



# Swaziland Country Report

## 1. Trade structure and patterns

### 1.1 Trade balance

Swaziland has an open trade policy, and government policy is geared towards increasing trade through the expansion of the manufacturing sector, which it is the driving force of economic and social development. The Kingdom's trade pattern is, to a large extent, region-centred because of its close proximity to South Africa and the country's membership of SACU.

Swaziland is landlocked by SA and Mozambique, which have access to the sea through ports in Durban and Maputo. This brings about extra costs for products destined for Swaziland. Costs of imported products are augmented by this phenomenon as well as exports. The elasticities of the products are important in determining mark-ups on the products. The high elasticities associated with exports and low elasticities associated with imports have a negative impact on the trade balance. The nature of the imports is such that they are mainly intermediate goods are more of necessity hence the low elasticities.

But the strengthening of the local currency against major currencies recently has helped mitigate the situation. Swaziland's trade balance the period 1999 to 2003 had huge swings. The trade balance improved from a deficit of E1,331-million in 1999 to surplus of E3,682m in 2004 largely due to hikes in textile exports, and good performance of the sugar industry.

The trade surplus of E3,682m is by far the largest the economy has experienced. The improvement in the trade balance is mainly attributed to the effects of the African Growth and Opportunity Act (AGOA), which saw a surge in exports to the United States since the year 2000. Due to the high external value of the local currency unit against the US dollar and other trading currencies, and the closure of some exporting firms, there is an observed reduction in the value of exports destined to markets outside the Common Monetary Area (CMA). The countries that are in the CMA are Swaziland, Lesotho and SA. The currencies of Swaziland and Lesotho are pegged at par with the SA Rand and there is a free mobility of capital in the CMA. Due to SA's zealous pursuit of inflation targeting by cautiously adjusting the interest the SA Rand (SZL) has strengthened defector strengthening the currencies of Lesotho and Swaziland rendering their exports less competitive.

**Table 1:** Swaziland's Trade Balance with the world and with SADC, 1999-2003 (Millions of Emalangeni).

	1999	2000	2001	2002	2003	Growth
Exports	5,647	6,219	8,846	11,995	16,272	32.0%
Imports	6,979	7,668	10,308	10,495	12,590	16.1%
Trade Balance	-1,331	-1,448	-1,462	1,500	3,682	
Exports to SA	4,068	3,711	6,371	7,623	11,092	31.3%
Import from SA	5,988	7,143	8,827	8,962	11,200	15.9%
Trade Balance with SA	-1,920	-3,432	-2,456	-1,339	-108	
Exports to SADC	426	1,066	1,000	1,977	1,503	36.9%
Import from SADC	55	46	56	59	71	8.1%
Trade Balance with SADC	371	1,020	944	1,918	1,431	

Whilst Swaziland has consistently run a trade deficit with SA, the country enjoys a trade surplus with SADC. The trade deficit with SA declined considerably for the year 2004 compared to the previous year. This is mainly because of a greater increase in exports than imports. Exports to the Republic increased from E7,623m in 2003 to E11,092m (56%), whilst imports grew from E8,962m recorded in 2003 to E11,200m in 2004. Exports to SADC continue to rise. Over the review period, exports rose by 36.9% whilst imports rose by only 8.1%. This is mainly due to the drive by the government to expand the country's products to the region (strengthening regional integration) as most of the country's exports have been destined to preferential markets like EU, US, etc.

The volume of trade with SADC declined to E1,431m in 2004 from E1,918m recorded in 2004. Most of the country's export and import products are either destined to or come from SA. Exports from Swaziland are mostly unfinished products, which have to be sent to SA for value addition before exportation to the markets. Imports, on the other, are mainly raw materials especially machinery equipment for the manufacturing and construction sectors.

## 1.2 Top 10 import sources and export destinations

The destinations of exports and source of imports has diversified in recent years because of the different trade agreements and preferential access afforded to the Kingdom. Before the inception of AGOA in 2000/01 the Swazi economy had agriculture as its mainstay though still pervasive in the economy the textile sector has gained ground through AGOA. AGOA has not only affected Swaziland's trade patterns in exports but has also affected imports as inputs for the textile sector are sourced in China and Taiwan. Close proximity to, and economic development of, SA makes it the major source of imports as well as destination for exports. Although the most recent trade data shows that about 89% of the country's imports are sourced from SA, imports

**Table 2:** Top 10 sources of imports and destinations for exports

Imports			Exports		
Country	Absolute values	Share of total (%)	Country	Share of total (%)	Absolute values
South Africa	11, 199, 981, 896	89.0%	South Africa	68.2%	11, 091, 513, 188
Taiwan	441, 686, 394	3.5%	United States	9.1%	1, 484, 160, 440
China	191, 947, 140	1.5%	China	5.3%	868, 027, 626
Hong Kong	188, 280, 538	1.5%	Mozambique	4.0%	650, 111, 515
Japan	67, 337, 317	0.5%	Zimbabwe	3.4%	546, 025, 419
Not specified	62, 086, 494	0.5%	New Zealand	1.6%	256, 805, 255
Mozambique	57, 702, 747	0.5%	Australia	1.5%	246, 772, 263
Singapore	43, 160, 635	0.3%	Kenya	1.4%	220, 766, 824
Italy	39, 395, 075	0.3%	United Kingdom	1.0%	155, 873, 282
Indonesia	35, 951, 117	0.3%	United Republic of Tanzania	0.7%	113, 998, 574

from international markets are increasing. For instance, in the top ten is Taiwan with (3.5%), Hong Kong (1.5%), Japan and Mozambique each (0.5%), and Singapore, Indonesia and Italy each (0.3%). Imports from Asia are mostly cotton products (i.e. yam) destined for the local textile and garment industry to take advantage of the Africa Growth and Opportunity Act (AGOA) offering preferential access to the US market for African economies since the turn of the new decade. The local textile and garment industry has been confined to CMT (cut-make-and-trim) over the review period. On the other hand, over 68% of the country's exports are destined for SA.

