FUND FOR RESEARCH INTO INDUSTRIAL DEVELOPMENT, GROWTH AND EQUITY (FRIDGE)

NEDLAC

THE IMPACT OF THE MERCUSOR-SACU TRADE NEGOTIATIONS ON THE SOUTH AFRICAN TEXTILE, CLOTHING AND LEATHER INDUSTRIES

September 2004

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Report on

THE IMPACT OF THE MERCUSOR-SACU TRADE NEGOTIATIONS ON THE SOUTH AFRICAN TEXTILE, CLOTHING AND LEATHER INDUSTRIES

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September 2004

TABLE OF CONTENTS

ANNEXURES

STATISTICAL SUPPLEMENT

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ABBREVIATIONS

African Growth and Opportunities Act	AGOA
Agreement on Textiles and Clothing	ACT
Andean Community of Nations	CAN
Common External Tariff	CET
Cost Insurance and Freight	CIF
Customs Union	CU
Defensiveness Indicator	DI
European Union	EU
Fixed Tariff Preference	FTP
Free on Board	FOB
Free Trade Agreement	FTA
Free Trade Agreement of the Americas	FTAA
Foreign Direct Investment	FDI
Gross Domestic Product	GDP
Harmonised Code	HS
India-Brazil-South Africa Forum	IBSA
Industrial development Corporation	IDC
International Monetary Fund	IMF
Manaus Free Trade Zone	MFTZ
Multi Fibre Agreement	MFA
Non-tariff Barriers	NTB's
Non-tariff Measures	NTM's
North American Free Trade Agreement	NAFTA
Offensiveness Indicator	OI
Revealed Comparative Advantage	RCA
Southern African Customs Union	SACU
Standard International Trade Classification	SITC
Superintendency for the Development of the Amazon Region	SUDAM
Superintendency for the Development of the North East	SUDENE
Textile, Clothing and Leather sectors	TCL
United Nations Industrial Development Organisation	UNIDO
United States of America	US
World Trade Organisation	WTO

EXECUTIVE SUMMARY

E.1. BACKGROUND

E.1.1 The South African government is currently involved in discussions with Mercosur, a Customs Union comprising Argentina, Brazil, Paraguay and Uruguay, with a view to conclude a trade agreement between SACU and Mercosur. Mercosur members have made known their intentions to negotiate for preferential access in respect of textile, clothing and leather (TCL) products. It is thus required that South Africa prepares for a suitable defensive approach in negotiations. Likewise South African exporters of TCL-products may benefit from preferential access to the Mercosur market. Suitable offensive preparations are required for that scenario.

For this purpose, stakeholders consisting of government, business and labour in Nedlac require an analysis of the likely impact of the proposed agreement on the South African textile, clothing and leather industries.

E.1.2 Qualitative and quantitative analyses are required to arrive at the appropriate defensive and offensive positions. This entails an analysis that includes:

a) a short introduction to Mercosur on its macro-economic and political dynamics;
b) a sector overview of the TCL-industries in Mercosur;
c) the import tariffs on TCL-products that are levied by Mercosur;
d) applicable trade agreements;
e) non-tariff barriers in force in Mercosur;
f) Mercosur's trade flows with the world and with South Africa;
g) the calculation of defensive and offensive indicators per 4 digit HS tariff line by taking into account various parameters; and
h) a synthesis of the qualitative and quantitative outcomes of the study.

Finally, the formulation of the appropriate defensive and offensive positions followed from the preceding analyses.

E.2. OUTCOMES

E.2.1 Mercosur and South Africa departed from the historical protective trade policy backgrounds to embrace global integration since the early nineties. At the same time Mercosur and South Africa also embarked on policies to achieve macro-economic stability as a platform for trade liberalisation. This entailed interest rate, inflation and international financial and exchange rate policies. Consequently, exchange rate and interest rates became more important determinants of international competitiveness than before.

In Mercosur a floating exchange rate regime only came into force by the end nineties/early twenties while the financial stability of Argentina and Brazil are, furthermore, threatened by large external debts. South Africa seems to have achieved a stronger macro-economic footing than Mercosur. A weaker macro-economic position may reduce the value of Mercosur currencies relative to the Rand and thus raise the price of imports into Mercosur. Exchange rate fluctuations pose a greater potential risk to South African TCL-exports to Mercosur, than to markets with more stable currencies such as the Euro.

The current exchange rates of the Real and Peso relative to the Rand renders Mercosur exports to South Africa competitive and South African exports to Mercosur uncompetitive. Present circumstances thus leave South African producers vulnerable and the granting of trade concessions questionable in view of possible negative industrial and social consequences.

E.2.2 Measured in value added to the economy, the TCL-sectors of the Mercosur countries are more important to their respective economies than that of South Africa while the mere size of the industries, especially that of Brazil, tends to dwarf that of South Africa suggesting a greater capacity on the part of Mercosur to exploit the South African market than the other way round. For example:

- The South African textile work force is 27% of that of Brazil.
- Employment in the Brazilian clothing sector is about three times that of South Africa and growing.

Hourly labour rates in Mercosur are more competitive than South Africa's after devaluation of the Real and Peso and appreciation of the Rand. The unit costs of knitted and of woven fabric of Brazil declined in recent years. The $-cost of Brazilian fabric is comparatively low after depreciation of the Real, even lower than that of India (and China).

E.2.3 The Mercosur tariff on made-up textiles, clothing, leather products and footwear of 20% is a significant barrier to trade but is lower than South Africa's 30%. The tariff on clothing is half of South Africa's 40%. Applied tariffs are significantly lower than the WTO-binding rates creating leeway to increase applied tariffs on TCL-products should the need arise.

E.2.4 At present no active bilateral trade agreement, involving tariff preferences, between Mercosur (or its members) and other parties are in force. Discussions on a Free Trade Agreement of the Americas were initiated in 1994 but have shown limited progress and that with the EU have since been collapsed.

South Africa benefits from tariff-free access to the US in terms of AGOA in respect of clothing but not textile products and tariff-free access into the EU in respect of some textiles and clothing.

E.2.5 Full implementation of the (WTO) Agreement on Textiles and Clothing (ATC) on 31 December 2004 is likely to have a greater impact on future trends in trade in textiles and clothing than tariffs and regional trade agreements particularly with regard to market share in the US and EU markets. Increased imports by the US and EU from countries such as China, India and Pakistan is a threat to all other countries that have not been subject to MFA quotas, including Mercosur and SACU countries.

Despite the prospect of tougher competition, current evidence suggest that South African exporters stand a better chance to win market share in the US and EU than in Mercosur. In fact, the question can be asked if the South African TCL-industry has the capacity at present to fully exploit the opportunities at market access that were established with the US and EU without having to attend to trade agreements like the proposed one with Mercosur. Further dispersion of trade agreements may leave the TCL-industries unable to exploit potential benefits while the counter parties to agreements are positioned to erode the domestic market of local industry.

E.2.6 Exports to Mercosur countries face numerous non-tariff barriers to trade including many additional taxes, import licensing, difficult and cumbersome customs procedures, financing restrictions, policy unpredictability and a lack of transparency. Textiles, clothing and footwear are subject to additional measures such as onerous labelling requirements and reference prices. South Africa, in comparison, does not apply significant non-tariff barriers to these and other products. Producers in Mercosur thus have the advantage over their South African counterparts by enjoying stronger protection of their domestic market.

The additional taxes applied by Mercosur countries mean that exports to those countries are subject to higher total direct payments (custom duties and taxes) than the applied import duties alone. The application of reference prices may further increase the total import taxes and dilute the tariff preferences granted by Mercosur.

E.2.7 Exports of leather and footwear account for almost two-thirds of TCL- exports by Mercosur and textiles and clothing for a third. Mercosur has a comparative advantage in:

a) **Leather: -** Exports of leather of bovine animals account for a third of all TCL-exports.
b) **Footwear: -** Exports of footwear with uppers of leather, represent almost one quarter of TCL-exports. Brazil exports 28 % of footwear production. It is the third largest producer of footwear in the world after China and India and the fifth largest consumer after China, the USA, India and Japan.
c) **Made-up textiles: -** Made-up textiles are the major segment of textile exports.

E.2.8 TCL-imports by Mercosur countries diminished to about R2.0 billion in 2002. In that year Mercosur achieved a positive trade balance in TCL-products of $ 3.5 billion. More than 60% of imports are textiles with that of clothing, leather and footwear varying between 12% and 15% each (2002). The imports of synthetic filament yarn and of woven products thereof were the two prominent imported textile products in 2002. Brazil accounts for about 77% of textile imports and Argentina for 16%.

E.2.9 TCL-trade between South Africa and Mercosur is small. Exports of TCL-products by Mercosur represented 3.5% of South African TCL-imports in 2003. Mercosur, nonetheless, runs a positive balance in TCL-trade with South Africa. Leather represents about two-thirds of Mercosur exports to South Africa and accounts for 16% of South African leather imports.

Exports from South Africa to Mercosur came to 0.3% of the latter's imports in 2002 and to 1.2% of South Africa's total TCL-exports in 2003. Synthetic filament yarn is the dominant TCL-export product (72%) to Mercosur. Export of tyre cord seems to be rising.

E.2.10 Defensive indicators (DI's) taking into account a variety of quantitative parameters were calculated for TCL-products. They were ranked in three groups that range from those highly vulnerable to those less vulnerable to free trade. Although their interpretation remains arbitrary, they are useful guides in circumstances where trade-offs are required in negotiations. Concessions should be avoided on tariff headings with high DI's while concessions could be considered where DI's are at the lower end of the scale, i.e. the third group as identified in Chapter 6 paragraph 4.2.3.

E.2.11 Offensive indicators per tariff heading were calculated with the help of quantitative parameters and ranked according to export potential. In the event of trade-offs in negotiations, the tariff headings mentioned in Chapter 7, paragraph 4.2.1 could be the better candidates for gaining access into Mercosur.

E.3. CONSIDERATIONS FOR THE DEFENSIVE POSITION

The following are the more important considerations in defining a defensive position for TCL-products:

- The South African TCL-industries are sensitive ones presently experiencing adverse international trading conditions that undermine their performance in terms of national economic and social objectives. The further opening-up of domestic markets as contemplated in the Mercosur negotiations can only aggravate the situation.
- Current exchange rates of the Rand, Real and Peso are such that suppliers from Mercosur are in a strong competitive position compared to South African producers. This is further enhanced by an ability, in the instance of Brazil, to reduce unit costs to a level comparable to low cost producers like India and China.
- The South African TCL-sectors are small compared to that of Mercosur and Brazil in particular. Mercosur has clear comparative advantages in leather, footwear and made-up textiles. These aspects give Mercosur a strong platform to access the South African market substantially in the event of fixed preference or another trade agreement. The present trade balance in favour of Mercosur attests to this.
- The South African TCL-industries are exclusively protected by import tariffs while Mercosur, in addition to tariffs employs a range of non-tariff barriers. This gives producers in Mercosur the advantage of a more secure home base to operate from in export markets compared to South African producers.
- South African imports from Mercosur are small, 3.5% of TCL-imports, with leather for two-thirds the dominant import product.
- Imports of leather can be considered as supplementing locally available resources. A mutually beneficial dispensation with Mercosur could be contemplated as determined by South Africa's demand for leather.

By having regard to the above considerations, preferential access into the South African TCL-markets granted to Mercosur could aggravate already severe trading conditions to the detriment of national economic and social objectives. Should a situation of trade-offs in the negotiations arise that involve TCL-industries, the tariff headings in chapter 6, paragraph 4.2.3 could present some candidates. In the event thereof due consultation with stakeholders is required.

E.4 CONSIDERATIONS FOR THE OFFENSIVE POSITION

The following are to be considered in formulating an offensive position:

- Current exchange rates of the Rand, Real and Peso render South African TCL-exporting into Mercosur uncompetitive. Even if a better alignment of the currencies should occur this could be short lived because of the greater macro-economic and foreign debt vulnerability on the part of Mercosur.
- While South African exporters may benefit from a reduction in the tariff that Mercosur applies to TCL-products, exports to Mercosur countries face numerous non-tariff barriers to trade including many additional taxes, import licensing, difficult and cumbersome customs procedures, financing restrictions, policy unpredictability and a lack of transparency. Textiles, clothing and footwear are subject to additional measures such as onerous labelling requirements and reference prices.
- Great care should be taken in trade negotiations with Mercosur not to consider tariffs and tariff concessions in isolation. An exchange of tariff concessions with Mercosur in respect of TCL-products is not likely to yield the expected result of trade benefits to South Africa as non-tariff barriers will erode any tariff concessions granted by Mercosur. The issue of non-tariff barriers should be high on the agenda of negotiators, especially since tariff concessions that South Africa may contemplate will not have the back up offered by non-tariff measures.
- South African TCL-industries benefits from trade agreements with the US and EU. Like other countries that were not restricted by quotas, South Africa will experience stronger competition in the US and EU from China, India and Pakistan when the MFA disappears by end 2004. Despite the prospect of tougher competition current evidence suggest that South African exporters stand a better chance in the affluent markets of the US and EU than in Mercosur, which amongst others entails higher transaction costs as the result of extensive non-tariff barriers. In fact, in view of the size and capacity of the South African TCL-industries exploitation of the US and EU agreements need to take precedence above new trade agreements with countries at roughly the same development level as South Africa and that, in addition, would entail the erosion of the domestic market of local industry because of the market access desired by these countries.
- South Africa’s TCL-exports to Mercosur are small at 0.3% of the latter’s imports in 2002 and 1.2% of South Africa’s exports in 2003. Synthetic filament yarn is the dominant TCL-export product (72%) to Mercosur. It makes up 77% of textile exports to Mercosur. Export of tyre cord fabric is increasing too.

Should trade-offs be required in negotiations, the tariff headings in chapter 7, paragraph 4.2.1 could be the better candidates for gaining access into Mercosur. Synthetic filament yarn and tyre cord fabric are amongst these.

CHAPTER 1

INTRODUCTION

1.1. BACKGROUND TO THE STUDY.

The South African government is currently involved in discussions with Mercosur, a Customs Union comprising Argentina, Brazil, Paraguay and Uruguay, with a view to conclude a trade agreement between SACU and Mercosur. Mercosur is the third largest trading block in the world behind the European Union and the North American Trade Agreement (NAFTA). The conclusion of such an agreement may have a profound effect on the economies of South Africa. Since the economies of the Mercosur member countries and that of South Africa exhibit many similarities as natural resource rich developing countries the potential for the exploitation of complementarities in a free trade arrangement may be less than with trade agreements with developed trading blocks such as the EU for example.

1.2. PURPOSE

Mercosur members have made known their intentions to negotiate for preferential access in respect of TCL-products. It is thus required that South Africa prepares for a suitable defensive approach in negotiations. Likewise South African exporters of TCL-products may benefit from preferential access to the Mercosur market. Suitable offensive preparations are needed for that.

As a consequence the stakeholders (government, business and labour) in Nedlac require an analysis of the likely impact of the proposed agreement on the South African textile, clothing and leather industries. The analysis should define the positions to be taken in terms of both offensive and defensive approaches in respect of the TCL-industries in South Africa's negotiations with Mercosur.

1.3. DELIVERABLES

The deliverables that are required by the stakeholders to define the defensive and offensive positions are as follows:

1. A short but comprehensive introduction to Mercosur that covers the macro-economic, political and other dynamics within the trading block.
2. A sector overview, including intra-Mercosur trade, to contextualise the analysis on the defensive and offensive positions to be taken.
3. An overview of the tariffs that Mercosur levies and the trade agreements that are in force.
4. An overview of the non-tariff barriers that are in force in Mercosur member countries.
5. An analysis of the TCL-exports of Mercosur to the rest of the world excluding South Africa.
6. An analysis of Mercosur's TCL-exports to South Africa.
7. The calculation of defensive indicators per 4 digit HS tariff line in South Africa's TCL-trade with Mercosur, by taking into account various parameters.
8. An analysis of the TCL-imports of Mercosur from the rest of the world.
9. An analysis of South Africa's TCL-exports to Mercosur.

10. The calculation of offensive indicators per 4 digit HS tariff line in South Africa's TCL-trade with Mercosur, by taking into account various parameters.
11. A synthesis of the quantitative and qualitative results of the study.
12. Outcomes of the preceding analysis in respect of the defensive and offensive positions respectively.
13. Conclusions on the defensive and offensive positions.
14. The market for clothing products in Mercosur countries (that appears Annex 7 to the main report).

Lists of defensive and offensive products that could be used in negotiations with Mercosur are to be included in the report.

Information on Mercosur as a trading block is non-existent and information and data for each member separately are used. Brazil by far dominates the economy of Mercosur and in many instances is the focus of the analyses that are undertaken.

CHAPTER 2

BACKGROUND AND OVERVIEW

2.1 INTRODUCTION TO MERCOSUR: REGIONAL INTEGRATION IN THE SOUTHERN CONE

Mercosur (the common market of the South) is the most advanced form of regional integration in the developing world. In existence since January 1995, Mercosur is an established Customs Union (CU) between Brazil, Argentina, Uruguay and Paraguay. Chile and Bolivia became associate members of Mercosur in 1996 and 1997 respectively. More recently, Peru also assumed associate member status.[1] Associate member status essentially means that they are not full members of the Mercosur CU, but have a preferential trade agreement with Mercosur.

Mercosur was created at the Treaty of Asuncion on 26 March, 1991. The legal documents within the treaty underpins the current CU agreement, which has an established Common External Tariff (CET) – varying among products - along with an estimated 95% of intra-Mercosur trade that is currently carried out free of tariff barriers.[2]

TABLE 2.1:	**MERCOSUR 2003**				
	Brazil	**Argentina**	**Paraguay**	**Uruguay**	**Total: Mercosur**
Population	184 mln	39 mln	6 mln	3 mln	**232 mln**
GDP (USD) (2003 est.)	$ 460.4 bn	$ 115.0 bn	$ 5.6 bn	$ 12.3 bn	**$572 bn**
GDP: per capita (2002)	$ 2,830	$ 4,220	$ 1,170	$ 4,340	**$3,140**
GDP: real growth rate	2%	6.90 %	1.3 %	2.5 %	**3.17%**

Sources: CIA World Factbook (2004), Economist, World Bank Development Indicators (2002), Instituto Nacional de Estadistica, Uruguay (2004), LatinNews.com and own calculations.

