

Trade relations between the GCC and South Africa

Mina Bali moune-Lutz

Associate Professor of Economics

University of North Florida

1 UNF Drive, Jacksonville, FL 32224, USA

Phone: +1-904-620-1223

mbaliamo@unf.edu

First, I present an overview of major similarities and differences between the GCC countries and South Africa. Second, I describe South Africa's trade with the Arab Gulf by examining South Africa and GCC's major traded commodities and South Africa's trade with its major trading partners and with the GCC countries. Third, I discuss those trade areas that seem to be most promising in South Africa's trade relation with the six GCC countries. Finally, I outline potential future developments. While I primarily discuss these issues from the perspective of South Africa, I will also point out potential trade opportunities from GCC countries' perspective.

Today the Arab countries of the Middle East face a challenge familiar to all south Africans: to create jobs for the large cohort of young people reaching working age. Over the next decade or so, the Middle East may experience population growth of 150m people – the equivalent of adding two Egypts. In demographic terms, the task is similar to that facing SA—only larger. Rising labour force participation by women only increases the pressure. The task is immense and the stakes are high.

(Marcus Noland and Howard Pack, *Global Dialogue*, 2008)

1. Introduction

While this statement by Marcus Noland and Howard Pack may seem not to apply directly to the Arab Gulf countries, it does underscore the important task that the Gulf cooperation Council (GCC) countries are facing given their role as an engine of growth in their region (Ilahi and Shendy, 2008). South Africa, which also plays an important role as engine of growth in its immediate region, seems to face similar challenges both directly—as the country experiences high unemployment rates and important demographic changes—and as a result of what is happening in its neighboring countries (in addition to the large influx of displaced population from Zimbabwe).

There is currently a growing body of literature and policy prescriptions emphasizing the importance of trade among developing countries—the so-called South-South trade. It is believed that the gains from South-South trade could exceed what a developing country would gain from trading with the economies of the North. A Policy Brief by OECD (in August 2006), states that

Trade between developing countries (South-South trade) offers wide scope for specialization and efficiency gains. At present, barriers to South-South trade are higher than those governing South trade with other partners, and distance-related costs are higher. Recent OECD research shows that the potential evidence from freer South-South trade may indeed be at least as large as the gains that developing countries can obtain from better access to rich countries' markets (North-South trade).

(OECD Policy Brief, August 2006, p. 1)

Thus, increasing trade between South Africa and GCC countries can contribute to enhancing South-South trade. South Africa and the United Arab Emirates, in particular, are trying to

diversify their production and exports. Thus, one may be able to identify those areas where trade between GCC and South Africa would lead to important efficiency gains.

Trade between the Arab World and sub-Saharan Africa (SSA) spans many centuries. Yet, today, with few exceptions, we do not find strong trade links between Arab countries and SSA, in spite of the work of the *Arab Bank for Economic Development in Africa* and its contributions to development programs in Africa. In the last few years, some initiatives or agreements have been put in place with the view to enhance trade relations between specific regions or countries in Africa and Arab countries in general. There is however, more significant meetings and agreements that took place between South Africa on the one hand, and China and India on the other. It is widely acknowledged that trade with China is becoming significant for many African countries (including South Africa), but trade with India is also growing at a significant pace. For example, trade between South Africa and India, exceeded US\$5 billion in 2007. India and South Africa expect their bilateral trade to reach about US\$15 billion by 2010. Recently, a South African company, *Airport Company of South Africa*, was part of a consortium that won a 30-year contract to renovate India's Mumbai airport. In addition, South Africa is attracting tourists from India, with Indian tourism to South Africa growing by 17% in 2006 and 16.9% in 2007 (Govin Reddy, 2008, downloaded from www.mediaclubsouthafrica.com).

In the remainder of the paper, I will briefly review major similarities and differences between the GCC countries and South Africa. Second, I describe South Africa's trade with the Arab Gulf mainly by examining South Africa and GCC's major traded commodities and South Africa's trade with its major trading partners and with the GCC countries. Third, I discuss those trade areas that seem to be most promising in South Africa's trade relation with the six GCC countries: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates. Finally, I outline potential future developments. While I primarily discuss these issues from the perspective of South Africa, I will also point out the potential trade opportunities from GCC countries' perspective.

2. Similarities and differences between South Africa and GCC

South Africa and the Arab World, in general, tend to have similarities in terms of some common challenges they face. The challenges include, among other things, high unemployment rates, high age dependency ratios, low (although getting stronger in some countries such as Tunisia and Morocco) share of manufacturing exports, low diversification of the domestic production, a heavy reliance on minerals and commodity export in GCC countries (oil) and South Africa, and increasing population. While the recent temporary increase in oil prices have provided the GCC countries with important windfalls, a future sharp decline—as the quest for substitute sources of energy intensifies—may have a drastic impact on their economies.

In the period 1996-2005, unemployment in South Africa averaged 26.6% (see Human Development Report [HDR] 2007/08) while the highest average unemployment rate in the GCC was 5.2% (in Saudi Arabia). But when we distinguish between male and female unemployment we find important differences. In South Africa the same unemployment rate applies to both, while in the GCC countries the rates are significantly higher for women. For example, female unemployment as percent of male unemployment rate is 548% in Qatar, 274% in Saudi Arabia, 173% in Kuwait, and 118% in the UAE. So only in the UAE do we see the number close to that in South Africa (which is a 100%). There are many factors that account for these differences, but the fact that women are gaining more and more in terms of education and freedom in most GCC countries, and due to increases in the age at which women get married, policymakers in GCC will soon be faced with the important task of providing jobs for growing female labor force.

Table 1 displays data on relevant socio-economic and demographic variables for South Africa and GCC countries. While literacy rates in most countries seem to be fairly comparable (although in Saudi Arabia and Oman literacy rates are about 8 percentage points lower than the average for the other countries which is about 90%), life expectancy is significantly lower in South Africa. Given that life expectancy can often be use as a health

indicator at the macro level, the numbers in Table 1 suggest that there may be significant opportunities in developing and building infrastructure in the health sector in South Africa, as well as training and retaining physicians and other workers in the health sector. The UNDP's most recent Human Development Report (2009) indicates that over the period 2000-04, South Africa had on average 77 physicians per 100,000 people, which is significantly lower than the ratios of 222, 202, 153, 137, 132, and 109 physicians per 100,000 people in Qatar, UAE, Kuwait, Saudi Arabia, Oman, and Bahrain, respectively.

Table 1. Selected economic and socio-demographic indicators

	Year	South Africa	Bahrain	Kuwait	Oman	Qatar	Saudi Arabia	UAE
Population In millions	2005	47.9	0.7	2.7	2.5	0.8	23.6	4.1
	2015	50.3	0.9	3.4	3.1	1.0	29.3	5.3
Urban population (% of total)	2005	59.3	96.5	98.3	71.5	95.4	81.0	76.7
	2015	64.1	98.2	98.5	72.3	96.2	83.2	77.4
Population under age of 15 (% of total)	2005	32.1	26.3	23.8	33.8	21.7	34.5	19.8
	2015	30.2	22.2	22.5	28.6	20.6	30.7	19.7
Population age 65 and older (% of total)	2005	4.2	3.1	1.8	2.6	1.3	2.8	1.1
	2015	5.5	4.2	3.1	3.6	2.1	3.3	1.6
GDP (PPP US\$, billions)		520.9	15.6	66.7	38.4	22.13 ^a	363.2	115.7
Income per capita (PPP US\$)		11,110	21,482	26,321	15,602	27,664	15,711	25,514
Adult literacy (%)		90.9	86.5	93.3	81.4	89	82.9	88.7
Life expectancy (in years)		72.5	75.2	77.3	75	75	72.2	78.3
HDI*		0.777	0.866	0.891	0.814	0.875	0.812	0.868
Rank**		81	41	33	58	35	61	39

Source: Human Development Report 2007/2008 (UNDP, 2009).

^a Estimated. * HDI: Human Development Index for 2005. **Rank: refers to the country's rank based on 177 countries ranked by HDP in 2005. All data are for 2005, unless noted otherwise. The data for 2015 are projections reported in HDR 2007/08.

Table 1 also shows that the ratios of urban of population are much higher in GCC countries, and the projections indicate that there will be important changes in the size and structure of population in GCC and South Africa over the next few years. The projected population growth and the projected changes in demographics may help identify sectors that would

constitute significant new trade opportunities for GCC and South Africa. This will be discussed further in Section 4.

Noland and Pack (2008) argue that South Africa and the Arab World (in general) face common challenges. They point out that both face the challenge to create jobs for the large numbers of working-age young people. The growth of employment in general has been weak, particularly in the private sector and employment in industries where productivity is increasing did not experience any significant growth. The authors also point out that in the Oil exporting Arab states—but also in some other Arab countries—“foreigners, not locals account for most of the new hires over the last five years...a phenomenon that finds its echo, albeit in a smaller scale in South Africa.”

