2

Review of Trade Relationships

Trade is the principal sphere of economic activity through which the recent growth of China and India has affected the global balance of economic strength (see OECD, 2010). Because of low unit labour costs, modern production technologies founded on long and intensive investment in research and development, developed logistical infrastructure and aggressive export marketing practices, both countries are serious competitive global exporters of various light manufactures and high-end products. This is most pronounced for China, which has been one of the three largest exporting economies since about 2007. This contrasts with 1993 when China's merchandise exports were barely a fifth of the US share of global exports (at 12.6 per cent, then the world's largest merchandise goods exporter). The expansion of China's merchandise exports has squeezed the relative importance of other industrialised economies including France, Japan and the United Kingdom (see Appendix Tables A9 and A10). India's gain in share has been modest relative to China's but is on the increase.

Over the period 2000–2008 and especially recently, China and India recorded more robust growth in trade than the United States, Japan and EU (27) countries as a group (Tables A9 and A10). In volume terms, although world exports only increased by 5 per cent per annum on average over 2000–2008, Chinese exports grew by 20.5 per cent and Indian exports by 12 per cent (WTO, 2009: Table I.2). In value terms Chinese export performance was even more impressive, with growth of 24 per cent per annum over 2000–2008, twice the rate of world export growth (Table A10). Africa's trade grew by an average rate of 18 per cent per annum over the same period, largely driven by China's demand for commodities from the continent. China and India exhibited remarkable resilience by sustaining trade growth even during the global economic downturn after 2007. In 2008 African exports grew by 28 per cent in value terms, reflecting robust demand from China in particular (Table A10).

The global growth of emerging economies has affected the geographical pattern of African trade: 'the share of non-African developing countries in Africa's extra-regional trade increased from 19.6 per cent in 1995 to 32.5 per cent in 2008, while their share of the region's total trade rose from 15.4 per cent to 28.7 per cent over the same period' (UNCTAD, 2010: 30). China is now Africa's major trading partner after the EU and the USA, 'and its largest developing country partner by far. China alone now accounts for about 11 per cent of Africa's external trade and is the region's largest source of imports' (UNCTAD, 2010: 30).

While the growth of China and India has been phenomenal, potential impacts on SSA should be seen in context. First, SSA countries are largely producers and exporters of primary commodities (the first, and weakest, point in the global value chain). Empirical trade literature shows that primary commodities tend to face a secular decline in their terms of trade owing to differential rises in prices of manufactures at higher stages of the chain. Prior to the 2000s, SSA countries tended to face falling relative prices of their exports. The recent increases in commodity prices driven by demand from China and India have been a clear benefit to SSA exporters of these commodities. As discussed below, however, this has not been a benefit to all SSA countries.

Second, SSA maintains strong traditional trade ties with the developed countries premised on historical (mainly with Europe) and preferential terms of access through trade preference schemes (especially for the EU and USA). Developed countries absorbed over 60 per cent of Africa's exports, estimated at US$558 billion in 2008 alone, while Asia as a whole absorbed 20 per cent.

Third, not all SSA countries, sectors and products have been affected in the same way. It is well documented that the SSA countries that have benefited most from China's growth are those endowed with and exporting raw materials and commodities in the extractive industries. Five countries accounted for 84 per cent of African exports to China in 2008 (UNCTAD, 2010: 34): Angola (48 per cent), Sudan (15 per cent), South Africa (9 per cent), Congo (7 per cent) and Equatorial Guinea (5 per cent). Interestingly, five countries also accounted for 84 per cent of exports to India: Nigeria (47 per cent), South Africa (14 per cent), Egypt (10 per cent), Angola (8 per cent) and Morocco (5 per cent). The greater importance of Nigeria and North African countries for India is also true for other emerging countries such as Brazil, Korea and Turkey (ibid.: 34). As discussed below, a larger set of SSA countries have benefited from aid, debt relief and infrastructure projects with a less direct trade connection (though some of this potentially also benefits the countries' productive capacity).