Mercosur has been described as an 'economic reality of continental dimensions'.[3] It comprises an area of 12 million square kilometres (larger than the whole of Southern Africa and four times the size of Europe), a total population of about 232 million people and a combined Gross Domestic Product (GDP) of close to $600 billion in 2003.

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[1] Peru's affiliation to Mercosur as an associate member is, at best, vague. Peru has officially signed on as an associate member of Mercosur, but a lack of commitment and the emergence of alternative priorities in its foreign policy and trade strategy would indicate otherwise. For all intents and purposes, Mercosur signed a Framework Agreement toward a free trade agreement with the Andean Community to which Peru is a member. This opinion was reinforced by the Chilean Trade Consultant, Sebastian Saez, who has worked extensively on Mercosur and in the broader region, during a meeting on 29 June 2004.

[2] This information is based on 'Mercosur – The Common Market of the South' from the Brazilian Ministry of Foreign Relations (www.mre.gov.br)

[3] *Ibid*

2.2 TEN YEARS OF MERCOSUR

Thirteen years have passed since the members of Mercosur signed the Treaty of Asuncion in Paraguay, and the Mercosur CU has been in existence for nearly 10 years. In that time Mercosur has undergone a number of dramatic changes, which have at times tested the resilience of the agreement, but ultimately created a far more solid structure galvanised by the support and commitment of the two largest countries – Brazil and Argentina.

Co-operative agreements between Brazil and Argentina during the 1980s pre-empted the establishment of Mercosur. Previously bitter rivals of the Southern Cone, Brazil and Argentina realised the benefits of economic co-operation and utilised trade and economic integration as a confidence-building measure to rectify diplomatic and security concerns.

The launch of Mercosur was accompanied with a great deal of euphoria. This brought with it impressive growth in trade and investment, which in turn generated economic growth in the region. Intra-regional trade grew 300% while trade with other nations grew 170% between 1990-1996. Foreign Direct Investment (FDI) rose ten fold from $2.6 billion in 1990 to $26.6 billion in 1997. In 1999 Brazil was the second largest recipient of FDI in the developing world, exceeded only by China. Toward the end of the 1990s Mercosur was recognised as the 4th largest integrated market in the world (after NAFTA, the European Union (EU) and Japan).

All this, however, came to a dramatic end. In 1998 Brazil plunged into an economic currency crisis, which forced it to devalue its *Real*. This had repercussions throughout the region, sending Argentina into recession and placing immense pressure on the Mercosur alliance.

Various tariff agreements and inter-industry or inter-sector relationships that had been established (particularly between Brazil and Argentina) had to be revisited. With a weaker Real, Brazilian producers 'out-competed' their Argentine counterparts in a broad range of industries from automotives to agriculture. Brazil's cost advantage made it, at times, three times cheaper than Argentina, which naturally affected the balance of economic activity in the Mercosur region.

Intra-regional trade and investments drastically slowed down and political problems started to emerge as the pressure of recession and inevitable changes began to take hold of Argentina. A strong feeling of resentment toward Brazil emerged which, by virtue of its devalued Real, placed Argentina's monetary policy, particularly the convertibility plan that had pegged the Argentine Peso to the US dollar, under scrutiny. This developed into a political rift between the two largest partners of Mercosur. Brazil and Argentina were pursuing totally different macroeconomic policies, in total contradiction to the original idea behind the deepening of Mercosur to ultimately establish a monetary union.[4]

By the end of 2001 Argentina's economic woes brought about political and social instability that manifested into possibly the worst crisis in Argentina for over a century.

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[4] See White, L (2002), 'South Africa-Mercosur: Long Process, Little Progress." *SAIIA Report,* No. 23, 2002.

While the Argentine crisis – along with a general economic slowdown in the region - brought most internal and external trade and economic activity to a near halt, the political environment improved.

Various suggestions made by both President Menem of Argentina and his economic minister, Domingo Cavallo, that Mercosur regresses from a CU to an FTA, giving its members freedom to pursue alternative agreements outside of the realm of Mercosur were forgotten. Instead, the agreement signed in July 2000, preventing unilateral activities between members and non-members of Mercosur, was reiterated. This was an effort to ensure common ground and a more coherent position for Mercosur.

The paradox of the Argentine crisis is therefore the fact that the disaster, which brought about the collapse of the political, economic and social structures in Argentina, actually helped overcome the single biggest obstacle in Mercosur—the differing monetary policies in Brazil and Argentina. The devaluation and subsequent floating of the Argentine Peso has allowed for a more co-ordinated macro-economic policy. This, together with the immediate support Brazil offered to its neighbour in distress, provided the political unity required for deeper integration in the region.

Ironically, now that political will and economic congruency—two factors that have long hindered progress in Mercosur—were finally realised, the lack of economic 'beef' (particularly in Argentina) – post 2001 - paralysed ambitions for further integration, placing Mercosur on ice until economic recovery takes effect.

Today Argentina's economy has recovered faster than expected. With impressive growth rates in Argentina and a commodity driven export growth in the region, not to mention the political affinity between President Nestor Kirchner of Argentina and President Luis Inacio 'Lula' da Silva of Brazil, Mercosur seems to be emerging from dormancy as a more united body eager to engage the rest of the world.

2.3 SACU-MERCOSUR: 'LONG PROCESS, LITTLE PROGRESS'

Mercosur is a natural partner for South Africa (and the Southern African Customs Union [SACU])[5] in Latin America. The left-of-centre governments in South Africa and Mercosur countries have found common ground on a number of issues of mutual importance such as people centred development, democracy, economic and market integration and social responsibility. Economically, both regions have commodity-based developing economies with a strong and influential mining sector.

The concept of a SACU-Mercosur FTA or Fixed Tariff Preference (FTP)[6] is a reflection of the political affinity that exists between SACU countries and the members of Mercosur (in particular South Africa and Brazil). But the economic benefits of a preferential trade agreement have been less obvious

[5] SACU consists of South Africa, Botswana, Lesotho, Namibia and Swaziland.

[6] It is important to note that in recent discussions SACU and Mercosur have decided to negotiate a Fixed Tariff Preference (FTP) agreement. This will be a less controversial and more realisable goal. An FTP can be described as a type of sector-by-sector trade agreement, whereby certain sectors will be included and others excluded with the option of future inclusion. The DTI have stated that the FTP is not 'the end goal' but merely a stage in the process to eventually establish a full-blown FTA with Mercosur.

than initially expected. Brazil, which is South Africa's biggest trade partner in the region, does not even feature on South Africa's top 25 trade partners. South Africa is equally low on Brazil's list.

TABLE 2.2: SOUTH AFRICAN TRADE WITH THE MERCOSUR MEMBERS 1995-1998 (R MILLION)

Country	1995		1996		1997		1998	
	Import	Export	Import	Export	Import	Export	Import	Export
Argentina	1051.9	409.6	987.0	416.2	1259.3	467.0	1153.3	560.2
Brazil	1080.6	899.6	1184.6	1096.2	1495.5	1390.5	1,272.3	1,088.3
Paraguay	11.4	36.9	6.5	48.6	9.0	54.9	17.6	65.1
Uruguay	33.8	26.4	63.5	41.3	57.2	39.0	41.6	113.2
Mercosur	**2177.7**	**1372.5**	**2241.6**	**1602.3**	**2821.0**	**1951.4**	**2484.8**	**1826.8**

Source: South African Year Book of International Affairs (1998-2002) and The South African Department of Trade and Industry (DTI) (www.thedti.gov.za)

TABLE 2.3: SOUTH AFRICAN TRADE WITH THE MERCOSUR MEMBERS 1999-2003 (R MILLION)

Country	1999		2000		2001		2002		2003	
	Im	Ex	Im	Ex	Im	Ex	Im	Ex	Im	Ex
Argentina	1,121.4	457.7	1,335.5	658.0	1,963.0	653.4	2,384.0	359.6	1,934.3	291.5
Brazil	1,376.1	947.5	2,053.3	1,373.6	3,378.0	2,274.3	4,918.6	1,809.5	4,523.1	1,156.5
Paraguay	15.5	33.1	5.5	32.0	10.8	27.5	20.6	42.8	14.4	11.8
Uruguay	35.4	51.5	111.1	49.1	115.8	89.0	108.5	57.4	63.8	42.0
Mercosur	**2678.0**	**1703.1**	**3674.1**	**2112.7**	**5467.6**	**3044.2**	**7491.7**	**2269.3**	**6535.6**	**1501.8**

Source: South African Year Book of International Affairs (2002-2003) and The South African Department of Trade and Industry (DTI) (www.thedti.gov.za)

Nonetheless, South African imports from Mercosur seem to grow more robustly than exports to Mercosur. Trade is concentrated in a limited number of products.

TABLE 2.4: TOP 10 PRODUCTS TRADED BETWEEN SA AND MERCOSUR IN 2003

SA Imports from Mercosur		SA Exports to Mercosur	
Product (HS 4 Code)	**Value (Rmil)**	**Product HS 4 Code**	**Value (Rmil)**
Original Equipment Components	R1 644	Ferro Alloys	R220
Solid Residues from Soya-bean Oil	R659	Coal	R169
Meat and Edible Offal	R482	Pesticides	R168
Sunflower-seed oil	R285	Aluminium Plates/Sheets	R121
Maize	R203	Engine Parts	R101
Motor Vehicles (Transport Goods)	R201	Synthetic Filament Yarn	R70
Ferrous Bi-products of Iron Ore	R179	Mineral or Chemical Fertilisers	R68
Motor Vehicles (Transport Ten or more persons)	R168	Ketones and Quinones	R45
Tractors	R147	Chromium Ores	R37
Unmanufactured Tobacco	R134	Acyclic Hydrocarbons	R28

Source: IDC ex Customs and Excise

Following a number of second track initiatives[7] and informal discussions around relations with Mercosur, formal relations between South Africa and Merocsur commenced in 1998 when former President Nelson Mandela was invited to attend and address the XIV Mercosur Heads of State Summit in Ushuaia, Argentina. Mandela was the first non-Mercosur Head of State to be invited to address the summit. He also paid official state visits to Argentina and Brazil.

In December 2000 President Thabo Mbeki was granted the same honour as his predecessor and was the second non-Mercosur Head of State to attend the Mercosur summit. Mbeki's trip coincided with the signing of the "Framework Agreement for the Creation of a Free Trade Area between South Africa and Mercosur" by the South African Minister of Trade and Industry, Alec Erwin, and his Mercosur counterparts. The aim of the agreement was to 'strengthen the existing relations between the parties, promote the expansion of trade and commence negotiations for the creation of a free trade area.'[8]

The first meeting of trade talks took place in October 2001. In 2002 South Africa's fellow SACU members were incorporated into the Framework Agreement, to conform to the idea of inter-regional integration initially envisaged. This added confusion and delay to an agreement that was becoming increasingly complicated.

SACU-Mercosur relations have been a 'long process with little progress'. Since 1998 little has been achieved. After three and a half years since the Framework Agreement was established it is yet to advance to the next stage of full-blown FTA negotiations. The extension to the rest of SACU brought with it a restructuring of the agreement and additional delays resulting from a lack of clarity and poor communication between the two parties. To date a completed list of products is yet to be exchanged and agreed upon by both SACU and Mercosur.

This delay is increasingly problematic when one considers the economic reality that exists between SACU and Mercosur.

The two regions produce the same products at the same time of the year and compete in the same markets. Not only can a combined Brazil and Argentine agriculture industry produce a higher yield of better quality products at a lower cost, but the history of isolation in those countries forced them (like South Africa) to develop certain specialised manufacturing industries (such as the automotive industry) which are larger and more efficient than in South Africa. This has lead prominent South African industries such as agriculture and automotive to question the feasibility of an FTA with Mercosur.[9]

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[7] These were lead primarily by the South African Institute of International Affairs (SAIIA), which published a broad range of material and later hosted two conferences in 1998 and 2000 encouraging and exploring 'South-South' dialogue between Southern Africa and Mercosur.

[8] This is based on information supplied by Ambassador Tom Wheeler, who was the Chief Director for Latin America and the Caribbean in the South African Department of Foreign Affairs from November 2001 to June 2003.

[9] For a more in depth analysis of the effects of a SACU-Mercosur FTA on the automotive industry see White, L, 'Driving SACU-Mercosur: Trans-Atlantic Co-operation in the Automotive Industry,' In *SAIIA Reports,* Number 34, 2003.

Indications would suggest that a preferential bilateral trade agreement between SACU and Mercosur is, firstly, not necessarily viable as a large majority of the products produced in the one region are also produced in the other, leaving few options for complementary trade transfers. Secondly, the feasibility of the agreement is disputable. Some have gone, as far as to say it is 'economic suicide' for Southern Africa. It is argued that an FTP will allow producers in Latin America to dump their cheaper products in South Africa, undercutting the existing domestic supply chains. In the meantime Mercosur countries could utilise an FTP agreement with SACU to improve their access to markets in the US and Europe[10] as well as using the location to launch new trade initiatives in Africa. These extra-regional effects may also be a concern in Mercosur. However, the larger production and lower costs in those countries suggest it would be less severe, as SACU is clearly the weaker competitor of the two. From this perspective, an FTA between SACU and Mercosur may well intensify the competition between the two, which is completely contrary to the true objectives of preferential trade agreements.

However, all the analysts, technocrats and business people currently assessing the SACU-Mercosur relationship by no means share the negative scenarios described above. Many people are optimistic, if not eager, to access the huge Mercosur market (over 230 million people), which hosts a vast number of economic opportunities. The challenges explained above merely illustrate the need for caution and possibly the need to adjust the terms and conditions (not to mention the parameters and objectives) of the proposed FTP.

2.4 MERCOSUR'S EXTERNAL AGENDA

SACU has featured relatively low on Mercosur's external agenda. This has been due, largely, to the lack of economic benefits evident in an agreement with SACU and, as one Brazilian official remarked, the apparent 'foot-dragging' and lack of clarity by the South African government.

More recently, however, SACU moved up Mercosur's list of priority partners, most likely due to the political co-operation achieved in other multilateral spheres.

Mercosur (like SACU) has a loaded external agenda. It is in the concluding phases of an FTA with the EU, it has an established Framework Agreement with the Andean Community of Nations (CAN) and is tightly engaged in negotiations toward a Free Trade Agreement of the Americas (FTAA). A Framework Agreement with India has also been signed (which is related – indirectly - to the India–Brazil–South Africa (IBSA) forum) and there is some interest in developing closer economic ties with China.

The negotiations with the EU could be the first to develop conclusive results. This may also serve as leverage for Mercosur in the FTAA process – in which Mercosur has gone against the current and is (largely) opposed to the US position. These are developments that should be carefully observed by South Africa and SACU.

[10] SACU countries have preferential market access agreements with both the EU (through an existing FTA) and the US (through the African Growth and Opportunities Act).

2.5 THE CHANGING ECONOMIC LANDSCAPE IN BRAZIL AND ARGENTINA

Mercosur has been plagued by cyclical crises in recent years, projecting a perception of an erratic economic environment that lacks consistent stability. This, it seems, may be changing.

In both Brazil and Argentina, following a period of hyperinflation, monetary policy has been focused on inflation controls, for which interest rates and, most importantly, the exchange rate regime were the primary instruments utilised. The paranoia surrounding the threat of hyperinflation and the political and social instability it brought with it, forced the governments to take drastic measures in combating inflation – at any cost.

Therefore, when Argentina and Brazil entered into a process of economic reform shortly after democracy was established in the late 1980s, exchange controls and fixed currency regimes appeared to be the solution to combat any inflation.

The fixed exchange rate and, in Argentina what was called the Convertibility Plan, which essential pegged the Argentine Peso to the US dollar, was an immediate success. Triple digit inflation figures came down to below 5%, consumer spending increased, stability was established and economic growth ensued.

However, this false sense of security came to an end when first Brazil and later Argentina were forced to adopt a floating exchange rate policy, which exerted additional pressures on other areas of the economy, notably the mounting debt problem.[11]

The Brazil and Argentine economies have always been characterised with high levels of debt. In 2003 foreign debt comprised close to 45% of Brazil's GDP and an incredible 109% of Argentina's GDP. Argentina recorded the largest public debt default of $141 billion in 2002. Naturally, the debt constraints and the relatively poor payment records of these countries have resulted in a 'challenging' relationship with the International Monetary Fund (IMF) and other credit lending agencies.[12]

TABLE 2 5: PRINCIPAL SECTORS AND THEIR CONTRIBUTION TO GDP IN 2001

Argentina		Brazil	
Agriculture, Forestry and Fishing	5.0%	Agriculture	7.0%
Mining and Utilities	5.0%	Mining and utilities	6.0%
Manufacturing	14%	Manufacturing	20.0%
Construction	4.0%	Construction	8.0%
Commerce	15.0%	Commerce	7.0%
Transport and Communication	9.0%	Transport and Communication	5.0%
Other	46.0%%	Other	47.0%
Total (incl. others)	100%		100.0

Source: UNIDO http//www.unstat.un.org

[11] It is debatably whether the currencies in Argentina and particularly Brazil are 'free floating'. There are still subtle controls on their currencies.
[12] This information is based on reports from *Info Americas: Tendencias* (http://trendencias.infoamericas.com)

The production structures of Brazil and Argentina are almost similar. Manufacturing is more important to Brazil than Argentina.

TABLE2 6: PRINCIPAL EXPORTS	
Argentina (2001)	**Brazil (2000)**
Manufacturers	Transport Equipment and Parts
Processed Agricultural Products	Metallurgical Products
Primary Products	Soybeans, Meal and Oils
Fuel	Chemical Products

Source: Economist Intelligence Unit

2.5.1 Argentina's Economic Overview[13]

The Argentine economy grew by 8.7% in 2003 - the first increase since 1998. Impressive growth has continued in 2004 with first quarter growth recording a 11.2% growth year-on-year. While the Argentine government estimates that economic growth rates in 2004 will exceed those of 2003, the official forecasts (including that of the IMF) are around 5.5%.[14]

Trade has been crucial in Argentina's economic recovery, with exports being the primary driver behind economic growth. With the economic recovery finally taking effect, imports in March 2004 rose 81% year-on-year and exports increased 17% over the same period. Argentina's surplus, while smaller than in 2003, is still relatively high at $942 million.

In 2002 and 2003, after the Argentine crisis, inflation levels reached 41% and 29% respectively. It is expected that would be controlled at well below 10% by the end of 2004.

