery industry is fast catching up in the currently fragmented market which is worth USD 16 bn and shows huge potential for growth in the future. India possesses world's most competitive gems and jewellery industry market owing to its low cost of production and availability of skilled labor. The industry is characterized by a significantly large unorganized sector, labor-intensive operations, high working capital & raw material intensiveness, gold price volatility and export orientation. The Indian gems and jewellery industry is expected to grow at a compounded annual growth rate (CAGR) of approximately 13 percent during 2009–2015 together with government and private sector initiatives.

Surat Diamond Industry

Surat is the biggest manufacturing center in Gujarat, producing about 85% of cut and polished diamonds. Increased manufacturing capacity has benefited to inculcate 8 lakh workforce in this industry. As far as diamond market in Surat is concerned there is a huge demand and there are about 3000 diamond units. Apart from this the gold retail sector of jewellery industry in Surat is huge and it makes about a huge part of the GDP of Surat.

Three Indian companies – Blue Star, Ankit Gems Namibia Private Limited and K G K Star Rough Private Limited -- have been selected by DTC for the first time at its Botswana, Namibia and S. Africa sights respectively.

Comparision Of Status Of Precious Metals, Gems And Jewellerly Industry In India And Southafrica

Diamond

According to USGS data, diamond production (gem and industrial) in India in the year 2007 was 55 thousand carats and has remained more or less stagnant over the years. The $19 billion processing industry (which involved the cutting and polishing of diamonds) was dominated by India. The 1 million people employed by India's processing industry processed more than half of the world's diamonds in value terms, at costs significantly lower than other processing countries. India is an exporter as well as an importer of diamonds, with a respective share of 14.3% and 13.1% in the world. This may be because India imports rough diamonds, for value addition, and exports as cut and polished diamonds. Surat is known as the "diamond city of India".

GOLD

The total resources of gold in the country, as on April 2005, were estimated at 390.28 million tonnes. Out of these, 19.25 million tonnes were under the reserve category, and the balance 371.03 million tonnes were under the resources category, besides India's gold production has shown a decline over the years, whereas in S. Africa, Gold was discovered in the area known as Witwatersrand S. Africa. Almost 50% of the world's gold reserves are found in S. Africa. India has been the largest consumer of gold jewellery industry in recent times, and in the year 2008, in gold, Africa held its position as the world's largest gold producer for more than a century. 08.

PLATINUM

The total resources of platinum group of metals in India, as on April 2005, was only 14.2 tonnes; the entire known resources are located in Niligiri, Boula-Nuasahi and Sukinda areas in Orissa. Platinum is gaining with its price coming closer to gold; platinum jewellery industry has been gaining worldwide momentum in the past few years. According to the Bombay Bullion Association, India consumed around 940 kgs of platinum metal in the fiscal year 2008-09.

Import & Export Regulations

S. Africa was the world's largest minor of gold (18% of global production in 2006 according to Department of Trade and Industry). S. Africa still considered as an important player in the world gold market. From the inception of democratic election of

1994 of S. Africa, the value of export of S. Africa has risen by 12% per year while on other hand the value of imports have been risen by 15% per year.

In value terms, the contribution of mining to S. African exports has fallen from 50% in 1994 to 32% in 2007. In contrast, the importance of the manufacturing sector to exports (in value terms) has increased over the same period from 40% to 60%. By region, Europe and Asia account for 60% of the value of all S. African exports. The proportion of exports to Asia, currently 25%, can be expected to rise with increased demand for raw materials from China.

The United States, United Kingdom and Japan are the top importers of S. African goods and services in value terms, representing collectively 33% of the total of the country's global exports in 2007. The largest source of S. African imports is Germany, which accounted for 14.6% of the value of imports into the country in 2007. These imports are mainly heavy-duty equipment and machinery.