While some exporting countries benefit, all SSA domestic markets are experiencing an influx of relatively low-priced Chinese and Indian manufactures, and SSA exporters are also grappling with competition in regional and third-country export markets where they have traditionally sold their narrow range of industrial exports (especially clothing). Notwithstanding these caveats, the general global increase in commodity prices and capital inflows into SSA driven by growth in China and India represent an important impetus for SSA development. The challenge for SSA, so riddled with productive and logistical capacity constraints, is how best to manage both the opportunities and challenges to maximise the development impact.

The rise of Sino–African trade has received considerable attention (van Dijk, 2009). Exports to China from SSA were worth about US$20 billion in 2005, whereas Chinese imports were worth over US$7 billion. Mineral fuels (oil) accounted for some 70 per cent of exports and other minerals about 16 per cent. Manufactures only accounted for 10 per cent, with South Africa the only country with significant exports in this category. Typically one primary commodity dominates the trade; for example, since 2005 Nigeria has become an important exporter of oil to China, which also accounts for almost two-thirds of Sudan's oil production.

The economic relationship between China and Africa has been strengthened through the Forum on China–Africa Cooperation (FOCAC) that has met four times since 2000.

At the 2009 FOCAC Conference in Cairo, China made a number of commitments to further co-operation regarding trade, investment and aid or debt relief (UNCTAD, 2010: 15). It offered to provide US$10 billion in concessional loans and to support co-operation in science and technology, agriculture, health, education and energy projects to mitigate the effects of climate change. China also proposed to phase in tariff-free access for most products from African LDCs that had diplomatic relations.

Trade between India and Africa 'increased from US$7.3 billion in 2000 to US$31 billion in 2008' (UNCTAD, 2010: 17) and this encouraged a strengthening of relationships. India convened the First India–Africa Forum Summit in New Delhi from 8–9 April 2008 and made a number of commitments (Katti *et al.*, 2009: 4). Aid to Africa was to be increased, with almost US$2 billion in lines of credit (mostly for agriculture and food production, infrastructure and energy sectors) and US$500 million in grants for human resources and capacity building. India also announced a Duty Free Tariff Preference Scheme for LDCs covering most products. This provides opportunities for SSA countries to increase exports of products such as cotton, cocoa, aluminium ores, copper ores, cashew nuts, cane sugar, ready-made garments and fish.

Importance of China and India for SSA exports

Demand from China, and in particular the way this has been sustained despite the 2007–2008 global crisis, is the principal determinant of the increase in SSA export earnings since the early 2000s. Strong growth in demand by China for metals and minerals – particularly