Ilahi and Shendy (2008) use 35-year data from a group of regional countries (Egypt, Jordan, Morocco, Pakistan, Sudan, Syria, Tunisia, and Yemen) and explore the links between the GCC countries’ financial and remittance flows and regional growth. The authors find that growth rates of real GDP, private investment and private consumption in these regional countries are strongly correlated with remittance flows from the GCC, and from the accumulation of financial surpluses in GCC countries. Interestingly, their study finds that growth in the regional economies does not seem to be influenced by growth in the North. The authors then argue that “[l]inkages with the GCC could help sustain output growth in the regional countries in the face of the global economic slowdown and oil price shocks and could provide diversification gains to international capital seeking markets uncorrelated with Northern and emerging market countries” (p. 3). This is an interesting finding and seems to mirror the role played by South Africa in its own region. Arora and Vamvakidis (2005) conclude that South Africa serves as an “engine” of growth for the rest of Africa. The authors argue that this could be caused by higher efficiency, economies of scale and technological gains associated with trade, and other factors, such as financial linkages and economic sentiment.

3. Trade: Recent trends

For most of the past several years trade between GCC and South Africa has focused mainly on oil and derivatives (imported by South Africa) and precious metals (Gold especially). More recently, trade between the United Arab Emirates, in particular, and South Africa began to have more diversification. As the numbers in Table 2 indicate, South Africa has generally (also valid for previous years, not shown) ran a trade deficit with the GCC countries as a group. China, India and Brazil are included in the table in order to place South Africa's trade with GCC in the current context of growing trade between these three countries and Africa in general, and with South Africa in particular. It is important to note that while imports from Saudi Arabia are over 4.5% of South Africa's total import, this share is still below that of China and India. Perhaps more importantly, the bulk of imports from Saudi Arabia are in the sectors of mineral fuel and fertilizers.

Table 2. Share of GCC, Brazil, China, and India in South Africa's trade (2007)

	Share in SA exports	Share in SA imports	Trade balance*
China	6.512	10.721	(\$4,393,137,310)
India	2.108	2.225	(\$428,053,220)
Brazil	0.812	2.077	(\$1,138,709,794)
United Arab Emirates	1.107	0.872	\$11,805,664
Saudi Arabia	0.526	4.515	(\$3,269,429,437)
Kuwait	0.063	0.002	\$38,857,458
Oman	0.062	0.521	(\$376,873,171)
Qatar	0.058	0.133	(\$68,902,441)
Bahrain	0.035	0.043	(\$11,976,402)
GCC	1.851	6.087	(\$3,676,518,329)
Total SA exports	\$64,026,608,364		
Total SA imports		\$79,872,587,204	

* Exports minus imports.

Source: Author's calculations based on data from United Nations Statistics Division - Commodity Trade Statistics Database (COMTRADE)

3.1 Top traded commodities

In this section, I examine top traded commodities in South Africa and selected GCC countries in 2007 (2006 for the UAE). Figure 1a portrays South Africa's major imported and exported commodities. While Figures 1b-1d show major imported commodities in the United Arab Emirates, Saudi Arabia, and Qatar respectively. First, we note that South Africa has a significantly more diversification in its imported and exported commodities. On the other hand, trade in Saudi Arabia and Qatar is quite concentrated, especially for exports where the share of mineral fuels, oils, and distillation products is 87% and 90%, respectively. In the United Arab Emirates, exports seem to be more diversified although fuel (and related products) still constitute about one half of the country's total exports (in 2006).

Figure 1a.

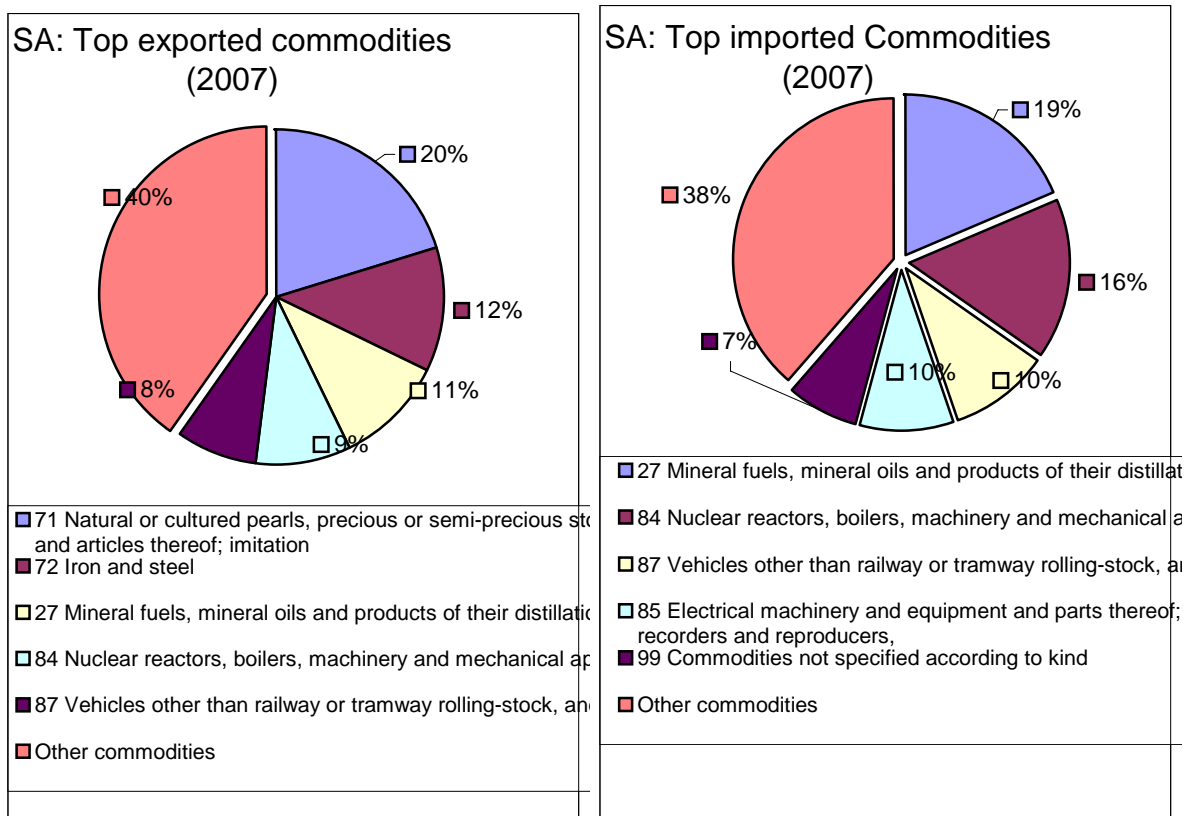


Figure 1b.

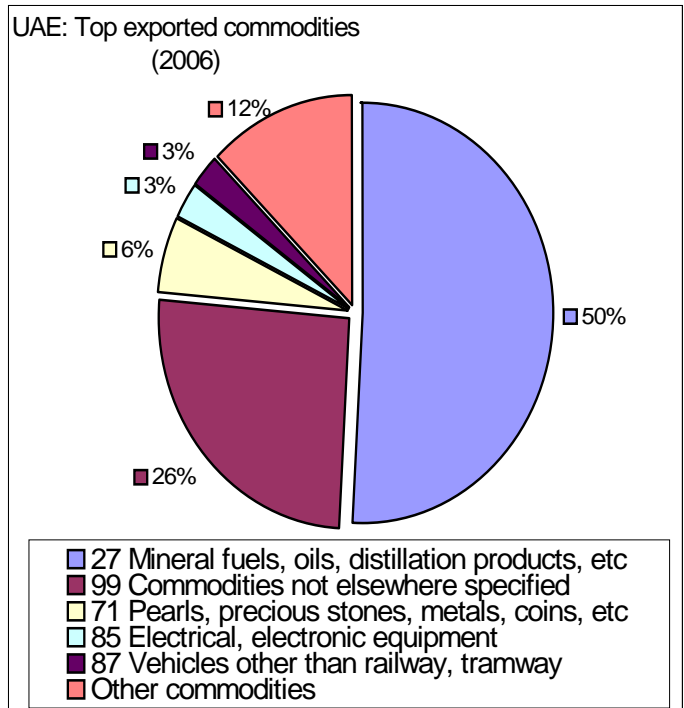
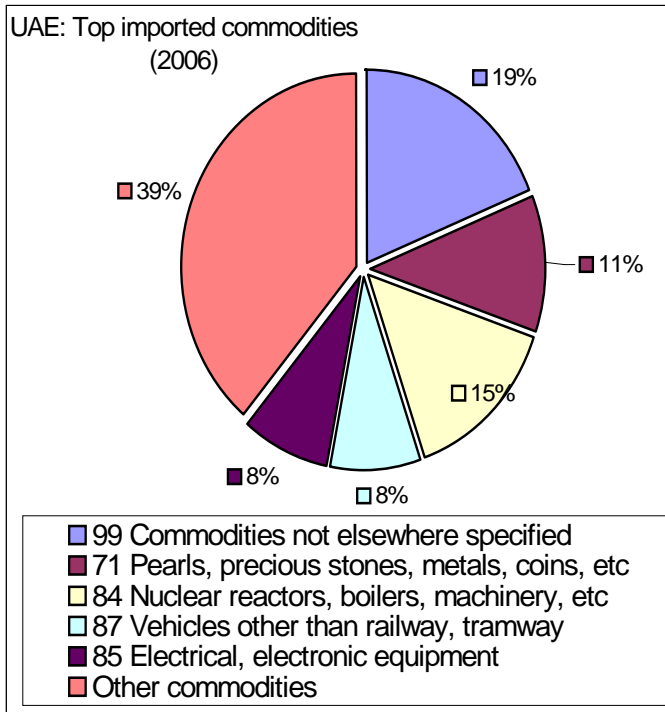


Figure 1c.