Jewellery industry export - import 2004 to 2008 (in Rand millions)

From the given chart, it can be seen that there is a constant increase in the export and import of jewellery from and in S. Africa. From the above chart we can see that jewellery industry export was 490 in year 2004 which was increased to 523 in the year 2005 and further increased to 653 in year 2008. That means there was a 33.27% increase in the export value of jewellery industry from the year 2004 to 2008.

In the same way when it is looked from the angle of imports of jewellery industry in S. Africa, it was 150 in the year 2004 which increased to 167 and which further increased to 257 in the year 2008. That means 71.33% increase in the import value of jewellery industry of S. Africa in the year 2008 as compared to 2004.

Majority of jewellery industry export was to the US which stood at 60%, while 15% export was to the UK then it was followed by the Israel and UAE which stood at 5% each. Then it was to the Italy which stood at 3% and then it is followed by the others which stood at 12%.

In considering the growth potential of jewellery industry exports, the two important considerations should be noted:

- S. Africa enjoys favored nation status with the USA via the African Growth and Opportunity Act of 2002 (AGOA), which allows S. African gold jewellery fabricators to export their finished product to the USA free of import duties.
- Under the S. African/European Trade Development and Co-operation Agreement (TDCS), a Free Trade Area (FTA) between S. Africa and the European Union is being developed through the gradual abolition of import and export tariffs between the two trading partners. Import and export duties are gradually being removed from their maximum of 20% in 2003 to zero by 2012.

Moreover in the last few years it has been observed that import of gems and jewelleries have been increased from the countries like Hong Kong and China.

S. African regulations

S. Africa's mining industry is supported by an extensive and diversified resource base, and has since its inception been a cornerstone of S. Africa's economy. The policy review process has had to take account of current problems and opportunities facing the mining industry. The gold mining sector particularly, has to re-examine its production techniques in the light of a static gold price, deep levels of working and higher operating costs. The S. African Diamond Board was established in 1987 in terms of the Diamond Act, Act 56 of 1986 to regulate control over possession, the purchase, and sale of diamonds, the processing and the export of diamonds. During 2007 three pieces of legislation, namely; the Diamond Amendments Act, Act 30 of 2005, the Diamond Second Amendment Act, Act 30 of 2005 and the Precious Metals Act, Act 37 of 2005 were promulgated thereby broadening the legal mandate of the Board to also regulated precious metals.

The S. African Diamond & Precious Metals Regulator (SADPMR) or "the Regulator" for short was established to administer the Diamonds Act, 1986 (as amended) and the Precious Metals Act, 2005 (Act 37 of 2005) commenced on 1 July 2007 and Regulations made under the Act took effect on 9 July 2007. These Regulations were amended on 4 April 2008.

REGULATION OF PRECIOUS METALS

The Precious Metals Act, 2005 repealed the Mining Rights Act, 1967, and is now the principal Act governing the precious metals industry in S. Africa. In term of the Act precious metals includes gold and platinum group metals.

Regulation of Diamonds

The 2005 amendments to the Diamonds Act, viz., Diamonds Amendment Act, 2005 and the Diamonds Second Amendment Act, 2005 as well as the 2007 amendment to Regulations under the Diamonds Act took effect on 1 July 2007. These Regulations were also consequently amended on 4 April 2008.

The objects of the Regulator in terms of the Diamonds Act, 1986 (as amended) are:

- Ensure that the diamond resources of the Republic are exploited and developed in the best interests of the people of S. Africa;
- Promote equitable access to, and local beneficiation of, the Republic's diamonds; and
- Ensure compliance with the Kimberley Process Certification Scheme.

Indian Regulations

The gems and jewellery industry is a major foreign exchange earner. Due to its importance in India's foreign trade, the government has taken many initiatives to boost the sector. Here we focus on the various policies and measures that were taken by the government for the gems and jewellery industry.