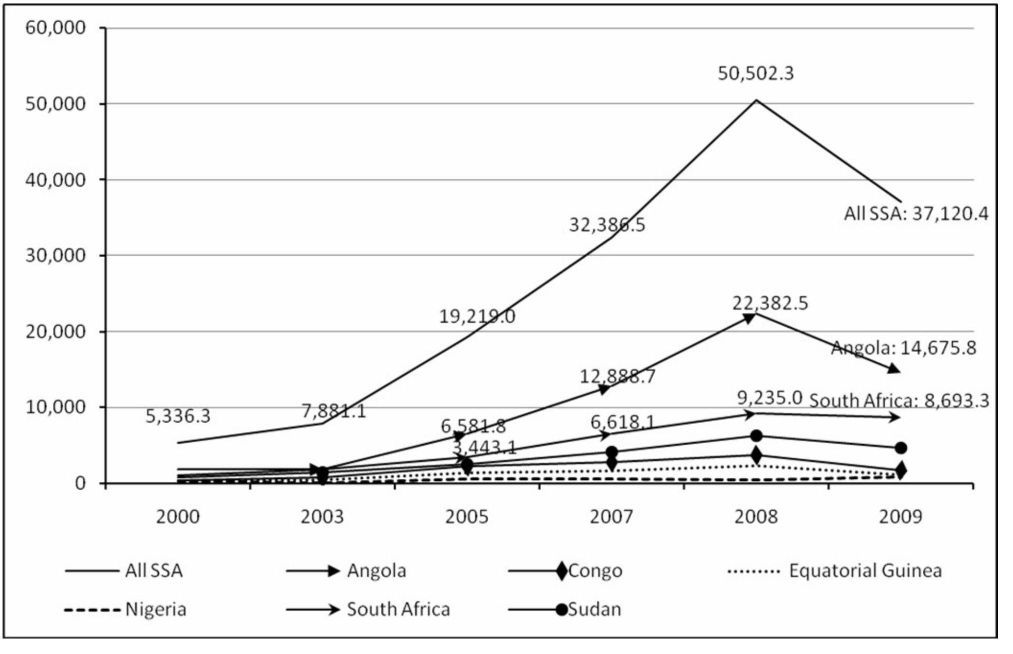

Figure 2.1. Major SSA exporters to China (US$ millions)
Source: Authors analysis using data from WITS.

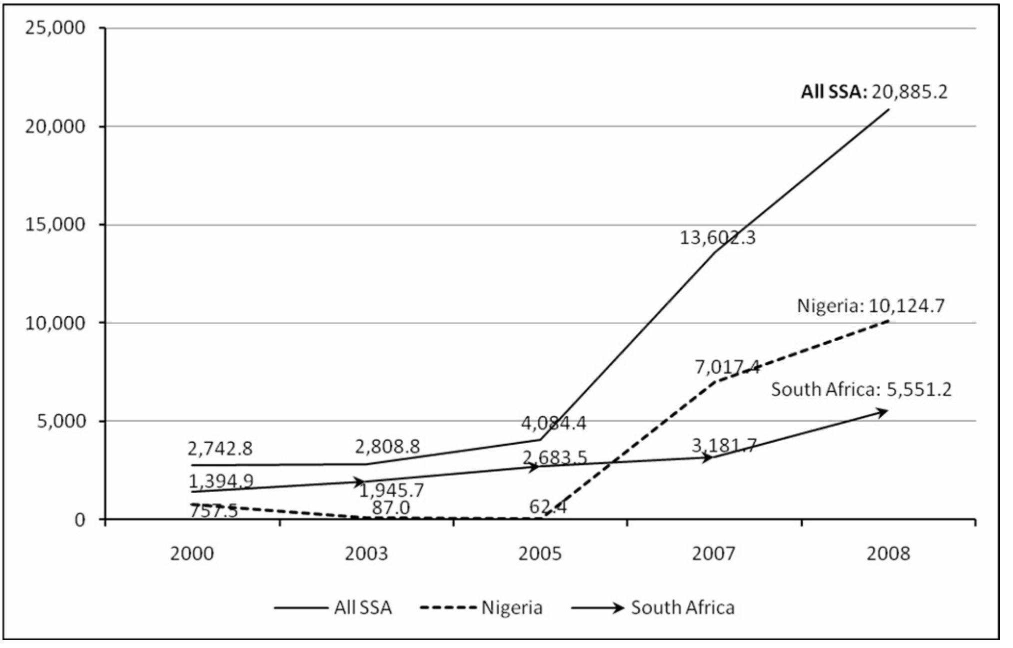

Figure 2.2. Major SSA exporters to India (US$ millions)
Source: Authors analysis using data from WITS.

copper, iron ore and nickel – and for some commodities by India has fuelled the rise in mineral commodity prices since 2002; China's imports increased most over 1990–2003 in the fuels, minerals and metals categories (Mayer and Fajarnes, 2008: 86). The SSA share in China's primary commodities imports grew rapidly over 1999–2003 for all major categories, except ores and metals, and especially for crude petroleum (ibid.: 87).