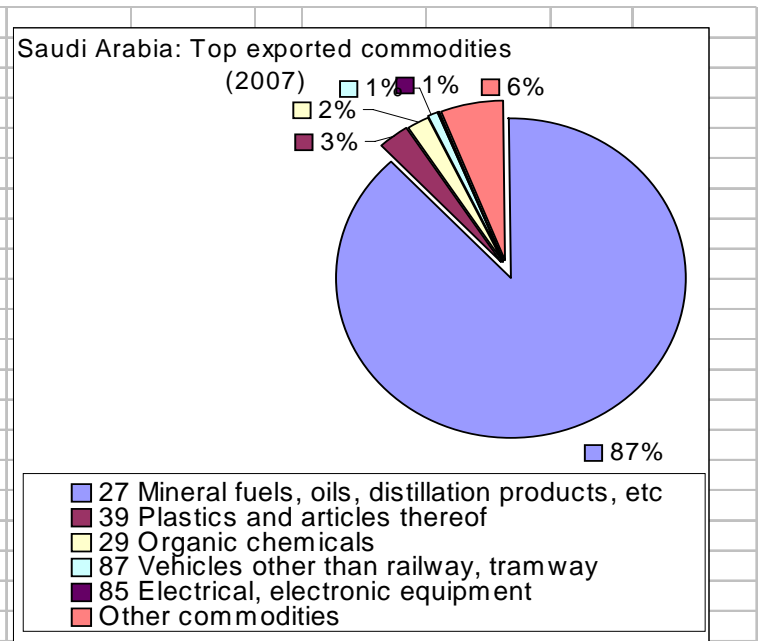
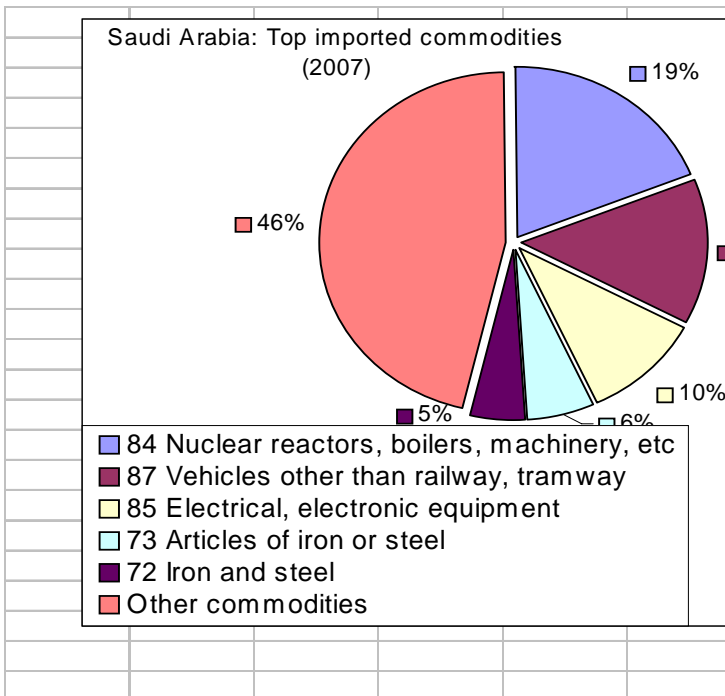
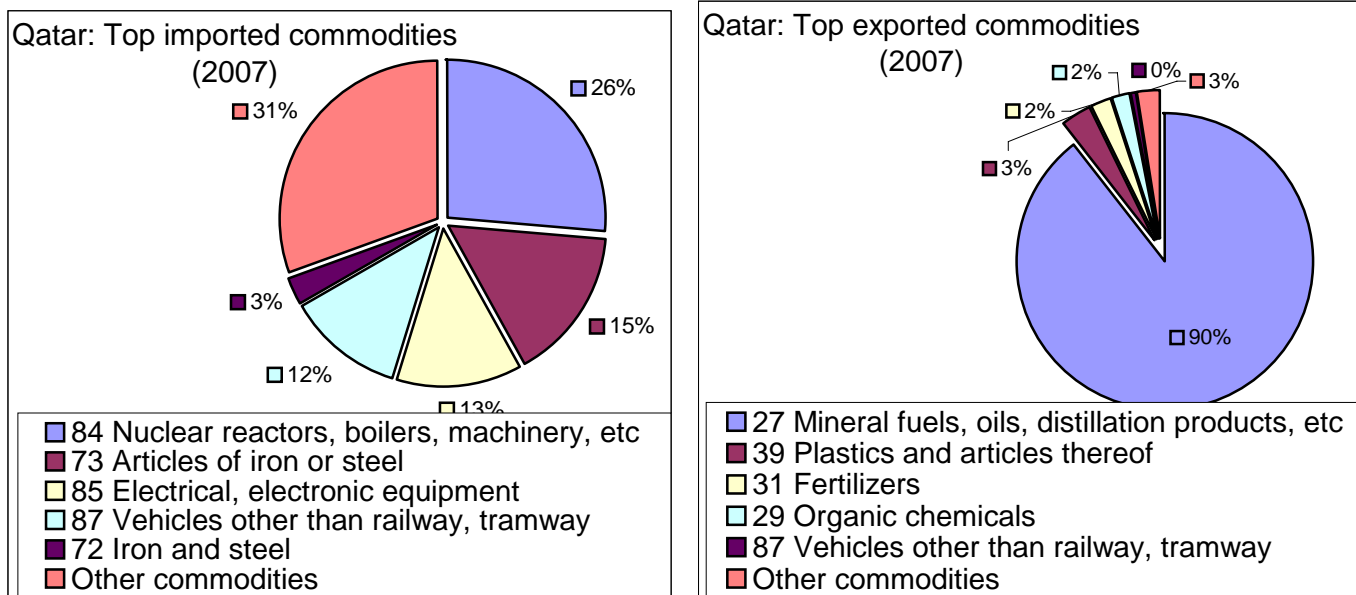


Figure 1d.



Source: Author's calculations based on data from United Nations Statistics Division - Commodity Trade Statistics Database (COMTRADE)

3.2 Major trade partners

A similar picture is revealed concerning the major trade partners (Figures 2a-d). The three GCC countries (and the other three countries not shown here) focus, in general, most of their trade on a small group of countries, especially for exports. Japan is a major export market for the GCC countries. On the other hand, Saudi Arabia and Qatar have a high concentration of imports, with more than half imports (in value) coming from the United States. Interestingly, South Africa also has a very large (57%) portion of its imports coming from Germany. In addition, China seems to be gaining a growing share in these markets, and is (in 2007) the second major import partner for South Africa (11% of total imports), Saudi Arabia (10% of total imports) and the UAE (9% of total imports).

Three countries, Germany, Japan and the United States have traditionally been among the top five trading partners for South Africa, both in imports and exports. However, China has recently become a major trading partner. It is interesting to note the progress of Chinese-South African trade. Prior to 2003, China did not count among the top five South Africa's

trading partners. In 2003, China ranked fifth as a source of imported goods in South Africa. By 2005, China was in the second position (it had the fourth position in 2004), surpassed only by Germany. China has remained the second supplier of imports to South Africa since then (at least until the end of 2007). In addition, in 2007 China was a major market for South Africa's exports.

Figure 2a.

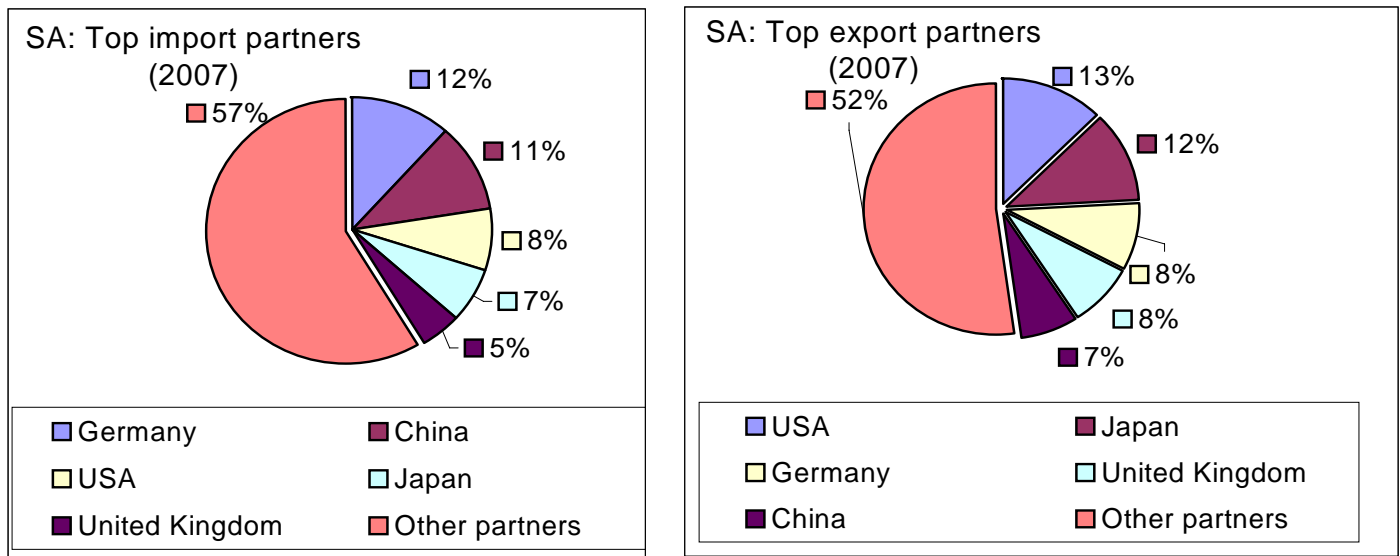


Figure 2b.