Regulating Bodies

Gems & Jewellry Export Promotion Council (GJEPC)

Established in 1966, the GJEPC is the apex body of the Indian gems and jewellery industry, and has around 6,500 members across India. The primary goal of the Council is to introduce the Indian gems and jewellery industry to the international market and to promote their exports. The Council provides market information to its members regarding foreign trade inquiries, trade and tariff regulations, rates of import duties, and information about jewellery industry fairs and exhibitions. The roles played by the GJPEC are broadly highlighted below:

- **Trade Facilitator**

- **Advisory Role**
- **Nodal Agency for Kimberley Process Certification Scheme**
- **Training and Research**
- **Varied Interest**

Gem & Jewellry Trade Council of India (GJTCI)

The GJTCI was founded in 2000, and is tasked with resolving any issue arising from trade in gems and jewellery industry. It plays an important role in showcasing the Indian gems and jewellery industry to the international as well as the domestic market. Like the GJEPC, GJTCI also provides information to its members through a monthly newsletter, various educative and trade-motivational events such as seminars, workshops, exhibitions, festivals etc.

The Bureau of Indian Standards

The Bureau of Indian Standards (BIS), the National Standards Body of India, is a statutory body set up under the Bureau of Indian Standards Act, 1986 and is responsible for hallmarking gold jewellery industry in India.

PROSPECTS OF TRADE BETWEEN INDIA AND S. AFRICA

Trade Initiatives

India –Sacu Preferential Trade Agreement

An important initiative under negotiation between the two countries is the India-SACU Preferential Trade Agreement, eventually leading to a Free Trade Agreement between India, SACU and MERCOSUR (a 'large free trade area of the South'). Four rounds of negotiations between SACU and India have been held so far. An Agreement for Reciprocal Promotion and Protection of Investments (BIPPA) is also waiting to be concluded. Early conclusion of these agreements could provide a real impetus to trade and investment.

Reconstituted CEO's Forum

Commercial interaction is being boosted by the establishment of an India-S. Africa CEOs' Forum, which was reconstituted and launched in Mumbai on June 3, 2010 by the visiting S. African President, Mr.Jacob Zuma and the Commerce and Industry Minister of

India, Mr.Anand Sharma. The CEO's Forum is chaired by Mr.Ratan Tata on the Indian side and Mr.Patrice Motsepe on the S. African side.

India Business Forum

The India Business Forum (IBF), launched in 2007 with its headquarters in Johannesburg, brings together the heads of all Indian companies in S. Africa and provides a platform for promoting brand India and for taking up issues of common concern. IBF currently includes 39 companies and is managed by the Confederation of Indian Industry (CII).

Potential for import export between india and s. Africa

S. Africa was a major trade partner of India prior to 1946 and accounted for 5 percent of India's total exports then. But, following the introduction of apartheid regime in S. Africa, India became the first country to sever trade relations in 1946, and subsequently imposed a complete - diplomatic, commercial, cultural and sports- embargo on that country. It remained an outspoken critic of the apartheid era government in S. Africa, a stand, which evoked goodwill for it in S. Africa and other African countries.

India's relations with S. Africa were restored after a gap of over four decades with the opening of a Cultural Centre in Johannesburg in May 1993. Formal diplomatic and consular relations with S. Africa were restored in November 1993. The Indian High Commission in Pretoria was opened in May 1994, followed by the opening of the Consulate General in Durban the same month. S. Africa, in addition to its High Commission in New Delhi, has a Consulate General in Mumbai.

India – S. Africa bilateral trade

Since restoration of ties, bilateral trade between India and S. Africa has grown exponentially from about US $ 3 billion to over US $ 7 billion during 2008-09. The two countries have now taken up a challenge to boost bilateral trade to US $ 10 billion by 2012.

Figures in Mn.US $	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009 (estimates)
India's Exports	539.35	984.04	1,526.87	2,244.74	2,658.67	1,980.28
India's Imports	1,899.19	2,197.67	2,471.80	2,469.73	3,614.86	5,513.58
Total Trade	2,438.54	3,181.70	3,998.67	4,714.47	6,273.53	7,493.87

Source: Department of Commerce, Govt. of India.