With the exception of SA, Mozambique imports about 0.5% of the country's overall exports. No other SADC country appears in the top ten of importing countries. The significant reason for this is that most of these economies are the same level of development and hence produce identical products. Moreover, with a zero rating on imports from SACU countries, trade liberalisation in South Africa is more intense than in other SADC countries. Others still have a lot of restrictions, which are not good for business.

On the exports side, Swaziland imports 68.2% of its imports from SA followed by the US, China, Mozambique and Zimbabwe. The US is second in terms of imports by Swaziland. Most of the products sourced by Swaziland from the US are agricultural products mainly maize groats, meal of maize and other worked grains. The food aid from the World Food Programme (WFP) also affects the trade pattern and appears as imports from the US. This is due to the fact that the region has been experiencing prolonged drought. China as explained earlier is third from the top in terms of imports by Swaziland. Other SADC countries excluding SA are Mozambique and Zimbabwe

In general, Swaziland's trade mirrors its open market economy principle, as embedded in trade regimes it is party to, especially the World Trade Organisation (WTO) where trade liberalisation is seen as the key for economic development and shared growth towards poverty reduction.

### 1.3 Exports and imports by region

Due to the existence of geographical barriers to trade for the Kingdom, most of the country's trade is with SADC (see table 3). As shown in the table, Swaziland undertakes almost three-quarters of its trade within the SADC region, particularly with SA in SACU and Mozambique.

Table 3 shows that about 89.5% of exports and 77.4% of imports are destined to or sourced from SADC respectively. This is an encouraging trend given the recent emphasis in strengthening trade within the region. Other significant trade partners are the EU, China and Oceania. China boasts of cheap labour and hence it is relatively cheaper to import fabric and yarn for the textile sector. Moreover, most of the equipment used in the textile sector is sourced from Asia, and mainly China. The boosts of cheap labour and hence it is relatively cheaper to import fabric and yarn for the production in the textile sector. Trade with the EU mainly concentrates on sugar for which the country enjoys a comparative advantage, although subsidies in the region and the recent cut of the preferential market price of sugar has tended to reduce profits in this region.

Swaziland also has preferential access to the US markets under the AGOA. But looking at Table 3, it shows that the country is still running a large trade deficit with the region. This poses as a potential market for the Kingdom's products.

**Tables 3:** Exports and imports by region

Region	Exports	Absolute values	Imports	Absolute Values
SADC	89.5%	12, 594, 020, 111	77.4%	11, 271, 321, 464
NAFTA	0.4%	1, 495, 304, 251	9.2%	46, 736, 650
European Union	1.2%	300, 457, 555	1.8%	148, 666, 494
MERCOSUR	0.0%	594, 193	0.0%	4, 664, 998
Japan	0.5%	4, 175, 620	0.0%	67, 337, 317
China	1.5%	868, 027, 626	5.3%	191, 947, 140
Africa	0.1%	414, 649, 044	2.5%	10, 006, 843
Oceania	0.1%	503, 577, 518	3.1%	7, 016, 714
Americas	0.0%	51, 228, 482	0.3%	568, 190
Asia	6.3%	36, 485, 492	0.2%	787, 503, 550
Other	0.4%	3, 691, 361	0.0%	54, 128, 410



## 1.4 Fastest growing import and export partners

As it can be seen from Table 4 below, an analysis of changes in trade portray a different picture to that of the absolute sizes of trade. For instance, Mexico shows a massive 91.21% growth as a source of imports, whilst New Zealand shows a 101.6% growth in exports over the review period. This just shows that the Americans are prominently becoming sources of imports whilst the Oceania is becoming a destination for exports. The rise in exports to the New Zealand mainly shows the greater than before exportation of soft drink concentrate to New Zealand. Luxembourg is ranked number 56th in terms of size but second after Mexico in terms of growth of imports. China is ranked 3rd in terms of export destination but twelfth in terms of import source.

Kenya is also one of the fastest growing trade partner for the Kingdom under COMESA. Over the review period, imports from Kenya grew by 50.67% whilst exports grew by 30.6%. This may be due to the increase in the demand for cocoa in the Kingdom especially the largest chocolate producing firm, Cadbury. The slump in export growth to Kenya may depict the impact of the appreciation of the local currency against the US dollar in which trade outside the CMA is dominated. So in terms of export earnings, export companies realised marginal growth. Amidst tariff liberalisation in the region, one SADC country that appears as the growing import partner is Zambia. Over the period under review imports from Zambia grew by 23.69% as a result of the importation of copper and copper products. This is partly due to slow economic activity in the region due to the persistent drought that has hit the region during the past half decade. Looking at the list, one can conclude that Swaziland remains under COMESA, and push for a speedy negotiation of a trade agreement with China and Singapore.

Table 4: Fastest growing trade partners

Imports		Exports	
Country	Average growth 1999 – 2003 (%)	Country	Average growth 1999 – 2003 (%)
Mexico	91.21%	New Zealand	101.6%
Luxembourg	86.04%	Turkey	87.7%
Egypt	78.31%	China	55.9%
Kenya	50.67%	Singapore	54.1%
Mauritius	48.19%	Kenya	30.6%
Sweden	42.20%	Switzerland	28.7%
Argentina	37.98%	Australia	26.9%
Poland	26.33%	Ireland	25.5%
Zambia	23.69%	Hong Kong	23.0%
Portugal	22.00%	Sweden	16.8%

## 1.5 Commodity composition of trade

Table 5 shows Swaziland's profile of trade with SADC differs significantly from the world. Imports from the world are predominantly mineral products, which take up over 17% of total imports. An equal amount of chemicals is imported from the world and South Africa, i.e. 10.3% each. The bulk of chemicals (54.6%) come in as imports from the Rest of SADC (RoSADC). Swaziland's trade profile reflects her comparative advantage in producing agricultural, and semi-finished goods. About 15.7% of prepared foods are imported from RoSADC. Leather also takes a significant share of total imports from RoSADC, i.e. 16.7%.