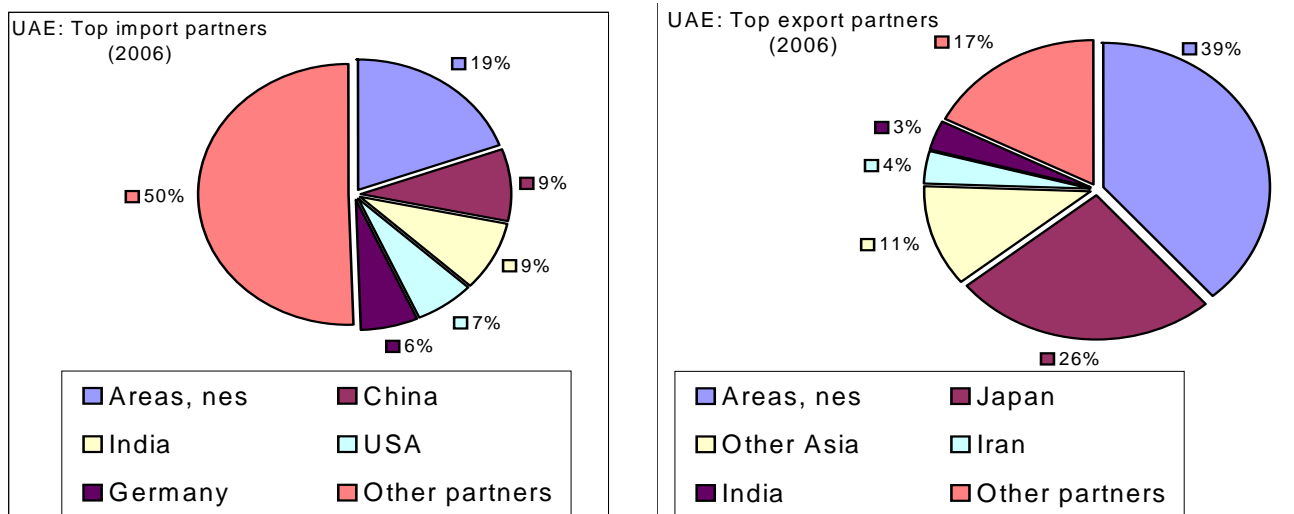


Figure 2c.

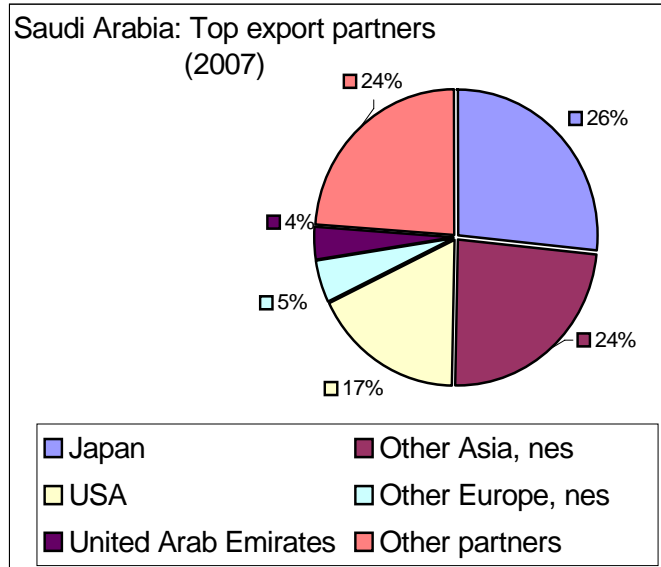
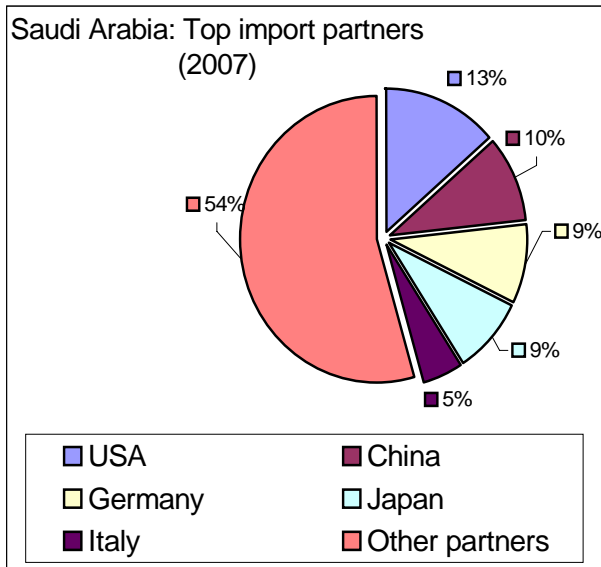
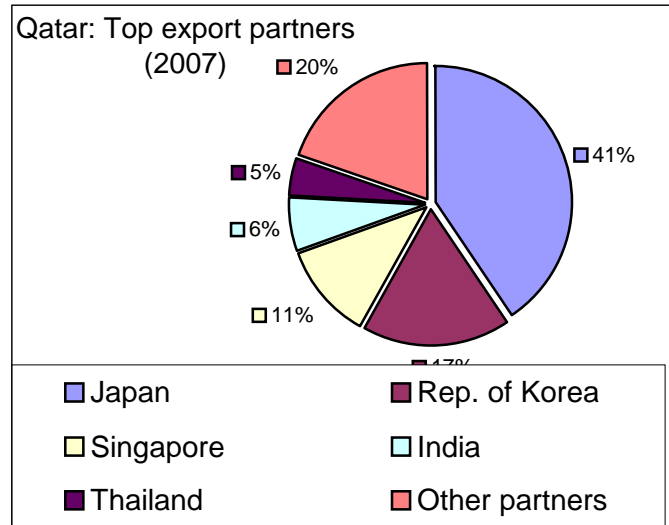
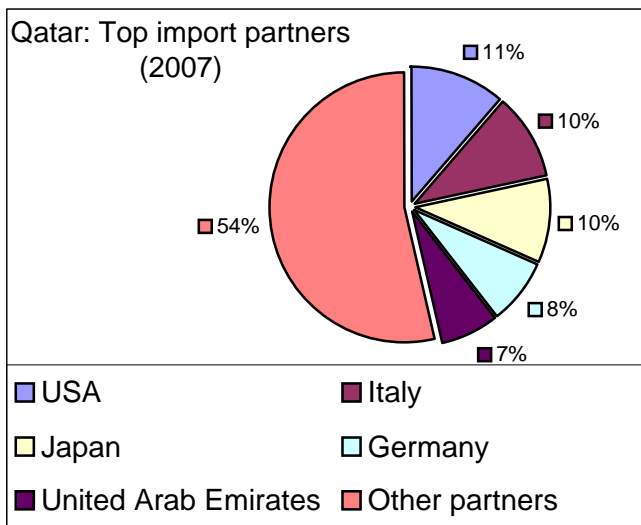


Figure 2d.



Source: Author's calculations based on data from United Nations Statistics Division - Commodity Trade Statistics Database (COMTRADE)

3.3 Major traded commodities between South Africa and GCC countries

Figures 3-8 show exports and imports in 2000 and 2006 between South Africa and the top five trade partners, and China, India, and GCC if they are not already included among the top five trade partners. The commodities in level-2 Harmonized System (HS) of merchandise trade classification 71 (Pearls, precious stones, metals, coins, etc), 72 (Iron and steel), 27 (Mineral fuels, oils, distillation products, etc), 84 (Nuclear reactors, boilers, machinery, etc), 85 (Electrical, electronic equipment), and 87 (Vehicles other than railway, tramway) constitute major trade (import and/or export sectors) for South Africa (based on 2006-07 performance). We first note that South Africa's top exported commodities were in natural or cultured pearls, precious and semi-precious stones, and precious metals (HS 71). Looking at the share of GCC in South Africa's HS 71 exports we note that it is negligible relative to other countries. The share of the UAE, which is GCC's largest importer of commodities in this sector was 0.13% in 2006 compared to Japan's share of about 27% and the USA's of about 23%. Still, relative to developing countries, trade with GCC in this sector is relatively significant. In 2006, China and India's shares were 0.26% and 0.40%, respectively. The second major export sector for South Africa is iron and steel (HS 72). South Africa is an important player in this sector. The share of GCC in South Africa's exports has almost doubled over the period 2000-2006 (increased from 1.26% to 2.33%). The United Arab Emirates is again GCC's largest importer of South African HS 72 products. The third major South African export sector is mineral fuels, oils, distillation products, etc (HS 27). Here also, we note that GCC's share has increased, from 1.01% in 2000 to 1.76% in 2006. The next top export sector for South Africa is nuclear reactors, boilers, machinery, etc (HS 84). Germany, the United States, the United Kingdom and France remain in the top five positions over the period 2000-2006. The share of GCC has increased from 0.59% in 2000 to 0.72% in 2006 but is still relatively insignificant. The fifth major sector is vehicles other than railway, tramway (HS 87). GCC's share in South Africa's exports has slightly declined from 0.97% in 2000 to 0.79% in 2006.