The major exports from India to S. Africa are mineral fuels, automobiles and transport equipments/components, castor oil, cosmetics/toiletries, cotton yarn, fabrics, made ups and natural silk, pharmaceuticals, fine chemicals, inorganic, organic/agro chemicals including dyes & intermediates & coal-tar chemicals, electronic goods, finished leather/leather goods,

gems and jewellery.

The major imports of India from S. Africa are coal, coke and briquettes, diamonds, pearls, precious and semi-precious stones, gold and silver, electronic goods, fertilizer, inorganic and organic chemicals as well as artificial resins, iron, steel metal ores, non-ferrous metals, metal scrap and crude minerals.

There is substantial untapped potential for trade growth between the two countries. Potential exports from India to S. Africa include vehicles and auto components, transport equipment, drugs and pharmaceuticals, computer software, engineering goods, footwear, dyes and intermediates, chemicals, textiles, rice, and gems and jewellery, etc. Potential areas of import from S. Africa to India have been identified as rock phosphates, precious stones and minerals, fertilizers, steel, coal, transport equipment, pulp and pulp manufacturing, etc.

Conclusion

This report justifies the imperative importance of services and gems & jewellery occupy the major role in the overall upliftment of the S. African economy. From this point the study can be taken forward in context of the country's best services in which the investment can be made. The political stability, economic environment, societal norms and technological barriers all have to be taken into consideration.

- MARKET OPPORTUNITY: One of the chief reasons for S. Africa becoming one of the most popular trade and investment destinations in the world is due to the country ensuring that it can meet specific trade and investment requirements of prospective investors and businesspeople. Many lucrative possibilities, arising from S. Africa's wealth of natural resources, and almost unlimited export and import opportunities, exist in the country.
- COSTS OF DOING BUSINESS: The cost of doing business in S. Africa compares favorably to other emerging world markets. According to an annual World Bank study, titled the Ease of Doing Business, S. Africa ranks 32nd out of 181 of the economies surveyed in 2009 for ease of doing business. The country boasts the lowest electricity prices in the world and despite looming challenges in this sector, doubling its electricity price will still place the country as the cheapest provider. S. Africa's labor costs are significantly lower than those of other key emerging markets. It also has a favorable corporate tax rate compared to other emerging markets. The costs for labor, land, rental, human resources, transportation and general living expenses do, however, vary from province to province.
- S. Africa has the world's largest gold and platinum reserves and is the fifth largest producer of diamonds in the world. This accounts for approximately 7% to GDP, and it contributes for 30% to the country's total exports.
- In the global economy, there are about 80 diamond mines, the majority of which (36), are located in S. Africa. S. Africa is the world's 4th (200 tons in 2010) largest gold producer that is home to 7 of the 13 leading gold producing mines.
- Platinum mining in S. Africa is supported by the country possessing over 80% of the world's **platinum** group metal reserves

- There is a constant increase in the export and import of jewellery industry from and in S. Africa. jewellery industry export was 490 in year 2004 which was increased to 523 in the year 2005 and further increased to 653 in year 2008. That means there was a 33.27% increase in the export value of jewellery industry from the year 2004 to 2008.
- In the same way when it is looked from the angle of imports of jewellery industry in S. Africa, it was 150 in the year 2004 which increased to 167 and which further increased to 257 in the year 2008. That means 71.33% increase in the import value of jewellery industry of S. Africa in the year 2008 as compared to 2004.
- The majority of jewellery industry export was to the US which stood at 60%, while 15% export was to the UK then it was followed by the Israel and UAE which stood at 5% each. Then it was to the Italy which stood at 3% and then it is followed by the others which stood at 12%.
- India is an exporter as well as an importer of diamonds, with a respective share of 14.3% and 13.1% in the world. This may be because India imports rough diamonds, for value addition, and exports as cut and polished diamonds.
- According to USGS data, diamond production (gem and industrial) in India in the year 2007 was 55 thousand carats and has remained more or less stagnant over the years. The $19 billion processing industry (which involved the cutting and polishing of diamonds) was dominated by India.
- Surat is known as the "diamond city of India" as there are more than 3000 units that have engaged themselves into cutting and polishing. A total of more than 5,00,000 employees are engaged in the industry contributing to the development of surat and therefore India.
- India has been the largest consumer of gold jewellery industry in recent times, and in the year 2008, the gold Africa held its position as the world's largest gold producer for more than a century.