This is illustrated in Figure 2.1, which shows the rapid growth of SSA exports to China over 2000–2009; by 2008 the value of exports was about 10 times the 2000 level, and even after a decline in 2009 (largely accounted for by a decline in oil imports from Angola) it was still about seven times the 2000 level. Angola has been the major beneficiary (mostly oil), but South Africa has also been a significant beneficiary with a more diversified range of products (nickel, copper, iron and other ores, as well as some manufactures). Figure 2.2 shows that the magnitude of growth in exports to India has been similar, albeit at less than half the level and concentrated in Nigeria (oil) and South Africa (ores and some manufactures). This concentration in a few countries is typical of SSA exports more generally:

> In 2008, the five largest African exporters to developing countries accounted for 67.5 per cent of the regions' total exports while the top 10 accounted for 89.2 per cent ... Africa's exports to developed countries are similarly concentrated with the top five and top 10 exporters accounting for 69.2 and 86.5 per cent of total exports respectively in 2008. The largest exporters to developing countries and to developed countries are largely the same even though there are some shifts in their rank and importance. Perhaps the most striking

Table 2.1. Major SSA exporters to China (% SSA exports to China), 2000–2009

	2000	*2003*	*2005*	*2008*	*2009*
Angola	34.53	27.99	34.25	44.32	39.54
Congo	6.07	10.34	11.85	7.39	4.68
Dem. Rep. of Congo	0.02	0.33	0.91	3.14	3.06
Equatorial Guinea	5.99	5.23	7.48	4.49	2.84
Nigeria	5.75	0.91	2.74	1.01	2.42
South Africa	19.44	23.35	17.91	18.29	23.42
Sudan	13.71	18.29	13.60	12.53	12.62
Zambia	1.30	0.61	1.31	1.03	3.43
Total (top 8)	86.81	87.05	90.07	92.19	92.01

Source: Authors analysis using data from WITS.

Table 2.2. Major SSA exporters to India (% SSA exports to India), 2000–2008

	2000	*2003*	*2005*	*2007*	*2008*
Angola	0.00	0.00	0.07	6.77	6.17
Congo	0.32	0.15	1.00	0.62	2.39
Dem. Rep. of Congo	0.01	0.00	0.13	0.13	0.55
Equatorial Guinea	0.00	0.01	0.00	0.53	0.40
Nigeria	27.61	3.10	1.53	51.59	48.48
South Africa	50.85	69.27	65.71	23.39	26.58
Sudan	0.27	1.08	0.68	1.78	2.61
Zambia	0.49	0.68	0.85	0.53	0.67
Total (top 8)	79.56	74.29	69.96	85.34	87.85

Source: Authors analysis using data from WITS.

> of these is Angola. While Angola accounted for 9.5 per cent of Africa's exports to developed countries in 2008, making it the fifth largest African exporter, it was by far Africa's largest exporter to developing countries, accounting for 26.1 per cent. (UNCTAD, 2010: 32)

Tables 2.1 and 2.2 report the shares of the largest eight exporters in total SSA exports to China (2000–2009) and India (2000–2008) respectively. Perhaps the most interesting point is that the same eight countries (and, by implication, commodities) dominate exports to both countries (even if the ranking varies and export growth to India lags behind that to China by a number of years). These eight exporters accounted for 87 per cent of SSA exports to China in 2000 rising to 92 per cent in 2009; Angola's share varied between 28 and 44 per cent, South Africa between 18 and 33 per cent with Sudan consistently around 13 per cent. The eight countries increased their share of SSA exports to India from 70–80 per cent in the early 2000s to almost 90 per cent by 2008; Nigeria (with about half since 2007) and South Africa (over half until 2005 and about a quarter since then) dominate. Angola, Congo, Equatorial Guinea, Nigeria and Sudan are all major exporters of crude oil to China and India; Democratic Republic of the Congo, South Africa and Zambia benefit from exports of metals and ores.