Turning our attention to imports, we note that the top import sector in South Africa is

mineral fuels, oils, distillation products, etc (HS 27) and GCC is South Africa's top source of mineral fuels, for the entire period 2000-06. However, it is important to note the decline in GCC's share. In 2000, South Africa imported about 57% of its total imports in this sector from GCC, with 51% from Saudi Arabia alone (and about 30% from Iran and 5% from Nigeria). In 2006, the share of GCC dropped to about 33%, with 26.5% from Saudi Arabia (21% from Iran and about 11% from Nigeria), while the share of India increased from insignificant to 2.2% of South Africa's total imports in this sector. In general, the share of GCC countries in the other major imports of South Africa is negligible.

Figure 3. Pearls, precious stones, metals, coins, etc [HS1996 code 71]

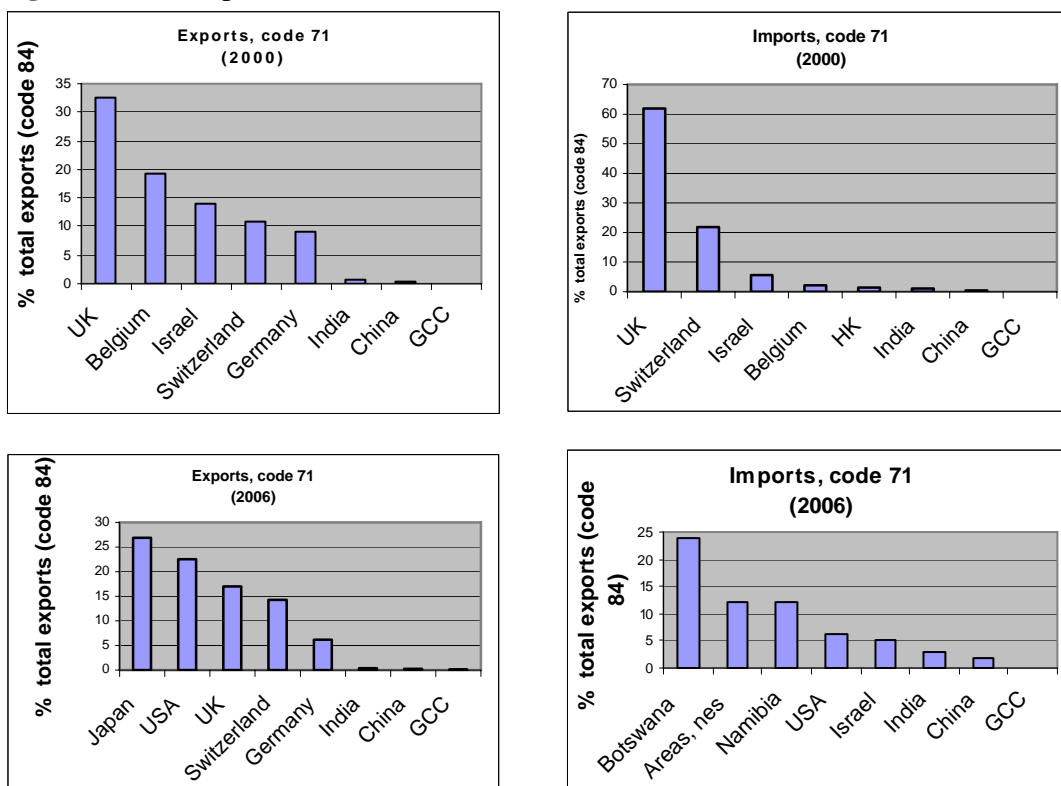


Figure 4. Iron and steel [HS1996 code 72]

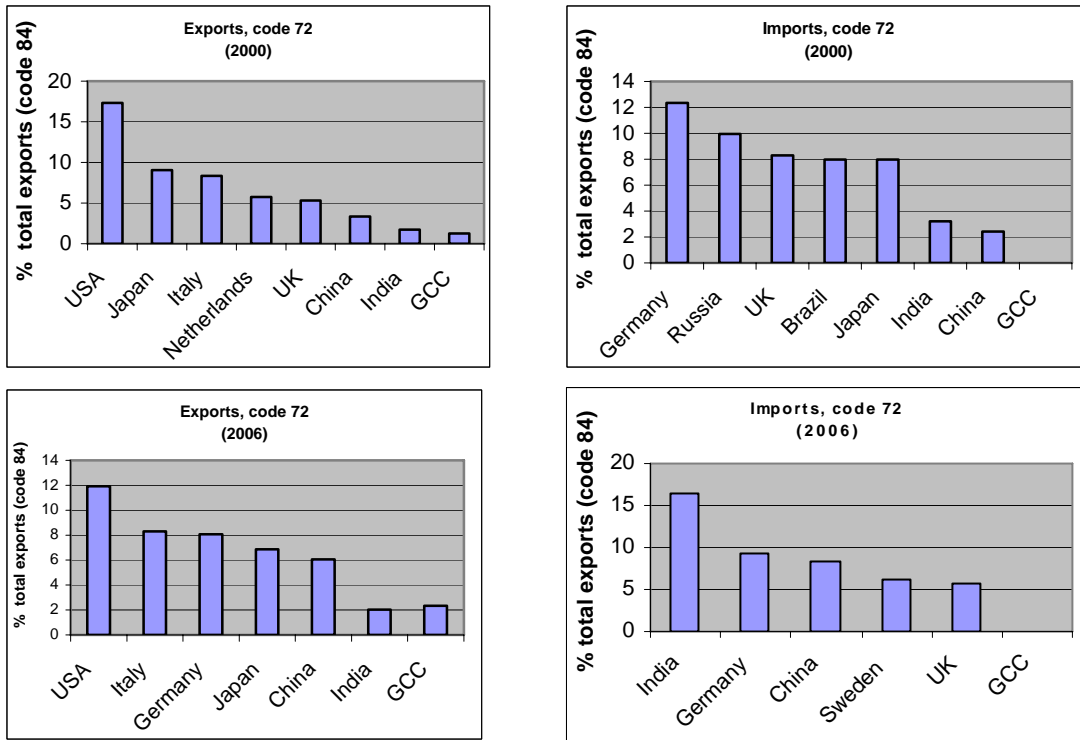


Figure 5. Mineral fuels, oils, distillation products, etc [HS1996 code 27]

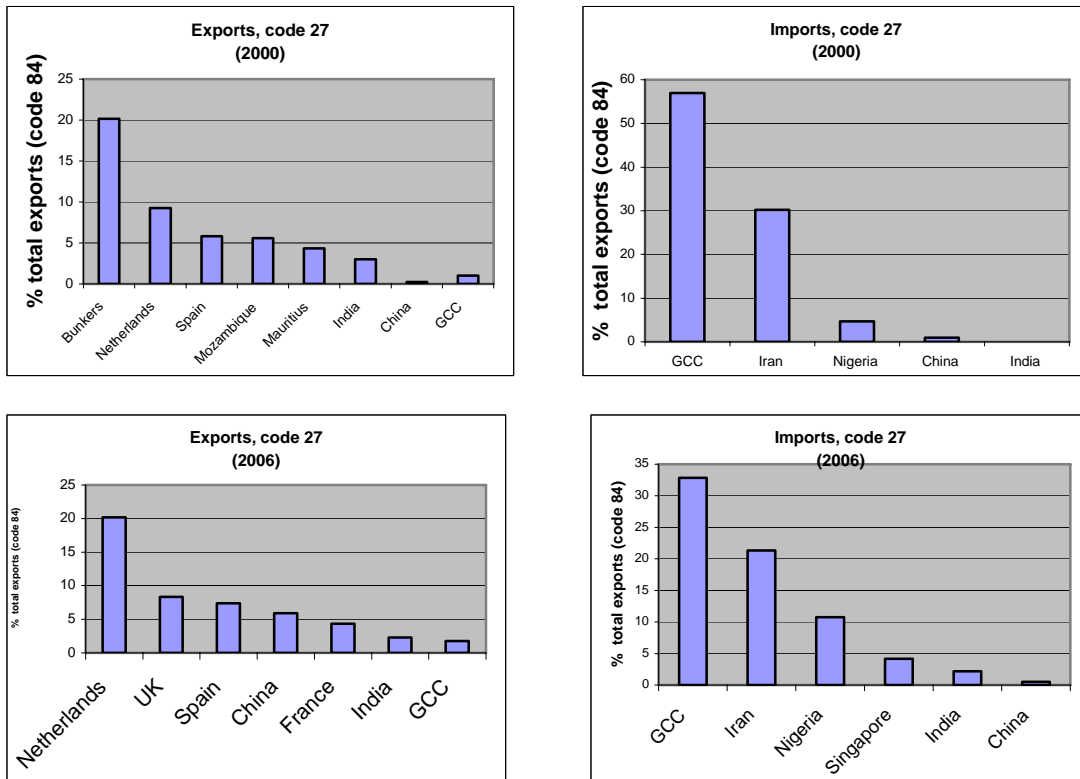


Figure 6. Nuclear reactors, boilers, machinery, etc [HS1996 code 84]