Table 5: Commodity composition of imports

Product	Share of total imports from world (%)	Share of total imports from South Africa (%)	Share of total imports from RoSADC (%)
Ch 1: Live Animals	0.3%	0.5%	2.2%
Ch 2: Vegetables	5.5%	1.9%	3.7%
Ch 3: Animal or Vegetable Fats	3.6%	0.1%	0.8%
Ch 4: Prepared Foods	2.8%	6.7%	15.7%
Ch 5: Mineral Products	17.1%	3.7%	3.4%
Ch 6: Chemicals	10.3%	10.3%	54.6%
Ch 7: Plastics	6.0%	8.7%	0.8%
Ch 8: Leather	3.4%	3.6%	16.7%
Ch 9: Wood Products	5.5%	6.0%	7.2%
Ch 10: Wood Pulp & Paper	1.1%	1.1%	16.2%
Ch 11: Textiles	6.8%	7.5%	2.4%
Ch 12: Footwear	10.4%	11.7%	4.4%
Ch 13: Stone & Glass	11.3%	12.4%	1.1%
Ch 14: Precious Metals	4.1%	4.3%	0.3%
Ch 15: Base Metals	0.1%	0.1%	0.0%
Ch 16: Machinery	1.0%	1.1%	0.1%
Ch 17: Vehicles	5.0%	5.3%	3.1%
Ch 18: Scientific Equipment	10.4%	4.2%	17.1%
Ch 19: Arms & Ammunition	1.0%	1.1%	0.0%
Ch 20: Misc. Manufactures	1.1%	1.2%	0.0%
Ch 21: Art & Antiques	0.1%	0.1%	0.0%
Ch 22: Unclassified	5.1%	5.5%	7.9%

Swaziland's relative comparative advantage is revealed in the commodity composition of its exports. About 47% of total exports to RoSADC is vegetables. 36% of total exports to SA are stone and glass. Swaziland's largest foreign exchange earner is, however, sugar and sugar products- and soft drink concentrate (which constitute about 40% of foreign exchange). This profile shows that the Kingdom has a com-

parative advantage in agro and agro-based products which are sugar cane, sugar (not processed sugar), sweets and soft-drink concentrates. Ironically, about 33.6% of total exports to SA is scientific equipment.

**Table 6:** Commodity Composition of Exports.

Product	Share of total Exports to world (%)	Share of total Exports to South Africa (%)	Share of total Exports to RoSADC (%)
Ch 1: Live Animals	1.0%	2.1%	0.6%
Ch 2: Vegetables	0.8%	10.3%	47.3%
Ch 3: Animal or Vegetable Fats	0.2%	0.1%	3.8%
Ch 4: Prepared Foods	11.4%	6.1%	6.7%
Ch 5: Mineral Products	0.6%	0.7%	2.2%
Ch 6: Chemicals	35.8%	0.0%	10.7%
Ch 7: Plastics	0.2%	0.1%	3.2%
Ch 8: Leather	0.1%	0.8%	3.5%
Ch 9: Wood Products	1.4%	0.8%	2.4%
Ch 10: Wood Pulp & Paper	10.0%	0.1%	1.8%
Ch 11: Textiles	32.7%	12.8%	11.6%
Ch 12: Footwear	0.0%	0.8%	0.1%
Ch 13: Stone & Glass	0.2%	36.0%	64.4%
Ch 14: Precious Metals	0.0%	0.2%	0.8%
Ch 15: Base Metal	0.5%	0.1%	0.0%
Ch 16: Machinery	2.0%	2.0%	0.1%
Ch 17: Vehicles	1.1%	6.7%	0.3%
Ch 18: Scientific Equipment	0.1%	33.6%	3.3%
Ch 19: Arms & Ammunition	0.0%	0.0%	0.1%
Ch 20: Misc. Manufactures	1.6%	0.1%	0.8%
Ch 21: Art & Antiques	0.0%	0.0%	0.0%
Ch 22: Unclassified	0.3%	0.5%	0.8%

## 1.6 Fastest growing import and export commodities

### 1.6.1 Fastest growing export commodities

Swaziland's fastest growing export commodity is textiles which recorded a growth of 219.5%. This reflects the benefits of AGOA – a preferential arrangement between African economies and US. Since inception of AGOA, the Kingdom has realised significant injections of textiles investments to take advantage of these benefits. Moreover, this appears to reflect the real depreciation of the exchange rate against the US dollar. Recent exchange rate developments have significantly reversed this trend, causing a couple of textile companies to close down or downsize to remain competitive. This involved retrenchments and stalled investment plans. The clothing and textile sector is not expected

to recover fully due to the end of the Multi-Fibre Agreement, which offered some developing countries to preferential access to developed markets for their clothing and textile industries through the granting of quotas.

Since the scrapping of quotas across the board for exporters to the US stiff competition has been received from China because of their cheap products attributed to low labour costs. The Multi-Fibre Agreement also stresses the rules of origin, that is inputs can only be sourced from countries that are under AGOA. Besides the textile sector, other agro-based processed products showed significant growth over the review period. But due to the EU-SA TDCA, competition is expected to be rife, as subsidised EU exports may start to infiltrate the local market.

