SOUTHERN AFRICA GLOBAL COMPETITIVENESS HUB

An Assessment of Swaziland's participation within COMESA and the economic implications of further Regional Integration

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LIST OF ABBREVIATIONS

ACP	African, Caribbean, and Pacific States
ASYCUDA	Automated System for Customs Data
CET	Common External Tariff
COMESA	Common Market for Eastern and Southern Africa
CONCO	Coca Cola Swaziland
CSO	Swaziland Central Statistical Office
CU	Customs Union
EAC	East African Community
EPA	Economic Partnership Agreement
EU	European Union
FTA	Free Trade Area
GDP	Gross Domestic Product
GSIM	Global Simulation Analysis of Industry-level Trade Policy
HS	Harmonized System
LDC	Least Developed Country
MFN	Most Favored Nation
MoFAT	Swaziland Ministry of Foreign Affairs and Trade
MT	Metric Tons
PTA	Preferential Trade Area
REC	Regional Economic Community
RISDP	SADC Regional Indicative Strategic Development Plan
RoO	Rules of Origin
SACU	Southern African Customs Union
SADC	Southern African Development Community
SSA	Swaziland Sugar Association
TRQ	Tariff Rate Quota
VHP	Very Highly Polarized Sugar
WITS	World Integrated Trade Solutions Database
WTO	World Trade Organization

Executive Summary

Since the establishment of the COMESA Free Trade Area (FTA) in 2004, Swaziland has continuously benefited from a derogation to participate within COMESA as a non-reciprocal member of the FTA. However, this derogation is scheduled to expire in December 2008. As a Regional Economic Community (REC), COMESA has expressed the intention of establishing a Customs Union by December 2008, which could threaten Swaziland's continued preferential access to that market. This study aims to assess the economic importance of the COMESA market to Swaziland.

The first part of this study examines Swaziland's trade patterns within the COMESA region. Key exports to COMESA include: 1) sugar-based drink concentrates; 2) raw cane sugar; 3) combined refrigerator/freezers; 4) slide fasteners (zippers). An analysis of Swaziland's trade with COMESA reveals that COMESA makes up less than 7% of Swaziland's total exports to the world and contributes to about 5.25% of Swaziland's GDP. From a macroeconomic perspective, COMESA accounts for a relatively small portion of total exports, such that any loss in preferential access to those markets should not have much of an effect on the overall functioning of the Swazi economy. However, while the benefits from trade with COMESA seem insignificant at the macro level, the benefits appear to be more significant at the sector (micro) level.

The second portion of this study uses qualitative data gained from interviews with key Swazi exporters, and quantitative trade and tariff data obtained from the government of Swaziland, to determine the extent to which Swaziland's exporters benefits from preferential access to the COMESA market. In order to isolate the benefits that Swaziland's exporters receive from preferential access to the COMESA market, a tariff analysis is conducted which compares the tariff preferences Swaziland faces when exporting goods under the COMESA and SADC preferential trade regimes, by comparing tariffs faced by Swazi products exported to countries that have dual membership within both COMESA and SADC. The analysis results show that, at the micro-level, certain sectors gain more from trade under the COMESA than the SADC preference scheme. A summary of the findings:

- Swaziland would be greatly affected by the loss of preferential market access for VHP or "brown" sugar sent to Kenya and Uganda in COMESA. However, Swaziland would still enjoy favorable access in the SADC markets of Mauritius, Zambia and Zimbabwe, whose preferences for raw, unrefined sugar are similar to that of Kenya and Uganda;

- In contrast to sugar, the preferences for drink concentrate exports to countries with dual membership are relatively similar, with Madagascar, Zambia and Zimbabwe offering duty free access under the SADC Trade Protocol.

- For freezer exports, the preference margins are slightly larger using the COMESA preference scheme in Malawi and significantly larger in Zimbabwe. Alternatively, the SADC scheme offers more favorable access for freezers that are exported to Madagascar and Zambia.

- An analysis of the preferences for Swazi slide fasteners exports reveals that SADC offers more favorable access for Swaziland than COMESA for all countries with dual membership.

Results from trade flow and tariff analyses both demonstrate that the COMESA market is relatively insignificant to the preservation of Swaziland's macroeconomic welfare, however the sugar industry would be most affected if Swaziland were to lose preferential to COMESA markets. Given these findings, key policy recommendations from the assessment are as follows:

1. Swaziland should give serious consideration to concluding a trade agreement with the East African Community (EAC), in order to maintain access to key markets within COMESA, notably Kenya and Uganda. As a member of the Southern African Customs Union (SACU) along with Botswana, Lesotho, Namibia and South Africa, Swaziland is obligated to comply with Article 31 of the SACU Agreement. Therefore, this type of trade agreement would have to be concluded between SACU and the EAC. Such an agreement will enable much more sustained and predicable market access for Swazi sugar exports particularly VHP sugar currently exported to COMESA countries.

2. For those products that are exported to countries that have dual-membership within COMESA and SADC, Swaziland is encouraged to trade under the SADC Protocol on Trade for those products that have a larger margin of preference under the SADC rather than COMESA preference scheme.

   While, overall market access conditions are relatively favorable in both regimes, the preference margin analysis reveals that Swaziland has more favorable market access for almost all of her major exports to COMESA under the SADC Trade Protocol for exports sent to countries with dual membership. These countries include: Madagascar, Mauritius, Malawi, Zambia and Zimbabwe.

   Swaziland is advised to continue trading under the COMESA preference scheme for unrefined sugar exported to Malawi, VHP sugar exported to Madagascar and freezers/fridges exported to Zimbabwe.

3. If Swaziland's derogation from COMESA is not renewed, the government should be prepared to seek improved market access under the SADC Trade Protocol for those products that currently benefit from a greater margin of preference if exported through the COMESA preference scheme. In addition to the products where SADC provides a higher preference margin than COMESA, Swaziland is encouraged to seek further liberalization of tariffs for fridges and freezers exports to Zimbabwe, and sugar to Madagascar and Malawi, as indicated in recommendation #2 above.

4. Implementation of recommendations #2 and #3 above will also require sensitization of the private sector, policy makers and customs authority to ensure that there is increased awareness of the benefits to trading under the SADC Trade protocol with countries such as Malawi, Mauritius, Madagascar, Zambia and Zimbabwe who are implementing both SADC and COMESA preferential agreements.

Introduction

As one of the eight[1] countries that belong to both the Common Market for Eastern and Southern Africa (COMESA), and the Southern African Development Community (SADC), Swaziland enjoys a range of economic benefits from its dual membership. However, as integration efforts begin to increase within both economic groupings, the Kingdom of Swaziland will need to examine its current trade policy to establish how best to optimize benefits from regional integration that promote economic growth and long-term development.

A member of the Southern African Customs Union (SACU) along with Botswana, Lesotho, Namibia and South Africa, Swaziland benefits from duty-free access to one of the continent's largest economies, as well as receives a significant share from SACU's common revenue pool that accounts for over 60% of total government revenue and 17% of GDP[2]. As a SACU member, Swaziland is required to apply the SACU Common External Tariff (CET) to all imports from non-members, thus she does not participate on a reciprocal basis within the COMESA trade framework.

While the benefits of SACU membership are pronounced, the extent to which Swaziland benefits from participating in COMESA, particularly as a non-FTA member, are a little more complex and harder to identify. Both COMESA and SADC have expressed plans to establish a Customs Union (CU) by 2008 and 2010 respectively. Further liberalization within both trading blocs could have serious implications for Swaziland.

Deeper regional integration within COMESA and SADC could result in a loss of preferential market access for Swaziland under the COMESA regime, as well as a potential decrease in Swaziland's share of the SACU revenue pool in the case that SACU membership were extended to other SADC members. Therefore, the main challenge for Swaziland is to identify a trade policy that allows her to maintain market access within both economic groupings while maximizing overall economic welfare.

For the last seven years, Swaziland has received derogation from the COMESA member states that are also party to the COMESA FTA, to gain preferential access to the COMESA market on a non-reciprocal basis. However, with the derogation expected to expire at the end of this year (2008), it is somewhat unclear how Swaziland's future market access will be treated or furthermore how the potential loss of preferential access to COMESA markets would affect the Swazi economy. The primary objectives of this paper are to: 1) identify the Swazi products and industries that benefit from preferential access to the COMESA market; 2) determine the extent to which the Swazi economy has or has not benefited from these preferences; 3) determine how a possible expiration of the COMESA derogation and increased trade liberalization could affect Swaziland's economy as COMESA continues to move towards its goal of establishing a

[1] Angola, Democratic Republic of the Congo (DRC), Madagascar, Mauritius, Malawi, Swaziland, Zambia, Zimbabwe. Angola is not an active participant within COMESA, and is expected to fully withdraw within the next two years.

[2] International Monetary Fund Staff Report, March 2006 p. 21

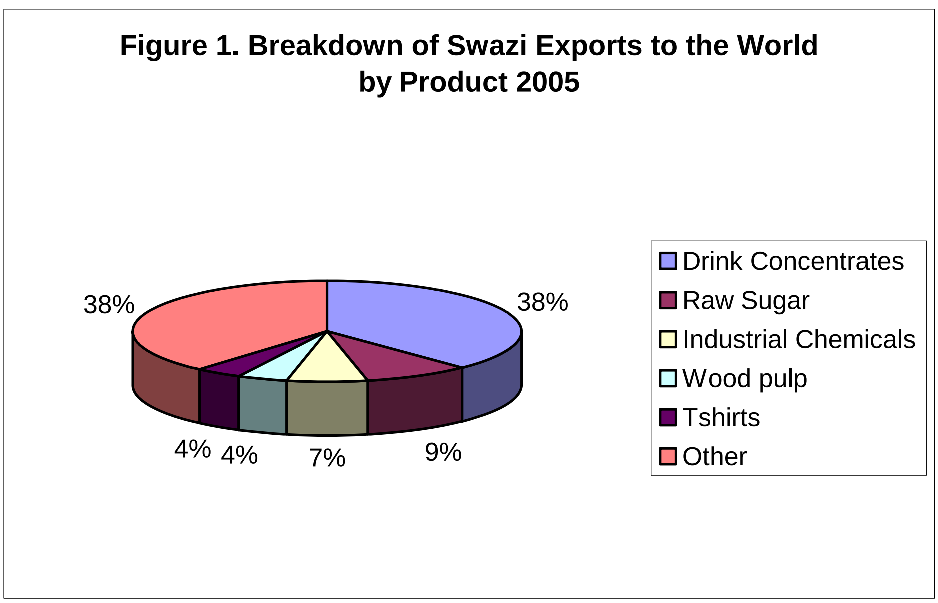
Customs Union; and 4) present recommendations for the Kingdom of Swaziland as it looks to establish an optimal trade policy that maximizes its interests.

This study is organized as follows: Section 1 will summarize Swaziland's participation within COMESA over the past 4 years; Section 2 will examine export competitiveness and market access for Swazi products within COMESA countries; Section 3 will discuss the economic impact of the potential loss of preferential access to the COMESA market. Finally, Section 4 will outline a set of recommendations for the Kingdom of Swaziland on a way forward to achieving the most welfare-maximizing trade policy.

1. Swaziland's Trade Relations with COMESA 2004-present

1.1 External Trade Overview

Over the last five years, the Swazi economy has been growing at a rate of about 2-3% per year, and is predicted to do the same in 2008[3]. Total merchandise exports contribute about 75%[4] of Swaziland's GDP, which primarily consists of: 1) mixed odiferous substances used in the food and beverage industry (referred to as "drink concentrates"); 2) raw cane sugar; 3) industrial chemicals; 4) wood pulp; and 5) t-shirts. Figure 1. shows a breakdown of each product's share of Swaziland's total exports.



Source: Swaziland Department of Customs

By nature of its proximity, South Africa is Swaziland's primary trading partner. In the last three years, the total value of Swaziland's exports has been approximately 13-14 billion Emalangeni, of which exports to South Africa accounted for E9-10 billion (about 70% on average)[5]. From

[3] IMF Staff Report 2007, November Press release.
[4] IMF Staff Report 2006: Swaziland
[5] Statistics provided by Swaziland Department of Customs

these statistics, it is clear that Swaziland's relationship with South Africa, largely defined by its participation in the Southern Africa Customs Union (SACU), plays a defining role in Swaziland's pattern of trade and overall structure of Swaziland's economy.