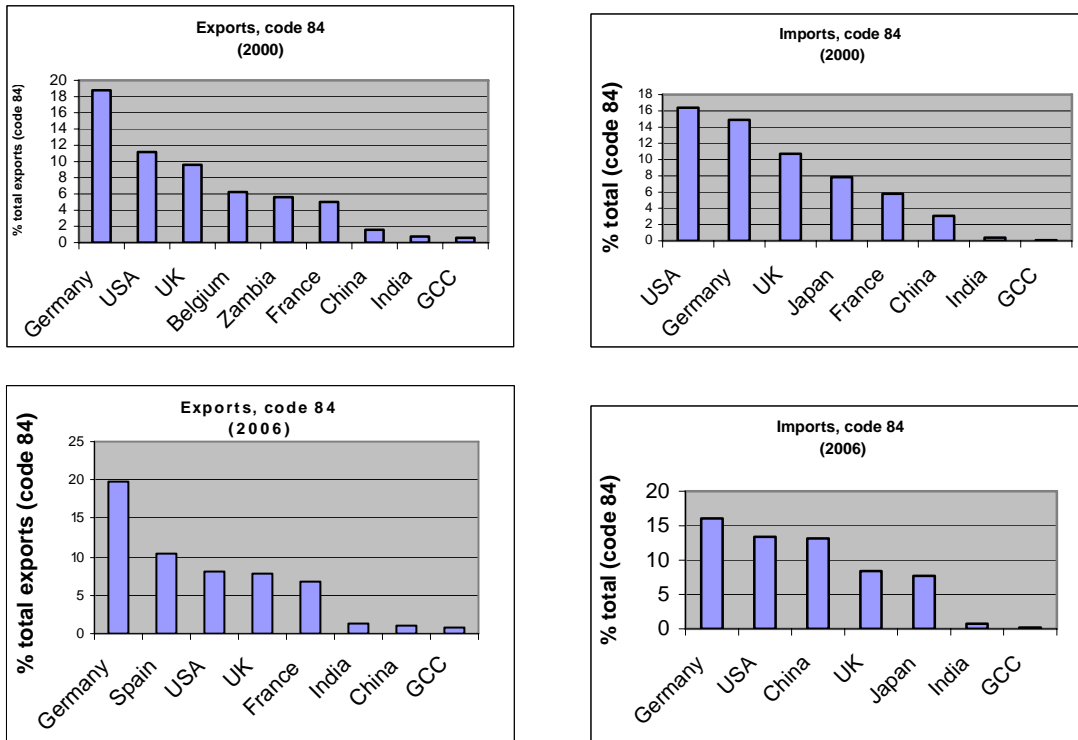


Figure 7. Electrical, electronic equipment [HS1996 code 85]

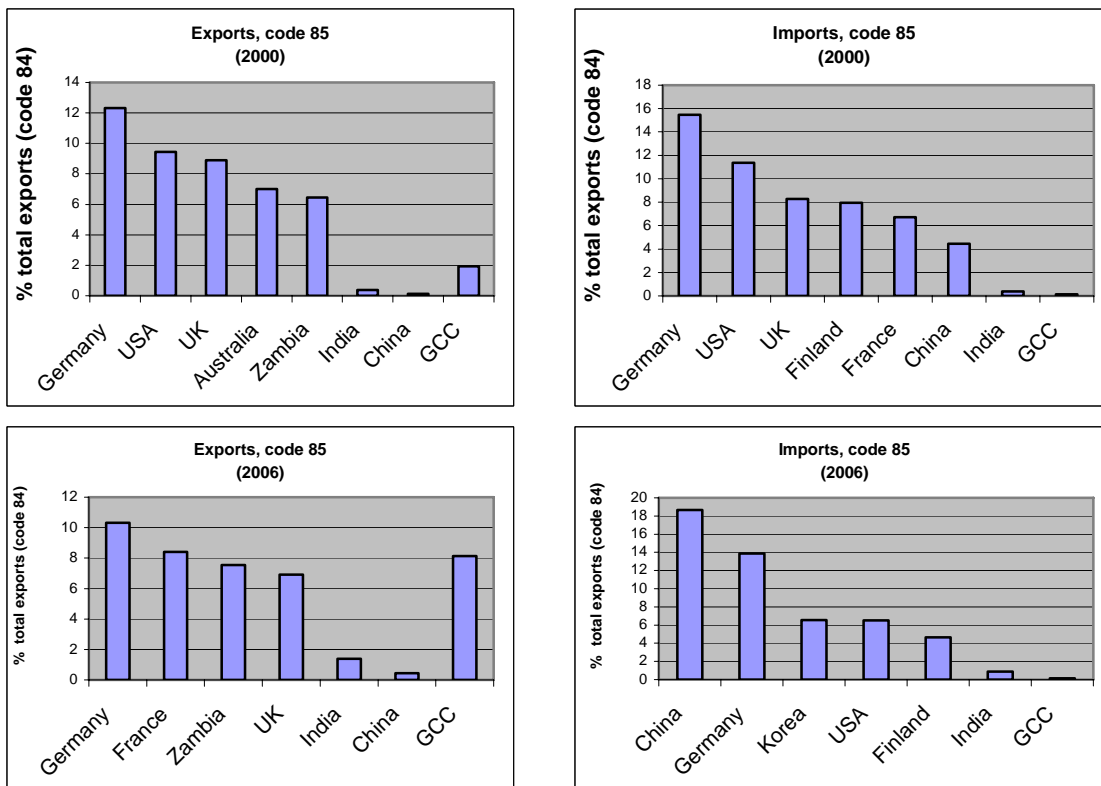
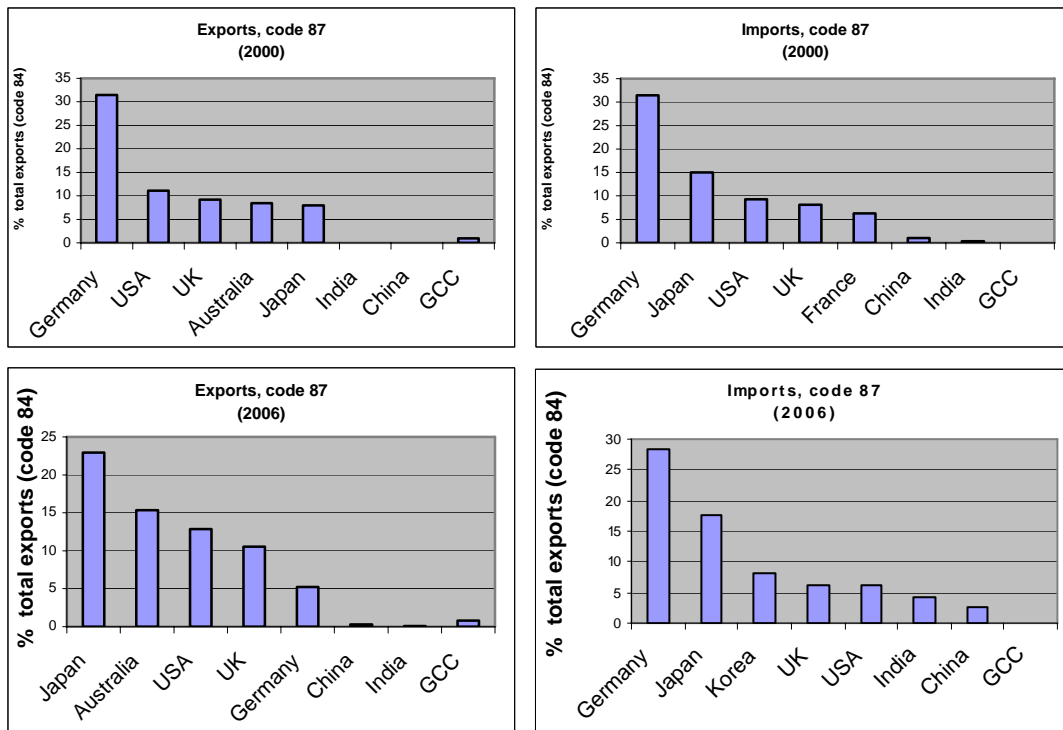


Figure 8. Vehicles other than railway, tramway [HS1996 code 87]



Source: Author's calculations based on data from United Nations Statistics Division - Commodity Trade Statistics Database (COMTRADE)

This, however, does not mean that there are no important trade sectors between GCC and South Africa. In fact, some of the sectors that are not major trade sectors for South Africa are major export or import sector for some GCC countries. Notable examples are fertilizers and (HS 31) and Beverages, spirits and vinegar (HS 22). Figure 31 shows that the main South African import source for fertilizers is GCC, particularly Saudi Arabia and Qatar. In 2000, about 40% of imported fertilizers into South Africa came from these two countries. In 2006, the share of Saudi Arabia and Qatar was over 52%. The other sector is beverages where the share of GCC countries in 2006 South African exports in this sector was 2.2% with the UAE being the main importer (UAE's share in South Africa's export in HS 22 was 2.02%).