The commodity composition of the fastest growing exports to SA mirrors those destined for the world market, mainly because SA acts as the transit port for Swazi exports. However the commodity composition in terms of growth does not mirror the greatest contributors to foreign exchange like sugar, soft drink concentrate, pulp and pulp products.

As shown in Table 8, the fastest growing exports to SA are clothing and textile products. In the past two years, the clothing and textile sector in Swaziland has been under severe strain due to cheap Chinese exports order to the US were cut back. To survive in the industry, textile

**Table 7:** Fastest growing exports to the world (Average growth rate 1999-2003)

Product	% growth
H62: Articles of apparel, accessories, not knit or crochet	219.5%
H67: Bird skin, feathers, artificial flowers, human hair	182.4%
H09: Coffee, tea, mate and spices	131.5%
H05: Products of animal origin, nesepared	126.5%
H56: Wadding, felt, nonwovens, yarns, twine, cordage, etc	126.4%
H53: Vegetable textile fibres nes, paper yarn, woven fabric	122.4%
H45: Cork and articles of cork	120.8%
H57: Carpets and other textile floor coverings	115.5%
H92: Musical instruments, parts and accessories	109.9%
H42: Articles of leather, animal gut, harness, travel goods	101.6%
H76: Aluminium and articles thereof	93.5%
H38: Miscellaneous chemical products	78.9%
H59: Impregnated, coated or laminated textile fabric	77.3%
H27: Mineral fuels, oils, distillation products, etc	73.8%
H74: Copper and articles thereof	71.7%
H33: Essential oils, perfumes, cosmetics, toiletries	68.8%
H61: Articles of apparel, accessories, knit or crochet	67.0%
H04: Dairy products, eggs, honey, edible animal product nes	65.2%
H37: Photographic or cinematographic goods	63.5%



companies engaged in cut-make-and-trim (CMT) activities outsourcing work from South African counterparts. In absolute terms, clothing and textile exports grew from E7.3 million in 1999 to over E376 million in 2003.

Another fast growing export product to RSA is miscellaneous chemicals, which are silicate of sodium and other silicates. This item grew from E656 million in 1999 to over E3.9 billion in 2003. Remarkable growth of this item was realised between 2001 and 2002, where it grew by over five times in absolute terms.

The fastest growing commodities to RoSADC are manufactured

**Table 8:** Fastest growing exports South Africa (Average growth rate 1999-2003)

Product	% growth
H62: Articles of apparel, accessories, not knit or crochet	197.8%
H54: Manmade filaments	195.3%
H67: Bird skin, feathers, artificial flowers, human hair	183.1%
H45: Cork and articles of cork	138.6%
H59: Impregnated, coated or laminated textile fabric	129.8%
H05: Products of animal origin, nes	126.6%
H76: Aluminium and articles thereof	119.9%
H92: Musical instruments, parts and accessories	110.4%
H57: Carpets and other textile floor coverings	96.8%
H42: Articles of leather, animal gut, harness, travel goods	83.6%
H74: Copper and articles thereof	83.1%
H33: Essential oils, perfumes, cosmetics, toiletries	83.0%
H61: Articles of apparel, accessories, knit or crochet	77.8%

goods, like clocks and watches, carpets, footwear and textile products. However, in absolute terms, these products are less than one percent of total trade. These are basically light manufactures. This is expected given the size of the economy and manufacturing industry.

**Table 9:** Fastest growing exports to the rest of SADC (Average growth rate 1999-2003)

Product	% growth
H91: Clocks and watches and parts thereof	364.3%
H57: Carpets and other textile floor coverings	330.5%
H62: Articles of apparel, accessories, not knit or crochet	262.4%
H64: Footwear, gaiters and the like, parts thereof	225.3%
H67: Bird skin, feathers, artificial flowers, human hair	206.1%
H03: Fish, crustaceans, molluscs, aquatic invertebrates nes	182.9%
H09: Coffee, tea, mate and spices	180.4%
H42: Articles of leather, animal gut, harness, travel goods	171.6%
H95: Toys, games, sports requisites	168.1%
H85: Electrical, electronic equipment	159.1%
H38: Miscellaneous chemical products	152.4%
H70: Glass and glassware	132.7%
H58: Special woven or tufted fabric, lace, tapestry etc	127.4%
H49: Printed books, newspapers, pictures etc	122.6%
H04: Dairy products, eggs, honey, edible animal product nes	107.3%
H87: Vehicles other than railway, tramway	91.6%
H19: Cereal, flour, starch, milk preparations and products	78.4%

### 1.6.2 Fastest growing import commodities

Swaziland's fastest growing imports from the world are mainly manufactured products, although primary commodities feature prominently in the list. The Kingdom does not have adequate raw materials, so expectations are that they should constitute a bulk of the imports. Table 10 shows the fastest growing imports from the world. Fabric, lace, tapestry is expected to top the list as one of the fastest growing imports given the government initiative it take advantage of AGOA benefits. A closer look at the table below shows these fastest growing imports are inputs for the textile and garment industry. Imports have been growing steadily as Swaziland integrates into the world economy and as the country enjoys the benefits of trade liberalisation. It is expected that this trend will continue as the country enjoys the benefits from AGOA and as the exchange rate continues at currently high levels against the US Dollar.

Imports from South Africa mainly compromise of manufactured products, much in line with that country's comparative advantage. Due to the integration in the region and mainly with South Africa, a bulk of the raw materials needs of the Kingdom is imported from the Republic. Traditional imports from South Africa are chemicals, clothing, foodstuffs, motor vehicles, machinery, petroleum products, and some mineral products like tin and articles thereof.