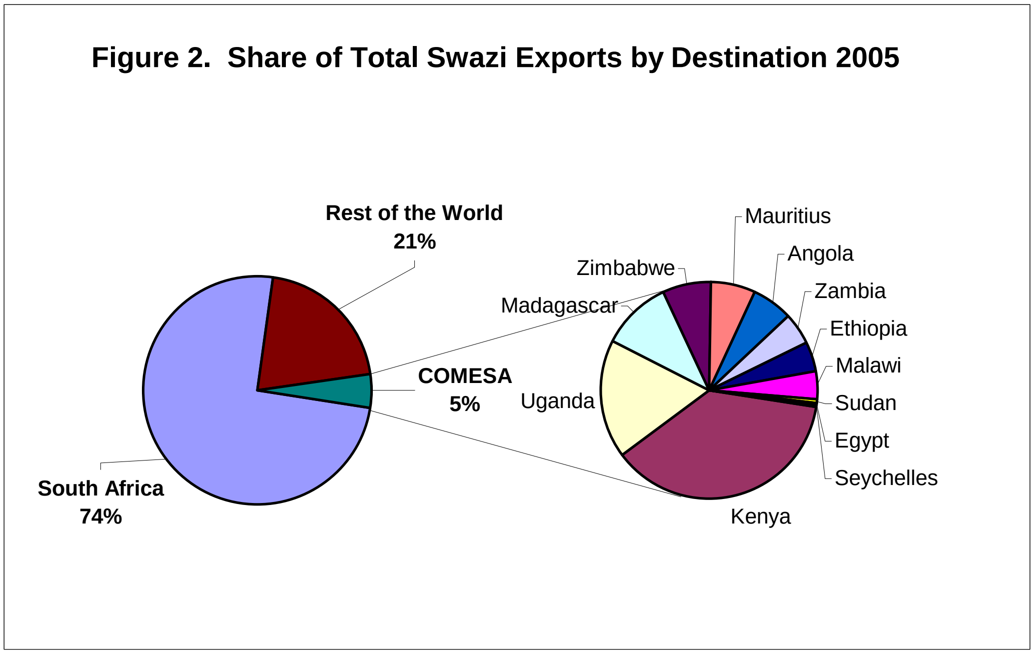
As a SACU member, Swaziland is constrained by the provisions of the 2002 SACU agreement, which require Swaziland to apply a Common External Tariff (CET) to third parties, as well as to seek concurrence from other SACU member states prior to entering into trade negotiations with third parties[6]. With an obligation to apply the SACU CET, Swaziland has not been able to participate on a reciprocal basis within the COMESA FTA. Nevertheless, she has been successful in obtaining successive derogations from COMESA members in order to maintain non-reciprocal, preferential access to COMESA markets. As a SADC member, Swaziland is also committed to the implementation of the SADC Trade Protocol: a tariff reduction scheme that serves as a precursor to establishing a SADC FTA by 2008 and a SADC CU by 2010.

Lack of implementation of the SADC Trade Protocol by some countries, such as Malawi and Zimbabwe, continue to retard the SADC integration timeline[7]. However, as regional integration deepens within the COMESA trading bloc, Swaziland may face challenges in maintaining her current trade arrangement with COMESA members given her obligations to comply with article 31 of the SACU Agreement[8]. Since it is logistically impossible for one country to apply more than one Common External Tariff, it is inevitable that Swaziland will have to choose which regional integration path to follow, particularly if there is a difference in the proposed CET for both SADC and COMESA members. The following section will further explore the importance of the COMESA market to Swaziland's exporters in order to determine the impact of further regional integration on Swaziland's economy.

1.2 Trade with COMESA

During the period 2005-2006, Swaziland was the fifth largest exporter (by value) within the COMESA region.[9] **Between 2003-2004, COMESA absorbed about 7% of Swaziland's total exports[10] (equivalent to about E 900 M**). Within the COMESA trading bloc, Kenya, Uganda, Zimbabwe, Zambia, Madagascar, and Malawi were the top six importers of Swazi products[11] in 2004. Four of the six are also members of SADC. Figure 2 features a chart that shows the most recent breakdown of Swazi export destinations (by value) for 2005.

[6] Article 31 SACU Agreement 2002.
[7] USAID Southern Africa global Competitiveness Hub "First SADC Audit Update October 2007".
[8] Article 31 of SACU Agreement outlines the framework for engaging in trade relations with third parties. According to article 31, Swaziland would not be able to enter into new preferential trade negotiations or amend exiting preferential arrangements without seeking consent from other SACU member states
[9] "State of integration in COMESA", presented at the 12th COMESA Summit in Nairobi, Kenya May 2007 p. 15
[10] Calculations completed based on data received from Swaziland Department of Customs and Excise, 2007
[11] Government of Swaziland, 2004 data



Source: World Integrated Trade Solutions Database (WITS)

Swaziland exports four main products to the COMESA region: 1) sugar-based drink concentrates; 2) raw cane sugar; 3) combined refrigerator/freezers; 4) slide fasteners. Table 1 below gives a break down of the export data for each product. Mixed odiferous substances or drink concentrates accounted for about 46% of Swaziland's total export value in 2004, of which 5% went to the COMESA region.[12] During the same time period, raw cane sugar accounted for 7.4% of Swaziland's total exports, of which less than 1% was exported to COMESA members. An even smaller share of total freezer and slide fasteners exports was sent to COMESA as shown in Figure 3.

While there was an overall increase in the export value of all products in 2004, the share of drink concentrates exported to COMESA as a portion of total concentrate exports decreased from 6.35% in 2003 to 4.91% in 2004. There was a relative increase in the other exports to COMESA as a percentage of global exports, which is outline in Table 1.

According to the IMF, merchandise exports account for about 75% [13]of Swaziland's GDP. Based on the statistics presented above, it can be concluded that total exports of both drink concentrates and sugar exports contribute to about 40% of Swaziland's GDP, however drink concentrate and sugar exports to COMESA only contributes to about 4.5% of GDP. Freezers[14]and slide fasteners account for less than 1% of Swaziland's COMESA exports and thus make a negligible contribution to overall GDP.

[12] This ratio was calculated based on trade from 2003 as it is the most consistent data provided by various government resources
[13] International Financial Statistics Database; IMF Staff Report 2006
[14] Refers to aggregate value of exports of combined refrigerator/freezers and chest freezers

Table 1. Structure of Swaziland's total exports vs. COMESA exports

Year	Total Export Value fob (a) *(Emalangeni)*	HS Code (c)	Product Description (b)	Total Export Value fob (d)	% Share of Total Exports (d)/(a)	Value of Export to COMESA (e)	% Share of exports to COMESA (e)/(d)	% of COMESA exports vs. Total Exports (e)/(a)
2003	12,851,111,553							
		330210	Drink Concentrates	4,759,640,005	37.04%	816,808,684	17.16%	6.36%
		170111	Raw Cane Sugar	790,620,680	6.15%	48,599,282	6.15%	0.38%
		841810	Combined Refrigerator/Freezers	35,614,640	0.28%	6,910,043	19.40%	0.05%
		960711	Slide Fasteners fitted with chain scoops	48,873,234	0.38%	14,537,647	29.75%	0.11%
2004	13,724,199,164							
		330210	Drink Concentrates	6,301,124,450	45.91%	673,607,833	10.69%	4.91%
		170111	Raw Cane Sugar	1,019,868,013	**7.43%***	125,330,776	12.29%	0.91%
		841810	Combined Refrigerator/Freezers	81,728,182	0.60%	39,863,827	48.78%	0.29%
		960711	Slide Fasteners fitted with chain scoops	74,458,814	0.54%	23,296,128	31.29%	0.17%

Source: Calculations based on trade data provided by the Department of Customs to the Ministry of Foreign Affairs and Trade
*** The 2005 values submitted to WITS by Swaziland show sugar now makes up close to 12% of Swaziland's total export value.**

1.2.1 Exports

Exports to COMESA, as a share of Swaziland's total trade, have been declining over the last few years. On the other hand, Swaziland's percentage of total exports destined for SACU countries has increased proportionally. In 2003, export revenue from COMESA was reported at E 917M accounting for about 7.1% of Swaziland's total exports that year. In 2004, Swaziland received about E 890M from COMESA exports, which was approximately 6.5% of Swaziland's total export revenue in 2004. In 2005, data retrieved from World Integrated Trade Solutions (WITS) database reports that Swaziland received close to E 474 M in revenue from trade with COMESA, which is equivalent to about 4.75% of total Swazi exports[15]. Alternatively, from 2003-2004, Swaziland's exports to SACU increased from E 8.8 billion (87% of total exports) to E 9.8 billion (90.8% of total exports).[16]

Within the COMESA region, it is evident from Figure 2 and Table 1 above, that Kenya has become a significant trading partner for Swaziland. Kenya has increased its demand for Swazi products in recent years, taking over from Zimbabwe as Swaziland's main trading partner in 2004. The share of total Swazi exports to Kenya almost doubled from 21% to 41% of Swaziland's total exports to the COMESA region from 2003-2004. During the same time

[15] 2005 data calculations based on statistics retrieved from WITS. WITS reports trade values in USD, thus the average exchange rate reported by the Swazi Central Bank (6.36 lilangeni/$) was used for this figure.
[16] Data obtained from Government of Swaziland for 2003-2004.

period, exports to Zimbabwe dropped from 46% to 8%. In 2005[17], Kenya's share of Swaziland's COMESA exports, by value, increased even further accounting for 43% of total exports to COMESA (equivalent to E350 million), followed by Angola (13%), Uganda (12%) and Zimbabwe (7%).

Kenya and Uganda, both of who are members of the East African Community Customs Union, received close to 65% of Swaziland's primary exports to COMESA. In 2004, Kenya imported about 40% of Swaziland's drink concentrate exports, 54% of sugar exports and 50% of slide fasteners, to the region. Uganda received 10% of Swaziland's drink concentrate exports to COMESA, and approximately 21.5% of its sugar exports. While Angola is no longer a participating member within COMESA, it received almost 16% of Swaziland's drink concentrate exports in 2004, making it the second largest recipient of drink concentrates to COMESA after Kenya. Madagascar is the second largest importer of Swazi sugar to COMESA after Kenya, absorbing 22% of sugar exported to region

Zambia and Malawi are the primary recipients of Swaziland's freezer exports[18]. Together, they import 97% of Swaziland's freezer sent to the COMESA region and almost 50% of Swaziland's total freezer exports to the world. Mauritius imports 72% of slide fasteners exported to COMESA, followed by Madagascar, which receives 17%. A more detailed description of the product destinations and export values for the COMESA region will be discussed in the next section.

From the statistics presented above, it is evident that Kenya, Uganda, and Madagascar (for sugar) are the main destinations for Swazi exports within COMESA, however South Africa remains the largest and therefore most important market for Swazi exports over all.

1.2.2 Imports

In addition to absorbing the largest share of Swaziland's total exports, South Africa accounts for about 90% of Swaziland's imports. Over the last three years, imports from the COMESA region made up less than 0.2% of total value of imports for Swaziland, which is largely comprised of cotton and maize from Egypt, Zambia, and Zimbabwe.[19]

2. Export Competitiveness and Market Access

From a macroeconomic perspective, the COMESA market accounts for a small portion of Swaziland's total trade revenues and overall GDP, however from a microeconomic perspective the potential loss of preferential market access to COMESA could have a more significant effect on a few of Swaziland's individual exporting firms.

To adequately assess the importance of the COMESA market to Swaziland, interviews were conducted with representatives from the top 8 Swazi exporters to COMESA. Representatives from ***Swaziland Beverages, Palfridge, Spintex***, ***YKK/Southern Africa, Swaziland Sugar***

[17] WITS Database 2007
[18] Swaziland exports both Combined Refrigerator/Freezers HS 841810 and Chest Freezers HS 841830 to COMESA
[19] Ibid

Association, Cadbury/South Africa, Ngwenya Glass Ltd, and Coca-Cola Swaziland (CONCO ltd) were asked a series of questions aimed at obtaining information on the following: 1) the company's main export destinations within COMESA and SADC; 2) major competitors within the COMESA market; 3) sources of product inputs and Rules of Origin compliance issues; 4) the preferential trade arrangement preferred for export destinations that have dual membership within COMESA and SADC[20]. Annex IV contains a chart summarizing the information obtained from these interviews. The following sections will provide some insights gained from exporters with regard to market access, product competitiveness, and future prospects for expansion within the COMESA region.