ANNEXURES

Annexure 1. Typology of the agricultural sector
Source: AgriSETA

Table 7: Typology of the agricultural sector Production Unit	Turnover	Ownership & Management	Number	Binding constraint	Support required
Large commercial on private property	>R2 million	Family owned but incorporated multiple farms. Rent in land – professional management	±5 400	Market size Equity capital	Export market access Financial market innovation
Medium commercial on private property	R300 000 to R2 million	Family owned, could be incorporated. Some renting in of land – family management	17,000	Land capital management	Mortgage capital for land access Management training
Small commercial on private property	<R300 000	Family owned, generally part time. Some lifestyle farming (game ranches, weekend farms)	24 000	Management time	
Commercial in communal areas	>R300 000	Communal ownership Development projects Private ownership	-	Capital management infrastructure	Grants for land access Property rights Comprehensive farmer support Credit Physical infrastructure
"Emerging" commercial in communal areas	<R300 000	>20 hectares Communal ownership Small farmers in development projects Private ownership	35 000	Land (property rights) Capital labour management Employment opportunities	Grants for land access Property rights Comprehensive farmer support Physical infrastructure Institutional infrastructure
Subsistence farmer in communal areas Allotments Market gardens	<20 hectares Communal ownership Private ownership Little formal market participation	1.256m	Employment opportunities	Social	

Annexure 2. Volume of agricultural production by product and location

Agricultural product	Dominant production locations	Average annual volume produced
Maize	North West; Free State; Mpumalanga	13, 2 metric ton
Wheat	Western Cape; Free State	2.1 metric ton
Barley	Western Cape	192 000 ton
Groundnuts	Free State; North West; Northern Cape	88 800 ton
SunflowerSoya beansseeds	FreeFree State;State; NorthMpumalanga;West; Mpumalanga;KwaZulu NatalLimpopo	872 000- ton
Sorghum	Free State; Mpumalanga; Limpopo; North West	255 000 ton
Canola	Western Cape; North West; Limpopo	30 800 ton
Dry beans	Mpumalanga;KZN; Limpopo;FreeWesternState;Cape;Gauteng;NorthernNorth CapeWest;	60 000 ton
Sugar	Eastern Cape; Mpumalanga; KwaZulu Natal	20 metric ton
Deciduous fruit	WesternMpumalanga;Cape;GautengEastern Cape; Free State;	-
		403.3 million litres exported in 2009
Wine	Western Cape	
Citrusfruit and subtropical	Limpopo;Natal; WesternMpumalanga;Cape; NorthernEastern Cape;Cape KwaZulu	46 896 ton subtropical fruit
	North West; Northern Cape; KwaZulu Natal;	
Potatoes	Limpopo; Free State; Mpumalanga; Eastern Cape;	1 853 000 ton
	Western Cape	
Tomatoes	Limpopo;Cape; WesternMpumalanga;Cape KwaZulu Natal; Eastern	459 217 ton
Onions	Mpumalanga; Western Cape; Free State	417 579 ton
Cabbages	Mpumalanga; KwaZulu Natal	138 161 ton
Cotton	Mpumalanga;Natal; North WestLimpopo; Northern Cape; KwaZulu	-
TobaccoTeaFlowers	Mpumalanga;WesternWestern Cape;CapeLimpopo;Eastern CapeNorth West	10 200-- ton
Livestock	All provinces	Largest agricultural sector
Dairy	FreeCape;State;WesternNorthCape;West;MpumalangaKwaZulu Natal; Eastern	3 129 metric litres
Beef Cattle	EasternNorth West;Cape;Mpumalanga;Free State; KwaZuluNorthernNatal;CapeLimpopo;	-930 000 ton broilers
Sheep and goats	EasternCape; MpumalangaCape; Northern Cape; Free State; Western	-2.6 million pigs slaughtered
Poultry and pigs	All provinces	From
Fish	Western Cape; Eastern Cape	August 2007 to- August 2008
Game	Limpopo;Cape Northern Cape; Eastern Cape; Western	-
Beekeeping	Western Cape; KwaZulu Natal	2 000 ton