Interest rates during the crisis were somewhat erratic, between 30-40% in 2002 and 2003. These seem to have been brought under control by a more organised economic policy in Argentina. The current interest rate (short term) in Argentina is 5.56%, cut lower to stimulate economic activity and spending. The negative real interest rate policy may be out of line with the international norm for positive real interest rates to prevail.

Argentina's 'Debt in Default' in December 2003 was a staggering $102 billion. It's 'Performing Debt' (including IMF and other international lenders, guaranteed loans and bonds etc) totalled $74.4 billion. Argentina's total debt at the end of 2003 was therefore $176.7 billion. The current size of the Argentine economy is roughly $125 billion.

Industrial production has also picked up impressively. Industrial output rose 16.2% in 2003, and is expected to continue to drive domestic growth and productivity in the country. These are still 7% below the levels they were in 1998.

[13] The economic overviews of Argentina and Brazil are based on information and data from LatinNews.com (www.latinnews.com), Tendencias (as above), various SAIIA Reports (www.saiia.org.za), the IMF (www.imf.org) and the World Bank (www.worldbank.org.). Background from 'A Survey of Argentina' In The Economist, June 5, 2004, was also used.

[14] It is important to note that this growth is from an economy that was trapped in 4 years of recession followed by a year of total economic chaos when the economy contracted by between 10-15%! To place it into context, in 2000, Argentina's economy was roughly double that of South Africa. By the end of 2002, Argentina's economy was smaller than South Africas. Argentina's GDP last year was equivalent to what it was in 1996, and well below the 2001 figure of $263 billion.

Argentina secured a three-year debt-deal with the IMF in September 2003, for which it is easily fulfilling its requirements. Unemployment, with real levels around 18%, and poverty are still at very high levels by Argentine standards. These should reduce slightly over the next few years.

TABLE 2.7: ARGENTINA 2004	
GDP (2004 est)	$126.5 billion
GDP Growth (2004 est)	5.5%
Unemployment rate	18%
Inflation rate	6 %
Interest rate	5.56%
Exchange rate-per US dollar (June 2004)	Argentine Pesos- 2,96

Sources: Economist, LatinFocus Consensus Forecast, World Bank Development Indicators (2002) and own calculations.

2.5.2 Brazil's Economic Overview

While Brazil has not experienced a crisis of crippling proportions like that, which struck Argentina in 2001/2, its economy has struggled to develop any momentum in recent years, particularly after its currency devaluation in 1998.

The Brazilian economy has been characterised with impressive levels of FDI and hamstrung by consistently low levels of growth (between 1-4%), which have not managed to pull it out of the clutches of speculation and emerging market fluctuations.

Brazil's economic growth hovered around 2.5% in 2003 and is expected to reach 3.5% in 2004. But with first quarter figures for 2004 coming in at only 1.6%, the rate needs to be accelerated considerably to achieve the 2004 projections.

Brazil consistently recorded a trade surplus in recent years, with predictions for 2004 at about $29 billion. The trade surplus in 2003 was $24.8 billion, the highest in Brazilian history. The positive export growth can be attributed largely to a higher commodity prices, a good harvest and strong Chinese demand for Brazilian soya.

Brazil's inflation target for 2004 is a realistic 5.5%.

Brazil has traditionally had very high interest rates, placing a number of constraints on the real economy in an effort to curb inflation levels. The interest rate cuts in early 2004 – short-term interest rates are now 15.78% (still one of the highest among emerging markets) - should stimulate activity and growth in the domestic economy.

FDI in Brazil has struggled to reach the levels of 1999-2001 when Brazil was the second highest recipient of FDI in the developing world, after China. Nevertheless, FDI is expected to increase slightly from 2003 levels to reach $13.1 billion – down from the $30+ billion levels reached in 1998.

Unemployment has been rising in Brazil and reached 13.1% in April 2004.

TABLE 2. 8: BRAZIL 2004	
GDP (2004 est)	$471.5 billion
GDP Growth (2004 est)	3.5%
Unemployment rate	12,3 %
Inflation rate	5.5 %
Interest rate	15.78 %
Exchange rate-per US dollar (June 2004)	Reals – 3,13

Sources: Brazil economic forecast, Economist, LatinFocus Consensus Forecast, World Bank Development Indicators (2002) and own calculations.

2.6. CONCLUDING REMARKS

The overall Mercosur economy is one that simply cannot be ignored and should never be underestimated.

Reform of the Argentine and Brazilian economies have, in the long term, created a far more resilient and competitive economy, which will be the hard core of Mercosur. The reform process has also developed economic congruency in Mercosur, facilitating deeper integration and improved economic co-operation – making the collective whole far stronger than the individual parts.

Argentina’s recovery and the need to explore new markets to generate substantial economic growth in Brazil will stimulate greater international activity from Mercosur.

Mercosur has a number of opportunities to offer in its large and diverse market. Its geographical location and future integration initiatives also offer a number of ‘extra-regional’ benefits.

The economic reality that exists between Mercosur and SACU does however pose a number of challenges. Mercosur and SACU producers and exporters are competing in the same markets – producing the same products at the same time of the year. In addition to this, the manufacturing sectors and primary product producers in Mercosur are far larger and more cost effective than their counterparts in SACU.

These are a few of the many concerns that should be weighed against the benefits of a trade agreement with Mercosur.

CHAPTER 3

MERCOSUR: THE TEXTILE-, CLOTHING- AND LEATHER SECTORS

3.1. INTRODUCTION

In this chapter an overview is presented of the main characteristics of the textile-, clothing- and leather sectors (TCL sectors) of the Mercusor member countries. The aim is to present a quick and simple overview of the sectors that can provide a context for the offensive and defensive positions to be taken in trade negotiations.

The available data to a large extent dictates the contents and detail of the overview. However, the topics to be covered include a short reference to the broad policy objectives with regard to the TCL sectors of Mercosur, the importance of the TCL-industries in the economies of the member countries; the dynamics found among the industries of the respective countries, i.e. expanding or contracting; the importance of international trade of the TCL-industries including aspects such as intra-Mercosur trade; competitiveness and cost; and strategies and incentives of the respective countries with respect to the TCL-industries.

Information is presented separately for the member countries of Mercosur. The member countries differ vastly in size. The population of Brazil, 174.5 million in 2002[15], is one of the largest in the world, while that of Argentina (36,5 million) is comparable to that of South Africa. The populations of Paraguay (5.5 million) and that of Uruguay (3.4 million) are small. Brazil is the ninth largest industrialised nation in the world and with its large population and industrial base dominates Mercosur. Argentina is the next important country with a population the size of South Africa . Having regard to the differences, between the member countries the overview will deal separately with the TCL-sectors of each of them. However, the emphasis will be on Brazil and Argentina as Paraguay and Uruguay are small in TCL terms.

3.2 TRADE POLICY

3.2.1 Policy Change Towards International Integration

By the end of the eighties and early nineties, members of Mercosur adopted trade policies parting with the "model based on state intervention and protectionism"[16] to make way for a new model based on global integration. "Integration was no longer viewed as a means of creating a larger closed market behind high tariff walls, but as a means of stimulating higher productivity in all sectors of the economy, and preparing the region to face the challenges of world-wide competition".[17] The protective regime that had been the anchor of trade policy of Mercosur members gave way to programs to reform tariff protection and non-tariff measures following the Uruguay Round of trade negotiations of the WTO.

[15] The World Bank Group at http://devdata.worldbank.org/external/
[16] Government of Brazil at http:www.mercosul.gov.br/textos/?Key=127, page 2.
[17] Ibid page 2.

According to the Policy Reviews of the WTO, the tariff reform process by the Mercosur members pursued two objectives. The first was to comply with WTO commitments to reduce tariff levels and thus to enhance global integration. Tariff reform came to an end by the late nineties. The second was to achieve convergence with the Common External Tariff (CET) among member states and thus to promote integration within Mercosur. The latter implied a small increase in the average tariff level that had to disappear by the end of nineties.

Export promotion has been one of the key elements of Brazil's trade policy, partly to offset domestic inefficiencies such as poor infrastructure, inefficient financial intermediation, cascading tax system and, until 1999, an overvalued exchange rate. Distortions to inter-sector incentives have been reduced through the progressive adoption of more neutral sector policies. However, some current policies echo earlier import substitution strategies, with incentives favouring some activities while implicitly taxing others. Thus, well above average tariffs apply to beverages, tobacco, furniture, clothing, and footwear.

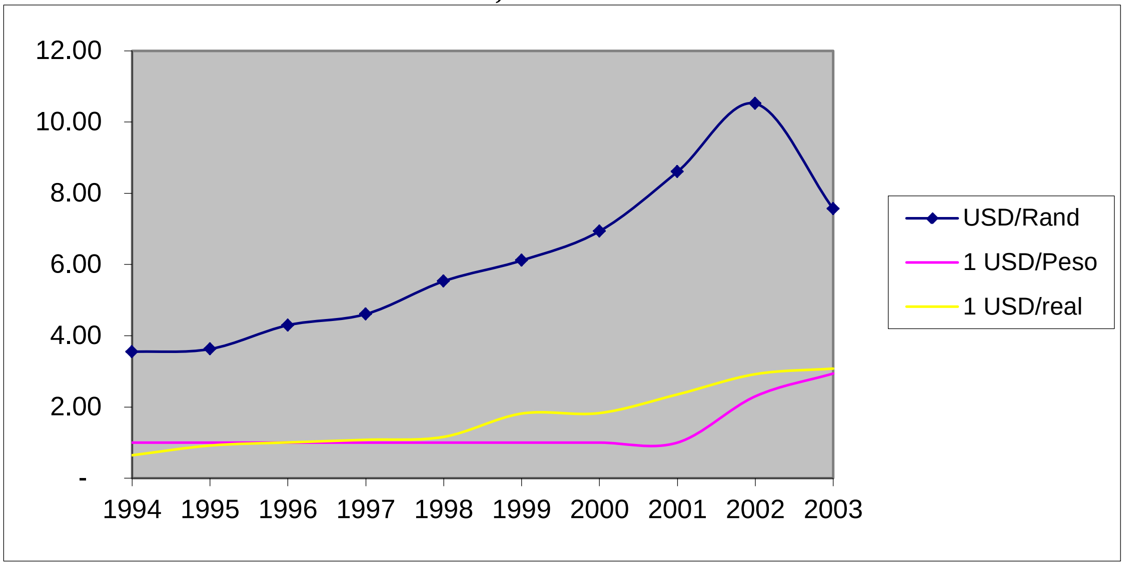
Since 1991, Argentina's main trade policy objective has been to raise the competitiveness of the economy. The principal means has been to reduce the anti-export bias resulting from earlier policies by tariff reductions and the elimination of non-tariff measures on trade in goods. Deregulation and the opening of the economy have similarly helped the competitiveness of the services sector and fostered foreign investment.

Argentine’s sector trade policy is intended to be neutral and raise efficiency through the implementation of a horizontal approach, and, in general, there has been no reversal toward import substitution or "picking winners".[18] Nevertheless, in addition to MERCOSUR-based tariff escalation, sector-specific trade-related measures have maintained border protection and encouraged domestic supplies for certain domestic industries, and encouraged investment, production, modernization or environmental protection. Tobacco, sugar, forestry, fisheries, motor vehicles, pharmaceuticals, paper, textiles and clothing, and the footwear industries are among the sectors benefiting to varying extents from such measures.

Amongst monetary policies the major aim was to reduce inflation in Argentina and Brazil. Exchange rate policy in support of this objective favoured high and inflexible exchange rates. However, an exchange rate regime of this nature tends to frustrate the transformation from a previously protected economy to a globally integrated one. Thus, as explained in the previous chapter, both Brazil and Argentina had to change over from fixed rates to the $ to floating exchange rates by the end of nineties and early twenties, respectively, to escape from economic crises.

[18] Chapter IV and UN/ECLAC(1997), p.35.

GRAPH 3.1 EXCHANGE RATES: RAND, ARGENTINE PESO AND BRAZILIAN REAL



Sources: South African Reserve Bank, Banco Central do Brazil and OzForex Foreign Exchange Services.

As a consequence the depreciation of the Real and Peso became more prominent in determining the international competitiveness of the economies of Brazil and Argentina since then. This resulted in improved economic performances by these economies by 2003.

Since early 2003 the appreciation of the Rand impacts negatively on the performance of local manufacturing especially the TCL industries. Divergence in the trends of the Real and Peso on the one hand and of the Rand on the other, can only complicate trade negotiations in sensitive areas like the TCL industries.

The attempt at trade liberalisation succeeded in opening the Brazilian economy to some extent. Whereas imports and exports accounted for about 17% of GDP in 1997 this ratio rose in the next couple of years to reach 27% in 2001. The ratio of exports plus imports to GDP remained at about 20% over this period. The ratios for Brazil and Argentina suggest these economies to be closed compared with the South African ratio of 58%.

3.2.2 The impact of global integration on manufacturing

Argentina's growth in manufacturing GDP turned to a small positive on average between 1990 and 2002 compared with the decline that had been recorded in the period 1980 to 1990. That of Brazil averaged 1.6% p.a. in both periods while manufacturing growth worsened in Paraguay and Uruguay compared with the preceding decade. However, as mentioned in the previous chapter growth in Argentina improved in 2003 after overcoming the earlier economic crisis.

TABLE 3.1	MANUFACTURING: REAL GROWTH (%P.A.)	
Country	**1980-1990**	**1990-2002**

Brazil[19]	1.6	1.6
Argentina	-0.8	0.9
Paraguay	4.0	0.8
Uruguay	0.4	-1.3
South Africa	**1.1**	**1.6**

Source: World Economic Indicators 2004, World Bank.

South Africa introduced trade policy changes comparable to that of Mercosur between 1990 and 2002. Growth in the manufacturing GDP of South Africa improved to 1.6% p.a. between 1990 and 2002 compared with 1.1 % p.a. between 1980 and 1990.[20]

However, growth by other sectors outperformed that of manufacturing in Mercosur and in South Africa. The share of the latter in total GDP invariably became smaller over the decade 1990 to 2000. As can be seen from Table 3.2, this had been quite severe in the Mercosur countries, notably Brazil. South Africa experienced outcomes similar to that of Mercosur members.

TABLE 3.2: SHARE (%) OF MANUFACTURING GDP IN TOTAL GDP

Country	1990	2002
Brazil	25	13
Argentina	27	21
Paraguay	17	15
Uruguay	28	17
South Africa	**24**	**19**

Source: World Economic Indicators 2004, World Bank.

However, success was achieved with the overriding aim of trade liberalisation by countries recording a higher degree of global integration in the international trade in manufactured goods. From Table 3.3 it can be seen that both exports and imports of manufactured goods became a higher portion of total exports and imports among the respective countries.

Brazil currently exports an estimated 7% of textile and apparel production. 43% of this is clothing and 57% textiles.[21]

TABLE 3.3 SHARE (%) OF EXPORTS AND IMPORTS OF MANUFACTURED GOODS IN TOTAL EXPORTS AND IMPORTS

Country	Exports		Imports	
	1990	2002	1990	2002
Brazil	52	54	56	73
Argentina	29	31	78	84
Paraguay	10	15	77	69
Uruguay	39	37	69	65
South Africa	**36**	**63**[22]	**75**	**70**

Source: World Economic Indicators 2004, World Bank.

[19] Trade Policy Review: WT/TPR/S/75 (00-3734), World Trade Organisation 27 September 2000 page 87
[20] Impacts other than trade policy, especially macro-economic ones impacted on growth in manufacturing in this period. Outcomes are thus not the exclusive result of trade policy changes.
[21] Apparel August 18th 2004. “Brazil Plans Major Increases in Global Apparel Exports” www.bobbin.com
[22] The high ratio of 63 % include the export of processed goods, mainly metals, classified as manufactured products. The export of metals increased substantially between 1990 and 2002 because of aluminium, stainless steel and other plants that were built for export.

3.2.3 Impact on TCL production

TABLE 3.4 PHYSICAL VOLUME OF PRODUCTION INDICES: COMPARATIVE FOR MANUFACTURING, TEXTILES, CLOTHING LEATHER AND -PRODUCTS.(1994 ONWARDS); 1995=100

	94	95	96	97	98	99	00	01	02[23]	03
BRAZIL										
Manufacturing[24]	97	100	104	110	116	106	108	102	103	103
• Textiles	126	100	98	104	83	62	65	58	58	55
• Wearing apparel	115	100	103	117	99	65	60	39	41	36
• Footwear, leather& hides[25]	94	100	102	98	88	87	87	84	83	75
ARGENTINA										
Manufacturing	135	125	133	145	149	136	134			
• Textiles	98	94	101	95	84	70	67			
• Wearing Apparel	118	103	114	112	107	88	78			
• Leather and Footwear	145	125	152	163	150	139	141			
URUGAUY										
Manufacturing[26]	97	100	104	110	116	106	108	102		
• Textiles	126	100	98	104	83	62	65	58		
• Wearing Apparel	115	100	103	117	99	65	60	39		
SOUTH AFRICA[27]										
Manufacturing	92	100	104	106	103	102	106	109	115	112
• Textiles	97	100	99	104	94	91	94	96	104	89
• Clothing	88	100	91	93	88	88	83	79	84	82
• Leather, and -products	76	100	103	106	111	123	125	115	121	114
• Footwear	105	100	86	85	75	69	66	54	54	49

Source; Yearbook of Industrial Statistics 2004 UNIDO.

The information in Table 3.4, show that the impact of global integration had been more severe on the Textiles, Clothing, Leather and Footwear sectors than on manufacturing generally.

3.2.4 Summary

1. Mercosur members as well as South Africa took advantage of the Uruguay Round of trade negotiations to embark on trade liberalisation as the model for future growth. Experiences amongst Mercosur members and in South Africa can thus be expected to exhibit many similarities with the economies of both regions coming from a protective background. Although manufacturing production among these countries tended to increase in the period 1990 and 2002, growth in GDP was invariably faster and the share of manufacturing in GDP dropped substantially. In 2002 the share of the manufacturing GDP of Brazil was almost half of the 1990 ratio. In conformance to the aim of increased integration in international trade, both exports and imports of manufactured goods became a larger portion of the total exports and imports of the respective countries.