**Table 10:** Fastest growing imports from the world (Average growth rate 1999-2003)

Product	% growth
H58: Special woven or tufted fabric, lace, tapestry etc	71.3%
H92: Musical instruments, parts and accessories	62.7%
H80: Tin and articles thereof	59.0%
H60: Knitted or crocheted fabric	58.2%
H45: Cork and articles of cork	53.5%
H18: Cocoa and cocoa preparations	49.1%
H52: Cotton	46.7%
H55: Manmade staple fibres	45.6%
H02: Meat and edible meat offal	37.4%
H76: Aluminium and articles thereof	36.4%
H79: Zinc and articles thereof	35.2%
H28: Inorganic chemicals, precious metal compound, isotopes	34.8%
H33: Essential oils, perfumes, cosmetics, toileteries	34.4%
H86: Railway, tramway locomotives, rolling stock, equipment	33.8%
H41: Raw hides and skins (other than furskins) and leather	31.6%
H49: Printed books, newspapers, pictures etc	30.4%
H17: Sugars and sugar confectionery	27.7%
H68: Stone, plaster, cement, asbestos, mica, etc articles	27.1%
H54: Manmade filaments	27.0%
H53: Vegetable textile fibres nes, paper yarn, woven fabric	27.0%

**Table 11:** Fastest growing imports from South Africa (Average growth rate 1999-2003)

Product	% growth
H80: Tin and articles thereof	67.9%
H92: Musical instruments, parts and accessories	62.8%
H45: Cork and articles of cork	53.5%
H18: Cocoa and cocoa preparations	49.1%
H29: Organic chemicals	38.5%
H96: Miscellaneous manufactured articles	38.4%
H02: Meat and edible meat offal	37.4%
H60: Knitted or crocheted fabric	35.7%
H28: Inorganic chemicals, precious metal compound, isotopes	35.6%
H33: Essential oils, perfumes, cosmetics, toileteries	35.5%
H13: Lac, gums, resins, vegetable saps and extracts nes	34.8%
H76: Aluminium and articles thereof	34.1%
H79: Zinc and articles thereof	32.8%
H41: Raw hides and skins (other than furskins) and leather	31.6%
H86: Railway, tramway locomotives, rolling stock, equipment	31.0%
H74: Copper and articles thereof	30.7%
H49: Printed books, newspapers, pictures etc	29.6%
H10: Cereals	29.3%
H17: Sugars and sugar confectionery	28.2%
H84: Nuclear reactors, boilers, machinery, etc	27.3%

Due to the sluggish performance of the economy, and henceforth the manufacturing sector, there is now an increasing trend of manufactured imports from the rest of the region. As can be seen from Table 12 paper and pulp products, are leading the list of fastest growing imports from the region. The largest producer of paper and pulp products, SAPPI Usuthu, in the country has reportedly been experiencing a slowdown in production since 2002 due poor international prices, forest fires and the strengthening of the Rand. Further hampering recovery has been the appreciation of the local currency. This necessitated that most products produced be mostly to meet international demand and try and retain markets.

Amendments in AGOA have also impacted positively in strengthening trade with RoSADC. The changes in rules of origin and third party rules necessitated that Swazi textile companies source their fabric from Sub-Saharan Africa, and mainly RoSADC. Firms in Swaziland have responded by establishing plants to produce the raw material in the country.

**Table 12:** Fastest growing imports from the RoSADC (Average growth rate 1999-2003)

Product	% growth
H48: Paper & paperboard, articles of pulp, paper and board	660.4%
H33: Essential oils, perfumes, cosmetics, toileteries	614.0%
H09: Coffee, tea, mate and spices	279.5%
H76: Aluminium and articles thereof	211.3%
H52: Cotton	205.5%
H25: Salt, sulphur, earth, stone, plaster, lime and cement	175.5%
H63: Other made textile articles, sets, worn clothing etc	139.5%
H07: Edible vegetables and certain roots and tubers	132.4%
H62: Articles of apparel, accessories, not knit or crochet	129.3%
H61: Articles of apparel, accessories, knit or crochet	72.4%
H96: Miscellaneous manufactured articles	60.7%
H73: Articles of iron or steel	53.7%
H87: Vehicles other than railway, tramway	47.3%
H72: Iron and steel	46.2%
H84: Nuclear reactors, boilers, machinery, etc	36.1%
H39: Plastics and articles thereof	33.5%

## 2. Trade intensity with the SADC region

The trade intensity indices for exports are significantly greater than 1 and that of imports are not significantly below 1 with the trade intensity index for imports in 2002 being exactly 1. The trade intensity index for exports which is significantly greater than 1 implies that Swaziland is biased towards SADC in terms of exports. This suggests that Swaziland prefers exporting to SADC rather than the world. The biased towards SADC in terms of exports is further biased towards South Africa. Swaziland exports mainly food products to South Africa. The main products that Swaziland exports to the RoSADC are manufactured products namely confectionary items like choclairs and chapies from Cadbury Swaziland, processed beef from Swaziland Meat Industries (SMI) and food and beverages. The trade index for imports is not significantly below 1, meaning that Swaziland is generally neutral between importing from the world and SADC, due to the close proximity of South Africa, which is able to supply most of Swaziland's import-demand. Competing with the SADC region are countries like the UK and Taiwan. Products from Taiwan are mainly raw material used in the textile sector.

**Table 13:** Trade intensities for exports and imports in 2002 and 2003

	Exports	Imports
2002	179.0	1.0
2003	161.0	0.8

The trade intensity index for exports has fallen from 179.0 in 2002 to 161.0 in 2003. This implies that bias to export to SADC by Swaziland weakened in this period though it remained strong. This can not be regarded as a basic shift in the trade pattern but a general trend. This might have been caused by surge in exports to the USA due to AGOA therefore dissipating the concentration of exports to RoSADC.