2.1 Drink Concentrates

- Market Access and Competitiveness

In 1987, Coca-Cola made one of the biggest capital investments in Swaziland to-date by establishing a plant dedicated to the production of concentrates used in Coca-Cola beverage products. Coca-Cola Swaziland, also known, as ***"CONCO"*** is the largest supplier of Coca Cola concentrates in Africa, with production plants also located in Egypt and Nigeria. Having recently celebrated 20 successful years of operations in the Kingdom, CONCO is by far the largest foreign exchange earner for the Kingdom, contributing to 35% of GDP[21].

Swaziland is also a primary exporter of Coca-Cola beverage concentrates throughout the Eastern and Southern African region. [22] In the last three years, Swaziland has exported between E600M to E700M worth of beverage concentrates[23]. In 2003, Zimbabwe was the primary COMESA recipient of drink concentrates from Swaziland, absorbing more than 50% of Swaziland's total concentrate exports to the region. However, from 2004 to present, exports to Kenya and Uganda have grown significantly, receiving close to 50% of Swaziland's exports of concentrates to COMESA, surpassing Zimbabwe where exports dropped significantly to 9.5%. It is also evident from the Table 2 that the value of drink concentrates exports to Kenya almost doubled from 2003-2004.

Although not an active member within COMESA, the drink concentrate exports to Angola increased five times during the same period, making Angola the second largest destination after Kenya in 2004.

[20] In addition to Swaziland, there are 6 countries within COMESA that also have membership within SADC: DRC, Madagascar, Malawi, Mauritius, Zambia, and Zimbabwe
[21] Calculation based on 2004 drink concentrate export value
[22] COMESA Merchandise Trade Statistics Bulletin, 2004, p.16
[23] In 2004, beverage concentrate exports declined by 50% and only E230, 000,000 was exported to COMESA that year

Table 2. Export of drink concentrate to COMESA by country for 2003-2004
Values *(Emalangeni)*

Country	2003 Export Value fob	Share of exports to COMESA	2004 Export Value fob	Share of exports to COMESA
Angola	22,379,341	2.74%	106,504,894	15.81%
Djibouti	4,708	0.00%	0	0.00%
Ethiopia	38,447,969	4.71%	41,081,334	6.10%
Kenya	150,832,408	18.47%	263,404,547	39.10%
Madagascar	15,579,266	1.91%	16,652,346	2.47%
Malawi	31,583,800	3.87%	42,307,542	6.28%
Mauritius	50,938,404	6.24%	38,336,253	5.69%
Seychelles	2,895,848	0.35%	1,523,147	0.23%
Uganda	58,408,117	7.15%	67,205,372	9.98%
Zambia	30,165,612	3.69%	32,346,906	4.80%
Zimbabwe	415,573,211	50.88%	64,245,492	9.54%
Total	**816,808,684**		**673,607,833**	
COMESA share of World concentrate exports	**17.16%**		**10.69%**	

Source: Calculations based on trade data provided by the Department of Customs to the Ministry of Foreign Affairs and Trade

Discussions with CONCO representatives confirmed that Swaziland's relative abundance and competitive advantage in sugar production made the location very attractive for a substantial investment by Coca-Cola. Coca-Cola's beverages are largely made from the chemical combination of concentrates and sugar-based syrups. CONCO also confirmed that South Africa is its primary market, receiving over 80% of Swaziland's drink concentrate exports to the world. However, company representatives identified other significant markets within the region including: ***Kenya, Uganda, Ethiopia, Eritrea, Madagascar, Malawi, Mauritius, Seychelles, Zambia, and Zimbabwe.***

CONCO exports to several countries that have dual membership within COMESA and SADC, such as ***Angola, Malawi, Mauritius, Madagascar, Zambia and Zimbabwe***. When exporting to those countries, CONCO representatives reported that most of their clients had a strong preference to trade under COMESA as opposed to the SADC Protocol on Trade.

When asked about the importance of the COMESA market, CONCO representatives confirmed that the COMESA market was vital to business, and any loss of preferential market access to the region would have a significant effect on company revenues. However, when asked to compare the significance of the COMESA market to the SADC market—particularly SACU—CONCO emphasized that any loss in market access within SADC would be devastating to business, and would require the company to review the financial viability of its operations in Swaziland. However, it should be noted that MFN tariffs levied on drink concentrate are between 0 and 5%

in most countries except Kenya and Uganda and Rwanda where the rates are between 10 and 15%.

- Economic Outlook and Investment Potential

CONCO has reported continuous growth and market expansion over the last 5 years. Executives foresee further increases in sales, particularly within the COMESA region. During the interview, there was no specific mention of increased capital investment, but it can be inferred that capital inputs will be acquired to respond to increasing demand.

2.2 Sugar

- Market Access and Competitiveness

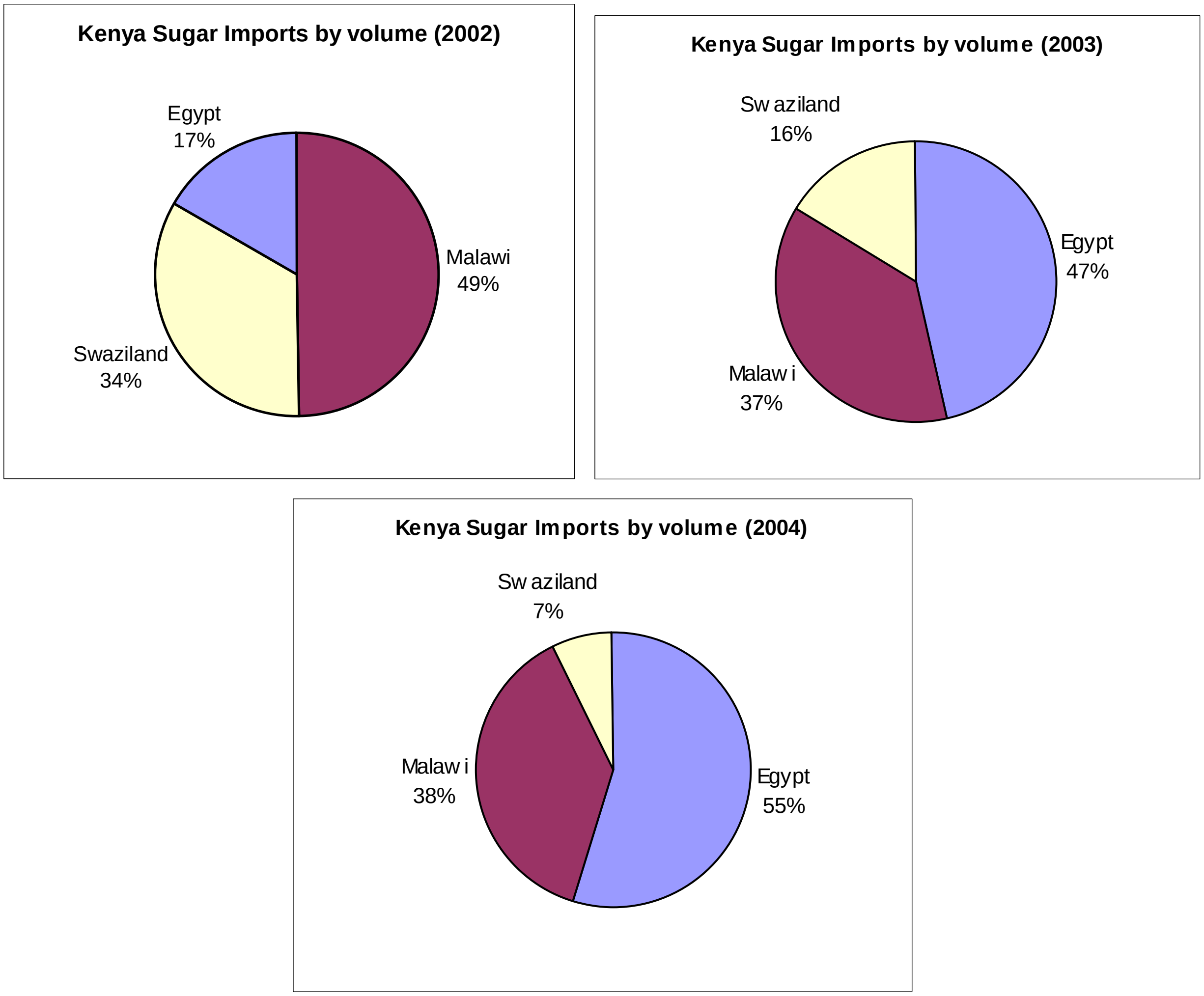
The value of sugar exports to COMESA only account for about 6.5% of Swaziland's total sugar exports, which is primarily destined for South Africa (77%). Trade statistics from Swaziland's Ministry of Foreign Affairs and Trade (MoFAT) show that Kenya has become Swaziland's most prominent trading partner within COMESA. Currently, both Kenya and Uganda combined absorb over 75% of Swaziland's sugar exports to COMESA. Madagascar remains a significant trading partner as well, receiving an average of 22% of Swaziland's sugar exports to COMESA over the last three years.

While Swaziland enjoys a unique competitive advantage in the production and export of sugar-based products, she faces stiff competition from Malawi, Egypt and Zambia with regards to her raw sugar exports to the region. Figure 3 gives an overview of Kenya's total sugar imports by country within the last five years. **From 2002–2004, Swaziland's access to the Kenyan sugar market decreased by almost 80%, which has subsequently been absorbed by Egypt.**

Despite declines in export volumes in recent years, the ***Swaziland Sugar Association (SSA)*** confirmed that Kenya and the EAC countries are a growing market for Swaziland within COMESA. Currently, approximately 50% of Swaziland's sugar production (by volume) which amounts to 77% of total export value, is exported to SACU members, while the other 50% is split between the United States, the European Union, and COMESA[24]. It is also important to note that sugar trade under within SADC is governed by the SADC Sugar Cooperation Agreement, which provides for non-reciprocal, duty free (quoted limited) market access into the SACU market for sugar originating from non-SACU SADC sugar producers. This arrangement therefore excludes Swaziland from preferential access to the market of other SADC countries that are not members of SACU.

[24] In the preceding paragraph, it was noted that South Africa absorbed close 77% of the total value of Swazi sugar exports, however she (along with the other SACU members) received a combined volume which is only about 50% or 318, 201 tones of Swazi Sugar production. This discrepancy is largely explained by the fact that there was a relative appreciation of the lilangeni against the US dollar and the Euro from 2003-2005, thus effectively reducing the value of sugar export revenues from the EU and US markets according to the Economic Review and Outlook 2006/7-2009/10. Economic Planning Unit, Swaziland Ministry of Economic Planning and Development. p. 12

Figure 3. Kenya's Sugar imports 2002-2004



Source: Charts generated from data obtained from WITS database, 2007

Swaziland exports mainly Very Highly Polarized (VHP) or "brown sugar", as well as refined sugar to COMESA members. In addition, Swaziland enjoys duty free access into Kenya under a Tariff Rate Quota (TRQ) system set at 200,000 metric tonnes. Fortunately, Swaziland's export volumes have traditionally fallen well below the quota of 200,000 tonnes for COMESA countries. Generally Kenya's MFN tariffs for sugar are set at much higher levels such that there is a significant difference between the MFN and the preferential rates, giving Swaziland an advantage over other sugar producers who are not eligible for preferences.

In 2003-2004, the value of Swaziland's total sugar exports to COMESA more than doubled, from 6-12% of total Swazi sugar exports, with an almost 400% and a 300% increase in sugar exports to Kenya and Uganda respectively.

Table 3. Sugar exports to COMESA by country; 2003-2004 *(Emalangeni)*

Country	2003 Export Value fob	Share of Exports to COMESA	2004 Export Value	Share of exports to COMESA
Congo	1,178,183	2.42%	1,471,124	1.17%
Kenya	18,493,032	38.05%	68,290,110	54.49%
Madagascar	12,547,161	25.82%	27,341,037	21.82%
Malawi	0	0.00%	16,500	0.01%
Rwanda	7,361,451	15.15%	1,274,900	1.02%
Uganda	9,019,455	18.56%	26,937,105	21.49%
Total to COMESA	**48,599,282**		**125,330,776**	
COMESA share of World sugar exports	**6.15%**		**12.29%**	

Calculations based on trade data provided by the Department of Customs to the Ministry of Foreign Affairs and Trade

From 2006-2007, a little less than 1/3 of SSA's total production was sold to preferential markets. During the 2006/2007 fiscal year, Swaziland produced a total of 636,667 tonnes of sugar, of which 173,063 tonnes was sent to Swaziland's preferential markets, traditionally comprised of the EU, COMESA, and US. SSA producers sold 153, 250 tonnes to the EU, and the rest (19,183 tonnes) was sent to the US market[25]. While COMESA wasn't a major recipient of SSA sugar that year, SSA confirms that regional markets play a significant role in the marketing and sales of residual sugar.