2. Based on the available information, growth in the production of the TCL-industries were hit particularly hard and in all instances production levels

[23] Estimated for 2002 and 2003 with data Published in Boletin do Banco Central do Brazil.
[24] Yearbook of Industrial Statistics 2004, UNIDO
[25] Trade Policy Review: WT/TPR/S/75 (00-3734), World Trade Organisation 27 September 2000 page 87
[26] Yearbook of Industrial Statistics 2004, UNIDO
[27] IDC. Source of original statistics: Statistics South Africa

were lower than when trade liberalisation had been introduced in the early part of the nineties.

3. In addition to the many similarities between Mercusor and the South African economies that had been commented on in Chapter 2, the experiences in global integration in terms of the lagging performance of manufacturing and in particular the decline in output of the TCL industries, exhibit a comparable pattern.

4. Insofar as the exchange rate impacts on the performance of the TCL industries, Mercosur may be better placed to perform in the current situation as long as South African producers have to face the support that the strong Rand lends to international competitors.

3.3 THE IMPORTANCE OF TCL-INDUSTRIES IN MERCUSOR

Apart from pure economic considerations the TCL-industries are usually considered important for their social attributes in employment generally and of women. This also applies to the Mercosur countries.

3.3.1 Textiles and Clothing

(a) Brazil

According to the Trade Policy Review of the WTO, the share of the production of textiles, clothing and other wearing apparel in total manufacturing production amounted to 7.1% in 1995 with a decline thereafter to 5.4% in 1998. The contents of Table 3.5 indicate a further decline in importance to 4.6% in 2001. Apart from the value added by Other Textiles that remained around 1.0% of manufacturing value added, the share of all sectors became smaller. Value added by the clothing sector diminished from 2.2% of that of manufacturing in 1998 to 1.8% in 2001.

TABLE 3.5: BRAZIL: VALUE ADDED AT FACTOR VALUES AS PERCENTAGE OF VALUE ADDED BY MANUFACTURING. 1998 - 2001, TEXTILES AND CLOTHING

ISIC	SECTOR	1998	1999	2000	2001
171	Spinning, weaving and finishing of textiles	1.9	2.1	1.6	1.4
172	Other Textiles	0.9	1.0	1.0	1.0
1730	Knitted and crocheted fabrics and articles	0.3	0.4	0.4	0.3
	Textiles	3.2	3.4	3.0	2.7
1810	Wearing apparel	2.2	2.0	1.9	1.8
	Textiles and clothing	5.4	5.4	4.9	4.6

Source: Yearbook of Industrial Statistics 2004 UNIDO.

Information[28] on recent developments indicates a severe negative impact on the industry in 2002 as the result of the economic crisis in Argentina. Brazil found some relieve in an increase of 162% in sme (square meter equivalent) export to the US. In 2003 conditions (in Argentina) improved and Brazil benefited from continued strong exports to the US.

In spite of the lethargic performance of value added in textiles and clothing, employment expanded to 280 000 in textiles and 410 000 in the manufacture of wearing apparel in 2001.

[28] Textile Outlook International: Economic Intelligence Limited. www.textilesintelligence.com

TABLE 3.6 BRAZIL: EMPLOYMENT THOUSANDS 1998 TO 2001					
ISIC	**Product**	**1998**	**1999**	**2000**	**2001**
171	Spinning, weaving, finishing of textiles	143.9	151.5	143.5	149.1
172	Other Textiles	85.4	79.4	94.5	95.8
1730	Knitted and crocheted fabrics & articles	24.9	27.9	33.3	34.9
	Total textiles	254.2	258.8	271.3	279.8
1810	Wearing Apparel	340.6	367.4	400.5	410.2
	Total	**594.8**	**626.6**	**671.8**	**690.0**

Source: Yearbook of Industrial Statistics 2004 UNIDO

The number of manufacturing establishments increased too. In 2001 there were more than 6000 producing textiles and almost 19 000 making garments.

TABLE 3.7: BRAZIL: NO. OF MANUFACTURING ESTABLISHMENTS					
ISIC	**Product**	**1998**	**1999**	**2000**	**2001**
171	Spinning, weaving, finishing of textiles	1733	1645	1743	1826
172	Other Textiles	2471	1752	2245	2127
1730	Knitted and crocheted fabrics & articles	761	759	871	1172
	Total textiles	4965	4156	4859	5125
1810	Wearing Apparel	15264	15600	17088	18691
	Total	**20229**	**19756**	**21947**	**23816**

Source: Yearbook of Industrial Statistics 2004 UNIDO

(b) *Argentina*

The information on Argentina is less recent than that of Brazil. However, the available information point to increases in the share of textile and clothing value added in the total of manufacturing. The exception is the smaller share of value added by the spinning and weaving of textiles. A significant improvement was recorded in the value added contributed in the manufacture of clothing up to 1999.

According to Textile Intelligence[29] textile production was down to the order of 37% in 2002 compared to 2001 and clothing by 44% but bounced back in 2003 when the impact of the crisis subsided.

TABLE 3.8 ARGENTINA: VALUE ADDED AT FACTOR VALUES AS PERCENTAGE OF VALUE ADDED BY MANUFACTURING: 1996 - 1999, TEXTILES AND CLOTHING					
ISIC	**SECTOR**	**1996**	**1997**	**1998**	**1999**
171	Spinning, weaving and finishing of textiles	2.5	2.4	2.3	2.3
172	Other Textiles	0.5	0.8	0.8	0.8
1730	Knitted and crocheted fabrics and articles	0.6	0.9	0.9	0.9
	Textiles	3.6	4.1	4.0	4.0
1810	Wearing apparel	1.4	2.2	2.4	2.4
	Textiles and clothing	5.0	6.3	6.5	6.5

Source: Yearbook of Industrial Statistics 2002 UNIDO.

Gains in employment occurred between 1996 and 1999 but subsided in 1999. These gains happened in the clothing and knitted and crocheted fabrics and to some extent in the manufacture of other textiles.

[29] Ibid

TABLE 3.9: ARGENTINA: EMPLOYMENT THOUSANDS 1996-1999					
ISIC	**Product**	**1996**	**1997**	**1998**	**1999**
171	Spinning, weaving, finishing of textiles	31.7	31.1	32.0	28.6
172	Other Textiles	10.2	9.9	10.2	10.5
1730	Knitted and crocheted fabrics & articles	7.7	12.3	12.8	12.3
	Total textiles	49.6	53.7	55.0	51.4
1810	Wearing Apparel	23.9	36.1	39.4	34.3
	Total	**73.5**	**89.8**	**94.4**	**85.7**

Source: Yearbook of Industrial Statistics 2002 UNIDO

(c) Uruguay

The share of value added in the manufacture of textiles and clothing of Uruguay is comparatively small. Employment by the textile and clothing sectors amounted to about 10 000 persons in 2000.

TABLE 3.10: URUGUAY: VALUE ADDED IN TEXTILES AND CLOTHING AS A PERCENTAGE OF MANUFACTURING. 1998 - 2000				
ISIC	**Product**	**1998**	**1999**	**2000**
171	Spinning, weaving, finishing of textiles	1.4	1.2	1.3
172	Other Textiles	0.1	0.1	0.1
1730	Knitted and crocheted fabrics & articles	0.3	0.3	0.3
	Total textiles	1.8	1.6	1.8
1810	Wearing Apparel	1.0	0.9	0.9
	Total	**2.8**	**2.5**	**2.7**

Source: Yearbook of Industrial Statistics 2004 UNIDO.

TABLE 3.11: URUGUAY: EMPLOYMENT IN THE MANUFACTURE OF TEXTILES AND CLOTHING (NUMBERS) 1998,1999 AND 2000				
ISIC	**SECTOR**	**1998**	**1999**	**2000**
171	Spinning, weaving and finishing of textiles	4359	3379	3214
172	Other textiles	456	452	412
1730	Knitted and crocheted fabrics and articles	1637	1463	1290
	Sub-total	6452	5294	4916
1810	Wearing Apparel excl footwear	6751	5818	4911
	Total	13203	11112	9827

Source: Yearbook of Industrial Statistics 2004 UNIDO

(d) Summary

The overall trend is for the value added in the manufacture of textiles and clothing to lag the growth in the total manufacturing production. Value added in clothing manufacture in Argentina seems to be the exception to this trend. The relative importance of the textile and clothing sectors for the respective manufacturing sectors is compared in Table 3.12. The textile sectors of the Mercosur countries are more important than that of South Africa in manufacturing production. The production of clothing is more important to South Africa than to Brazil and of equal importance to that of Argentina.

TABLE 3.12 COMPARATIVE VALUE ADDED AT FACTOR VALUES AS PERCENTAGE OF VALUE ADDED BY MANUFACTURING: TEXTILES AND CLOTHING				
SECTOR	**Brazil 2001**	**Argentina 1999**	**Uruguay 2000**	**RSA 2003**
Textiles	2.7	4.0	1.8	1.6
Wearing apparel	1.8	2.4	0.9	2.4
Textiles and clothing	4.6	6.5	2.7	4.0

Taken together the share of value added in textiles and clothing is the most important to Argentina while it is also more important to Brazil than to South Africa.

A comparison of employment in textiles and clothing can serve as an indicator of differences in the relative size between the respective countries as shown in Table 3.13

TABLE 3.13 EMPLOYMENT: TEXTILES AND CLOTHING (THOUSANDS)

ISIC	SECTOR	Brazil 2001	Argentina 1999	Uruguay 2000	R.S.A 2002
171	Spinning, weaving and finishing of textiles	149.1	28.6	3.2	na
172	Other Textiles	95.8	10.5	0.4	na
1730	Knitted and crocheted fabrics and articles	34.9	12.3	1.3	na
	Textiles	279.8	51.4	4.9	54.7
1810	Wearing apparel	410.2	34.3	4.9	134.0
	Textiles and clothing	690.0	85.7	9.8	188.7

Source: Yearbook of Industrial Statistics 2004 UNIDO

The dominance of Brazil is obvious. The South African textile and clothing work force is 27% of that of Brazil. Employment in the Brazilian clothing sector is about three times that of South Africa and growing.

The size of employment in textile production of South Africa and Argentina is about the same. The size of South African employment in clothing manufacture overshadows that of Argentina by a wide margin.

3.3.2 Tanning, Dressing and Processing of Leather

(a) Brazil

Although a small part of manufacturing production, the Brazilian leather industry seems to be on an expanding path. Its share in manufacturing value added rose from 0.4% in 1998 to 0.5% in 2001. (South Africa's increased from 0.2% to 0.3%). Employment numbers and that of enterprises that appear in Table 3.15 confirm the expansionary trend in value added.

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TABLE 3.14: BRAZIL: EMPLOYMENT AND NUMBER OF ESTABLISHMENTS 1998 TO 2001

ISIC		1998	1999	2000	2001
191	Employment (thousands)	48.4	53.9	62.3	64.9
191	Number of Establishments	1401	1467	1777	1886

Source: Yearbook of Industrial Statistics 2004 Unido

(b) Argentina

The value added by leather processing in Argentina remains around 1% of that of manufacturing but employment seems to be shrinking.

TABLE 3.15 ARGENTINA: VALUE ADDED AND EMPLOYMENT BY THE SECTOR TANNING, DRESSING AND PROCESSING OF LEATHER. 1996 – 1999

ISIC		1996	1997	1998	1999
191	Value added as % of manufacturing	1.0	1.1	0.7	1.0
191	Employment (Numbers)	15.0	13.8	13.2	12.7

Source: Yearbook of Industrial Statistics 2002 Unido

(c) *Uruguay*
Employment in the tanning dressing and processing of leather increased from 1110 in 1998 to 1341 in 1999. The share of value added in that of manufacturing production increased from 0.8 % in 1998 to 1.1% in 2000.

(d) *Summary.*
Employment in the processing of leather in South Africa declined steadily to 6.4 thousand in 2002. The workforce of Brazil is ten times and that of Argentina about twice that of South Africa.

3.3.3 Footwear

(a) *Brazil*
The manufacture of footwear in Brazil is expanding. Value added in footwear was 1.5% of that of manufacturing in 1998 and 1.7% in 2001. In South Africa the share of footwear declined from 0.8% in 1998 to 0.4% in 2003.

Brazil is the third largest producer of footwear in the world after China and India and the fifth largest consumer after China, the USA, India and Japan. Export was a significantly high 28% of production in 2000 but import is low in comparison at 2.1% of local consumption.

TABLE 3.16: BRAZIL: PRODUCTION, EMPLOYMENT, ENTERPRISES, EXPORTS AND IMPORTS OF FOOTWEAR 1998, 1990 AND 2000

	1998	1999	2000
Production (million pairs)	516	499	580
Employment (thousands)	185	209	240
Enterprises (number)	6013	6253	6860
Exports (million pairs)	131	137	163
Imports (million pairs)	29	13	9

Source: Statistical Review-2002 . Abicalcados

Except for production in 1999, all indicators in Table 3.17 show the footwear industry and exports in Brazil to be expanding while imports are diminishing.

Small and medium sized exporters (exports less than 1 million $ per year) make up 82% of the number of enterprises involved in exporting but 18 firms with exports more than $25 million per year, and constituting 2.2% of footwear exporting firms, are responsible 53% of footwear exports.

TABLE 3.17: CONCENTRATION OF BRAZILIAN FOOTWEAR EXPORTING ENTERPRISES 2000

Size of exports Million US%	Enterprises		US$	
	Number	%	Million	%
+50	6	0.7	453	28
25-50	12	1.5	408	25
10-25	17	2.0	250	15
5-10	29	4.0	208	13
1-5	83	10.0	202	12
0.1-1	225	27.0	86	5
>0.1	449	55.0	11	1

Source: Statistical Review –2002. Abicalcados *(b) Argentina*

The share of footwear value added in manufacturing is about 1.0% of manufacturing value added but there seem to be some growth in employment.

TABLE 3.18: ARGENTINA: VALUE ADDED AND EMPLOYMENT BY THE FOOTWEAR SECTOR. 1996 – 1998					
ISIC		**1996**	**1997**	**1998**	**1999**
191	Value added as % of manufacturing	1.0	1.2	1.1	1.0
191	Employment (million)	18.6	21.6	22.7	20.8

Source: Yearbook of Industrial Statistics 2002 Unido

Argentina is the 22nd largest producer of footwear in the world. In 2000 imports equalled 35 % of production and exports 1.4%.

TABLE 3.19: ARGENTINA: PRODUCTION, IMPORT AND EXPORT OF FOOTWEAR 1998, 1999 AND 2000			
	1998	**1999**	**2000**
Production(million pairs)	80	80	72
Exports (million pairs)	4	1	1
Imports (million pairs)	21	18	25

Source: Statistics Review 2002 Abicalcados

(c) Paraguay

Footwear production in Paraguay is small and the country depends on imports for its needs.

TABLE 3.20: PARAGUAY: PRODUCTION, IMPORT AND EXPORT OF FOOTWEAR: 1998, 1999 AND 2000			
	1998	**1999**	**2000**
Production(million pairs)	3.6	3.5	3.0
Exports (million pairs)	0.1	0.1	0.0
Imports (million pairs)	15.5	16.0	16.0

Source: Footwear Statistics 2002 Abicalcados

(d) Uruguay

The sector is small with imports more than twice the size of local production.

TABLE 3.21: URUGUAY: VALUE ADDED AND EMPLOYMENT BY THE FOOTWEAR SECTOR. 1998 – 2000				
ISIC		**1998**	**1999**	**2000**
191	Value added as % of manufacturing	0.1	0.1	0.1
191	Employment (thousand)	793	550	370

Source: Yearbook of Industrial Statistics 2004 Unido

TABLE 3.22: URUGUAY: PRODUCTION, IMPORT AND EXPORT OF FOOTWEAR: 1998, 1999 AND 2000			
	1998	**1999**	**2000**
Production(million pairs)	3.3	3.3	4.0
Exports (million pairs)	2.4	2.4	1.0
Imports (million pairs)	8.3	8.5	9.0

Source: Statistics Review 2002 Abicalcados *(e) Summary*

Mercosur is comparatively strong in the manufacture of footwear dwarfing South African footwear manufacture. Brazil is a world player in the export of footwear.

3.4 INTRA MERCOSUR TRADE

Development of intra - Mercosur trade was advanced as the second prong to the two pronged approach that had been adopted in the early nineties to achieve global integration. Intra - Mercosur trade in TCL responded by expanding from $1.1 billion in 1994 to $1.5 billion in 1998. However, as the result of the crises that developed thereafter intra – trade suffered because of lower demand among member countries and reduced $ values due to devaluation against the US$. Intra – trade thus fell back to $ 1.2 billion in 2001.

TABLE 3.23: INTRA-MERCOSUR TRADE IN TCL 1994, 1998 AND 2001

Sector	1994	1998	2001	1994	1998	2001
	$million	$million	$million	%	%	%
Textiles including fibres	611.0	797.6	442.5	31.9	46.3	28.4
Clothing	260.2	418.1	335.7	29.4	54.0	39.0
Leather	190.6	164.8	232.6	9.6	7.8	9.7
Footwear	51.8	142.7	156.3	3.0	9.6	9.6
Total	1113.6	1523.2.	1176.7	17.2	24.9	17.9

Source: IDC ex World Trade Analyser

Thus, after having increased from 17.2% of the export of TCL-products in 1994 to 24.9% in 1998, intra-trade was just below 18% in 2001. The ratios of intra-trade in footwear and leather are relatively low but they continued to rise between 1998 and 2001. The ratios of textiles and clothing increased from around 30% in 1994 to around 50% in 1998. Intra-trade in textiles suffered most between 1998 and 2001. The ratio fell back to 28% in 2001 and the $-value was substantially lower than even in 1994. Intra-trade in clothing also retracted between 1998 and 2001.

TABLE 3.24: PERCENTAGE SHARE OF MEMBER COUNTRIES INTRA-MERCOSUR TRADE IN TCL 1994, 1998 AND 2001

Country	Exports			Imports		
	1994	1998	2001	1994	1998	2001
Brazil	32.0	41.0	53.0	50.0	46.0	33.0
Argentina	38.0	37.0	32.0	27.0	39.0	46.0
Paraguay	16.0	8.0	6.0	10.0	5.0	5.0
Uruguay	14.0	14.0	9.0	13.0	10.0	16.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: IDC ex World Trade Analyser.