This concentration of exports in particular countries is also reflected in, as it is largely due to, a concentration in particular (primary) commodities:

> While primary products accounted for 55 per cent of African exports to non-African developing countries in 1995, their share rose to 75 per cent in 2008. Over the same period, the share of resource-based manufactures in African exports to non-African developing countries fell from 27 to 15 per cent and that of low, medium and high technology manufactures from 18 to 10 per cent. (UNCTAD, 2010: 36)

Table 2.3. Chinese imports at HS2 level (if SSA > 5%), 2008

HS2	*Value (US$ '000)*	*RSA %*	*Other SSA %*	*All SSA %*	*Rest of world %*
All	1,132,562,161	0.8	3.6	4.5	95.5
09	101,158	0.6	4.7	5.3	94.7
18	312,958	0.0	36.2	36.2	63.8
24	787,784	0.4	19.0	19.4	80.6
26	85,936,803	4.7	2.9	7.6	92.4
27	169,251,777	0.1	21.0	21.0	79.0
44	8,023,379	0.0	12.3	12.3	87.7
71	7,547,713	22.6	0.9	23.5	76.5
81	1,317,057	0.9	29.1	29.9	70.1
99	4,407,629	35.2	0.0	35.2	64.8

Note: Percentage shares are rounded, hence sums of RSA% and Other SSA% may not equal to 'All SSA'.
Source: Derived from Appendix Table A6.

Table 2.4. Indian imports at HS2 level (if SSA > 5%), 2008

HS2	*Value (US$ '000)*	*RSA %*	*Other SSA %*	*All SSA %*	*Rest of world %*
Total	315,712,106	1.8	4.9	6.6	93.4
07	1,464,725	0.0	5.6	5.6	94.4
08	1,171,244	0.2	49.0	49.2	50.8
09	277,494	0.0	14.8	14.8	85.2
12	155,144	0.6	28.4	29.0	71.0
13	84,989	0.0	12.0	12.0	88.0
18	58,264	0.1	35.7	35.8	64.2
24	17,296	0.0	17.4	17.4	82.6
26	5,250,223	6.3	8.3	14.5	85.5
27	115,880,438	0.8	11.1	11.9	88.1
28	4,881,061	13.6	4.1	17.7	82.3
41	484,938	0.1	4.9	5.1	94.9
44	1,478,846	0.0	17.7	17.7	82.3
47	865,661	5.1	0.1	5.3	94.7
51	320,601	6.1	0.5	6.6	93.4
52	710,955	0.1	16.7	16.9	83.1
71	35,093,294	8.1	0.2	8.3	91.7
76	1,590,317	9.3	1.8	11.2	88.8
78	445,564	0.6	6.8	7.4	92.6
93	15,821	41.0	0.1	41.1	58.9

Note: Percentage shares are rounded, hence sums of RSA% and Other SSA% may not equal to 'All SSA'.
Source: Derived from Appendix Table A7.

Tables 2.3 and 2.4 report the major commodities (at the HS2[1] level) imported from SSA by China and India respectively (as shares of imports). In value terms, for both countries, the major commodities exported by SSA are mineral fuels (HS27), ores (HS26) and precious stones and metals (HS71, 76, 78 and 81). In the early 2000s Africa accounted for about a quarter of China's imports of crude oil, but this was a rapidly growing market for African exporters: 'between 2003 and 2004, China's petroleum imports increased by more than 40 per cent, accounting for more than 30 per cent of the incremental global oil demand' (Mayer and Fajarnes, 2008: 88). Although the export values are relatively small, SSA countries have high shares in Chinese and Indian imports of various agricultural cash crops such as coffee (HS09), cocoa (HS18), tobacco (HS24), fruits, nuts and vegetables (HS07–08) and oils and resins (HS12–13), the latter two being more important for India. In fact, although the value of exports is greater for China, it is more diversified for India. In addition to the agricultural commodities, SSA also has a good share in Indian imports of chemicals (HS28, mostly from South Africa – from which India also imports arms, HS93), hides (HS41), wood pulp

(HS47) and wool (HS51). Subsequent growth in demand from India thus offers potential benefits to a wide range of SSA exporters (it should be noted that China also imports many of these products, and although the SSA share is lower the export value may be similar).