➢ Economic Outlook and Investment Potential

In light of falling sugar prices arising from the EU Sugar Reform, COMESA is becoming a growing market for SSA members given the shift in production priorities and export trends.

In compliance with the EU Sugar Reform, it is anticipated that the EU price for sugar will start to decline. According to the Swazi Sugar Association, this development within the EU market will result in regional markets, such as the COMESA market, becoming more attractive[26]. Currently, Swazi sugar is dependent on preferential access to all its current markets, since it is unable to compete successfully within the global market at depressed world prices often dictated by countries such as Brazil and Thailand. Therefore, if Swaziland's preferences are eroding within the EU market, it is necessary for Swazi sugar to maintain preferential access to other markets including regional markets, which will become increasingly important to Swaziland in the next few years.

[25] Swaziland Sugar Association Annual Report 2006-2007 p. 11
[26] "EU-ACP Sugar Trade", Swaziland Sugar Association Journal September 2007

The EU Sugar Reform
The EU Sugar Protocol was a preferential trading arrangement whereby the EU offered a fixed price and quantity for 1.3 million tonnes of sugar from 18 ACP countries/former colonies[27]. However, in 2005, the EU embarked on a reform plan aimed at increasing competitiveness within the European sugar sector, leading to the end of the EU Sugar Protocol. Initially, the EU Sugar Reform featured a 36% cut in EU prices offered to sugar producers. However, in 2007, the EU offered "duty-free, quota free" access to all products, except sugar and rice, coming from ACP countries as part of the recently concluded Interim Economic Partnership Agreement (EPA). The agreement provides for continued application and provision of a tariff quota under the Cotonou Sugar Protocol until 30 September 2009, after which the Sugar Protocol shall cease to exist. Guaranteed prices will continue to be applied for the period 1 July 2008 to 30 September 2009, in addition to a tariff quota at zero duty for 30,000 tonnes. However, beyond September 30, 2009, sugar imports from all "Least Developed Countries" (LDCs) will enjoy duty free access to the EU. As a non-LDC Swaziland, is not eligible for "duty free, quota free" access to the EU market until 2015.

The quantity and types of sugar exported to COMESA vary from year to year. In 2006/2007, SSA exported 104,842 tonnes of VHP sugar and 16,929 tonnes of refined sugar to COMESA countries, however this year (2007/2008) it is expected that Swaziland will export only 95,114 tonnes of brown sugar and no refined sugar. According to SSA representatives, the primary reason for the decline in VHP sugar exports to COMESA is related to opportunities to sell more VHP sugar to Europe, which traditionally pays 3-4 times the world price for Swazi sugar[28]. Sales forecasts show that VHP sugar exports to COMESA should almost double by the 2012/2013 fiscal year. More specifically, SSA's product sales forecast for the next 5 years is as follows:

- Raw Sugar production will be reduced from 144,740 tonnes in 2006/07 to 9,176 tonnes in 2012/13.
- VHP Sugar production is to increase from 276,439 tonnes in 2006/07 to 474,000 tonnes in 2012/13.
- Refined Sugar production is to increase from 202,178 tonnes in 2006/07 to 250,000 tonnes in 2012/13.

Increased production of VHP and refined sugar, as well as sugar-based products such as molasses, will continue to be a priority for SSA. With regard to investment and product diversification, Swaziland is starting to investigate other value-addition opportunities for sugar producers. The production of sugar-based ethanol is another area in which Swaziland is encouraged to further pursue given the increasing global demand for alternate-energy sources.

[27] http://news.bbc.co.uk/1/hi/business/4121554.stm
[28] The EU Sugar Protocol offered a guaranteed price and quantity of sugar to ACP countries.

2.3 Fridges and Freezers

➤ Market Access and Competitiveness

The COMESA market is particularly important for Swazi freezer exporters given it accounts for close to 50% of her total freezer exports to the world. However, freezers make up less than 1% of Swaziland's total export value to the COMESA region. Swaziland sells both domestic and commercial freezers to the region, primarily to the Zambian market. Over the last three years, Zambia received about 40% of all freezers exported to COMESA members.

Palfridge is the principal company within Swaziland that produces and exports refrigerators and freezers to the region. It supplies domestic and commercial fridges, and freezers to both the COMESA and SADC markets. As a supplier, Palfridge sells its product to large wholesalers primarily based in South Africa, such as Massmart and AA Wholesalers. AA Wholesalers supplies fridges and freezers mainly to Zambia, with smaller quantities going to Botswana and Lesotho. With this type of business model, Palfridge is often unaware of its products' final destination, for 90% of their products are sent to South Africa for further distribution. From South Africa, products are then distributed to other retail and discount stores in COMESA countries such as ***Angola, DRC, Zambia, Uganda, Mauritius***, but may also end up in the SACU market (Botswana, Namibia and Lesotho).

Table 4. Fridges and Freezers Exports to COMESA 2003-2004 *(Emalangeni)*

Country	2003 Export Value, fob	Share of exports to COMESA	2004 Export Value fob	Share of exports to COMESA
Angola	594,578	8.60%	0	0.00%
Kenya	345,003	4.99%	0	0.00%
Madagascar	762,788	11.04%	0	0.00%
Malawi	1,805,593	26.13%	3,736,584	9.37%
Mauritius	3,300	0.05%	0	0.00%
Rwanda	152,776	2.21%	0	0.00%
Zambia	2,572,433	37.23%	35,246,765	88.42%
Zimbabwe	673,572	9.75%	880,478	2.21%
Total to COMESA	**6,910,043**		**39,863,827**	
COMESA share of World freezer exports	**19.40%**		**48.78%**	

Calculations based on trade data provided by the Department of Customs to the Ministry of Foreign Affairs and Trade

Palfridge representatives have cited China as its number one competitor within key markets in the region. Chinese products are penetrating the African market at a lower cost (and often lower quality) than local suppliers such as Palfridge.

Currently, Zambia and DRC are the only markets where Palfridge has steady demand. Previously, Palfridge was exporting to Zimbabwe, however, customs officials at the border doubted that the products were indeed of Swazi origin, and thus denied preferential market access into that market. In addition, Palfridge has had a number of challenges with regards to transshipment claims from Zimbabwe, and thus no longer exports to that country[29].

➢ Economic Outlook and Investment Potential

According to the Managing Director, Palfridge's export volumes are growing and seem to double each year over the last few years. The company finds that the EU and Australia are becoming more attractive markets for commercial fridges. Palfridge is also now looking to increase exports to Zambia, Mozambique, and Malawi, however Palfridge seems to face severe competition from fridges produced and exported from China, resulting in an a decline in direct exports to the COMESA region.

Overall, Palfridge believes that the commercial fridge market in Africa is growing thus offering potential for further expansion within the region. "Bottle coolers" are becoming more popular amongst African beverage producers. Palfridge often sells bottle coolers and commercial fridges to Pepsi or USN (Sports drink), who then supply the fridges 'free of charge' to distributors that sell their products.

2.4 Textiles: Slide fasteners

➢ Market Access and Competitiveness

Similar to freezers, slide fasteners or "zippers" make up less than 1% of Swaziland's total export value to COMESA. As part of the larger textile sector, slide fastener exports had a lot of potential with the increased investment in textile products in 2004, largely due to the incentives provided under the US African Growth and Opportunity Act (AGOA) preference scheme. While AGOA's "third country fabric" provision has proven to have a significant effect in boosting textile production on the continent, the Swazi economy has seen declining investment in the sector as a result of the end of the WTO Agreement on Textiles and Clothing in 2005.

YKK is an international brand that supplies high-quality zippers (slide fasteners) and other clothing accessories such as velcro and snap buttons. YKK has a plant based in Swaziland, which has been relatively successful in the past 5 years; however as of June 2007 sales forecasts looked grim. While its primary market is the SACU market, YKK exports a significant amount of its products to ***Kenya, Madagascar,*** **Mauritius and** ***Zimbabwe.*** Within the COMESA region, YKK previously supplied 70% of the African market with slide fasteners and other textile accessories. Recently, the company's market share has declined to about 60-65%, largely due to the influx of lower–cost Chinese textile products in the region[30]. Overall demand for YKK products has been consistent in the last 2-3 years, however this past year (2007) YKK predicted a

[29] Grievances in regards to shipment of products "in transit" through South Africa has created excessive barriers to trade for Palfridge. The affects of these types of non-tariff barriers will continue to stifle intra-regional trade, and thus deter or even prevent Swazi businesses from expanding into the COMESA market.
[30] YKK export manager observed that Chinese products often lacked the same quality and customer satisfaction guarantees offered by YKK/Southern Africa, and they are substantially cheaper which has resulted in a decline in market access for local producers.

decrease in overall revenue. Similar to Palfridge, YKK faces competition from China in the regional market, which has also resulted in an influx of lower-cost textile inputs from China.

Table 6. Slide fasteners Exports to COMESA countries 2003-2004 *(Emalangeni)*

Country	2003 Export Value fob *(Emalangeni)*	Share of exports to COMESA	2004 Export Value fob	Share of exports to COMESA
Kenya	3,915,787	26.94%	11,429,532	49.06%
Madagascar	3,450,093	23.73%	6,217,480	26.69%
Malawi	758,066	5.21%	1,078,765	4.63%
Mauritius	5,344,212	36.76%	4,248,353	18.24%
Zambia	0	0.00%	8,204	0.04%
Zimbabwe	1,069,489	7.36%	313,794	1.35%
Total to COMESA	**14,537,647**		**23,296,128**	
COMESA share of World fastener exports	**29.75%**		**31.29%**	

- Economic Outlook and Investment Potential

Overall, the demand for African textile products is shrinking according to YKK's Export Manager and other textile exporters interviewed. Currently, YKK is operating at 1/3 capacity and does not foresee any more growth in production or improved efficiency due to lack of human resource capacity in Swaziland. While a significant increase in capital investment, a decrease in production costs, and human capacity development would greatly increase the revenue outlook for YKK, representatives noted that the demand for African textile products is stagnating and will even decrease. Consequently, the long run prospects for the company remain bearish.

Based on firm interviews and an analysis of trade flows to COMESA within each sector, it appears that both raw sugar (particularly VHP sugar) exporters have benefited the most and stand to gain from preferential access to COMESA. While a significant share of total freezer exporters are sent to the COMESA region (48%), the primary destinations within COMESA-Malawi, Zambia, and Zimbabwe-are all countries that have dual membership with SADC.

The following section will further examine the extent to which Swaziland benefits from its trade relationship with COMESA based on an analysis of its tariff structure.

3. Preference Margin and Rules of Origin Analysis: comparison between COMESA and SADC

Since several COMESA countries have overlapping membership with other regional trade regimes (e.g. SADC, EAC), it is challenging to precisely predict the economic effects of further regional integration and trade liberalization on Swaziland. One way to predict the welfare effects of increased regional integration on Swaziland is to examine the tariff structures within COMESA and SADC. Tariff reductions and harmonization are two main indicators of regional integration. For the purposes of this study, the primary method used to measure the change in tariff structures as a result of regional integration is to conduct a preference margin analysis.

By definition, a "preference margin" is a static measure of the economic gains to a beneficiary country as result of participation within a preference scheme. A preference margin is most simply defined as the difference between the Most Favored Nation (MFN) tariff rate and the preferential rate granted to a receiving country for a specific export product. For countries that are both members of SADC and COMESA, the preference margins can be compared to see which preference regime offers more favorable market access for Swazi exports. Comparing countries with dual membership allows us to further isolate the tariff schemes of both regional economic communities, while keeping trade volumes constant.

Under COMESA, the degree of tariff preferences offered to Swaziland on a non-reciprocal basis is at the discretion of each member state. As a result, the preferential tariffs offered to Swazi exports differ in each country. According to COMESA secretariat, Swaziland enjoys the following preferences:

- 40% reduction of MFN tariff rates for exports to Eritrea, Zambia, Zimbabwe, Rwanda, Uganda, Burundi, Sudan and Malawi;
- 10% reduction of MFN tariff rates for exports to Kenya, Mauritius and Madagascar;
- Duty-free into Egypt, Comoros and Djibouti;
- DRC and Seychelles have offered no reduction to date

A chart featuring MFN and preferential tariffs that Swaziland exports faces in COMESA export destinations is presented in Annex V. Preference margins were then calculated based on the MFN and preferential rates reported for each country by the COMESA and/or SADC Secretariat (where applicable). For example, in the case of Egypt, the MFN tariff rate for sugar, both refined and unrefined, is 2% ad valorem. The preferential rate offered to COMESA members is duty free, thus the preference margin would be equal to (2%-0%), or 2% for sugar. These values are represented in the Figure 7. Based on the preference margin, one can discern the level of protection for a particular product within the various COMESA markets. Essentially, the larger the preference margin value, the more favorable access for the beneficiary's exports.