The contents of Table 3.24 show Brazil to be the dominant member in export penetration into the Mercosur market increasing its share from 32% in 1994 to 53% in 2001. At the same time its proportion of imports from Mercosur decreased substantially. Brazil thus benefits on its trade balance with Mercosur. Argentina is taking a growing share of imports from other member countries while its export share is declining. These trends may reverse with a floating Peso. The share of Paraguay is becoming smaller in both exports and imports while Uruguay is taking an increasing share of imports.

3.4.1 Textiles

(a) Total

Intra-Mercosur trade in textiles increased from 32% of total Mercosur textile exports in 1994 to a high of 46 % in 1998. Thereafter the ratio dropped steeply to 28% in 2001 primarily because of less trade in cotton. However, intra-trade in the other products also diminished to about the levels that were achieved in 1994.

TABLE 3.25: INTRA – MERCOSUR TRADE IN SELECTED TEXTILE PRODUCTS 1994, 1998 AND 2001. US$ AND AS A PERCENTAGE OF MERCOSUR EXPORT OF TEXTILES

ISIC	Product	Value US$ million			% of Total Exports		
		1994	1998	2001	1994	1998	2001
263	Cotton	247.4	216.0	49.1	70.9	85.0	78.2
651	Textile Yarn	132.7	201.4	147.2	19.5	35.1	27.2
652	Cotton fabrics woven	86.2	139.8	87.8	30.8	51.4	34.5
657	Special textile fabrics	35.6	63.2	51.1	26.6	37.8.0	39.5
653	Fabrics woven of mmf	29.9	45.0	25.2	64.6	81.3	62.9
654	Synthetic fibres	22.5	45.1	28.0	71.0	85.0	78.0
	Others	56.8	131.4	54.1	na	na	na
	Total	611.1	797.6	442.5	31.9	46.3	28.4

Source: IDC ex World Trade Analyser.

(b) Share of member countries

Argentina used to be dominant in exports but Brazil overtook it by 2001. Brazil dominates in imports but Argentina is taking an increasing share of intra-Mercosur imports (from Brazil's rising share in exports). Paraguay's position in exports weakened between 1994 and 2001.

TABLE 3.26: PERCENTAGE SHARE OF MEMBER COUNTRIES INTRA-MERCOSUR TRADE IN TEXTILES 1994, 1998 AND 2001

Country	Exports			Imports		
	1994	1998	2001	1994	1998	2001
Brazil	28.0	38.0	47.0	62.0	54.0	47.0
Argentina	38.0	43.0	39.0	21.0	35.0	40.0
Paraguay	26.0	12.0	9.0	8.0	5.0	5.0
Uruguay	8.0	8.0	5.0	9.0	6.0	8.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: IDC ex World Trade Analyser.

The share of Brazil in intra-Mercosur exports in 2001 was high in synthetic fibres suitable for spinning (72%); floor coverings (88%); knitted and crocheted products (80%); and woven cotton fabrics (85%). On the import side Brazil featured in yarn (71%); fabrics woven other than cotton (57%); and cotton (92%).

Exports by Argentina to Mercosur were significant in fabrics woven of man-made fibres (40%); special textile fibres (48%); yarn (68%); and wool (40%).

In 2001 Paraguay was significant in cotton exports (71%) and Uruguay in exports of woven textile fabrics other than cotton (88%). On the import side Paraguay was important in silk and Uruguay in wool and vegetable fibres.

3.4.2 Clothing

(a) Total

Intra-Mercosur trade in clothing and made-up textiles increased from 29.4% in 1994 to 54.0% in 1998. Thereafter it subsided to 39% in 2001. The intensity of intra-Mercosur trade in clothing and made-ups nonetheless remained higher than before amongst the important sub-sectors despite the economic crises of the late nineteen nineties.

TABLE 3.27: INTRA – MERCOSUR TRADE IN SELECTED CLOTHING ITEMS AND MADE-UP TEXTILES 1994, 1998 AND 2001. US$ AND AS A PERCENTAGE OF MERCOSUR EXPORT OF CLOTHING

ISIC	Product	Value US$ million			% of Total Exports		
		1994	1998	2001	1994	1998	2001
658	Made-up textiles	79.2	133.6	108.1	25.0	43.0	31.4
842	Men's outergarments	44.9	65.5	47.8	27.8	65.6	38.2
845	Outer garments knitted	31.2	42.6	44.2	27.4	56.3	43.3
846	Undergarments knitted	30.0	44.1	53.4	23.0	58.8	44.4
	Others	74.8	132.3	82.1	na	na	na
	Total	260.1	418.1	335.6	29.4	54.0	39.0

Source: IDC ex World Trade Analyser

(b) Share of member countries.

Brazil increased its share in intra-Mercosur exports significantly to 62% in 2001. The country is particularly dominant in intra-Mercosur exports of knitted or crocheted undergarments (93%); knitted outer garments (73%); under garments of textile fabrics (72%); and made-up textiles (80%). On the exports side Argentina sells tulle and lace (35%) into Mercosur. However, Argentina is the largest recipient of if intra-Mercosur imports of clothing and takes at least 50% but mostly in excess of 60% and even 70% of Intra-Mercosur imports of the different clothing categories.

Uruguay, relative to its size is also important in imports: knitted outer and under garments; old clothing; and undergarments of textiles. Surprisingly

TABLE 3.28: PERCENTAGE SHARE OF MEMBER COUNTRIES IN INTRA-MERCOSUR TRADE IN CLOTHING 1994, 1998 AND 2001

Country	Exports			Imports		
	1994	1998	2001	1994	1998	2001
Brazil	58.0	54.0	62.0	21.0	30.0	20.0
Argentina	9.0	13.0	12.0	50.0	51.0	60.0
Paraguay	1.0	3.0	6.0	18.0	8.0	6.0
Uruguay	32.0	30.0	20.0	11.0	11.0	14.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: IDC ex World Trade Analyser

Uruguay features prominently in the export of women outer garments of textile materials (83%) in intra-Mercosur trade and in men's outer garments (30%). Paraguay is responsible for 35% of intra-Mercosur exports of men's outer garments made of textile materials.

3.4.3 Leather and Products

(a) Total

Intra-Mercosur exports of leather and products in intra-trade are less than 10% of total exports of leather. However, this is not to say that intra-trade in leather is negligible. The size of the intra-trade in leather needs to be seen in context. Leather exports to the world by Mercosur in 2001 were equal to the exports of textiles and clothing taken together.

TABLE 3.29: INTRA – MERCOSUR TRADE IN LEATHER 1994, 1998 AND 2001. US$ AND AS A PERCENTAGE OF MERCOSUR EXPORT OF LEATHER AND LEATHER PRODUCTS

ISIC	Product	Value US$ million			% of Total Exports		
		1994	1998	2001	1994	1998	2001
611	Leather	158.6	141.1	205.9	10.8	8.0	10.0
211	Raw hides and skins	3.7	1.2	9.8	23.1	7.0	37.2
831	Travel and handbags	4.3	4.7	4.7	17.9	36.2	39.4
	Others	166.6	147.0	220.4	na	na	na
	Total	190.6	164.5	232.6	9.6	7.8	9.7

Source: IDC ex World Trade Analyser.

(b) The share of countries

As can be seen from table 3.30 Brazil is the major importer and Argentina the dominant exporter of leather. Uruguay is important on the import side.

TABLE 3.30 PERCENTAGE SHARE OF MEMBER COUNTRIES IN INTRA-MERCOSUR TRADE IN LEATHER AND PRODUCTS 1994, 1998 AND 2001

Country	Exports			Imports		
	1994	1998	2001	1994	1998	2001
Brazil	4.0	9.0	22.0	69.0	61.0	47.0
Argentina	78.0	76.0	67.0	5.0	10.0	10.0
Paraguay	6.0	7.0	5.0	6.0	3.0	2.0
Uruguay	11.0	8.0	6.0	20.0	26.0	41.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: IDC ex World Trade Analyser

3.4.4 Footwear

Intra-Mercosur trade in footwear increased from 3.0% in 1994 to 9.6% in 1998 and 2001. Again, the sheer size of Mercosur exports to the world dwarfs intra-Mercosur trade. Intra-Mercosur trade in footwear amounted to $156 million in 2001 and is significant in own right.

TABLE 3.31: PERCENTAGE SHARE OF MEMBER COUNTRIES IN INTRA-MERCOSUR TRADE IN FOOTWEAR 1994, 1998 AND 2001						
Country	**Exports**			**Imports**		
	1994	**1998**	**2001**	**1994**	**1998**	**2001**
Brazil	45.0	63.0	97.0	9.0	27.0	1.0
Argentina	36.0	32.0	2.0	50.0	59.0	84.0
Paraguay	0.0	0.0	0.0	17.0	4.0	7.0
Uruguay	9.0	5.0	1.0	24.0	11.0	8.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: IDC ex World Trade Analyser.

Brazil dominates on the export side and Argentina on the import side of intra-Mercosur trade in footwear.

3.4.5 Summary

1. Intra-Mercosur trade intensified between 1994 and 1998 but then fell back by 2001 as the result of the economic crisis in Argentina and adverse conditions in cotton production.
2. Brazil is dominant in exporting to Mercosur and Argentina in importing.
3. Some specialisation can be seen in Intra-Mercosur trade in Textiles with member countries dominating in different product groups.
4. This also applies to intra-Mercosur trade in clothing.
5. Argentina is dominating in intra-Mercosur trade in leather as an exporter while Brazil and to some extent Uruguay are importers.
6. Brazil overshadows on the export side and Argentina on the import side in intra-trade in footwear.
7. The Brazilian TCL-industries dwarf those of South Africa. The South African and Argentine textile and clothing sectors are comparable in terms of employment but Argentina is stronger in leather and footwear.

3.5 PRODUCTIVITY AND COST

3.5.1 Comparative labour rates

The impact of exchange rate changes on wage rates can be observed from the data in table 3.33 for Brazil, Argentina and South Africa. Between 1998-2000 hourly $ labour rates were almost double that of South Africa. It reduced to become only marginally higher than that of South Africa in 2002 in the case of Brazil and to well below South Africa’s in the case of Argentina because of the depreciation of the Real and Peso.

TABLE 3.32: LABOUR RATES IN THE TEXTILE INDUSTRY US$ /HOUR						
	1994	**1996**	**1998**	**2000**	**2002**	**2002/2000 % p.a.**
Brazil	1.76	3.84	4.03	3.20	2.50	-11.6
Argentina	2.89	4.60	4.88	5.90	1.70	-46.3
Uruguay	3.31	4.18	3.95	3.63	3.63	-4.1
Paraguay	na	na	na	na	na	na
South Africa	2.19	1.86	2.05	1.82	2.17	9.2
China Mainland	*0.48*	*0.58*	*0.62*	*0.69*	*0.41*	*-22.9*
China Coastal	*na*	*na*	*na*	*na*	*0.69*	*na*

Source: World Markets for Knitted Goods- Forecasts to 2010 Special Report No.2652. Textiles Intelligence ISBN 902625064 Table 6-9.

Because of the appreciation in the Rand post 2002 South African labour rates increased in $-terms. In today's Rand/$ rate the 2002 hourly rate would have been about $3.60. Argentine's labour rates are comparatively low.

Hourly rates vary internationally between $15 and $ 25 in the developed countries and $0.25 and $ 1.00 in poor countries e.g. China, India and Pakistan.

Hourly rates in the South African clothing industry were $1.04 in the metropolitan areas in 2002 and $0.50 non-metropolitan areas. At today's exchange rate the hourly rates of 2002 would come to $1.73 and $0.83 respectively.[30]

The hourly rates in Mercosur and in South Africa are roughly speaking, in the same ballpark and comparable to that of a number of developing countries. However, both Mercosur and South Africa are vulnerable to the likes of China and others that exploit low costs.

3.5.2 Comparative Interest rates.

Interest rates in Argentina are kept well below 10% except for the crises period of 2001 and 2002. These rates could be artificially low compared to inflation (Chapter 2) resulting in negative real interest rates. Negative real interest rates suggest fragility in monetary policy. However, in the mean time businesses enjoy the benefit of low interest charges.

In recent years the money market rate in Brazil revolved around 20% p.a. The rate is relatively high and a contributing factor to the high proportion of depreciation and interest in the cost make-up of producers (Tables 3.34 and 3.35 below).

Interest rates in Paraguay and Uruguay are comparatively high.

TABLE 3.33: SHORT-TERM INTEREST RATES OF MERCOSUR MEMBERS 1994 TO 2004

Date	Brazil	Argentina	Paraguay	Uruguay
1994	4820.64	7.66	18.64	95.08
1995	53.37	9.46	20.18	99.10
1996	27.45	6.23	16.35	91.52
1997	25.0	6.63	12.48	71.55
1998	29.50	6.81	20.74	57.93
1999	26.26	6.99	17.26	53.28
2000	17.59	8.15	10.70	49.05
2001	17.47	20.70	13.45	51.71
2002	19.11	41.35	13.19	126.07
2003	23.37	3.74	13.02	na
2004	15.77	3.30	41.18	na

Source: International Financial Statistics. IMF

Note: (1) The rate for 2004 is at 31/05/04. (2) Money Market rates for Brazil , Argentina and Paraguay and lending rate for Uruguay.

[30] SACTWU

3.5.3 Manufacturing costs

(Comparable international information is limited to that of Brazil and to textiles and apparel.)

(a) Cost components

Labour costs remain important in textile manufacturing costs despite continuous advances in automation. The ratio of labour cost to manufacturing costs is highest in the developed countries. In the developing countries depreciation and interest invariably make up the largest part of manufacturing cost.

In weaving this can be seen in materials woven from ring spun yarns as a representative example. Brazil exhibits the typical cost structure of a developing country.

TABLE 3.34: PERCENTAGE SHARES OF COST COMPONENTS OF WOVEN FABRICS FROM RING SPUN YARN INCLUDING RAW MATERIALS FOR SELECTED COUNTRIES

Cost element	Italy	Turkey	USA	Brazil	India	Indo-nesia	South Korea
Waste	3.2	3.3	2.4	4.1	4.0	4.5	4.6
Labour	32.5	8.1	31.4	8.1	4.7	1.7	13.6
Power	12.9	14.4	8.4	8.7	16.7	5.9	9.3
Auxiliary materials	7.6	9.7	8.1	10.0	10.1	9.1	16.5
Depreciation & interest	21.7	38.8	27.2	38.1	34.9	46.6	24.2
Raw materials	22.2	25.6	22.6	31.1	29.6	32.2	31.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: World Markets for Woven Products. Textiles Intelligence

The same applies to knitted fabrics as can be seen from the contents of table 3.35.

TABLE 3.35: PERCENTAGE SHARES OF COMPONENTS OF KNITTED FABRIC MANUFACTURING COSTS, INCLUDING RAW MATERIALS, SELECTED COUNTRIES, 2001(% SHARE)

Cost element	Italy	Turkey	USA	Brazil	India	Indone sia	South Korea
Waste	4.6	4.4	3.5	5.6	5.4	5.7	6.6
Labour	26.8	7.2	25.8	5.0	2.2	0.7	9.8
Power	10.3	10.3	6.1	6.2	12.6	3.8	6.8
Auxiliary materials	3.9	4.1	4.3	4.8	4.2	4.0	4.8
Depreciation & interest	21.3	39.2	27.2	36.2	35.6	46.2	26.2
Raw materials	33.1	34.9	33.1	42.3	39.9	39.6	45.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: World Markets for Woven Products. Textiles Intelligence

(b) Cost trends

Unit costs are falling and in 2001 the cost in $ per yard of woven fabric in Brazil came to 50 % of the price of 1995. Depreciation of the Real played a role in this. Brazilian fabric at $.0657 per yard was even cheaper than that of India in 2001.[31] [32] A comparable situation applies to knitted fabric.[33]

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[31] World Markets for Knitted Textiles and Apparel Textiles Intelligence Table 6.8

[32] According to the ITMF comparison Brazil's fabric cost was also lower than that of China in 2003.

(c) Considerations

1. Hourly labour rates between Brazil and South Africa seem to be comparable.
2. The cost structure of Brazilian textiles manufacturing is typical of that of developing countries with labour being a smaller component while capital, depreciation and interest, being a more important cost component.
3. The $-cost of Brazilian fabric is comparatively low after depreciation of the Real.

3.6. INCENTIVES

3.6.1 Geographic

Geographic preferences consist of tax benefits for investment in less developed parts of the country, such as the north-east and the central-west, with equal application to foreign and domestic investors. These benefits seem to have had little impact on foreign investment decisions. Most foreign investment remains concentrated in the more industrialized southern part of Brazil. Some municipalities provide land on favourable terms for industrial development.[34]

Regional incentives are administered by Superintendency for the Development of the Amazon Region (SUDAM) and Superintendency for the Development of the Northeast (SUDENE), which are autonomous federal entities linked to the Ministry of Planning and Budget. Their objective, inter alia, is to evaluate and approve projects of interest to the development of the region and to grant fiscal benefits or financial cooperation accordingly. The duration of these benefits is indeterminate.[35]

The fiscal benefits in the form of income tax exemption or income tax reductions are granted to industrial or agricultural firms located in the Legal Amazon or north-east regions.[36] Eligible firms must be classified as being of interest to regional development.

3.6.2 Free trade zones

There are four free trade zones in Brazil (Manaus, Macapa/Santana, Tabatinga, and Guajari), and four others have been authorized.[37] However, the only zone currently in operation is the Manaus Free Trade Zone (MFTZ), the others engage only in commerce operations.

Since 1996, production in the MFTZ has decreased, as has the proportion of goods sold domestically. Local value added has also been slipping and the number of jobs offered has decreased.[38] In contrast, exports from the MFTZ increased from 0.8% in 1996 to 5.2% .

[33] World Markets for Knitted Textiles and Apparel Textiles Intelligence Table 6.8
[34] Department of Commerce (1999c)
[35] WTO document G/SCM/N/3/BRA, 13 March 1996.
[36] The Legal Amazon includes the States of Amazonas, Romina, Amapá, Pará, Tocantins, Rondania, Mato Grosso, and part of Maranhão.
[37] U.S. Department of Commerce (1999a).
[38] *The Economist*, 19 February 2000.

TABLE 3.36: MANAUS FREE TRADE ZONE PRODUCTION, 1996-99					
	Markets			Share (%)	
Year	Domestic	Foreign	Total	Domestic	Foreign
1996	13,153	105	13,258	99.2	0.8
1997	11,580	149	11,729	98.7	1.3
1998	9,701	227	9,928	97.7	2.3
1999	6,774	372	7,146	94.8	5.2

Source: SAP/DEMO/COISE.