Figure 9. Fertilizers [HS1996 code 31]

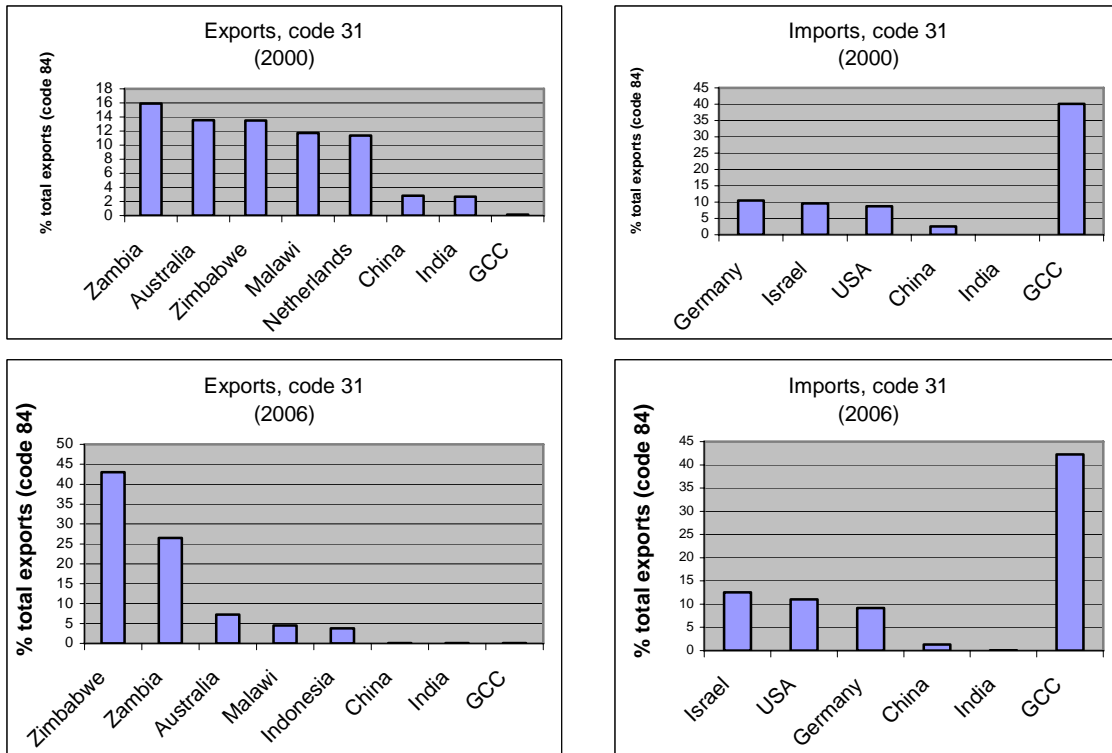
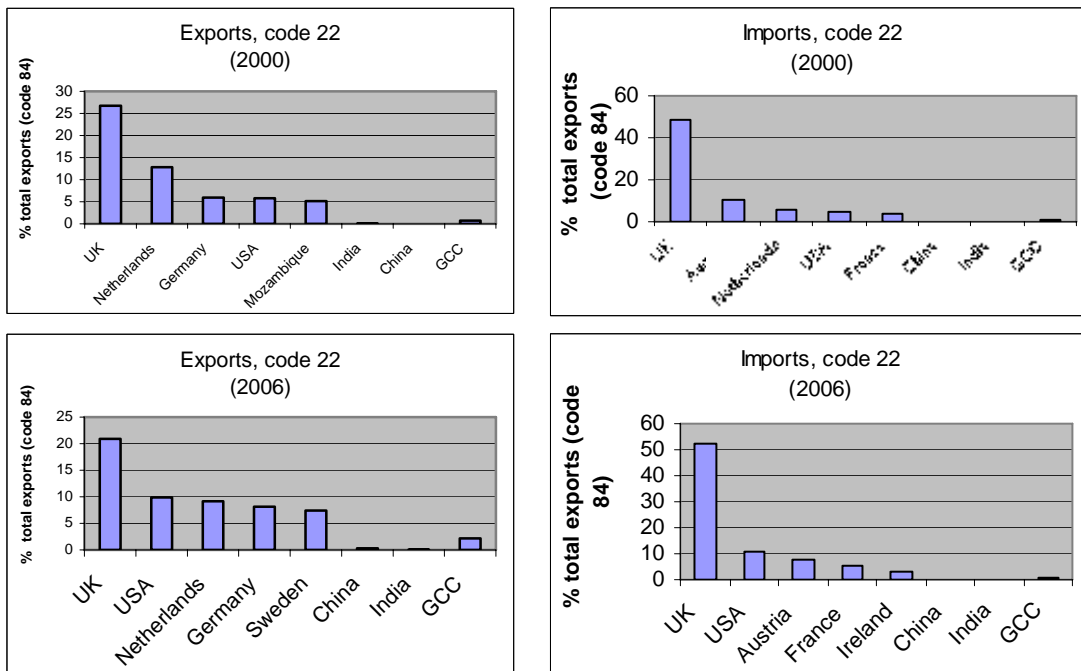


Figure 10. Beverages, spirits and vinegar [HS1996 code 22]



Source: Author's calculations based on data from United Nations Statistics Division - Commodity Trade Statistics Database (COMTRADE)

4. Summary and discussion

According to a recent estimation by Merrill Lynch, South Africa can offer the GCC countries significant untapped economic trade (of about \$585 billion) that exceeds what South Africa is currently achieving with China and Japan. The foregoing overview suggests that while trade between the GCC countries and South Africa remains significant (high) in two sectors (mineral fuels and fertilizers), and has improved somewhat in several other sectors, there are some untapped trade areas that, if enhanced, would benefit both sides. In addition, the foregoing review focused primarily on merchandise trade and did not cover trade in services for which data are difficult to obtain. In general, trade in services in the South is still very low with most of South-South trade in services occurring mainly at the regional level (OECD, 2006).

4.1 Barriers to trade

In order to begin exploring areas where South Africa and the GCC countries may mutually benefit from increasing trade we need to briefly discuss the extent of barriers to trade between the two regions, especially non-tariff barriers. In general, major possible non-tariff barriers to trade include language and cultural differences, distance, standards (including safety, packaging and labeling of products) and differences in institutional capacity and *business and technology readiness*.

The importance of language is declining as more and more businesses realize that business language is English. Cultural differences will likely persist and globalization may or may not reduce them. However, in the case of South Africa and Arab countries, we could talk about proximity in culture, which would make the culture of GCC countries definitely closer (due to historical links between sub-Saharan Africa and the Arab Gulf) to South African culture than the Chinese culture, for example, is. As shown in Table 3, distance does not seem to be a significant barrier. The flight distance between Johannesburg and a main city in each of its major trade partners (Germany, the United States and China) is actually longer than between

Johannesburg and Dubai. In fact driving from Johannesburg to Dubai takes only 72 hours on average while driving to Frankfurt takes about 97 hours (assuming an average speed of 90 km per hour). It is important to note that when distance and other transport related factors are comparable, economies of scale in transportation become particularly important. This suggests that as merchandise trade (higher volumes) increases, it would lead to economies of scale, which could cause transportation and shipping costs to fall.

Table 3. Distance and time difference between Johannesburg and selected cities

	Distance in kilometers (flight time)	Time difference in hours
Dubai	6,399 (7 hours, 57 minutes)	2 (Dubai ahead)
Frankfurt	8,668 (10 hours, 46 minutes)	1 ((Johannesburg ahead)
New York	12, 836 (15 hours, 57 minutes)	7 (Johannesburg ahead)
Beijing	11,693 (14 hours, 32 minutes)	6 (Beijing ahead)

Table 4: Institutional capacity in South Africa and selected CCG countries

	Technology, innovation, and diffusion	Local availability of specialized research and training	Local availability of process machinery	Local suppliers quality	Intellectual property protection	Brain drain
South Africa	75	81	68	79	81	43
Bahrain	74	15	11	51	68	72
Kuwait	74	51	55	58	55	97
Qatar	64	15	17	41	73	99
UAE	88	27	40	73	74	98

Higher values indicate higher capacity. The index for each category is in %.

Source: Global Competitiveness Report 20004-05 and 2005-06

Table 4 displays indicators of institutional capacity in South Africa and four GCC countries. A major difference between the two regions is that South Africa suffers from significant brain drain while the GCC countries seem to have no problem retaining their human capital. At least in the case of the United Arab Emirates, the values of most indicators appear to be comparable to the values of indicators in South Africa. Notable exceptions are the local availability of process machinery where South Africa has a significant lead given the size of its industrial and manufacturing sector, and local availability of specialized research and training. The UAE, however, has the highest value in the group for the indicator of

technology innovation and diffusion. Thus, the technology and institutional capacity gap between South Africa and at least some of the GCC countries is, in general, not so large as to constitute a trade barrier.

In addition to these trade barriers, standards and packaging and labeling requirements may restrict trade. Given that the GCC nations are Muslim countries, imported beef and poultry have to have the Islamic slaughter (Halal) certification by an approved Islamic center in South Africa. In South Africa, Halal certified suppliers of food and beverages (such as KwaZulu-Natal) have been doing business in GCC for several years now. Moreover, recently the Johannesburg Stock Exchange (JSE) has introduced the JSE Shariah (Islamic code of conduct) Top 40 Index.

An OECD Policy Brief (August 2006) points out that tariff barriers are significantly higher in South-South trade than in other trade; an average (in 2005) of 11.1% for South-South trade versus 4.3% for North-North trade. It would be useful to look at tariffs in South Africa and the GCC countries and try to identify which products may benefit from a reduction (or elimination) of tariffs. This would allow us to identify the existence of trade chilling (tariff and non-tariff factors preventing trade from taking place) in some products or industries. However, this is beyond the scope of this paper.