Tables presented in Figures 7-10, summarize the preference margins for key Swazi products exported to COMESA markets. Where possible, preference margins were calculated for countries that also have SADC membership in order to compare the benefits that Swaziland could potentially face under both trade regimes[31].

Looking exclusively at the sugar industry, the preference margins (Figure 7) for raw, unrefined sugar (HS 170111) traded under COMESA preference scheme are generally higher than those offered under the SADC preference scheme for countries with dual membership, except for Madagascar and Mauritius, where the SADC preferences are more favorable. However, for VHP sugar (170119), the COMESA preferences are significantly more favorable given that Madagascar and Malawi who do not offer any preferences on VHP sugar traded under the SADC

[31] It is necessary to note that since not all SADC countries are considered in this analysis, the conclusions drawn are only meant to compare the trade benefits offered by countries that have the option of applying either COMESA or SADC tariffs[31] on Swazi products.

Trade Protocol[32]. As discussed in the previous section, the Swaziland Sugar Association predicts that VHP sugar sales will almost double by 2011, which would indicate Swaziland would increasingly benefit from favorable access for VHP sugar within COMESA and the liberalization of sugar under the SADC Trade Protocol.

Table 7. Preference Margins enjoyed by Swazi Sugar (% ad valorem)

RAW CANE SUGAR					
(VHP SUGAR)					
	MFN	COMESA Pref rate	COMESA Margin	SADC Pref rate	SADC Margin
Burundi	15	6	9		
Congo DR	20	20	0	NI[33]	0
Djibouti	20	0	20		
Egypt	2	0	2		
Eritrea	2	0.4	1.6		
Ethiopia	5	4.5	0.5		
Kenya	35	3.5	31.5		
Kenya (VHP)	100	10	90		
Libya	0	0	0		
Madagascar	5	0.5	4.5	0	5
Madagascar (VHP)	20	2	18	20 E	0
Malawi	30	5	25	30 E	0
Mauritius	30	3	27	0	30
Rwanda	30	12	18		
Seychelles	0	0	0		
Sudan	3	1.2	1.8		
Sudan (VHP)	25	10	15		
Uganda	35	14	21		
Uganda (VHP)	100	40	60		
Zambia	25	10	15	0	25
Zimbabwe	25	10	15	0	25

Source: Preference Margins were calculated from MFN and preferential rates received from the COMESA Secretariat, SADC Secretariat, and data reported by countries to WITS. "E" indicates that the product is excluded from tariff reduction under the SADC preference scheme.

Further examination of the preferential tariffs offered to Swazi sugar producers, reveals that Kenya, the largest recipient of sugar within the region, offers the most favorable market access for Swazi sugar as compared to other COMESA member states. This is largely due to the fact that Kenya's MFN tariffs for sugar are set very high (100% for VHP and 35% for raw sugar) resulting in a significantly high margin of preference for the both sugar products: 31.5% for raw sugar and 90% for VHP sugar.

[32] The SADC Protocol on Trade serves as the preferential trade scheme for SADC members. The Protocol on Trade features a MFN reduction scheme based on offers made by the respective SADC countries. Madagascar and Malawi have excluded VHP sugar (HS 170119) from their respective SADC tariff phase down offers, and thus would not be subject to trade liberalization under the SADC Protocol on Trade.

[33] The DRC is currently not implementing the SADC Trade Protocol which is represented by "NI" in preference margin tables

Currently, Swazi sugar enters Kenya duty free under an established tariff quota set by Kenya[34]. Traditionally, Swaziland exports less than 1/6 of its sugar (approximately 100,000 tones) to the COMESA market, of which approximately 20,000 tonnes is sold to Kenya on average[35]. This volume falls well within Kenya's combined quota of 200,000 tonnes from COMESA countries, thus Swaziland has been able to sell sugar into the Kenyan market duty free. It is also evident from the chart above that VHP or brown sugar has significantly more favorable access in the Kenyan, Sudanese, and Ugandan markets than raw, unrefined sugar.

As compared to the COMESA preference scheme, a summary of the preferences that Swazi sugar receives under the SADC Trade Protocol in countries with dual membership is as follows:

- **Mauritius** offers duty free access for sugar resulting in a preference margin of 30%;
- **Zambia[36] and Zimbabwe** also offer duty free access, resulting in a margin of preference of 25% respectively;
- **Madagascar** offers duty free access for unrefined sugar (HS 170111), yet offers no reduction (or MFN equal to 20%) for VHP sugar, which has been excluded from Madagascar's tariff reduction offers under the Trade Protocol. Thus, Madagascar offers a preference margin of 5% for unrefined sugar and preference margin of 0 for VHP sugar;
- **Malawi** has excluded sugar from liberalization under the SADC trade protocol hence Swaziland receives"0" margin of preference for sugar sent to Malawi

Within the COMESA preference scheme, Mauritius, Zambia, and Zimbabwe offer slightly lower preference margins of 27%, 15%, and 15% respectively, which highlights the fact that Swaziland would have better access (duty free access) for sugar sent to those markets under the SADC trading scheme. On the other hand, the exclusion of sugar from the SADC trade regime by both Madagascar and Malawi results in better access for sugar under the COMESA preferential regime, which offers margins of preference of 18% and 25% respectively.

Based on the preference margin analysis for the sugar sector, it becomes evident that Swaziland would be greatly affected by the loss of preferential market access for VHP sugar sent to Kenya and Uganda in COMESA. However, Swaziland would still enjoy favorable access in the SADC markets of Mauritius, Zambia and Zimbabwe, whose preference margins for raw, unrefined sugar are close to that of Kenya and larger than Uganda. While the preference margin for VHP sugar in Madagascar is significantly lower than that of both Kenya and Uganda-largely a result of a significantly lower applied MFN in Madagascar- Swaziland would still have more favorable access for VHP sugar than unrefined sugar under the SADC preferential regime in Madagascar.

[34] In an attempt to protect its sugar industry, COMESA has granted Kenya permission to apply a tariff rate quota to any amount above 200,000 tonnes coming from COMESA countries.

[35] Average of the quantities exported to Kenya from 2000-2005. WITS Database.

[36] Zambia's original offer had paced sugar in category 'c' as a sensitive product. The applicable rate under the protocol would have been 25% for the years 2007 and 2008. However as of January 2008, the applicable tariff under the trade protocol has been revised downward to zero. Thus the margin of preference for Sugar is now 25%.

Table 8. Preference Margins enjoyed by the Drink Concentrate exports (% ad valorem)

CONCENTRATES (non-alcoholic)					
	MFN	COMESA Pref rate	COMESA Margin	SADC Pref rate	SADC Margin
Burundi	10	4	6		
Congo DR	10	10	0	NI	0
Djibouti	33	0	33		
Egypt	12	0	12		
Eritrea	2	0.4	1.6		
Ethiopia	20	18	2		
Kenya	10	1	9		
Libya	0		0		
Madagascar	5	0.5	4.5	0	5
Malawi	5	2	3	2	3
Mauritius	0	0	0	0	0
Rwanda	15	6	9		
Seychelles	0		0		
Sudan	3	1.2	1.8		
Uganda	10	4	6		
Zambia	5	2	3	0	5
Zimbabwe	5	2	3	0	5
NI= Not implementing					

Source: Preference Margin calculated from MFN and preferential rates received from the COMESA Secretariat, SADC Secretariat, and data reported by countries to WITS.

In contrast to sugar, the preference margins for drink concentrate exports to countries with dual membership are relatively similar, with Madagascar, Zambia and Zimbabwe offering duty free access under the SADC Trade Protocol (as seen in Table 8).

For freezer exports, as seen in Table 9, the preference margins are slightly larger using the COMESA preference scheme in Malawi and significantly larger in Zimbabwe. Alternatively, the SADC scheme offers more favorable access in Madagascar and Zambia.

Table 9. Preference Margins enjoyed by the Freezer exporters (% ad valorem)

COMBINED REFRIGERATORS/FREEZERS					
	MFN	COMESA Pref rate	COMESA Margin	SADC Pref rate	SADC Margin
Burundi	10	4	6		
Congo DR	20	20	0	NI	0
Djibouti	30	0	33		
Egypt	40	0	40		
Eritrea	10	2	8		
Ethiopia	10	9	1		
Kenya	25	2.5	22.5		
Libya	0		0		
Madagascar	20	2	18	0	20
Malawi	5	1	4	2	3
Mauritius	0	0	0	0	0
Rwanda	30	12	18		
Seychelles	0	0	0		
Sudan	40	16	24		
Uganda	25	10	15		
Zambia	25	10	15	0	25
Zimbabwe	60	24	36	60	0
NI= Not implementing					

Source: Preference Margin calculated from MFN and preferential rates received from the COMESA Secretariat, SADC Secretariat, and data reported by countries to WITS.

Tariff liberalization in Zimbabwe would be very beneficial to Swaziland as seen in the preference margins for all the products in question. Unfortunately, as of 2007, Zimbabwe had not effected its tariff offers as part of its SADC Trade Protocol MFN phase down schedule. Furthermore, according to the newly gazetted offer for 2008[37], the duty for fridges and freezers had been revised upward to 30% as opposed to the original offer of 20% rate of duty for 2008 (a summary of the SADC Trade Protocol MFN tariff reduction schedule for dual member countries is outlined in Annex VI).

Swaziland will definitely benefit from further application of Zimbabwe's commitments under the SADC Trade protocol. If Zimbabwe were on schedule to apply its tariff reductions offers for 2008, Swazi freezer exporters would enjoy a 40% tariff preference margin in that market, which would be the largest margin of preference offered by countries with dual membership.

Preference margin calculations for slide fasteners (Table 10) reveal that SADC offers more favorable access for Swaziland than COMESA for all countries with dual membership.

[37] Government of Zimbabwe, statutory Instrument No. 212 of 2007, Customs and Excise (Southern African Development Community) (Suspension) (Amendment) Regulations, 2006 (No.6), 28 December 2007.

Table 10. Preference Margins enjoyed by Slide Fastener Exporters (% ad valorem)

SLIDE FASTENERS					
	MFN	COMESA Pref rate	COMESA Margin	SADC Pref rate	SADC Margin
Burundi	15	6	9		
Congo DR	10	10	0	NI	0
Djibouti	33	0	33		
Egypt	5	0	5		
Eritrea	2	0.4	1.6		
Ethiopia	30	27	3		
Kenya	10	1	9		
Libya	0		0		
Madagascar	10	1	9	0	10
Malawi	25	4	21	0	25
Mauritius	0	0	0	0	0
Rwanda	30	12	18		
Seychelles	0	0	0		
Sudan	25	10	15		
Uganda	10	4	6		
Zambia	25	10	0	0	25
Zimbabwe	25	10	15	0	25
NI= Not implementing					

Source: Preference Margin calculated from MFN and preferential rates received from the COMESA Secretariat, SADC Secretariat, and data reported by countries to WITS

Based on the preference margin analysis across all of Swaziland's major exports to COMESA, it appears that the COMESA preference regime offers the most favorable market access for VHP or brown sugar as compared to other major products sent to the region. Given the size of the preference margin for other products destined for the COMESA region, it appears that VHP sugar to Kenya is the most vulnerable to preference erosion.

The countries with dual membership within COMESA and SADC offer a higher preference margin (mostly duty free rates) to Swazi products under the SADC Protocol on Trade than under the COMESA preferential trade regime except for sugar and drink concentrates in Malawi, VHP sugar in Madagascar and combined fridges/freezers in Zimbabwe. Consequently, Swazi exporters sending products to COMESA would be encouraged to trade with Madagascar, Malawi, Mauritius, Zambia and Zimbabwe under the SADC Trade Protocol.

Private sector representatives interviewed during this study strongly expressed a preference for processing exports under the COMESA as opposed to the SADC scheme. Other than familiarity with COMESA, there were no other compelling reasons for that strong preference. If Swaziland was to maintain and perhaps even increase trade under the SADC protocol with countries that have dual membership, it will be important that private sector is sensitized and have full understanding of the benefits to trading under both agreements.