3.7 SUMMARY

1. Following the Uruguay Round of Trade Negotiations, Mercosur and South Africa departed from protective trade policy backgrounds to embrace trade liberalisation in the first half of the nineties. Since successful trade liberalisation cannot happen in a vacuum, Mercosur and South Africa amended their macro economic policies to achieve macro economic stability and to follow more liberal international financial arrangements. This entailed interest rate, inflation and exchange rate policies. Varying degrees of success were achieved and furthermore brought the exchange rate and interest rates to the fore as determinants of international competitiveness.
2. Interest rates in Brazil are still comparatively high and artificially low in Argentina. This would suggest that Mercosur has as yet not achieved monetary stability to the extent found in South Africa.
3. Mercosur initially followed fixed exchanged rate policies for good reasons. However, fixed exchange rates compromise trade liberalisation and floating rates replaced the fixed rates by the early twenties. In so far as the macro economic environment impacts strongly on trade liberalisation it can be concluded that the South African macro economy seems to be on a stronger footing than that of the Mercosur countries. The Mercosur countries are also threatened by large external debts.
4. Two implications related to trade negotiations for sensitive areas like the TCL-industries follow from this. The first is the danger of divergent trends in the value of the currencies as experienced presently that may be to the disadvantage of the South African TCL-industries if concessions are made to Mercosur. The second is the danger of sudden export price reductions inherent in exchange rate volatility, that on present indications may well happen on the side of Mercosur in view of comparative fragility in the macroeconomic environment, including foreign debt.
5. Although manufacturing production tended to increase in the period 1990 and 2002, growth in GDP was invariably faster and the share of manufacturing in GDP dropped substantially. In conformance to the aim of increased integration in international trade, both exports and imports of manufactured goods became a larger portion of the total exports and imports of Mercosur and South Africa.
6. Based on the available information, growth in the production of the TCL-industries was lower than when trade liberalisation had been introduced in the early part of the nineties. In spite of that employment increased in Brazil.
7. Comparatively speaking the textile sectors of the Mercosur countries are more important than that of South Africa in manufacturing value added. The production of clothing is more important to South Africa than to Brazil and of equal importance to that of Argentina. Taken together the share of

value added in textiles and clothing is the most important to Argentina while it is also more important to Brazil than to South Africa.

8. A comparison of employment in textiles and clothing can serve as an indicator of differences in the relative size between the respective countries. The South African textile and clothing work force is 27% of that of Brazil. Employment in the Brazilian clothing sector is about three times that of South Africa and growing. The size of employment in textile production of South Africa and Argentina is about the same. The size of South African employment in clothing manufacture overshadows that of Argentina by a wide margin. Employment in the processing of leather in South Africa declined steadily to 6.4 thousand in 2002. The workforce of Brazil is ten times and that of Argentina about twice that of South Africa.
9. Mercosur has a comparative advantage in the processing of leather and manufacture of leather products. The value added of the sector is comparatively high in Mercosur. Employment in South Africa declined steadily to 6.4 thousand in 2002. The workforce of Brazil is ten times and that of Argentina about twice that of South Africa's.
10. Mercosur is comparatively strong in the manufacture of footwear dwarfing South African footwear manufacture. Brazil is the third largest producer of footwear in the world and export 28% of its production.
11. Intra-Mercosur trade intensified between 1994 and 1998 but then fell back by 2001 as the result of the economic crisis in Argentina and adverse conditions in cotton production. Brazil is dominant in exporting to Mercosur and Argentina in importing.
12. Hourly labour rates between Brazil and South Africa seem to be comparable. That of Argentina is now substantially lower after having been higher than South Africa's before the exchange rate adjustments of recent years. The cost structure of Brazilian textiles manufacturing is typical of that of developing countries with labour being a smaller component while capital, depreciation and interest, being a more important cost component. The $-cost of Brazilian fabric is comparatively low after depreciation of the Real, even lower than that of India.
13. Mercosur adopted sector neutral policies with the advent of trade liberalisation. However, some industries including the TCL-industries still attract more protective support than others. Fiscal and financial incentives in Brazil are aimed at regional development in the Amazon and Northeast of the country. However, investors still seem to favour the industrialised south.

CHAPTER 4

MERCOSUR: TARIFFS, TARIFF STRUCTURE, TRADE AGREEMENTS

4.1 GENERAL

Mercosur (Southern Common Market) entered into force in 1991. It is a customs union and has a common external tariff (CET) which was implemented in 1995. Individual members are allowed a limited list of exceptions to the CET. The CET is to be fully implemented in 2006, when a single tariff rate will apply for all products and member countries.

Historically tariffs played an important part in the trade and industrial policies of the member countries. According to the contents of this chapter, the tariff will remain an essential part of the policy mix of Mercosur members in the textile, clothing and leather industries.

Mercosur, as a regional trade agreement, is still under “factual examination” by the WTO. This does not have particular significance as it is mainly as a result of a lack of agreement within the WTO system on the format and language of the examination reports. A total of 39 FTAs were under “factual examination” within the system at 31 May 2004.

4.2 TARIFF BINDINGS

Although they are members of a customs union, individual Mercosur members each have their own tariff binding schedule under the Uruguay Round. The binding commitments of the member countries are generally in the form of ceiling bindings, that is a maximum bound rate. A tariff binding rate for a product is the maximum tariff rate a country is allowed to apply on that product in terms of its WTO commitments.

The tariff bindings by the member countries are shown in Table 4.1.

<table>
<tr><th colspan="4">TABLE 4.1: TARIFF BINDING COMMITMENTS OF MERCOSUR MEMBERS: TEXTILES, CLOTHING, FOOTWEAR AND LEATHER GOODS</th></tr>
<tr><th>Country</th><th>Binding Coverage</th><th>Binding Rate(s)</th><th>Comment</th></tr>
<tr><td>Argentina</td><td>100%</td><td>35%</td><td>-</td></tr>
<tr><td>Brazil</td><td>100%</td><td>35%</td><td>Only a few lines (in Chapters 51, 56 and 59) are bound at lower rates of 20% - 30%</td></tr>
<tr><td>Paraguay</td><td></td><td></td><td rowspan="2">Bindings are generally at Chapter level at 35%, with a few specific lines in Chapters 54, 55 and 64 bound at lower rates of 20 – 25%</td></tr>
<tr><td>Uruguay</td><td></td><td></td></tr>
</table>

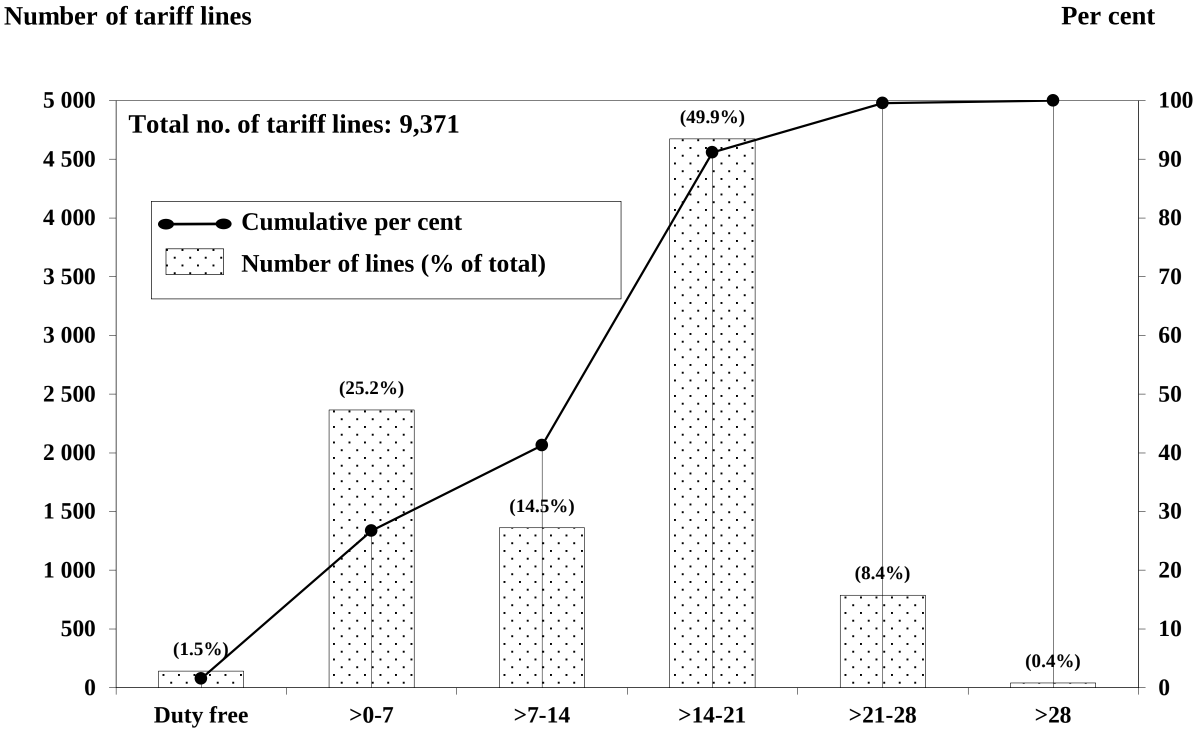
As will be noted in the following section, the applied Mercosur tariffs are substantially lower than the bound rates of each of the individual members. Mercosur is therefore not limited in tariff increases by one or more of its members having lower bound rates. This leaves the opportunity for Mercosur to increase its tariffs on textiles, clothing and leather products. This is discussed in par. 4.7.

The tariff bindings on leather are generally also at a rate of 35%.

4.3 APPLIED TARIFFS

Mercosur members have a common external applied tariff. The existing tariffs of some members prior to January 1995, when the CET was adopted, had to be adjusted and increased to conform to the common tariff. The Mercosur tariffs were temporarily increased by 3 percentage points (1997 to 2000). The following graph shows the frequency distribution of Brazil's tariff rates for all products in 2000 (Chart III.1 taken from the Secretariat's Report of October 2000 on the Trade Policy Review of Brazil).

Chart III.1
Frequency distribution of MFN tariff rates, 2000



Source: **WTO Secretariat calculations, based on data provided by the Brazilian authorities.**

Note: For all Mercosur products

The highest Mercosur tariff rate is 20%. The rates for Brazil in the Chart include the 3% temporary increase and probably exceptions to the CET. It must be noted that almost 50% of the tariff lines had a rate of 14 to 21%. This would have reduced somewhat with the removal of the temporary increase.

The Mercosur tariffs are applied on a CIF basis that adds approximately 3% on average to the tariff rates compared to the SACU tariffs which are applied on the FOB value.

In respect of textiles and clothing, the Mercosur tariff consists of 975 individual tariff lines. The tariff rates show significant escalation with the tariffs on downstream product groups higher than those of upstream products. The escalation is however not as pronounced as in many other countries, including SACU.

An analysis of the Mercosur applied tariffs as at 30 December 2003 is shown in Table 4.2. The table and figures include natural fibres (silk, wool, cotton and vegetable ones) although these are classified in the WTO context as agricultural products. The table shows the Chapters according to the Harmonised System, and major product categories in each Chapter; the general or "main" tariff rate for each category; the number of lines and percentage of lines at that rate; other rates and the number of lines; and notes regarding the lines with another rate than the general rate.

TABLE 4.2: ANALYSIS OF THE MERCOSUR TARIFFS IN RESPECT OF TEXTILES AND CLOTHING

CH	Description	Product	General rate			Other rates		
		Category		Lines				
			Rate	No	%	Rate	Lines	Note
50	Silk	Fibres	4%	4	100%	-	-	-
		Yarn	14%	2	66%	16%	1	1*
		Fabrics	18%	5	100%	-	-	-
51	Wool, fine or coarse animal hair; horsehair; yarn and woven fabric	Fibres	8%	9	43%	10% 6%	8 4	2* 3*
		Yarn	14%	9	57%	16%	2	4*
		Fabrics	18%	18	95%	2%	1	5*
52	Cotton	Fibres	6%	6	86%	8%	1	6*
		Yarn	14%	58	98%	16%	3	7*
		Fabrics	18%	79	100%	-	-	-
53	Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn	Fibres	6%	19	79%	8%	5	8*
		Yarn	14%	9	100%	-	-	-
		Fabrics	18%	5	63%	16% 14%	2 1	9* 10*
54	Man-made filaments	Yarn	16%	41	80%	18% 12% 2%	4 1 5	11* 12* 13*
		Fabrics	18%	36	95%	2%	2	14*
55	Man-made staple fibres	Fibres	16%	14	52%	12% 2%	6 5	15* 16*

TABLE 4.2: ANALYSIS OF THE MERCOSUR TARIFFS IN RESPECT OF TEXTILES AND CLOTHING								
CH	**Description**	**Product**	**General rate**			**Other rates**		
		Yarn	16%	24	83%	18% 12% 2%	3 1 1	17* 18* 19*
		Fabrics	18%	68	97%	2%	2	20*
56	Wadding, felt and non-woven; special yarns; twine, cordage, ropes and cables and articles thereof	Wadding, felt, non-woven	18%	24	80%	2%	6	21*
		Special yarns	18%	8	78%	2%	1	22*
		Twine, cordage, ropes and cable; netting	18%	14	93%	2%	1	23*
		Articles	18%	2	100%	-	-	-
57	Carpets and other textiles floor coverings		20%	25	100%	-	-	-
58	Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery		18%	46	100%	-	-	-
59	Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial use	Fabrics	16%	14	88%	14%	2	24*
		Articles	16%	10	100%	-	-	-
60	Knitted or crocheted fabrics		18%	54	100%	-	-	-
61	Articles of apparel and clothing accessories, knitted or crocheted		20%	120	100%	-	-	-
62	Articles of apparel and clothing accessories, not knitted or crocheted		20%	120	100%	-	-	-
63	Other made up textile articles; sets; worn clothing and other worn textile articles; rags	Household textiles	20%	35	100%	-	-	-
		Sacks and bags	16%	7	100%	-	-	-
		Tarpaulins, awnings and	20%	12	94%	-	-	-

TABLE 4.2: ANALYSIS OF THE MERCOSUR TARIFFS IN RESPECT OF TEXTILES AND CLOTHING

CH	Description	Product	General rate			Other rates		
		sunblinds; tents; sails for boats,sail-boards or handcrafted; camping goods						
		Other made up articles, Sets	20%	5	83%	2%	1	25*
		Worn clothing and worn textile articles; Rags	20%	4	100%	-	-	-

NOTES:
1* For retail sale
2* Carded or combed
3* Waste; garnetted stock
4* For retail sale
5* Mixed solely with man-made staple fibre
6* Carded or combed
7* For retail sale
8* Of jute or other textile based fibres
9* Of jute
10* Floor cloths of jute
11* For retail sale
12* Artificial monofilament of 67 dtex or more - - - (54.05)
13* Of aramids
14* Of aramids
15* Artificial filament tow, of cellulose acetate
Artificial staple fibres, of viscose rayon
Waste, of artificial fibres
Artificial staple fibres, carded or combed - - -
16* Artificial filament tow, of viscose rayon
Of aramids
Other
17* For retail sale
18* Sewing thread, of artificial staple fibre
19* Of aramids
20* Of aramids
21* Of aramids
22* Imitation catgut of silk yarn
23* Of jute
24* Tyre cord fabric, of nylon, not covered with rubber
Tyre card fabric, other (than nylon & polyester)
25* Fire-proofed sleeves

The tariff rates show substantial uniformity in rates for the main product categories of fibres, yarn, fabrics and clothing / made up textiles. This remark does not apply to natural fibres that are actually classified as agricultural products. Natural fibres carry low tariff rates (4 to 8%).

The following product category / rate pattern can be identified:

Man-made fibres and all yarns	14 to 16%
Fabrics	18%
Clothing and household textiles	20%

Tariff escalation in the Mercosur textiles – clothing pipeline is much lower than that of SACU. As the rates in respect of yarn are similar, the much more pronounced SACU tariff escalation is the result of higher SACU rate for fabrics and much higher rates for clothing. This is illustrated in Table 4.3.

TABLE 4.3: COMPARISON OF TARIFF ESCALATION IN THE MERCOSUR AND SACU TEXTILES – CLOTHING PIPELINES

Product	Mercosur			SACU		
	Rate	% Escalation		Rate	% Escalation	
		Stage	Pipeline		Stage	Pipeline
Yarn	15%*	-	-	15%	-	-
Fabrics	18%	20%	-	22%	47%	-
Clothing	20%	11%	33%	40%	82%	167%

* Average for yarn of natural fibres (14%) and man-made fibres (16%).

In respect of household made up fabrics the difference is somewhat less as the SACU rate for these products is lower than the clothing rate. The comparison is:

	Mercosur	SACU
Household made up textiles rate	20%	30%
Escalation from yarn	33%	100%

It is interesting to note that the tariff rate for man-made fibres and yarns of such fibres are generally 16%, compared to 14% for yarns of natural fibres. In the SACU tariff structure the rate for polyester staple fibre is 7.5% compared to the Mercosur rate of 16%.

Fabrics and clothing / carpets / household made up textiles have uniform rates of 18% and 20% respectively in the Mercosur tariff structure.

Tariff lines with different rates (than the general rate for the category), comprise only 7,1% of the total number of lines. The notes show the products concerned. Seventeen out of the 25 exceptions or categories of exceptions are in respect of or include:

- fibres, yarns and sewing thread for retail sale;
- products of aramids;
- further processed natural fibres; and
- jute and products thereof.

The rest are a variety of products with no discernable characteristic.

4.4 TARIFFS ON LEATHER AND LEATHER PRODUCTS

In the Harmonised system, raw hides and skins and leather of Chapter 41 are categorized in three product groups namely

- raw hides and skins (41.01 – 41.03)

- tanned or crust hides and skins (41.04 – 41.06)
- leather, further processed after tanning or crushing (41.07, 41.12 and 41.13)

Note: Sub Headings 41.08 to 41.11 have been deleted.

Each of these is categorized according to animal type, namely
- bovine (41.01, 41.04, 41.07)
- sheep (41.02, 41.05, 41.12)
- other animals (41.03, 41.06, 41.13)

There are two other headings. See Table 4.4.

The following table shows the categories, most common tariff rates for each and a comparison between Mercosur and SACU rates.