Source: GCIS, SA Yearbook 2009/10

Annexure 3. **Summary of oilseed, Sunflower: south Africa year wise**

Oilseed, Sunflower seed South Africa	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	400	400	515	643		650
Area Harvested	400	400	515	643		650
Beginning Stocks	62	62	26	20		60
Production	516	490	650	831		845
MY Imports	5	62	50	0		0
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	583	614	726	851		905
MY Exports	1	0	1	1		10
MY Exp. to EU	0	0	0	0		0
Crush	548	587	700	780		800
Food Use Dom. Cons.	2	1	3	2		2
Feed Waste Dom. Cons.	6	6	8	8		11
Total Dom. Cons.	556	594	711	790		813
Ending Stocks	26	20	14	60		82
Total Distribution	583	614	726	851		905
CY Imports	75	26	50	0		0
CY Imp. from U.S.	0	0	0	0		0
CY Exports	1	0	1	1		10
CY Exp. to U.S.	0	0	0	0		0
TS=TD		0		0		0

Annexure 4. Comparative Position of Machinery Industry with India and Gujarat

Description	Export(Rm)		Imports(Rm)		Trade Balance (Rm)
	2010	2011	2010	2011	
Machinery and Appliances	47.711	57.323	148.708	176.755	(119.431)
Transport Equipments	50.492	58.416	60.045	78.829	(20.414)
Total SA rand	590.036	707.511	585.230	722.637	(15.125)
ASIA	**197.251**	**250.625**	**259.880**	**327.052**	

- **Direction of India's Foreign Trade – Exports (US$ million)**

	APRIL-JUNE		
	09-10	**10-11**	**11-12**
Africa	2,159.8	3,978.2	6136.2
South Africa	337.1	1490.6	1339.0
Total Exports	**38398.5**	**54129.6**	**82034.6**

Direction of India's Foreign Trade –Imports(US$ million)

	APRIL-JUNE		
	09-10	**10-11**	**11-12**
.Africa	2899.0	3447.9	4338.3
South Africa	1383.1	1710.2	2207.4
Total Exports	**62432.1**	**90070.7**	**117105.7**

- **INDIA'S EXPORT TO SOUTH AFRICA (w.r.t machinery and instrument)**

Reporter	Flow	**Indicator**
India	Exports	Machinery and Equipment
India	Imports	Machinery and Equipment
South Africa	Exports	Machinery and Equipment
South Africa	Imports	Machinery and Equipment

Annexure 5: Potential for import / export in India / Gujarat Market

Fastest growing exports, 1992 - 1996 and 2001 - 2006 (R-million)

	1992	1996	Growth (%)
H8544:Insulated (Incl. Enamelled Or Anodised) Wire Cable (Incl. Co-Axial Cable) And Other Insulated Electric Conductors	38.2	228.0	42.95
H9031: Measuring Or Checking instruments Appliances And Machines	20.2	109.8	40.30
H8479: Machines And Mechanical Appliances Having Individualfunctions	46.8	213.6	35.40
H8525: Transmission Apparatus For Radio-Broadcasting Or Television	26.1	141.2	40.16
	2001	**2006**	**Growth (%)**
H8407: SparkIgnition reciprocating Or Rotary Internal Combustion Piston Engines.	123.7	1359.5	61.52
H8501: Electrical Motors Andgenerators (Excl. Generating Sets).	1114.0	778.0	47.51
H8541: Diodes, Transistorsand Similar Semi- Conductor Devices	109.8	698.4	44.77