3.1 Tariff Simulation

For the purpose of this paper, tariff simulations were conducted using the Global Simulation Analysis of Industry-level Trade Policy (GSIM) Model in order to predict the effects that tariff adjustments would have on Swaziland's exports. The GSIM model is a partial-equilibrium model[38] that comes with the World Integrated Trade Solutions (WITS) database package. This model is particularly useful in analyzing the effects of tariff changes on a single industry or sector of the economy.

In the case of Swaziland, the GSIM model is used to quantify the benefits Swaziland enjoys from participating within the COMESA trading bloc. The simulation first assumes that Swaziland is not a member of COMESA and thus faces MFN[39] tariff rates for all its products sent to major COMESA trading partners. Assuming Swaziland then joins COMESA, a tariff reduction simulation is then conducted whereby each export product moves from facing MFN level duties to respective preferential rates applied by COMESA members in 2007. Therefore, the simulation is set up to approximate the value of the benefits Swazi exporters received in 2007 as a beneficiary of the COMESA preference scheme. The simulation results are detailed in Annex VII.

The GSIM tariff simulation show two significant results. Firstly, it confirms that the sugar industry benefits the most from preferential access to the COMESA market. While the trade values are higher for drink concentrate producers, Swaziland's sugar exports to Kenya more than double as a result of the tariff reduction. This change can also be explained by the relatively higher MFN tariff rates faced by non-preference receiving sugar exporters from the rest of the world as compared to exporters that benefit from preferences offered under COMESA. Therefore, the obvious conclusion is that Swazi sugar has much more to lose from further liberalization and integration within the COMESA region, as it would lead to significant preference erosion for Swazi sugar particularly within the Kenyan market.

Secondly, trade is diverted from the "rest of the world" as a result of Swaziland's decision to join COMESA, which is most evident for refrigerators/freezer exports. As shown in the chart in Annex VII, refrigerator/freezer exports decrease trade to the world by almost 60% as a result of the new trade pattern Swaziland experiences after facing new COMESA preferential rates as opposed to the old MFN rates. However, it is important to note that the countries that receive more refrigerator/freezers from Swaziland, Malawi and Zambia, are also members of SADC.

Since GSIM is a partial equilibrium model, the results from each industry cannot be aggregated, however the simulation results show that most significant gain Swaziland experiences from

[38] As with any partial equilibrium model, the results do not take into account the economic interactions between various markets in a country, and thus offers a somewhat limited view on the economic implications of numerous trade policies. However, the primary benefit to using the GSIM model is that is allows one to isolate the effects of trade policies on a given market.

[39] In cases where MFN rates are different for products within the same industry (e.g. unrefined vs. VHP sugar), the MFN rates are automatically averaged by the module.

entering into a preferential trade arrangement with COMESA is E 21M for drink concentrate exporters and 9M for sugar exporters. These values are both less than 2% of Swaziland's gross export revenues from COMESA. Therefore, according to these results, if Swaziland were to lose its derogation from COMESA, it would have almost a negligible affect on its export industries based on current trade practices.

3.2 Rules of Origin

As a member of both COMESA and SADC, Swazi exporters are subject to Rules of Origin (RoO) requirements outlined within both Regional Economic Communities.

During the exporter interviews conducted for this study, it became clear that exporters were unaware of the specific benefits to trading under COMESA versus SADC, as well as the RoO requirements specified by each trade regime. However, most exporters confirmed that most of their clients from countries that have dual-membership preferred to receive products using the COMESA certificate of origin rather than that of SADC.

While it may be more beneficial for certain Swazi exporters to trade under COMESA versus SADC (or vice versa) based on the preference margin analysis, exporters may be restricted by RoO measures which can affect their ability to export goods for which they receive the largest margin of preference. According to the COMESA Protocol on Rules of Origin, goods shall be accepted as originating in a member State if they meet the following basic criteria:

1. Goods shall be accepted as originating in a member State if they are consigned directly from a member State to a consignee in another member State and:
    a. They have been wholly produced as provided for in Rule 3 of this Protocol; **OR**
    b. They have been produced in the member States wholly or partially from materials imported from outside the member States or of undetermined origin by a process of production which effects a substantial transformation of those materials such that:
        i. The c.i.f. value of those materials does not exceed 60 per cent of the total cost of the materials used in the production of the goods; **OR**
        ii. The value added resulting from the process of production accounts for at least 35 per cent of the ex-factory cost of the goods; **OR**
        iii. The goods are classified or become classifiable under a tariff heading other than the tariff heading under which they were imported; **OR**
            1. Produced in the member State and designated in a list by the Council upon the recommendation of the Committee through the IC to be goods of particular importance to the economic development of the member States, and containing not less than 25 per cent of value added notwithstanding the provisions of sub-paragraph (b) (ii) of paragraph 1 of this Rule.[40]

Unlike COMESA, the Rules or Origin under the SADC trading scheme are product specific. In addition, SADC is in still in the process of negotiating Rules of Origin for some of the tariff headings. However, as of July 2007, members reached an agreement on the origin criteria for the specific products examined in this paper: drink concentrates (HS 330210); sugar (HS

[40] List adopted from "Protocol on the Rules or Origin for products to be traded between member states of the Common Market for Eastern and Southern Africa". http://www.comesa.int/trade/Folder.2005-09-06.3314/goods/origin/

170111); combined refrigerator/freezers (HS 841810); and slide fasteners (HS 960711). Below is a chart summarizing the rules that govern trade for export products examined in this paper under SADC[41]. Sugar is excluded from the chart, since it is wholly sourced in Swaziland.

Table 11. SADC Rules of Origin for drink concentrates, freezers, and slide fasteners

HS HEADING No.	**DESCRIPTION OF PRODUCTS**	**WORKING OR PROCESSING CARRIED OUT ON NON-ORIGINATING MATERIALS THAT CONFERS ORIGINATING STATUS**
(1)	**(2)**	**(3)**
Chapter 33 3302	Essential oils and resinoids; perfumery, cosmetic or toilet preparations Mixed odiferous substances for food and beverages industries	Manufacture from materials of any heading, except that of the product **OR** Manufacture in which the value of the materials used does not exceed 60 % of the ex-works price of the product **OR** Chemical processing rules as per Appendix I of Annex I, Introductory Notes, Rule No 7[42]
Chapter 84 8418	Refrigerators, freezers and other refrigerating or freezing equipment, electric or other; heat pumps (excluding air conditioning machines of heading No. 8415)	Manufacture in which the value of all the materials used does not exceed **50%** of the ex-works price of the product
ex Chapter 96	Miscellaneous manufactured articles; except for:	Manufacture from materials of any heading except that of the product
ex 9601	Articles of worked materials	Manufacture from worked materials of heading No. 9601
ex 9602	Articles of worked vegetable or mineral carving materials	Manufacture from worked materials of heading No. 9602
9608	Ball point pens; felt tipped and other porous-tipped pens and markers; fountain pens, stylograph pens and other pens; duplicating stylos; propelling or sliding pencils; pen holders, pencil holders and similar holders; parts (including caps and clips) of the foregoing articles (excluding) those of heading No. 9609	Manufacture from materials of any sub-heading except that of the product
9609.10	Pencils and crayons, with leads encased in a rigid sheath	Manufacture from materials of any sub-heading except that of the product

Based on company interviews, the following in a chart summarizes exporter responses to RoO compliance within both COMESA and SADC:

[41] "SADC Protocol on Trade: List to Appendix I of Annex I". SADC Secretariat, July 2007
[42] Ibid. Note 7, p. 4

Table 12. Summary of Inputs used in the production of Swaziland's Main exports to COMESA

Company	Inputs	Input % and %Value added in Swaziland (approx)	Certificate of Origin of Choice
CONCO (drink concentrates)	Will not disclose	Will not disclose	COMESA
Swaziland Sugar Association	Swazi sugar	100%	N/A
Palfridge (refrigerator/freezers)	Compressors and Thermostats (Egypt) Steel tubing (Italy, Turkey where they face a 15% import duty)	Material content cost about US$710 vs. US$ 483 for Chinese products 17.5% of total cost accounts for labor and overhead costs in Swaziland	COMESA
YKK(slide fasteners)	Raw materials imported from sister company in China, Japan, and the US	50% value added in Swaziland	COMESA

Based on the production processes described during the exporter interviews, as well as the sources and percentage of non originating product inputs, both Palfridge and YKK meet the RoO requirements under COMESA due to compliance with the 'Change of Tariff Heading' or "CTH"rule. As presented in the chart above, both the company representatives and the Ministry of Foreign Affairs and Trade have confirmed that YKK (slide fastener producers) and Palfridge (refrigerator/freezer producers) products sent to COMESA comply with the COMESA Rules of Origin. While CONCO will not disclose its concentrate inputs and ex-factory price, it is assumed that the drink concentrates exported meet the rules of origin under the CTH requirement as well.

Within the SADC preferential regime, CONCO and YKK both comply with the RoO requirement, for both companies export products that are 'manufactured from materials of any heading except for the product', and thus qualifies as CTH as well. However, Palfridge compliance under SADC RoO remains to be confirmed.

4. Findings and Recommendations

For the last eight years, Swaziland has been a non-reciprocal participant within the COMESA trading bloc. To date, Swaziland has sought derogation from the COMESA countries to continue to participate as a non-reciprocal member under the auspices that the COMESA market is a pivotal market to Swaziland's main export industries, and thus to the economy as a whole. The quantitative and qualitative analysis conducted in this study show that South Africa is the most important market for Swaziland, absorbing 70% of its exports and supplying close to 90% of its imports.

The COMESA market is not a very significant market to Swaziland. However in light of the EU Sugar Reform, Swaziland will experience significant preference erosion within the EU market, thus making regional markets, such as COMESA, increasingly more attractive. COMESA makes up anywhere from 5-7% of Swaziland's exports (by value), whereby 65% of Swaziland's exports are sent to members of the EAC Customs Union, Kenya and Uganda.

Swaziland's top exports to the COMESA region are: 1) mixed odiferous substances in the form of sugar-based concentrates; 2) raw cane sugar (both white and brown); 3) combined refrigerator/freezers; and 4) slide fasteners. To further quantify the significance of the COMESA market to Swazi export industries, a Preference Margin Analysis was conducted comparing the MFN and preferential rates for products sent to COMESA, particularly those countries that are members of both COMESA and SADC. It was observed that the COMESA tariff structure provides more favorable access to sugar products, particularly brown (VHP) sugar coming from Swaziland. However Malawi, Madagascar, Zambia Mauritius, and Zimbabwe offer higher preference margins and therefore better (duty free) market access to Swazi products under the SADC Protocol on Trade than the COMESA FTA with the exception of sugar and drink concentrates exported to Malawi, VHP sugar exports to Madagascar and freezers/fridges exporter to Zimbabwe.

Finally, the findings from the tariff simulation confirm that the benefits that Swaziland enjoys from its participation within COMESA are minimal, and thus a potential loss of the COMESA derogation would not have a large impact on the Swazi economy. At the micro level, the Swazi sugar industry benefits the most from COMESA preferences. However, it is possible for Swaziland to maintain those benefits by considering other regional trade policy options. Therefore, given these results the following is being recommended:

1. In order to maintain access to key markets within COMESA, notably Kenya and Uganda, Swaziland should give serious consideration to concluding a trade agreement with the East African Community (EAC). In order to comply with Article 31 of the SACU Agreement, this type of trade agreement would have to be concluded between SACU and the EAC. Such an agreement will enable much more sustained and predicable market access for Swazi sugar exports particularly VHP sugar currently exported to COMESA countries.

2. For those products that are exported to countries that have dual-membership within COMESA and SADC, Swaziland is encouraged to trade under the SADC Protocol on

Trade for those products that have a larger margin of preference under the SADC rather than COMESA preference scheme.

While, overall market access conditions are relatively favorable in both regimes, the preference margin analysis reveals that Swaziland has more favorable market access for almost all of Swaziland's major exports to COMESA (sugar, drink concentrates, combined refrigerator/freezers, and slide fasteners) under the SADC Trade Protocol for exports sent to countries with dual membership. These countries include: Madagascar, Mauritius, Malawi, Zambia and Zimbabwe.

Swaziland is advised to continue trading under the COMESA preference scheme for sugar exported to Malawi, VHP sugar exported to Madagascar and freezers/fridges exported to Zimbabwe.