TABLE 4.4: CHAPTER 41: PRODUCT CATEGORIES AND TARIFF RATES

Tariff headings	Description (simplified)	Most common Mercosur rate	Most common SACU rate	Notes
41.01 – 41.03	Raw hides and Skins	2%	Free; 10%	1*, 2*
41.04 – 41.06	Tanned and crushed hides and skins	10%	10%	3*, 4*
41.07	Leather, further prepared	10%	10%	5*
41.12	after tanning or			
41.13	crushing			
41.14	Chamois, patent, laminated and metallised leather	10%	free	-
14.15	Composite leather; waste	10%	free	-

NOTES: 1* SACU has a rate of 'free' iro other animals.
2* SACUs has a 10% rate on hides and skins which have undergone a tanning process that is reversible.
3* In the Mercosur tariff, 23 out of 38 lines have a 10% tariff rate, 12 an 8% rate and 3 a 4% rate. In the bovine category, there is no discernable pattern in the products with rates other than 10%. In the sheep/other categories, hides 'not further prepared than chrome-tanned' are subject to a rate of 8%
4* SACU has a rate of 'free' on full grain, unsplit, hides of a surface area of less than 2,15m²; and a rate of 'free' on hides and skins of other animals.
5* SACU: Same as 4*

Mercosur has a uniform tariff rate of 20% for articles of leather of Chapter 42. The product categories, the tariff rates and a comparison between Mercosur and SACU rates are shown in Table 4.5.

TABLE 4.5:: CHAPTER 42: ARTICLES OF LEATHER: PRODUCT CATEGORIES AND TARIFF RATES				
Tariff heading	**Description (simplified)**	**Mercosur rate**	**SACU rates**	**Notes**
42.01	Saddlery and harness	20%	30%	-
42.02	Suitcases, handbags,etc	20%	30%	-
42.03	Articles of apparel	20%	30/20/10%	1*
42.04 – 42.06	Other articles	20%	15%/free	2*

NOTES 1* The SACU rates on gloves are 10% (for use in sports) and 20% (other).
2* SACU has a rate of 'free' on articles for use in machinery.

Mercosur has uniform rates of 20% for all footwear and 18% for parts of footwear. Table 4.6 shows the product categories, the tariff rates and a comparison with SACU rates.

TABLE 4.6: CHAPTER 64: PRODUCT CATEGORIES AND TARIFF RATES			
Product	**Mercosur rates**	**SACU rates**	**SACU exceptions**
Footwear	20%	30%	Ballet shoes (free) and spiked athletic shoes with uppers of textile materials (15%)
Parts of footwear	18%	20%	Half-pairs used as manufacturing models, protective metal toe-caps; soles, etc of wood (free); and uppers of textile materials, rubber or plastics (30%)

4.5 EXPORT TAXES

Some Mercosur member countries, apply or used to apply export duties on exports of raw hides and skins to promote domestic processing and to ensure the availability of raw materials for their domestic leather and leather goods industries.

Some members also apply or used to apply export duties on certain fibres and yarns.

4.6 OTHER IMPORT TARIFFS / TAXES

Certain Mercosur member countries, notably Argentina and Uruguay applied specific duties on imports of textiles and clothing. These had to be abolished with the CET coming into effect in 1995.

Some Mercosur members also apply minimum import prices (referred to as "minimum export prices") on fabrics and clothing and it has been widely reported that Brazil and some other members apply 'secret' reference prices to calculate duties on imports of textiles and clothing, thereby raising the percentage actual duty on certain imports. These will be dealt with in the Chapter on non-tariff barriers.

4.7 BOUND AGAINST APPLIED RATES

As indicated, Mercosur member countries all have bound tariffs of 35% on almost all textiles, clothing, leather products and footwear. The applied tariffs are substantially lower at a maximum of 20% for most finished and all consumer products. In the case of these products, the tariff overhang is 75%. Tariff overhang is the percentage by which the bound rates exceed the applied rates. In respect of yarns, the overhang is up to 150% and for fabrics it is 94%.

In terms of the WTO principles a country is allowed to increase applied tariffs up to the level of bound tariffs. This is also applicable to a trade grouping with a common external tariff such as Mercosur, provided none of the members have a lower bound rate. Mercosur does not suffer from such a limitation. This means that Mercosur can at any time increase its tariffs on almost all textiles, clothing, leather products and footwear up to 35%. In the case of clothing, made up textiles, footwear and leather products the increase can be as high as 75%. No permission is required and this would not expose Mercosur members to sanctions by exporting countries.

Countries with applied rates lower than their bound rates, and who have been using quota limitations on imports in terms of the Multi Fibre Arrangement (MFA), which phases out fully at the beginning of 2005, might be tempted to use this leeway to protect their domestic industries against increased imports. There is no evidence that Mercosur members have been using MFA quota restrictions.

4.8 IMPLICATIONS FOR RSA - MERCOSUR TRADE NEGOTIATIONS

The Mercosur tariff on textiles, clothing, leather products and footwear of 20% is a significant barrier for SACU exporters and tariff concessions to SACU in these sectors will benefit SACU exports. It is widely reported, however, that severe non-tariff barriers (NTBs) are applied by Mercosur member countries. Such measures seem to be regarded as a greater barrier to trade than tariffs. NTBs are discussed in Chapter 5.

Mercosur's leeway to increase applied tariffs on these products should be noted. A fixed preference agreement and subsequent FTA will remove Mercosur's scope to increase tariffs against imports from SACU as trade agreements normally include duty stand-still and drawback provisions. From a date set at an early stage of negotiations, the countries or trade blocs involved in the agreement are not allowed to increase tariffs against each other and to remove any tariff increase from that date up to the date of entry into force of the agreement.

Successful conclusion of the Doha Round of the WTO will also limit the scope of WTO members to increase applied tariffs as an agreement on non-agricultural products (industrial products and fish) will most probably cut away the tariff overhang. Tariff reduction commitments are likely to be based on bound rates and will also target the reduction of tariff peaks.

4.9 TRADE AGREEMENTS

The conclusion of regional trade agreements has been a significant factor in trends in the international trade of textiles and clothing as such agreements provide tariff-free or lower-tariff preferential access to the markets of participating countries (subject to rules of origin). The terms of access into the massive US and EU markets is a major factor influencing international trade in textiles and clothing. Countries involved in regional trade agreements with the US and the EU generally also benefit from locational advantages.

A study of available sources including the WTO list of trade agreements did not reveal any active bilateral trade agreement, involving tariff preferences, between Mercosur or its members and other countries or trade blocs. Chile, Bolivia and Peru are associate members of Mercosur but this does not involve tariff preferences. Trade negotiations between Mercosur and the Andean Community of Nations (CAN) are in progress.

Discussions on a Free Trade Agreement of the Americas were initiated in 1994 but have shown limited progress. This seems to be as a result of major differences in the negotiating agenda between the US and Brazil and disagreement on tariff commitments. Brazil and Argentina are anxious about preferential market access into the US but at the same time concerned about the effect of tariff concessions on their sensitive products. The US has in the meantime concluded or is discussing FTAs with various Latin American Countries. Experts have expressed the opinion that Brazil might become isolated in Latin America in regard to preferential access to the US market as a result of its inflexible stance in the negotiations.

Talks on a free trade agreement between Mercosur and the EU led to a framework agreement but have since been terminated.

South Africa benefits from tariff-free access to the US in terms of AGOA in respect of clothing but not textile products and tariff-free access into the EU in respect of some textiles and clothing with the rest currently (2004) subject to 28% of the EU basic tariff. In 2006 all South African textiles and clothing will have tariff-free access into the EU. In the case of both markets, the rules of origin are limiting factor. South Africa is a member of SACU and SADC but this implies increased imports with limited export potential.

Full implementation of the (WTO) Agreement on Textiles and Clothing (ATC) on 31 December 2004 is likely to have a greater impact on future trends in trade in textiles and clothing than tariffs and regional trade agreements particularly with regard to market share in the US and EU markets. The full implementation of the ATC will mean the end of quota restrictions that have been applied by the US, Canada and the EU against major low cost international producers such as China, India and Pakistan under the Multi-Fibre Arrangement (MFA). These countries will benefit substantially to massively from the removal of quota restrictions and this will be at the expense of other countries that will no longer have an advantage in respect of quota-free access into the US and the EU.

In a report "The Global Textiles and Clothing Industry Post the Agreement on Textiles and Clothing", prepared by a WTO official, it is predicted that China's share of clothing imports into the USA will increase from 16% before the quota elimination to 50% after the elimination of quotas. India's share is predicted to increase from 4% to 15%. South Africa is included under "Rest of the World" whose share is predicted to decline from 24% to 10%.

The accession of China to the WTO has already resulted in a massive increase in imports by the US from China (up by 125% in 2002). The US has, however, already imposed new quota restrictions in respect of imports of a few products (knitted fabrics, bras and bathrobes) from China in terms of the Transitional Safeguard provision in the Agreement on the Accession of China (to the WTO). This may be extended, but is not likely to reverse or stop the trend.

Increased imports by the US and EU from countries such as China, India and Pakistan is a threat to all other countries that have not been subject to MFA quotas, including Mercosur and SACU countries. This situation will probably force Mercosur Countries, that do not have preferential access into either the US or the EU, to vigorously pursue exports to alternative international markets, including SACU. South Africa and SACU will not be driven by this consideration to the same extent as they already have preferential access into the US and the EU.

It can thus be concluded that Mercosur will be more aggressive in pursuing exports to South Africa and SACU than the latter needs to be in regard to exports to Mercosur Countries.

CHAPTER 5

NON-TARIFF BARRIERS

5.1 INTRODUCTION

Non-tariff barriers (NTBs), also referred to as non-tariff measures (NTMs), cover a wide range of barriers or measures, other than ordinary customs tariffs, that have the effect of restricting or discouraging trade. Such measures are normally applied to or affect imports.

5.2. TYPES OF BARRIERS

NTBs can be arbitrarily categorised in three groups, namely:

- Trade policy measures;
- Technical regulations; and
- Administrative procedures.

5.2.1 Trade policy measures

These include import licensing, import quotas, state trading enterprises, additional taxes, reference prices, export assistance, subsidies, anti-dumping and countervailing duties and safeguards. The extent of policy predictability, transparency and the regularity of changes in policy and policy measures is an important factor.

5.2.2 Technical regulations

These include measures such as standards that are aimed at protecting health, safety, the environment and the interests of consumers.

5.2.3 Administrative procedures

These cover a wide range of regulations, procedures and other factors that operate in a manner that restrict or discourage imports. Examples are burdensome customs procedures, a lack of transparency or consistency in customs and other import procedures; slow customs clearing that causes delays and services that are not user-friendly.

5.3. NTBS IN IMPORT REGIMES

Substantial differences exist in the import regimes of countries and/or trade blocks. Some countries apply virtually no trade policy measures to imports; have standards that conform to international norms; and have efficient customs procedures. Such an import regime does not have a significant negative effect on imports.

At the other extreme, cases exist of import regimes consisting of various, sometimes not transparent, trade policy measures; complex and burdensome standards; and complex slow customs procedures that cause delays. Such a regime will have a significant affect on imports and in fact discourage imports.

If an exporter in a particular country considers exports to another country, the market potential and customs tariffs may not be the main considerations. NTBs in the other country may be an equal or even more significant factor that restrict or discourage imports.

5.4. NTBS IN MERCOSUR COUNTRIES

5.4.1 General

According to reports numerous NTBs exist in Mercosur Countries that have the effect of restricting or discouraging imports into these Countries. Some NTBs apply to all imports while additional measures apply to textiles, clothing and footwear. Reports in this regard include those of:

- The European Apparel and Textile Organisation (EURATEX) – April 2003
- The European Commission: Director-General for Trade: Market Access Reports
- The American Textile Manufacturing Institute – January 2003
- US Trade Summary reports
- The WTO Trade Policy Review of Brazil – 2000
- The WTO Trade Policy Reviews of Argentina, Paraguay and Uruguay of 1998.

A presentation "Reflections on SACU – Mercosur FTA" by Prof Simon Roberts at a SAIIA Roundtable on 12 August 2004 made reference to "Extensive NTBs and Regulations in Mercosur Countries".

The NTBs listed in these and other reports are discussed in sub-paragraphs 5.4.2 to 5.4.8 below. Extracts from some of these reports are also given in table form under paragraph 8.

5.4.2 Additional taxes

It has been reported that Brazil applies a 'vast array' of additional import taxes that increase significantly the total amount of import duties. Additional taxes reported for Brazil in the WTO Trade Policy Review are listed in the following table in the Secretariat's Report:

Other charges affecting imports

Tax	Rate	Rationale	Reference
Fixed administrative commission	US$50 per transaction		
Port Warehousing and Administration Contribution	Variable handling charge ranging from US$20 to US$100 according to port (e.g. US$315 per container in Santos Port, Sao Paulo)	To finance port services	
Air Warehousing Contribution	Varies according to the number of days the merchandise is stored		WTO (1997), Trade Policy Review – Brazil, Geneva
Air Administration Contribution	US$0.082 per kg. for goods transported by air		*Gazeta Mercantil*, 3 April 2000
Airport Warehouse Tariff Surcharge	50% of the Air Warehousing Contribution and the Air Administration Contribution	Improvement and expansion of airports and auxiliary services	Law No. 7.920 of 12 December 1989
Dock Worker Severance Pay Surcharge	Varies according to the type of cargo. General cargoes: 0.6 UFIR (Fiscal Reference Unit) per tonne; solid bulk cargoes: 0.7 UFIR per tonne; liquid bulk cargoes 1.0 UFIR per tonne	Indemnify workers whose registration has been cancelled	Law No. 8.630 of 25 February 1993 and WTO (1996), Brazil – Trade Policy Review, Geneva.
Merchant Marine Renewal Tax (AFRMM) on imports transported by sea	25% of ocean freight charges	Modernization and improvement of the Brazilian merchant fleet	Provisional Measure No. 1.960, 3 February 2000.

Source: Government of Brazil, and WTO (1996), and Brazil – Trade Policy Review, Geneva.

The EURATEX report also lists a brokerage tax, a forwarding agents tax, a harbour tax and a customs brokers association tax.

5.4.3 Import licensing

It has been reported that Brazil applies non-automatic import licensing on a wide variety of products including textiles, clothing and footwear. Although licences may be requested before shipment, the applications often remain indefinitely pending and shipments are thus stopped at the border.

5.4.4 Reference pricing

Brazil, Argentina and Uruguay apply reference prices on imports of textiles and clothing. If the declared prices of the imported good are below the reference prices, duties are levied on the level of the reference or in some cases the difference is added as an additional duty. In the case of Brazil the reference prices are not published and importers are informally advised by the Brazilian customs authorities of the existence of a minimum price when foreign goods are stopped at the border.

5.4.5 Labelling requirements

Brazil and Argentina have introduced onerous labelling requirements in respect of textiles and clothing. In the case of Brazil the labelling is to bear the following information: Name of producer, exporter, importer, and country of origin; fibre content; identification of size; and care instructions.

5.4.6 Customs procedures and delays

Most reports list the customs clearing system in Argentina and Brazil to be difficult, cumbersome and causing long delays. This seems to be a major problem in regard to exports to these countries. Textiles, clothing and footwear in particular are subject to very stringent customs procedures.

5.4.7 Policy unpredictability

According to information obtained from other sources, trade policy measures and other measures in Brazil and Argentina change regularly (even from day to day) and is unpredictable. Some measures are not published or information on the measures are not readily available. Exporters and importers experience great uncertainty about applicable measures. It is stated that the domestic industries have very substantial lobbying influence that can lead to changes overnight without prior notice.

5.4.8 Financing restrictions

Argentina applies exchange control procedures that do not allow pre-payment for imports or payment terms less than 90 days. Brazil instituted up-front payment requirements for textile products and banned letters of credit, but had to end the practice when the EU filed a WTO case in 1998. It appears that unpredictability regarding financing still exist.

5.5. EXPORT TAXES

Argentina, Brazil and Uruguay apply export taxes on raw and processed hides and skins of 5%, 9% and 5% respectively. Such export taxes are apparently aimed at encouraging domestic beneficiation and ensuring sufficient supplies to downstream industries. Export taxes have the effect of providing lower priced raw materials to domestic industries compared to the cost of hides and skins to industries in importing countries who have to compete with industries in the country applying the export tax.

5.6. COMPARISON WITH SOUTH AFRICA

5.6.1 NTBs in general

Compared to the situation in certain Mercosur Countries, South Africa has an import regime in respect of textiles, clothing, leather, leather goods and footwear that does not contain significant non-tariff barriers. South Africa does not apply additional taxes, import licensing, reference prices or any similar measures to imports of these products. With the exception of anti-dumping duties on a few textile products, the only policy measure is customs tariffs. Tariffs on textile and clothing have been subject to a programme published in 1995 and applied consistently up to reaching the end-rates in 2002. Minimum and maximum specific duties have also been phased out.

5.6.2 Labelling

South Africa is considering labelling regulations on textile products, clothing, footwear and leather products. The clothing industry has requested that headgear be included. The proposed regulations were published for comment. The draft regulations covered fibre content, country of origin and care. A draft notice of 31 May 2004 extended the proposed requirements considerably. A comparison of these and the Mercosur labelling requirements will be possible only after the finalisation and gazetting of the South African labelling requirements.

5.6.3 Export taxes

South Africa does not apply export taxes to hides and skins or any other product.

5.7. CONCLUSION

According to available reports and other information exports to Mercosur Countries face a magnitude of non-tariff barriers that have the effect of making export to Mercosur Countries difficult and costly. South Africa, in comparison, does not have significant non-tariff barriers.

CHAPTER 6

QUANTITATIVE ANALYSIS OF THE DEFENSIVE POSITION

6.1. INTRODUCTION

The defensive position is analysed by the following approach:

- An analysis of TCL-exports by Mercosur to the rest of the world excluding South Africa.
- An analysis of TCL exports by Mercosur to South Africa.
- A quantitative analysis that identifies the South African TCL-products that can be threatened by the proposed fixed preferences agreement with Mercosur.

A synthesis of the contents of this chapter and the previous ones appears in chapter 8 with the purpose of arriving at a defensive position for the TCL-industries in the Mercosur trade negotiations.