Given the importance of its domestic construction sector and the rapid growth of furniture exports, China imports significant amounts of wood (HS44) from SSA, as does India. As of 2003, 'China sources over 20 per cent of its log imports from Africa, while China is the destination of about 13 per cent of Africa's log exports' (Mayer and Fajarnes, 2008: 92). In the early 2000s, timber exports were mainly from Congo, Equatorial Guinea and Gabon. Although there are many concerns about the practices of logging companies and the need for sustainable management of timber resources, this will remain an important export sector.

India and China are also important markets for cotton (HS52); SSA accounts for almost 17 per cent of Indian cotton imports, and although the share for China is low, this is relative to a much larger market. As China is the world's leading consumer of cotton, it not only provides demand (in 2003 China accounted for a fifth of African cotton exports) but also exerts upward pressure on world prices (Mayer and Fajarnes, 2008: 92). The SSA producers that supply China with cotton – mainly Benin, Burkina Faso and Mali – have benefited significantly in export earnings. There is also potential for SSA producers to increase exports of fish and shellfish to China and India, and there may be potential in respect of other foods. Thus, although to date the significant export benefits have been limited to about 10 countries providing minerals and crude oil, there are future opportunities for other SSA countries to expand exports of soft commodities (discussed further below).

Implications for SSA imports

Although SSA exporters benefit from their growth, China and India provide intense import competition in SSA markets (see Appendix Tables A3–A5 on the importance of China and India in terms of SSA imports for 2003, 2005 and 2008). Between 2003 and 2008 total SSA imports (for the sample with available data) grew from US$70.5 billion to US$189.5 billion. South Africa and Nigeria accounted for the bulk of SSA imports; the share of South Africa rose from 36 per cent in 2003 to 40 per cent in 2008 while Nigeria's share fell from 16 per cent to 13 per cent. Other important SSA countries in terms of import levels are Ethiopia, Ghana, Kenya, Madagascar, Mauritius, Sudan and Uganda. Imports from other SSA countries (intra-SSA trade) appeared to fall between 2003 and 2008 (this may reflect the fact that 2008 data covers many fewer countries), although the growth in the shares of China and India is mostly at the expense of the rest of the world.

The rise in imports from China and India over time has been sustained. The share of imports from China (India) rose continuously from 5.7 per cent (1.3 per cent) in 2003 to 10.7 per cent (4.2 per cent) in 2008 while imports from within SSA fell from 17.5 per cent in 2003 to 14.1 per cent in 2008. The combined shares of China and India surpassed the intra-SSA share in 2008. Certain individual SSA countries (Ethiopia, Madagascar, Nigeria, South Africa and Sudan) consistently imported more from China alone than they imported from the whole of SSA. The bulk of such imports are mostly machinery and mechanical appliances (HS84 and 85), which most SSA countries do not have the capacity to produce.