3. If Swaziland's derogation from COMESA is not renewed, the government should be prepared to seek improved market access under the SADC Trade Protocol for those products that currently benefit from a greater margin of preference if exported through the COMESA preference scheme. In addition to the products where SADC provides a higher preference margin than COMESA, Swaziland is encouraged to seek further liberalization of tariffs for Swazi fridges and freezers exports to Zimbabwe, and sugar to Madagascar and Malawi as indicated in recommendation #2 above.

4. Implementation of recommendations #2 and #3 above will also require sensitization of private sector, policy makers and customs authority to ensure that there is increased awareness of the benefits to Swaziland to trading under the SADC Trade protocol with countries such as Malawi, Mauritius, Madagascar, Zambia and Zimbabwe who are implementing both SADC and COMESA preferential agreements.

Annex I: Authors' Note: Data Fragility

Obtaining consistent and comprehensive data is a challenge in Swaziland. There are several agencies responsible for trade data collection. The Department of Customs, Swaziland Central Statistical Office, Ministry of Foreign Affairs and Trade, and the Central Bank all collect various forms of trade data. The discrepancies in the data sources can result in misleading information being used to inform policy. The Central Statistical Office laments that Swaziland currently suffers from a 24-month time lag in producing reliable trade data. While CSO and Customs have streamlined their processes by seconding CSO employees to the Customs office, there are still pieces of information collected by MOFAT, which could also be used in confirming trade statistics. As a result, the most recent, comprehensive trade data obtained for this analysis is from 2004.

Statistics from the Department of Customs were provided from 2001-2005 in "c.i.f" valuation, which takes into account cost, insurance and freight costs. This data was also aggregated by country or by product, which did not provide the required levels of details regarding product and country specific trade values for Swazi exports to COMESA member states. In addition, export values are recorded and analyze based on "fob" or "free on board" values, thus data with "fob" valuation was used for the export values used in the calculations for the study.

It is recommended that more comprehensive system be developed for sharing and accessing trade data across government agencies. It is expected that the introduction of the Automated System for Customs Data (ASYCUDA) within the next 9-12 months, as well as other Customs modernization initiatives facilitated by The Southern Africa Global Competitiveness Hub will assist in solving some of the challenges that Swaziland is currently facing.

When statistics could not be retrieved directly from the appropriate authorities, the World Integrated Trade Solutions Database (WITS) was used as a primary source. WITS is a consolidated database that is comprised of trade data collected by the WTO (TRAINS), the UN (COMTRADE), both of which feature statistics submitted by the Swazi government.

Tariff data obtained for this study had to be obtained from multiple sources. Information was received from both the COMESA and SADC Secretariats and individual country data obtained from national websites. ***Where possible only the data that was consistent between two or more sources was used.***

Qualitative data for this study was collected through a series of interviews with representatives from Swaziland's main exporting agencies. Representatives from 8 private companies that export within the COMESA were interviewed. Companies include: Cadbury Swaziland; CONCO; Spintex, Swaziland Beverages; Swaziland Sugar Association; Palfridge; YKK.

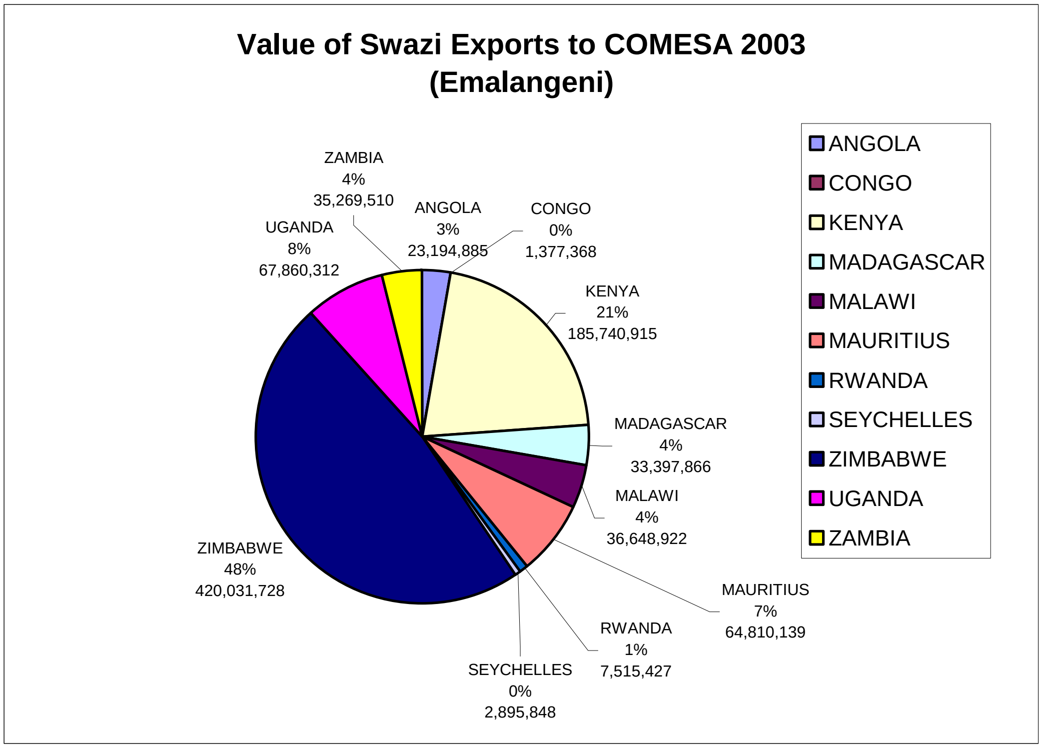
General Findings from Exporter Interviews include:

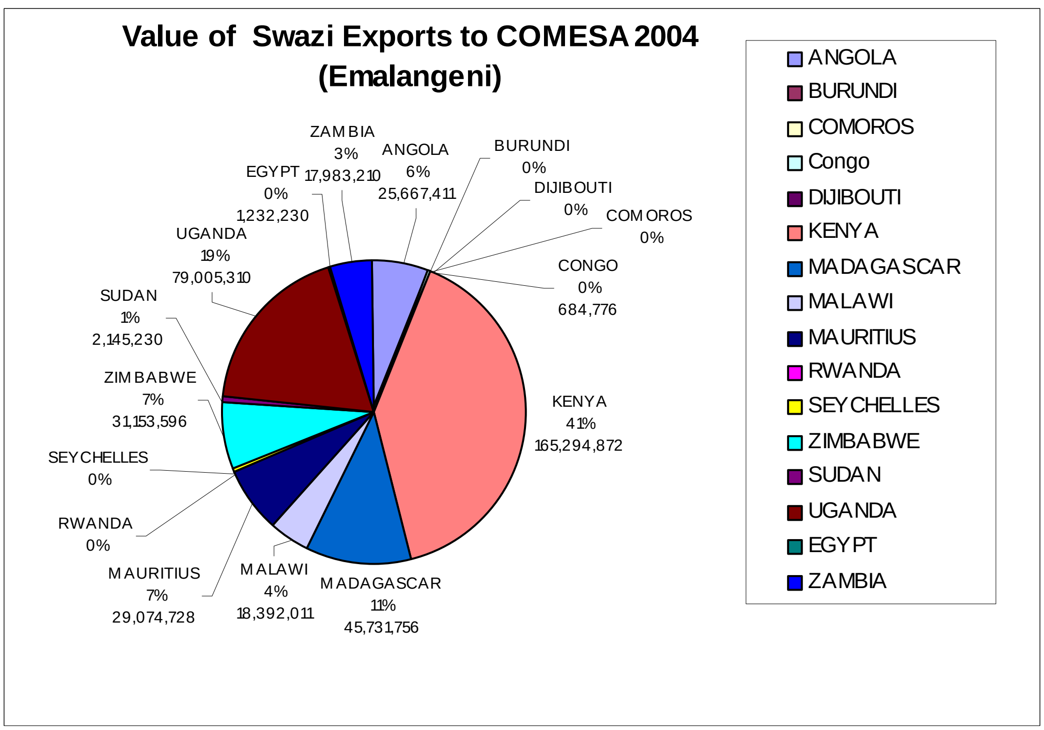
- Exporters identified COMESA as a potential market for growth and expansion;
- Customers from countries that are members of both SADC and COMESA tend to request COMESA certificates more than SADC;

- Exporters often incur a large exchange rate risk in complying with the new Central Bank rule which requires exporters to report all earnings in USD;
- Exporters lack basic knowledge on regional trade arrangements, the countries involved, and the current implications of the agreements for the private sector (particularly the difference between preference schemes under COMESA vs. SADC);
- Exporters lack knowledge on the SACU rebate scheme;
- Non-tariff barriers are still a major issue for exports particularly when dealing with the South African Revenue Services (SARS). Difficulties include: 1) delay in reimbursement of provisional VAT; 2) boarder policies are often inconsistent and change as staff shift changes; 3) In some instances, Matsapaha is not recognized as a dry shipping port;

Annex IIa: Swaziland Export Destinations within COMESA 2003-2004

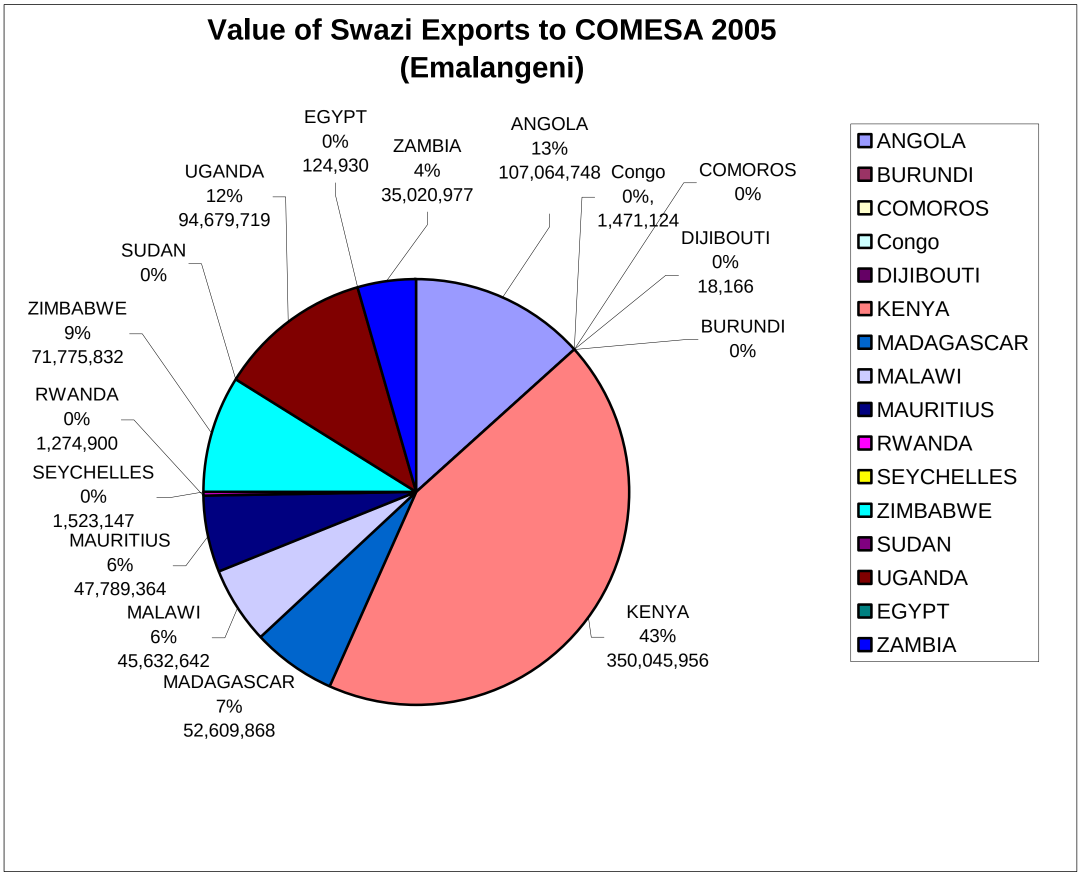
Sources: Kingdom of Swaziland, Department of Customs and Excise Statistical Database; World Integrated Trade Solutions Database
Note: Values within the following graphs are rounded to the 1%