## 3. Intra-industry trade

In Table 14 below, the GLI index for the top 15 commodities shows a strong intra-industry trade for a number of HS4 product groups with the world. This means that Swaziland imports the same broadly defined goods it produces from the world. For example Palfridge produces refrigerators locally for export and Swaziland also imports refrigerators. This is brought about by the fact that Palfridge targets the upmarket, which is mainly outside the country. The lowest index shown here is 0.72 for polymers of ethylene, in primary forms. Broad product groups with high indices are sugar, clothing, paper, some metal products and

machinery. The intra industry trade also comes about because of product differentiation. An example is liquor products where we have the Swaziland Breweries (SB) brewing for local consumption and export. Swaziland Beverages on the other hand imports spirits.

Top-intra industry trade indices with South Africa are shown in the next table. The intra-industry trade with the world is almost similar with that of South Africa, suggesting that there would be less intra-industry trade with the world, excluding South Africa. This further emphasises the strong historical trade relation Swaziland has with South Africa. High indices are found for different product groups compared to trade with the world. Intra-industry trade with South Africa takes place in wide groups of sectors, including refrigerators, freezers, taps, cocks, tanks and boilers from companies like Palfridge, Steel and Wire.

**Table 14:** Intra-industry trade with the world: Top 15 commodities (HS4)

Commodity	Grubel-Lloyd index
H8418: Refrigerators, freezers and heat pumps nes	1.00
H9403: Other furniture and parts thereof	0.97
H8481: Taps, cocks, valves for pipes, tanks, boilers, etc	0.94
H4818: Household, sanitary, hospital paper articles, clothing	0.91
H2208: Liqueur, spirits and undenatured ethyl alcohol <80%	0.89
H0402: Milk and cream, concentrated or sweetened	0.86
H2701: Coal, briquettes, ovoids etc, made from coal	0.84
H3406: Candles, tapers and the like	0.82
H8711: Motorcycles, bicycles etc with auxiliary motor	0.82
H2204: Grape wines(including fortified), alcoholic grape must	0.80
H4804: Uncoated kraft paper and paperboard	0.80
H6206: Womens or girls' blouses, shirts and shirt-blouses	0.76
H1702: Sugars nes, lactose, fructose, glucose, maple syrup	0.76
H4911: Printed matter nes, catalogues, pictures and photos	0.73
H3901: Polymers of ethylene, in primary forms	0.72
Weighted average of total intra-industry trade	0.17

Table 15 shows fewer HS4 product groups with high-intra-industry trade indices as compared to the two tables, suggesting that intra-industry trade with the rest of SADC is lower than with the world and South Africa. The weighted averages of total intra-industry trade for both South Africa and the World are both on the low side suggesting that the products with high intra-industry trade are traded in low quantities. Such product are vegetables, leguminous dries traded at around E 132 000 with SA, refrigerators traded at around E 1 million and wood pulp with a low trade intensity at around E 175 million (TIP SADC trade data).

**Table 15:** Intra-industry trade with South Africa: Top 15 commodities (HS4)

Commodity	Grubel-Lloyd index
H8418: Refrigerators, freezers and heat pumps nes	0.93
H8481: Taps, cocks, valves for pipes, tanks, boilers, etc	0.92
H4818: Household, sanitary, hospital paper articles, clothing	0.90
H9999: Commodities not elsewhere specified	0.86
H2701: Coal, briquettes, ovoids etc, made from coal	0.84
H6205: Men's or boys' shirts	0.83
H1702: Sugars nes, lactose, fructose, glucose, maple syrup	0.77
H4804: Uncoated kraft paper and paperboard	0.75
H6108: Womens, girls underwear, nightwear, etc knit, crochet	0.73
H4911: Printed matter nes, catalogues, pictures and photos	0.73
H8415: Air conditioning equipment, machinery	0.71
H9403: Other furniture and parts thereof	0.70
H5402: Synthetic filament yarn(not sewing thread) not retail	0.70
H4403: Wood in the rough or roughly squared	0.68
H0402: Milk and cream, concentrated or sweetened	0.68
Weighted average of total intra-industry trade	0.17

**Table 16:** Intra-industry trade with the RoSADC: Top 15 commodities (HS4)

Commodity	Grubel-Lloyd index
H0713: Vegetables, leguminous dried, shelled	0.96
H8419: Machinery, non-domestic, involving heating or cooling	0.75
H8429: Self-propelled earth moving, road making, etc machines	0.62
H9999: Commodities not elsewhere specified	0.59
H1005: Maize (corn)	0.41
H2009: Fruit and vegetable juices, not fermented or spirited	0.36
H1006: Rice	0.36
H1905: Baked bread, pastry, wafers, rice paper, biscuits, etc	0.30
H3004: Medicaments, therapeutic, prophylactic use, in dosage	0.17
H0902: Tea	0.15
H8415: Air conditioning equipment, machinery	0.15
H8708: Parts and accessories for motor vehicles	0.15
H1202: Ground-nuts, not roasted or otherwise cooked	0.14
H8704: Motor vehicles for the transport of goods	0.12
H5202: Cotton waste, including yarn waste and garmetted stock	0.10
Weighted average of total intra-industry trade	0.02

## 4. Tariff analysis

Table 17 shows that the majority of imports into the country have a tariff rate of 0%, that is, 83.6% of the imports have no tariff imposed on them. There is greater free trade with SADC given the fact that 74.0% of imports from SADC have 0% tariff. Given the fact that imports of 61.1% have 0% tariff this being influenced by SADC trade.