4.2 Future developments

Trade among developed countries includes significant intra-industry trade. This is expected given the emphasis of product differentiation and the predominance of global oligopolies in many industries where developed countries, in particular Germany (and other economically advanced EU countries), USA, and Japan have a commanding lead. Market size and the level of per-capita income also help foster intra-industry trade, as the sets of choices tend to respond to the variety of demand which results from increases in wealth and market size. On the other hand, South-South trade may generally have better chances of occurring if there are

complementarities between the trading partners, in the sense that intra-industry trade may be negligible in a South-South trade relationship.

South Africa and the GCC countries would benefit from increasing trade in sectors other than mineral fuels and fertilizers (currently imported from GCC by South Africa). In addition, examining more disaggregated HS levels (4 or 6-digit HS level) would help identify in more details the major commodities that are traded between South Africa and the GCC countries. An example is provided in Table 5. We note that of the six GCC countries, the United Arab Emirates is the one with the most diversified trade with South Africa. It has also been for several years a lucrative market for South Africa's trade (South Africa has a trade balance surplus). The products from HS code 84 that South Africa exports to the GCC countries underscore South Africa's role as an important supplier of capital-intensive and manufactured goods.

Tregenna (2008) studies the linkages between manufacturing and service sectors, and finds that manufacturing is "particularly important as a source of demand for the services sector as well as the rest of the economy through its strong backward linkages, which suggests that in this respect a decline in manufacturing could negatively affect future growth. Services are especially important in terms of employment creation, both direct and indirect." Thus, strengthening the share of manufacturing in South Africa's trade would have a positive impact on the service sector and employment. Indeed, South Africa has a much more diversified economy (and trade) and has been consistently increasing the share of manufacturing in its production and trade; more than doubling its share over the period 1990-2005 (Table 6).

Table 5. South Africa's trade with the GCC, Selected top-traded commodities, HS 4 level
(2007)

Commodity	Partner	Trade Value in US\$	
		Exports	Imports
Pitch and pitch coke, from coal, mineral tars [HS1996 code 2708]	World	18,655,079	13,370,064
	Qatar	422795 (2.27%)	
	Saudi Arabia	143145 (0.77%)	
	UAE	418354 (2.24%)	
Petroleum oils, oils from bituminous minerals, crude [HS1996 code 2709]	World	1,840,120,349	10,917,941,061
	Oman		356,963,569 (3.27%)
	Saudi Arabia		2,877,728,820 (26.36%)
Oils petroleum, bituminous, distillates, except crude [HS1996 code 2710]	World	1,077,233,408	3,241,346,291
	Bahrain		26,688,375 (0.82%)
	Oman		48,917,166 (1.51%)
	Saudi Arabia	303,285 (0.03%)	359,032,795 (11.08%)
	UAE	3,728,577 (0.35%)	362,690,390 (11.19%)
Mineral or chemical fertilizers, nitrogenous [HS1996 code 3102]	World	74,458,408	242,203,121
	Bahrain		4,592,106 (1.90%)
	Qatar		608,70714 (25.23%)
	Saudi Arabia		109,538,935 (45.23%)
Fertilizer mixtures in packs of < 10kg [HS1996 code 3105]	World	96,709,200	64,884,266
	Saudi Arabia		3,241,819 (5%)
	UAE		237,594 (0.37%)
Air, vacuum pumps, compressors, ventilating fans, etc [HS1996 code 8414]	World	38,589,590	358,485,457
	UAE	791,690 (2.05%)	132,458 (0.04%)
Air conditioning equipment, machinery [HS1996 code 8415]	World	32,634,433	151,699,016
	UAE	561,583 (1.72%)	
Industrial, laboratory furnaces, ovens, incinerators [HS1996 code 8417]	World	15,253,623	47,717,854
	UAE	260,919 (1.71%)	
Refrigerators, freezers and heat pumps nes [HS1996 code 8418]	World	58,908,667	313,777,303
	Qatar	231,743 (0.39%)	
	Saudi Arabia	311,664 (0.53%)	
	UAE	553,173 (0.94%)	
Machinery, non-domestic, involving heating or cooling [HS1996 code 8419]	World	31,457,834	181,209,135
	Qatar	464,494 (1.48%)	
	UAE	406,695 (1.29%)	
Machinery for dish washing, bottle washing, filling [HS1996 code 8422]	World	30,329,902	277,581,046
	Saudi Arabia	348,946 (1.15%)	
	UAE	1124,003 (3.71%)	

Table 6: Structure of trade

	Imports of goods and services (% of GDP)		Exports of goods and services (% of GDP)		Primary exports (% of merchandise exports)		Manufactured exports (% of merchandise exports)		High-tech Exports (% of manufacturing)	
	1990	2005	1990	2005	1990	2005	1990	2005	1990	2005
South Africa	19	29	24	27	29 ^{a,b}	43 ^a	29	57	6.8	6.6
Bahrain	95	64	116	82	54	93	45	7	--	2.0
Kuwait	58	30	45	68	94	93	6	7	3.5	1.0
Oman	28	43	47	57	94	89	5	6	2.1	2.2
Qatar	--	33	--	68	82	84	18	7	0.4	1.2
Saudi Arabia	32	26	41	61	92	90	8	9	0.7	1.3
UAE	41	76	66	94	88	76	12	24	--	10.2

Source: Human Development Report, 2007/2008 (UNDP).

^a Data refer to the South African Custom Union.

^b Data refer to the closest available year between 1988 and 1992.

Thus, a likely future development would be the increase of exports of manufactures from South Africa to the GCC countries especially outside the UAE. Looking at the figures for South Africa's exports to GCC (and beyond the fact that Dubai in the UAE also serves as a distribution hub) one has to wonder why the other five countries do not import as much manufactures from South Africa. It is often argued that in some GCC countries, there is a tendency to prefer made in USA products. Thus, South African exporters may need to invest more in marketing/advertising and winning over potential buyers in these markets.

In addition, food security is increasingly influencing trade orientation for many countries. Chinese investors for example are going around the world trying to acquire agricultural land. Given that GCC countries import significant amounts of food items, it would be a wise strategy to try to secure a reliable source of food supply. South Africa (and other African countries) could provide such source. While South Africa also imports significant food-related products, the agricultural/food sector offers important opportunities for both regions. On the GCC side, agro-investment would allow GCC firms to participate in ownership in this sector while helping South Africa enhance productivity in the sector. This in turn, would allow South Africa to increase food (agricultural) exports. An expansion of agro-investment may lead to higher demand for fertilizers, which would contribute to increasing export of

fertilizers from GCC to South Africa. Since South Africa already imports large amount of fertilizers from GCC countries—which means they already have an important market share and are well known in South Africa—it would be easy to add to that market share once there is increased demand.

The projections for 2015 (Table 1) imply that the growth of population in South Africa will slow down over the next few years but (in 2015) 30% of the population will still be under the age of 15, while those 65 and older will represent 5.5% of the population. This means the demand for goods consumed by children and youth will remain high. While China would probably supply most of the needed clothing and footwear and toys, GCC countries should try to find niches in the market of under-15 years old. School items would be an important category here. There was in recent years a significant rise in Africa's demand for stationary items including paper products, writing instruments, staplers, note pads, highlighters, and such. Dubai-based traders are increasingly becoming important suppliers of these items to African countries, in general.

The projections also indicate that GCC countries will still have a high population growth over the next decade, with 30% of the population under the age of 15 in Saudi Arabia and Oman and about 20% in the other GCC countries. This means the GCC will have a larger share of working age population (between 15 and 65). GCC countries should take this into accounts when formulating trade policies; the needs (demand of consumption of older individuals and children tend to be different. In addition, given that over 80% of the GCC's population is in urban areas (over 96% in some countries) demand for consumer-ready foods will increase as population increases, which suggests that there is a great potential for more trade in the food sector.

The Tourism sector is also very important in South Africa. So far, firms from GCC have taken part in several projects. For example, Dubai World (through its subsidiary Dubai World Africa) acquired the magnificent V&A Waterfront in Cape Town and has invested in Pearl Valley golf resort and spa in Cape Town, as well as the Shamwari Game Reserve in

the Eastern Cape. Another example is the firm Oger Telecom from Saudi Arabia, who owns 75% of South Africa's third largest mobile operator, Cell C, and 50% of Virgin Mobile South Africa. In addition, sports tourism, and golf tourism, in particular, in South Africa could offer significant opportunities (see the study by Tassiopoulos and Haydam, 2008).



Image of the V&A Waterfront - owned by Dubai World Africa - at night

GCC should also focus on increasing export of *know how* through participation in infrastructure and tourism projects and in financial markets, and exporting knowledge, possibly through providing college education and IT-related training for South African students in GCC. This would help increase the number of future business individuals in South Africa who would value trade and investment with GCC in the same way Africans trained in the West value business with the European Union and United States.

Infrastructure investments in particular are an important component of the *Accelerated and Shared Growth Initiative for South Africa* (see Development Bank of South Africa, Infrastructure Barometer 2008), which aims at enhancing its competitive edge in several vital industries, including business process outsourcing, synthetic fuels, international, agribusiness, and information and communication technology. South Africa's National Treasury has allocated R568 billion for the infrastructure and maintenance (Kirsten and

Davies, 2008). Fedderke et al. (2006) find that investment in infrastructure seems to lead economic growth in South Africa and does so both directly and indirectly (through raising the marginal productivity of capital). In this context, South Africa views its trade and investment relations with GCC countries as key to the success of its Accelerated and Shared Growth initiative.

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