Table 2.5. SSA Countries with China or India import share > 5%

Country	*China share (%)*			*India share (%)*		
	2003	*2005*	*2008*	*2003*	*2005*	*2008*
Benin	7.1	8.8		1.7	1.6	
Burundi	0.9	4.2	7.3	0.0	4.1	5.0
Cameroon	4.0	5.2		1.5	1.3	
Côte d'Ivoire	3.5	3.1	6.9	0.0	1.4	1.7
Ethiopia	11.7	12.6	20.2	0.0	6.0	7.3
The Gambia	5.1	9.3	10.8	0.0	4.7	1.7
Ghana	5.6	8.1	11.7	0.0	3.4	4.3
Kenya	2.5	5.2	8.4	0.0	5.6	11.8
Madagascar	14.8	13.9	21.0	4.0	5.9	4.7
Mauritius	8.4	9.8	11.5	0.0	6.9	23.9
Niger	9.4	5.5	12.6	3.2	3.9	2.3
Rwanda	1.9	3.0	8.4	0.0	3.6	3.5
South Africa	6.4	9.0	11.3	1.2	2.0	2.6
Sudan	10.7	17.9	7.9	5.0	4.3	3.5
Togo	4.1	13.2		1.4	2.4	
Uganda	5.1	5.3	8.1	7.4	6.4	10.4
United Rep. of Tanzania	5.4	6.9		7.8	5.9	

Source: Appendix Tables A3–A5.

Table 2.5 lists the SSA countries for which China and/or India accounted for more than 5 per cent of imports by the mid to late 2000s. The steady increase in import penetration by both countries since 2003 is evident (although the data can be very variable from year to year – imports from India appear under-reported in 2003 while sudden peaks may reflect unusual activity in a particular year). By 2008 (where the data are rather incomplete), China accounted for over 10 per cent of imports for seven countries and over 20 per cent for Ethiopia and Madagascar. Although SSA, overall and for individual countries that export minerals, tends to have a trade surplus with China, there is nevertheless concern about the effect of Chinese imports on domestic producers in certain sectors, especially textiles and garments and consumer electrical and electronic goods (Taylor, 2010: 65). Madagascar is an example where China appears to supply the textiles for the growing garment (export) sector.

Although lagging behind China, India's import penetration is growing rapidly. It had a larger import share than China in a number of SSA countries mostly on or close to the Indian Ocean, such as Comoros, Kenya, Malawi, Mauritius, Mozambique, Seychelles, Uganda and United Republic of Tanzania. Most of these have traditionally had a significant expatriate Indian business community so that informal networks are well established; the Indo–African Chamber of Commerce and Industry has been established since 1985 and provides market information covering India and most African countries.

Table 2.6. Main SSA imports from China and India at HS2 level

HS2	*Description*	*China*	*India*
		N	*N*
02	Meat and edible meat offal		1
07	Edible vegetables, certain roots and tubers		1
10	Cereals	1	10
15	Animal or vegetable fats & oils	1	
25	Salt, sulphur, earth & stone, plaster	1	
27	Mineral fuels, oils		7
28	Inorganic chemicals		1
30	Pharmaceutical products		22
31	Fertilisers	1	
34	Soap; waxes; polish; candles	1	
39	Plastics and articles thereof		1
40	Rubber and articles thereof	1	1
44	Wood and articles of wood; charcoal	1	
51	Wool & animal hair, yarn & woven fabric	1	
52	Cotton, yarn and woven fabric	2	2
62	Apparel, not knitted or crocheted	1	
64	Footwear	3	
69	Ceramic products	2	
71	Pearls, precious stones	1	
72	Iron and steel	6	9
73	Articles of iron or steel	11	2
76	Aluminium and articles thereof		2
82	Tools, implements, cutlery, of base metal	1	
84	Machinery & mechanical	22	13
85	Electric machinery; electronic equipment	23	11
87	Vehicles (not railway); parts	12	15
94	Furniture and furnishings	4	

Note: N reports the number of countries for which the relevant HS2 product is in the 'top four' imports from China or India for the 24 SSA countries in Appendix Table A8.