Fastest growing imports, 1992 - 1996 and 2001 - 2006 (R-million)

	1992	1996	Growth (%)
H8525: Transmission Apparatus For Radio-Broadcasting Or Television	219.6	1824.0	52.71
H8439: Machinery For Making Pulp Of Fibrous Cellulosic material	50.9	391.8	50.43
H8528: Monitors And Projectors, Not Incorporating Television Reception Appar atus	54.4	328.2	43.28
H8426: Ships' Derricks;Cranes Incl. Cable Cranes;	37.5	213.9	41.66
H8417: Industrial Or Laboratory Furnaces And Ovens	21.9	121.0	40.81
H8427: OrkLift Trucks; Other Works Trucks Fitted With Lifting Or Handling E quipment	38.2	191.5	38.01
H8429:SelfPropelled Bulldozers angledozers Graders Levellers Scrape rs Mechanical Shovels Excavators Shovelloaders Tamping Machines And Road Rollers	232.0	1154.8	37.86
H8518: Microphones, Loudspeakers, :Headphones And Earphones	72.6	347.0	36.74
	2001	**2006**	**Growth (%)**
H8502: Electric Generating Sets And Rotaryconverters.	63.4	470.4	49.31
H8478: Machinery For Preparing Or Making Up Tobacco	58.8	339.5	42.00
H8467:Tools For Working In The Hand	181.3	976.4	40.04
H8426:Ships' Derricks;Cranes Incl. Cable Cranes; Mobile Lifting Frames	240.6	1206.8	38.06
H8607: Parts Of Railway Ortramway Locomotives Or Rolling Stock.	103.7	506.8	37.34
H8411: Turbo-Jets, Turbo-Propellers Andother Gas Turbines	1321.0	6322.9	36.77

Annexure 6: Textile Trade with S. Africa

Table1:- Major exporters of textiles and clothing 2010 (US$ billion)

Countries	Annual % change (textiles and clothing)	Value (Textiles)	Value(Clothing)
China	23.7	76.9	129.8

EU (27)	3.1	67.1	98.9
India	14.2	12.9	11.2
Turkey	12.7	9.0	12.8
Bangladesh	26.2	1.3	15.7
United States	19.4	12.2	4.7
Viet Nam	28.0	2.7	10.8

Table 2:- World merchandise exports by major product group, 2010 (Value in US$ billion and share percentage)

Categories	Value	Share in world merchandise trade	Annual percentage change		
			2008	**2009**	**2010**
Textiles	251	1.7	5	-16	19
Clothing	351	2.4	5	-13	11

Table 3:- Share of textiles in trade in total merchandise and in manufactures by region, 2010 (Percentage)

	Exports	Imports
Share in total merchandise		
World	1.7	1.7
Africa	0.5	3.7
Asia	3	1.7

Table 4:- Share of clothing in trade in total merchandise and in manufactures by region, 2010 (Percentage)

	Exports	Imports
Share in total merchandise		
World	2.4	2.4
Africa	1.8	1.6
Asia	4.3	1.1

Table 5:- Textile exports (US$ Million and percentage)

	Value			Share in economy's total merchandise exports	
	2008	**2009**	**2010**	**2005**	**2010**
World	248407	209820	250652	2.0	1.7
India	10372	9111	12872	8.4	6.0
South Africa	301	226	231	0.6	0.3

Table 6:- Textile imports (US$ Million and percentage)

	Value			Share in economy's total merchandise imports	
	2008	**2009**	**2010**	**2005**	**2010**
India	2386	2262	2693	1.4	0.8
South Africa	1019	906	1145	1.6	1.4

Table 7:- Clothing exports (US$ Million and percentage)