Swaziland is not overly protective. Swaziland's trade biases in favour of SADC and given the fact that Swaziland's 74% imports from SADC have zero.

**Table 17:** Tariff analysis

Tariff (%)	% of Total HS 6 Lines	Imports from SADC (%)	Total Imports (%)
0	83.6	74.0	61.1
1-4	1.5	0.4	3.0
5-9	4.6	6.9	7.4
10-14	5.6	2.1	12.0
15-19	3.1	0.1	4.7
20-29	1.7	0.0	2.5
30-39	0.0	0.0	0.0
40	0.0	0.0	0.0



Table 18 gives support to the tables above given that there is more free trade within SADC as compared to the rest of the world. Tariffs ranging from an average of 11.7% to 30% fall on goods that are imported from the world. This shows the high degree of protection Swaziland has against the world and her openness to SADC. But what is depressing is that according to the table below the highly protected are then not sourced within SADC. The tariffs therefore do not help promote trade in SADC this warrants a change in the tariffs policy by Swaziland and RoSADC. For example special classification of parts for motor vehicles are all imported from the world even after a tariff of 30%.

**Table 18:** xxx

	<b>HS 2 Code</b>	<b>Description</b>	<b>Average Tariff</b>	<b>Imports from SADC</b>	<b>Total Imports</b>
1	98	Special classification of parts for motor vehicles	30.0%	-	-4,178,853
2	64	Footwear	21.0%	-87	-119,380,405
3	24	Tobacco	19.4%	-	-22,232,653
4	66	Umbrellas, walking-sticks, riding-crops	18.3%	-	-1,683,704
5	42	Leather art; saddlery	18.1%	-69	-14,894,249
6	57	Carpets	18.0%	-	8,876,890
7	60	Knitted or crocheted fabrics	15.4%	=,427	472,245,725
8	65	Headgear and parts thereof	13.4%	3,077	4,638,441
9	19	Prep cereal, flour	12.4%	-	65,176,575
10	46	Basketware & wickerwrk	11.7%	-	791,975

## 5. Trade agreements planned and in force

Swaziland is a member of the Common Market for Eastern and Southern Africa (COMESA), SADC, SACU, ACP group of countries and a de-facto member of the EU-SA Trade, Development and Cooperation Agreement (TDCA). Under SACU, the Kingdom is currently negotiating a free trade agreement with the United States of America, and has just concluded a free trade agreement with the European Free Trade Association. A preferential trade agreement with MERCOSUR is currently being negotiated. Others in the pipeline are with China, India and Economic Partnership Agreements (EPAs) between ACP countries and EU.

Swaziland is also a beneficiary of the Africa Growth and Opportunity Act (AGOA), and General System of Preferences (GSP) between Africa and the US.

## 6. Revealed comparative advantage

The general expectations in terms of trade of the Kingdom of Swaziland would be that it is inclined towards primary products and agricultural and agro-based manufacturing products. As expected, the next table shows that Swaziland has a revealed comparative advantage in sugar, woodpulp, agricultural products, textile and some light manufactured goods. The country only has a revealed comparative advantage for about 15 out of about 90 odd HS2 product groups. Comparative disadvantage is for example recorded for dairy and beef and a host of other manufactured goods.

See, most products with high revealed comparative advantage are mainly agro-based. The top product groups is the one in which the Coca-Cola concentrate is classified, and thus comes as no surprise. Wood and sugar also make sense due to the natural endowment of the country. This is mainly due to the climatic conditions in the country and the fact that the sugar cane has a ratoon period of 6 years therefore rendering sugar products comparatively cheaper to that of the world. A crucial point to note is that Swaziland has a protected sugar market in the US and the European Union (EU) and this renders the revealed comparative advantage a bit artificial.

**Table 19:** Revealed comparative advantage with respect to the world: Top 20 commodities (HS2)

HS code	Product	Index value
33	Essential oils etc; perfumery, cosmetic etc preps	63.74
17	Sugars and sugar confectionary	35.85
47	Wood pulp etc; recovd (waste & scrap) ppr & pprbd	24.19
61	Apparel articles and accessories, knit or crochet	17.13
20	Prep vegetables, fruit, nuts or other plant parts	4.81
96	Miscellaneous manufactured articles	4.24
11	Milling products; malt; starch; inulin; wht gluten	3.12
54	Manmade filaments, including yarns & woven fabrics	2.57
62	Apparel articles and accessories, not knit etc.	2.46
49	Printed books, newspapers etc; manuscripts etc	1.96
22	Beverages, spirits and vinegar	1.69
18	Cocoa and cocoa preparations	1.27
46	Mfr of straw, esparto etc.; basketware & wickerwrk	1.20
44	Wood and articles of wood; wood charcoal	1.18
4	Dairy prods; birds eggs; honey; ed animal pr NESOI	0.94
55	Manmade staple fibres, incl yarns & woven fabrics	0.76
2	Meat and edible meat offal	0.69
48	Paper & paperboard & articles (inc papr pulp artl)	0.63
15	Animal or vegetable fats, oils etc. & waxes	0.61
1	Live animals	0.59