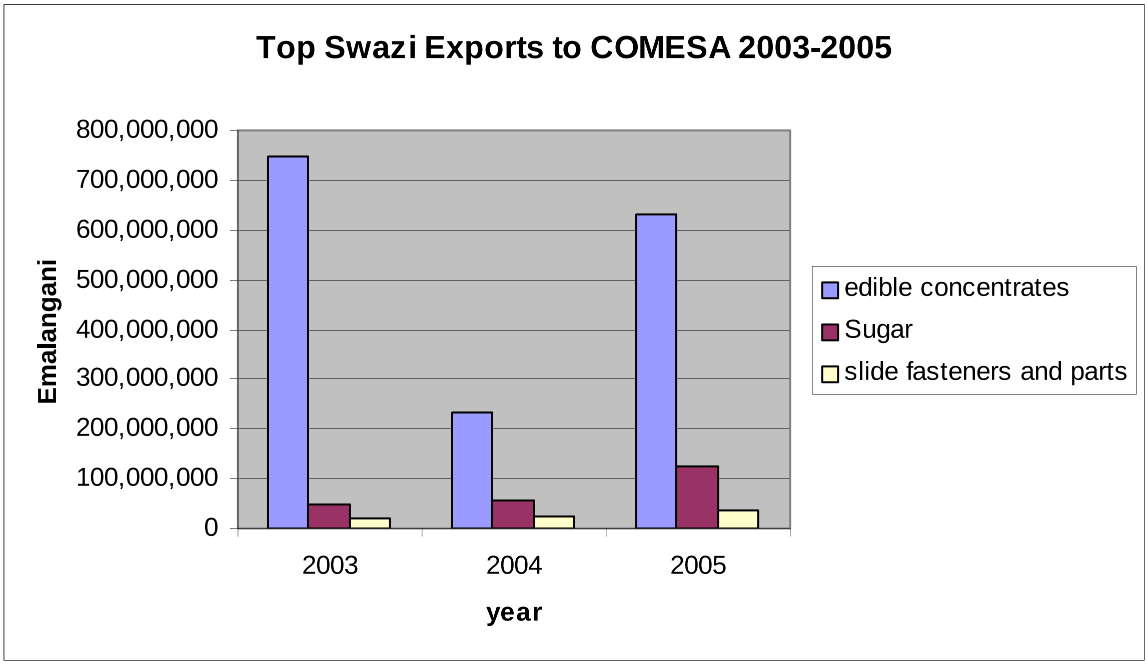


Annex IIb: Swaziland Export Destinations within COMESA 2005

Sources: Kingdom of Swaziland, Department of Customs and Excise Statistical Database; World Integrated Trade Solutions Database
Note: Values within the graph below have been rounded to the nearest 1%



Annex III: Top Product Exports to COMESA



Source: Swaziland, Ministry of Foreign Affairs and Trade

Annex IV: Summary of Exporter Interviews

Company	Description	Products	COMESA export Destination	Competitors	Source of Inputs	COMESA RoO Compliance	For dual members which trade regime is preferred?
Swaziland Beverages	Subsidiary of SAB/Miller. 309 permanent employees and 68 contractors	Beer, Carbonated Soft Drinks, Liquor	Angola, DRC, Mauritius, Zambia	SAB South Africa	Malt (Canada) Cans/Bottles (South Africa) Water (South Africa)	No	COMESA
Palfridge	Fridge and Freezer supplier to niche markets in the region	Chest Freezers, Domestic and Commercial refrigerators, medical refrigerators	DRC, Zambia.	Fridges produced in China and Dubai	Compressors and Thermostats (Europe) Steel tubing (Italy, Turkey where they face a 15% import duty)	Yes, for both SADC and COMESA	COMESA
Spintex	Textile company	Yarn	None	China	Giza (cotton) from Egypt 100 tons/ year Dolly from South Africa 300 tons per year Polyester filament from South Africa*	N/A	N/A
YKK	International brand that produces high quality clothing accessories. 15% of staff in factory are Swazi	Zippers, garment accessories such as Velcro and “snap” buttons	Kenya, Madagascar, Mauritius	China	Raw materials imported from sister company in China, Japan, and the US	Yes	COMESA
Swaziland Sugar Association	Umbrella organization or all millers and growers of sugarcane	Raw sugar, and VHP (brown) sugar, refined (white) sugar	Kenya, Uganda	Egypt	Swazi sugar	Yes	N/A (majority of exports to SACU)
Cadbury Swaziland	A subsidiary of Cadbury South Africa	Gum, éclairs, and “choclairs”	Small amounts to Kenya, Angola,	South African brands	Sugar (Swaziland), gum based (Spain), Milk (Europe), Rest of ingredients from South Africa	Yes	SADC (majority of exports go to South Africa)
Ngwenya Glass	Specialty glass handcraft producer	Specialty glass items	Kenya, Zambia, Malawi	Glass from China and Indonesia	Glass bottles from coke bottling plant	Yes	COMESA
CONCO	A subsidiary of the Coca Cola Company based in Swaziland; 162 permanent employees	Coca Cola drink products, beverage concentrates	Kenya, Uganda, Ethiopia, Eritrea, Mauritius, Madagascar, Zimbabwe	None	Will not disclose	Yes	COMESA

Annex V: MFN and preferential rates for selected COMESA/SADC Countries

COMESA Preferential rate

SADC Preferential rates based on SADC tariff offers and status of SADC Protocol implementation

*DRC not implementing thus Swaziland faces MFN

** Malawi currently implementing SADC trade protocol at 2004 level (2004 offers used in this analysis)

#'s (% ad valorem)

HS-8	Description	DRC		*	EG		ET		KE		MD			MW		**	MU			RW		UG		ZM			ZW		
17011100	Raw cane sugar (excl. added flavouring or colouring)	20	20	20	2	0	5	4.5						30	5	30	30	3	0					25	10	25	25	10	25
17011110	jaggery or unrefined sugar								35	3.5	5	0.5	0							30	12	35	14						
17011190	VHP or brown sugar								100	10	20	2	20							30	12	100	40						
17019900	Refined Sugar					0							20				30	3	0										
33021000	Mixtures of odoriferous substances, incl. alcoholic solutions,								10	1	5	0.5	0	5	2	2				15	6	10	4	5	2	0	5	2	5
33021010	Mixtures of odoriferous substances, incl. alcoholic solutions	10	10	10	3000	0	10	9									0	0	0										
33021090	Mixtures of odoriferous substances, excl. alcoholic solutions,				12		20										0												
84181000	Combined refrigerators-freezers, with separate external doors	20	20	20					25	2.5	20	2	0							30	12	25	10	25	10	0	60	24	60
84181010	Commercial Combined refrigerators-freezers, with separate external doors				40	0	10	9						5	1	2	0	0	0										
84181090	Other --Combined refrigerators-freezers, with separate external doors				32		20	18																					
96071100	Slide fasteners fitted with chain scoops of base metal	10	10	10	5	0	30	27	10	1	10	1	0	25	4	0	0	0	0	30	12	10	4	25	10	0	25		

Note: Only countries that receive more than E 1million in Swazi products are shown

Abbreviations: DRC= Democratic Republic of the Congo; EG= Egypt; ET= Ethiopia; KE= Kenya; MD=Madagascar; MW=Malawi; MU=Mauritius; RW= Rwanda; UG= Uganda; ZM=Zambia; ZW= Zimbabwe

Annex VI: Summary of SADC Tariff Offers as of 2007

1.1 NOTE: Angola and DRC are not implementing the SADC Trade Protocol; Malawi is currently implementing at the 2004 level and Zimbabwe plans to effect phase down offers in 2008

MADAGASCAR

HS Code	Description	Categ	Applied MFN	2004	2007	2008	2009	2010	2011	2012
17011110	Sucre de canne entrant dans la fabrication des medicaments et produits industriels	A	5	N/A	0	0	0	0	0	0
17011190	Autres sucres de canne	E	20	N/A	20	20	20	20	20	20
33021000	Melanges odoriferants pour industries alimentaires,ou des boissons	A	5	N/A	0	0	0	0	0	0
84181000	Refrigerateurs-congelateurs avec portes exterieures separees	A	20	N/A	0	0	0	0	0	0
96071100	Fermetures a glissiere,avec agrafes en metaux communs	A	10	N/A	0	0	0	0	0	0

MAURITIUS

HS Code	Description	Categ	Applied MFN	2004	2007	2008	2009	2010	2011	2012
17011100	Cane Sugar	B	30	N/A	0	0	0	0	0	0
33021090	Preparation of odiferous Substances of a kind used in the food or drink	A	0	N/A	0	0	0	0	0	0
84181000	Combined refrigerator-freezers, fitted with separate external doors	C	0	N/A	0	0	0	0	0	0
96071100	Slide fasteners fitted with chain scoops of base metal	A	0	N/A	0	0	0	0	0	0

MALAWI

HS Code	Description	Categ	Applied MFN	2004	2007	2008	2009	2010	2011	2012
1701.11.00	-- Cane sugar	E	30	30	30	30	30	30	30	30
3302.10.00	- Of a kind used in the food or drink industries	B	5	2	0	0	0	0	0	0
8418.10.10	---Industrial	B	5	2	0	0	0	0	0	0
9607.11.00	-- Fitted with chain scoops of base metal	A	25	0	0	0	0	0	0	0
96071100	-- Com grampos de metal comum	A		N/A	0	0	0	0	0	0

ZAMBIA

HS Code	Description	Categ	Applied MFN	2004	2007	2008	2009	2010	2011	2012
17011100	Raw sugar not containing added flavouring or colouring matter: Cane sugar	C	25	N/A	25	25	15	10	5	0
33021000	Of a kind used in the food or drink industries	A	5	N/A	0	0	0	0	0	0
84181000	Refrigerators, freezers: Combined Refrigerator Freezers, fitte	B	25	N/A	0	0	0	0	0	0
96071100	Slide Fasteners & Parts Thereof; Slide Faste- Ners Fitted W/	A	25	N/A	0	0	0	0	0	0

ZIMBABWE

HS Code	Description	Categ	Applied MFN	2004	2007	2008	2009	2010	2011	2012
17011100	Raw cane sugar, in solid form	B	25	N/A	0	0	0	0	0	0
33021010	Flavouring materials of odoriferous... for the food & drink ind	A	5	N/A	0	0	0	0	0	0
84181000	Combined refrigerators-freezers, with separate external doors	C	60	N/A	25	20	20	10	5	0
96071100	Slide fasteners fitted with chain scoops of base metal	B	25	N/A	0	0	0	0	0	0

Annex VII: GSIM Model Tariff Simulation Results

Importer	Description	HS Code	Trade Value USD ('000)*	Avg MFN	COMESA Pref Rate	Elasticity	Exporter Surplus USD ('000)	Net Welfare Effect	Emalangeni** ('000)	% change	New Trade Value
Kenya	Sugar	170111	1026.507	67.5	10	1.14	1,422.89	1,422.89	9,049.60	158.52	2,692.69
Madagascar			3995.606	12.5	2	1.14				36.67	5,541.14
Uganda			5544.607	67.5	40	1.14				57.37	8,853.83
ROW			86256.731	N/A	N/A					-7.27	81,158.69
Kenya	Concentrates	330210	29872.414	10	1	1.65	3,332.54	3,332.54	21,194.93	11.74	34,953.04
Madagascar			442.033	10	0.5	1.65				18.15	546.89
Malawi			4462.857	5	2	1.65				-7.21	4,336.50
Seychelles			409.783	0	0	1.65				-21.01	338.93
Zimbabwe			748.601	5	2	1.65				-7.90	721.93
Uganda			18736.901	10	4	1.65				2.60	20,129.72
Zambia			1059.5	5	2	1.65				-8.68	1,013.13
ROW			14970.901	N/A	N/A	1.65				-23.48	11,995.39
Malawi	Refrig/Freezers	841810	114.344	15	1	0.83	68.84	68.84	437.84	1.04	129.32
Zambia			458.529	25	10	0.83				0.26	514.60
ROW			4.027	N/A	N/A	0.83				-59.67	1.82
Kenya	Slide fasteners	960711	24.064	10	1	1.3	103.63	103.63	659.06	-5.18	24.94
Madagascar			210.183	10	1	1.3				-3.97	220.58
Malawi			546.455	25	4	1.3				26.24	753.90
Mauritius			310.241	0	0	1.3				-41.06	199.83
Zimbabwe			8.953	25	10	1.3				13.10	11.07
ROW			16.379	N/A	N/A	1.3				-46.41	9.59

*Based on 2004 Trade Values reported by Importing Country to WITS
**6.36 lilangeni/USD was the exchange rate for 2004 as reported by the Central Bank of Swaziland
ROW= Rest of the World

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