	Value			Share in economy's total merchandise exports	
	2008	**2009**	**2010**	**2005**	**2010**
World	363621	315516	351464	2.7	2.4
India	10968	12005	11246	8.8	5.2

Table 8:- Clothing imports (US$ Million and percentage)

	Value			Share in economy's total merchandise exports	
	2008	**2009**	**2010**	**2005**	**2010**
South Africa	993	1054	1363	1.5	1.7

Annexure 8: Most Significant Trade Commodities

(Total Exports from South Africa)

Year	Total Exports in US$	Exports to India (US$ Million)
2006	78,317,824,614	2470.14
2007	89,548,518,778	3605.35
2008	98,005,460,854	5513.58
2009	77,547,588,889	5674.50
2010	77,547,588,889	7140.55

(Source: Department of commerce)

(Top 5 commodities to India from South Africa)

Top Five Import Commodity From South Africa To India					
(By Highest Amount of Import)				*(By Growth Rate ,Compare to last year)*	
	Commodity	Rs. (in lakh)	(%)	Commodity	(%)
1	Natural or cultured pearls, precious or semiprecious stones, pre. Metals, clad with pre.metal and artcls thereof, imit. Jewlry; coin.	2,017,684.18	62.03	Manufactures of straw, of esparto or of other plaiting materials; basket ware and wickerwork.	13,472.62
2	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes.	593,872.91	18.26	Edible vegetables and certain roots and tubers.	6,111.91
3	Ores, slag and ash.	155,484.87	4.78	Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery.	4,695.49
4	Iron and steel	142,377.03	4.38	Ships, boats and floating structures.	2,929.58
5	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, or radi. Elem. Or of isotopes.	109,899.86	3.38	Footwear, gaiters and the like; parts of such articles.	2,269.14
	Total Import from South Africa	**3,252,514.22**	100		

(soruce:diretate genral of foreign trade.india)

(Top 5 Rank of commodities to India from South Africa)

Ranking of Top Import Commodity		Rank			
HS code	Commodity	2010-11	2009-10	2008-09	2007-08
71	Natural or cultured pearls, precious or semiprecious stones, pre. Metals, clad with pre.metal and artcls thereof; imit. jewlry; coin.	1	1	1	1
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes.	2	2	2	2
26	Ores, slag and ash.	3	3	4	6
72	Iron and steel	4	5	5	4
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, or radi. Elem. Or of isotopes.	5	4	3	3

(soruce:dgft, india)

Annexure 9: Growth of India's Food Processing Export to South Africa

(Growth South Africa's Imports from India)
(Table 5.1)

Prod. code	Product label	South Africa's Imports From India				
		2008	2009	2010	2011	% change from '08 to '11
'18	Cocoa And Cocoa Preparations	3	4	717	372	12300
'22	Beverages, Spirits And Vinegar	109	29	1879	506	364.220183
'13	Lac, Gums, Resins, Vegetable Saps And Extracts Nes	3899	3148	9439	14375	268.684278
'20	Vegetable, Fruit, Nut, Etc Food Preparations	1217	3546	3066	3075	152.670501
'16	Meat, Fish And Seafood Food Preparations Nes	2785	4270	3874	6632	138.132855
'07	Edible Vegetables And Certain Roots And Tubers	1890	2758	4476	4395	132.539683
'24	Tobacco And Manufactured Tobacco Substitutes	13929	25948	37476	28771	106.55467

Source : DGFT

Annexure 10: Growth India's Food Processing Imports from South Africa

(Growth in South Africa's Exports to India)
(Table 5.2)

Prod. code	Product label	South Africa's Exports To India				
		2008	2009	2010	2011	% change from '08 to '11
'18	Cocoa and cocoa preparations	12	29	42	55	358.3333
'08	Edible fruit, nuts, peel of citrus fruit, melons	1799	1953	4761	5221	190.2168
'20	Vegetable, fruit, nut, etc food preparations	474	819	1196	1346	183.9662

Source: DGFT

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