**Table 20:** Revealed comparative advantage with respect to the world: Bottom 20 commodities (HS2)

HS code	Product	Index value
26	Ores, slag and ash	0.00
79	Zinc and articles thereof	0.00
75	Nickel and articles thereof	0.00
78	Lead and articles thereof	0.00
81	Base metals NESOI; cermets; articles thereof	0.00
93	Arms and ammunition; parts and accessories thereof	0.00
29	Organic chemicals	0.00
24	Tobacco and manufactured tobacco substitutes	0.00
36	Explosives; pyrotechnics; matches; pyro alloys etc	0.00
88	Aircraft, spacecraft, and parts thereof	0.00
59	Impregnated etc text fabrics; tex art for industry	0.00
51	Wool & animal hair, including yarn & woven fabric	0.00
80	Tin and articles thereof	0.00
91	Clocks and watches and parts thereof	0.01
89	Ships, boats and floating structures	0.01
43	Furskins and artificial fur; manufactures thereof	0.01
28	Inorg chem; prec & rare-earth met & radioact compd	0.01
53	Veg text fib NESOI; veg fib & paper yns & wov fab	0.01
45	Cork and articles of cork	0.01
35	Albuminoidal subst; modified starch; glue; enzymes	0.01

## 7. Revealed trade barriers

Indicative of the size and vulnerability of the economy, there appears to be a very low level of trade barriers on sugar and sugar-based products. Other highly protected industries are textile, wood pulp, and cosmetics. For Swaziland, the sugar industry is the lifeblood of the economy as the largest employer and export earner (after soft drink concentrate). Inputs for the soft drink concentrate are sourced from the sugar industry. The sugar industry as revealed earlier has a revealed comparative advantage and it is logical that low protection is needed in this sector, as Swaziland is highly competitive. But prospects of the price of sugar falling will render Swaziland sugar less competitive. Questions of the level of protection of this industry are overbearing in recent years as SACU has realised sugar import penetration from low-cost producers like Brazil, especially during the period when the local currency appreciated against the US Dollar. Moreover, this industry is expected to face stiff competition, through the help of subsidies, from EU manufactures and traders who are able to sell sugar-based products in the Southern African market at very competitive prices. The less protected products are essential oils, perfumery, cosmetics and these products do not compete much with any product produced locally.

**Table 21:** Revealed trade barriers with respect to SADC: Top 20 commodities (HS2)

HS code	Product	Index value
33	Essential oils etc; perfumery, cosmetic etc preps	70.16
17	Sugars and sugar confectionary	42.62
61	Apparel articles and accessories, knit or crochet	16.47
47	Wood pulp etc; recovd (waste & scrap) ppr & pprbd	11.06
96	Miscellaneous manufactured articles	5.03
11	Milling products; malt; starch; inulin; wht gluten	4.03
20	Prep vegetables, fruit, nuts or other plant parts	2.91
49	Printed books, newspapers etc; manuscripts etc	2.54
22	Beverages, spirits and vinegar	2.11
54	Manmade filaments, including yarns & woven fabrics	1.95
62	Apparel articles and accessories, not knit etc.	1.64
44	Wood and articles of wood; wood charcoal	1.53
18	Cocoa and cocoa preparations	1.49
46	Mfr of straw, esparto etc.; basketware & wickerwrk	1.46
4	Dairy prods; birds eggs; honey; ed animal pr NESOI	1.22
55	Manmade staple fibres, incl yarns & woven fabrics	0.96
48	Paper & paperboard & articles (inc papr pulp arti)	0.79
15	Animal or vegetable fats, oils etc. & waxes	0.78
1	Live animals	0.77
21	Miscellaneous edible preparations	0.67

Table 21 shows the products for which barriers are high, and ironically, some of these are ago-based products. These are mainly products under the National Agricultural Marketing Board (NAMBOARD). The products are vegetables, meat and edible meat offal. There has been recently a hike in tariffs by NAMBOARD against the dumping turkey to protect the local meat industry.

The products that Swaziland has a revealed comparative advantage in have fewer barriers in the SADC. That is, the products that Swaziland has a revealed comparative advantage in trade more with SADC relative to the rest of the world. This again gives an idea that there is freer trade in SADC.

## 8. Conclusion

From the above analysis one may conclude that the SADC region has deepened in terms of trade but remains weak. The growth in exports from Swaziland has been pronounced for countries like the United States and China. Imports on the other hand have grown relatively higher from Taiwan, China and Hong Kong. This is a result of preferential trade agreement that Swaziland has entered into. This agreement renders SADC trade tenuous. Swaziland has most of her exports sent



**Table 22:** Revealed trade barriers with respect to SADC: Bottom 20 commodities (HS2)

HS code	Product	Index value
19	Prep cereal, flour, starch or milk; bakers wares	0.19
7	Edible vegetables & certain roots & tubers	0.21
60	Knitted or crocheted fabrics	0.21
68	Art of stone, plaster, cement, asbestos, mica etc.	0.23
69	Ceramic products	0.24
58	Spec wov fabrics; tufted fab; lace; tapestries etc	0.24
14	Vegetable plaiting materials & products NESOI	0.30
12	Oil seeds etc.; misc grain, seed, fruit, plant etc	0.32
94	Furniture; bedding etc; lamps NESOI etc; prefab bd	0.32
9	Coffee, tea, mate & spices	0.39
5	Products of animal origin, NESOI	0.39
8	Edible fruit & nuts; citrus fruit or melon peel	0.46
34	Soap etc; waxes, polish etc; candles; dental preps	0.52
92	Musical instruments; parts and accessories thereof	0.55
2	Meat and edible meat offal	0.61
23	Food industry residues & waste; prep animal feed	0.63
21	Miscellaneous edible preparations	0.67
1	Live animals	0.77
15	Animal or vegetable fats, oils etc. & waxes	0.78
48	Paper & paperboard & articles (inc papr pulp artl)	0.79

to SADC and most of imports from SADC. But a closer look at this trade pattern shows that Swaziland trade in SADC is skewed towards South Africa depicting the historical trade links.

Swaziland's protection against the world is high in the meat industry which makes economic sense since the country has a low revealed comparative advantage and likewise the sugar products have less protection. It is pointless to have high tariffs for products that need no protection because Swaziland is more efficient in producing them.