Although import shares have increased dramatically, this does not necessarily imply increased competition with local producers; in many sectors China and India are likely to be displacing imports from the rest of the world. Table 2.6 lists the major products (by import share at the HS2 level) imported from China and India according to the number of SSA countries for which they rank in the 'top four' imports (Table A8 provides the details for 24 SSA countries). The major products imported from China are electrical machinery and equipment (HS85, in the top four for 23 countries), mechanical machinery (HS84, 22 countries), vehicles (HS87, 12 countries), and articles of iron or steel (HS73, 11 countries). The major products imported from India are not identical: pharmaceutical products (HS30, 22 countries), cereals (HS10, 10 countries), electrical (11 countries) and mechanical (13 countries) machinery and vehicles (15 countries) whilst iron or steel (9 countries) is more important than articles of iron or steel (Table 2.6). For 14 of the 24 SSA countries, at least two of these sectors are in the top four for China and India, i.e., to some extent they compete against each other in SSA import markets. In general these products will not compete with local industries; South Africa may be the exception for vehicles, machinery and pharmaceutical products that have high import shares (Table A8).

Certain Chinese imports in some countries are likely to compete with local producers. Examples of this include furniture (HS94, in Burundi, Cape Verde, Namibia and Seychelles), footwear (HS64, Malawi, South Africa and Uganda), ceramic products (HS69, Cape Verde and Nigeria), soap (HS34, The Gambia) and apparel (HS62, Sudan) (see Table A8). Imports of such products are likely to be present in other countries, but not in the top four import categories. Thus, there are likely to be simple manufactures and consumer goods where China, and increasingly India, competes with local producers. To assess this would, however, require analysis at a detailed individual country level.

A final observation here is that China and India account for significant shares of cotton imports for The Gambia and Mauritius (Table A8; combined shares are 28 per cent and 17 per cent respectively). This is an indication of situations where China and India provide textiles (or processed cotton) as an input to garments production in SSA countries, which is likely to be related to investment by Chinese and Indian firms (perhaps motivated by preferential access to the EU and US markets).

Summary and conclusions

As in most issues concerning Africa, it is unhelpful to think of SSA as an aggregate in terms of the implications of trade with China and India. A number of SSA countries that export minerals, especially oil, have trade surpluses with China. Overall, African trade is largely balanced (UNCTAD, 2010: 31). However, a number of SSA countries may face increasing trade deficits with China or India: the commodities they export are not in significant demand, whereas imports are increasing. In many cases the imports displace suppliers in the rest of the world, but in other cases, such as consumer goods, they compete with domestic producers.

In terms of exports to China and India, eight resource-rich SSA countries dominate and hence are the main beneficiaries. Although South Africa is the only country with some capacity to export manufactures, a number of SSA countries could expand their exports to China and India of soft commodities such as coffee, cocoa, tobacco; fruits, nuts and vegetables; oils and resins (especially to India); and potentially seafood. Timber and cotton exports are also significant for a few countries. Thus, although in value terms exports are highly concentrated, many SSA countries have opportunities.

Imports are also concentrated in value terms, with South Africa and Nigeria accounting for more than half of the value of SSA imports from China and India. However, there are increasing import shares in many SSA countries. China accounts for over 10 per cent of imports for seven countries, and over 20 per cent for two. India had a larger import share than China in a number of SSA countries mostly on or close to the Indian Ocean that have an expatriate Indian business community.

China and India have their largest import shares for industrial goods such as electrical and mechanical machinery and equipment, vehicles, iron and steel, and for India also pharmaceutical products and cereals. In these products they are likely to be displacing suppliers from the rest of the world. China is more likely than India at present to provide imports such as furniture, footwear and ceramic products that compete with local producers. In some cases China and India have significant shares of textiles imports for the garment sector (in which they may have invested).

It can be seen from this review that trade with China and India affects SSA countries differently as in general the countries that export the most to China and India are not the same as the countries with the greatest import penetration. More specifically, from an import perspective, the issue is whether cheap imports are competing with domestic producers. These issues can only be fully analysed at a country level. This is beyond the scope of this report although we have indicated the issues to address.

Notes

1. The Harmonized System (HS), developed and maintained by the World Customs Organization, is used to classify commodities. The first two digits (HS2) identify the chapter the goods are classified in. See Annex Table A.1 for a detailed list of HS2 categories.