62. EXPORTS BY MERCOSUR (EXCLUDING SOUTH AFRICA)

6.2.1 Data imperatives

The analysis of TCL-exports by Mercosur is undertaken at the 4-digit-level of the Harmonised System. Data is available for the period 1998 to 2002. Information on the destination of exports can be obtained from the SITC set of data. Thus, some data switching is required to analyse the destination of Mercosur exports. Data is presented in US$.

The data for the analyses in this chapter was provided by the IDC. The size of the database renders it impracticable to provide it on hard copy. More detailed information than that appearing in the tables will be provided separately.

6.2.2 Sectors

Mercosur TCL-exports to the world is about $5.5 billion per year. In 2002 leather and footwear exports accounted for two-thirds of TCL-exports and textiles, made-up textiles and clothing for a third.

TABLE 6.1: MERCOSUR EXPORTS OF TCL-PRODUCTS TO THE WORLD 1998 TO 2002. US$-MILLION[39] AND %

Sector	1998	1999	2000	2001	2002
Textiles	1656 (29.6)	1408 (27.8)	1438 (24.7)	1494 (24.7)	1265 (22.8)
Made-ups	245 (4.4)	241 (4.8)	272 (4.7)	276 (4.6)	303 (5.5)
Clothing	339 (6.1)	263 (5.2)	403 (6.9)	383 (6.3)	286 (5.2)
Headgear	4 (0.1)	3 (0.0)	3 (0.1)	3 (0.0)	3 (0.0)
Leather	1787 (32.0)	1664 (32.9)	1939 (33.3)	2090 (34.5)	2066 (37.3)
Footwear	1561 (27.9)	1480 (29.3)	1760 (30.3)	1808 (29.9)	1620 (29.3)
Total	5592 (100)	5059 (100)	5815 (100)	6054 (100)	5542 (100)

Source: IDC

[39] Because of the devaluation of the Real and Peso export values in $ will understate increases measured in home currencies and overstate declines.

Brazil's growing dominance in Mercosur exports is obvious. In 2002 the share of Brazil in every Mercosur $ of TCL exports was about 70 cent; that of Argentina 20 cent with 10 cent left for Paraguay and Uruguay.

TABLE 6.2: SHARE OF MERCOSUR COUNTRIES IN THE EXPORT OF TCL-PRODUCTS TO THE WORLD 1998 TO 2002 $ MILLION AND (%)					
Country	**1998**	**1999**	**2000**	**2001**	**2002**
Brazil	3303 (59.1)	3067 (60.6)	3749 (64.5)	4026 (66.5)	3844 (69.4)
Argentina	1577 (28.2)	1408 (27.8)	1385 (23.9)	1354 (22.4)	1141 (20.6)
Paraguay	147 (2.6)	121 (2.4)	175 (3.0)	176 (2.9)	116 (2.1)
Uruguay	564 (10.1)	459 (9.1)	505 (8.7)	497 (8.2)	439 (7.9)
Total	5592 (100)	5059 (100)	5815 (100)	6054 (100)	5542 (100)

Source: IDC

TCL exports by Mercosur are concentrated in a limited number of 4 digit tariff headings. In 2002, nine headings registered exports in excess of $100 million each. The exports under these headings accounted for 61% of TCL-exports.

In Table 6.3 a breakdown is given for tariff headings with exports in excess of $20 million in 2002. Exports by 25 out of the 200 odd 4 digit HS-headings, account for 89% of exports.

The comparative advantage of Mercosur in leather and products is apparent. In 2002 exports of leather of bovine animals accounted for a third of all TCL-exports. A similar comparative advantage is present in footwear exports. Exports of footwear with uppers of leather represented 23% of TCL-exports in 2002, 79% of total footwear exports.

Fibres dominate in the export of textile products with carded and combed wool topping the list, followed by cotton. Synthetic yarn and yarn of natural fibres follow fibres as the next important export group in the textiles pipeline. Textile exports by Mercosur are thus found relatively early in the pipeline. However, exports of woven fabrics of cotton are also substantial with those under Heading 52.09 second on the list in terms of headings.

Mercosur has a comparative advantage in the manufacture of made-up textiles. Made-up textiles contributed 5% to TCL-exports in 2002.

Exports of clothing are small in TCL-exports (2.4% in 2002). Exports of women's and girls outer garments feature as the more important export group with that of T-shirts and vests showing some penetration.

TABLE 6.3: MERCOSUR TCL-EXPORTS IN EXCESS OF $20 MILLION IN 2002					
HS	**Description**	**1998**		**2002**	
		$ mil.	**%**	**$ mil**	**%**
	Leather and leather goods				
4104	Leather of bovine animals without hair	1624	29.0	1873	33.8
4205	Other articles of leather	51	0.9	110	2.0
4203	Leather apparel and accessories	37	0.7	23	0.4
	Sub-Total	**1712**	**30.6**	**2006**	**36.2**
	As % of leather exports		**95.8**		**97.1**
	Footwear				
6403	Footwear with uppers of leather	1197	21.4	1272	23.0
6402	Footwear, uppers of rubber or plastic	86	1.5	128	2.3
6406	Parts of footwear	76	1.4	72	1.3
6404	Footwear with uppers of textile materials	77	1.4	39	0.7
	Sub-Total	**1436**	**25.7**	**1511**	**27.3**
	Cumulative Sub-Total		**56.3**		**63.5**
	As % of footwear exports		**91.9**		**93.3**
	Textiles				
5105	Wool carded and combed	202	3.6	234	4.2
5209	Woven fabrics of cotton	180	3.2	153	2.8
5201	Cotton not carded or combed	304	5.4	142	2.6
5402	Synthetic filament yarn	111	2.0	101	1.8
5101	Wool not carded and combed	80	1.4	76	1.4
5205	Cotton yarn	58	1.0	68	1.2
5603	Nonwovens (wadding and felt)	47	0.8	46	1.0
5902	Tyre cord	42	0.8	36	0.7
5004	Silk yarn	52	0.9	35	0.6
5112	Woven fabrics of combed wool	53	1.0	27	0.5
5607	Twine, cordage, rope and cables	59	1.1	26	0.5
6002	Knitted or crocheted fabrics	26	0.5	25	0.5
5208	Woven fabrics of cotton <200gm	41	0.7	24	0.4
	Sub-total	**1255**	**22.4**	**993**	**18.2**
	Cumulative Sub-Total		**78.7**		**81.7**
	As % of textile exports		**75.8**		**78.6**
	Made-ups				
6302	Bed, table, toilet and kitchen linen	194	3.5	256	4.6
6305	Sacks and bags for packaging	28	0.5	25	0.5
	Sub-total	**222**	**4**	**281**	**5.1**
	Cumulative Sub-total		**82.7**		**86.8**
	As % of exports of made-ups		**90.4**		**92.8**
	Clothing				
6204	Women's/girls' suits, ensembles, jackets.	49	0.9	59	1.1
6109	T-shirts, vests, knitted or crocheted	34	0.6	48	0.9
6104	Women's/girls suits, ensembles, jackets	10	0.2	21	0.4
	Sub-Total	**93**	**1.7**	**128**	**2.4**
	Cumulative Sub-Total		**84.4**		**89.2**
	As % of clothing exports		**27.4**		**44.8**

Because of its dominance, the contents of Table 6.3 tend to reflect exports by Brazil. However, all four of the member countries share in the export of leather. In 2002 the countries contributed to leather exports as follows:

	$ million	**%**
Brazil	945	50.5
Argentina	669	35.7
Paraguay	52	2.8
Uruguay	207	11.0
TOTAL	**1873**	**100**

When taking account of its smallness, Uruguay features significantly in the export of leather.

Brazil dominates completely in footwear exports.

Uruguay is the senior partner in the export of carded and combed wool (56%), followed by Argentina (38%). Uruguay is also prominent in the export of woven fabric made of carded and combed wool (92%). Paraguay features in the export of cotton.

The share of Argentina in the export of synthetic filament yarn is 60%; in non-woven fabric 61%; and 64% in tyre cord.

6.2.3 Destination

Data on the country of destination of Mercosur exports is available according to the SITC classification that was used in Chapter 3 for the analysis of intra-Mercosur trade.

Mercosur exports to an extensive range of countries. However, in 2001 66% of TCL-exports went to only 10 countries (outside Mercosur):

Country	**%**
USA	31.4
Italy	8.9
China	8.2
Hong Kong	3.8
Mexico	2.8
Germany	2.8
Chile	2.4
UK	2.2
Portugal	1.7
India	1.6
Sub-total	**65.8**
Intra-Mercosur	18.0
Others	16.2
TOTAL	**100.0**

The USA takes the lion's share (70%) of Mercosur footwear exports. It is also the first export destination for leather and clothing. Italy primarily imports leather from Mercosur but also a significant amount of textiles. China imports leather and textiles. Leather is the dominant export to Hong Kong. Mexico is not dominant in the exports of any one sector but imports significant amounts of leather, footwear, textiles and clothing. The exports to Germany and Chile are spread over all four sectors. Footwear is the dominant export product to the UK and textiles to India. Significant amounts of leather and textiles are exported to Portugal.

6.2.4 Conclusions

Leather and footwear exports account for two-thirds of TCL-exports and textiles and clothing for a third. This is quite the opposite of the norm found in other countries. The comparative advantage of Mercosur in leather and products of leather is apparent. Exports of leather made of skins of bovine animals accounts for a third of all TCL-exports. A similar comparative advantage is present in footwear exports. Exports of footwear with uppers of leather represent almost one quarter of TCL-exports.

All four Mercosur countries feature in the export of leather and products.

Textile exports by Mercosur tend to be concentrated in fibres and yarns at the beginning of the pipeline.

Mercosur has a comparative advantage in the manufacture of made-up textiles.

Among clothing exports that of women's and girls' outer garments feature as the more important export group.

The exports of Mercosur tend to be concentrated in a limited number of products. Exports by 25 out of the 200 odd 4 digit HS-headings accounts for 89% of exports.

Exports by the clothing and textile sectors are less concentrated according to tariff heading compared with the leather and footwear sectors.

Brazil's is growing in dominance in Mercosur exports. The share of Brazil in every Mercosur $ of TCL exports is about 70 cent; that of Argentina 20 cent with 10 cent left for Paraguay and Uruguay.

The destination of exports by Mercosur is concentrated in ten countries (65.8%). intra-Mercosur trade accounts for 18%. The USA is the most important destination followed by Italy and China.

6.3 MERCOSUR EXPORTS TO SOUTH AFRICA

The analysis is undertaken for the period 1994 to 2003, according to the 4-digit-level of the HS. Exports are measured in Rand.

6.3.1 Analysis

(a) TCL-trade

Trade between South Africa and Mercosur is small. In 1998 TCL-exports by Mercosur to South Africa amounted to R87.6 and to R291.3 million in 2003. TCL-imports from Mercosur is 3.5% of South Africa's TCL-imports.

In 2003 74.6% of Mercosur exports to South Africa came from Brazil, 15.5% from Uruguay followed by Argentina 7.1% and Paraguay 2.8%.

While exports before 2003 tended to be of a sporadic nature a more comprehensive pattern occurred in 2003 with exports being found in most tariff lines albeit for minuscule values. This may, or may not, be a forerunner to a build up in especially textile and clothing exports as long as exports to South Africa is supported by the strong Rand.

The contents of table 6.4 show that Mercosur runs a trade surplus in its TCL-trade with South Africa. The balance in favour of Mercosur increased from R14.9 million in 1998 to R196.5 in 2003.

The balance for textiles is favourable to South Africa. Large balances in favour of Mercosur are found in leather and footwear. Trade in clothing is negligibly small as well as in made-up textiles.

TABLE 6.4: SOUTH-AFRICAN IMPORTS FROM AND EXPORTS TO MERCOSUR 1998 AND 2003. R MILLION

Sectors	1998			2003		
	Imports	Exports	Balance	Imports	Exports	Balance
Textiles	20.2	66.7	46.5	45.8	88.9	43.1
Made-ups	1.3	0.3	-1.0	1.4	0.4	-1.0
Clothing	1.2	0.9	-0.3	3.3	1.4	-1.9
Leather	44.3	2.6	-41.7	192.8	2.4	-190.4
Footwear	20.5	2.1	-18.4	48.0	1.7	-46.3
Total	87.6	72.6	-14.9	291.3	94.8	-196.5

Source: IDC

(b) Textiles

TABLE 6.5: MERCOSUR: TEXTILE EXPORTS TO SOUTH AFRICA 1994, 1998 AND 2003. R MILLION

HS	Description	1994	1998	2003
5603	Non-wovens	0.3	0.2	15.7
5201	Cotton not carded or combed	1.0	7.9	10.0
5504	Artificial staple fibres	0.0	0.1	4.2
5205	Cotton yarn	0.5	0.0	2.9
5304	Sisal fibres	0.0	0.1	1.3
5807	Labels and badges	0.0	0.7	1.3
5105	Wool carded or combed	0.2	0.5	1.2
6004	Knitted or crocheted fabric	0.0	0.0	1.3
5903	Textile fabrics impregnated	0.0	0.0	0.9
	Others	6.0	10.6	7.0
	Total	**8.0**	**20.1**	**45.8**
6302	Bed, table, toilet and kitchen linen	2.3	1.2	1.1

Source: IDC

Imports are concentrated in a limited number of tariff headings. Apart from non-wovens most imports are found amongst products at the beginning of the pipeline.

Brazil supplied R30.7 million of textile imports in 2003 and Paraguay R8.2 million (cotton). Mercosur met 0.8 % of South African textile import demand in 2003.

(c) Clothing

The export of clothing to South Africa is very small (0.15%) of RSA imports of clothing.

TABLE 6.6: MERCOSUR: CLOTHING EXPORTS TO SOUTH AFRICA 1994, 1998 AND 2003. R MIL.				
HS	**Description**	**1994**	**1998**	**2003**
6204	Women and girls suits etc.	0.0	0.1	0.7
9606	Buttons, press fasteners, snap fasteners	0.4	0.3	0.6
	Others	0.2	0.8	2.0
	Total	**0.6**	**1.2**	**3.3**

Source: IDC

(d) Leather

Mercosur has established a position as supplier of leather to South Africa especially with regard to processed leather.

Seventy percent of the leather is supplied by Brazil and 22% by Uruguay. The rest comes from Argentina.

TABLE 6.6: MERCOSUR: LEATHER EXPORTS TO SOUTH AFRICA 1994, 1998 AND 2003. R MILLION				
HS	**Description**	**1994**	**1998**	**2003**
4107	Leather further prepared after tanning	0.1	0.9	94.4
4104	Leather of bovine animals	34.5	38.2	77.1
4101	Raw hides and skins	0.0	2.5	17.7
	Others	1.1	2.7	3.7
	Total	**35.7**	**44.3**	**192.9**

Source: IDC

(e) Footwear

Mercosur is steadily growing its export of footwear to South Africa. However, it supplied only 1.2% of footwear imports in 2003. Almost all of the imports into South Africa are coming from Brazil.

TABLE 6.6: MERCOSUR: FOOTWEAR EXPORTS TO SOUTH AFRICA 1994, 1998 AND 2003. R MILLION				
HS	**Description**	**1994**	**1998**	**2003**
6403	Footwear with uppers of leather	4.4	11.9	23.1
6402	Footwear with uppers of rubber or plastic	0.1	2.1	10.7
6406	Parts of footwear	1.2	3.1	9.7
	Others	3.6	3.4	4.5
	Total	**9.3**	**20.5**	**48.0**

Source: IDC

6.3.2 Conclusions

TCL-trade between South Africa and Mercosur is small. Exports of TCL-products by Mercosur represented 3.5% of South African TCL-imports in 2003. Mercosur, nonetheless, runs a positive balance in TCL-trade with South Africa.

Most of the textile and leather exports to South Africa are products typically found at the beginning of the pipeline of industries.

Leather represents about two-thirds of Mercosur exports to South Africa and accounts for 16% of South African leather imports. As an intermediate product in production processes imported leather can be considered to supplement South African resources in downstream leather use.

Exports of footwear are growing steadily but are still small compared with South African imports. Mercosur's comparative advantage in made-up textiles has as yet not made inroads into South Africa.

Brazil is the dominant supplier followed by Uruguay.

6.4. QUANTITATIVE ANALYSIS: DEFENSIVE.

6.4.1 Methodology

The purpose of this analysis is to arrive at lists of products that should be excluded from the proposed fixed preferences agreement with Mercosur. For this purpose a "defensiveness indicator" (DI) is compiled for TCL-products at the 4-digit- level of the HS. The DI shows the degree of the South Africa's defensive interests.

It is calculated by taking into account a number of factors that could be indicative of Mercosur's relative strengths in the trade of TCL-products. They are:

- Mercosur global exports for TCL-tariff headings.
- Growth in Mercosur's global TCL-exports.
- Growth in Mercosur's TCL-exports to South Africa.
- Mercosur export penetration into the global TCL-market (share in world trade).
- Growth of share of Mercosur exports in global trade.
- Mercosur's export penetration into the South African market (share in SA imports).
- Growth of Mercosur's share in exports to South Africa (growth of share in SA imports).
- Revealed Comparative Advantage (RCA) of Mercosur's exports. The RCA to the world is used because there is little trade between SA and Mercosur. (See Annex 1 for methodology on the RCA).
- Growth in the RCA of Mercosur's exports to the world (RCA growth).
- The South African tariff levels for the respective headings as an indicator of South Africa's relative weakness in respect of a particular product.

Because different indicators, values, growth rates, and ratios are used, they need to be made comparable for purposes of arriving at a DI. They were made comparable by normalising them on the interval (0-1).

Since some of the factors that constitute the DI are considered to be more, and others less important, weights are attached to each factor to arrive at a DI-value per tariff heading.

The weights are as follows:

Factor	Weights (%)
Mercosur exp to world	11
Growth of Mercosur exp to world	15
Growth of Mercosur exp to SA	8
Mercosur exp to world penetration	5
Mercosur exp to SA penetration	8
Growth of Mercosur's exp share in world trade	5
Growth of Mercosur's exp share in SA imp	8
RCA Mercosur’s exp to world	15
RCA Mercosur’s exp to world growth	10
SA Tariff	15
TOTAL	100

The weights are arrived at subjectively. The growth in Mercosur export to the world; Mercosur’s RCA; and the level of the SA tariff are considered the more important factors. To ensure that the tariff headings included in the calculations make sense, TCL-products that are not protected by tariffs (zero rated) are excluded from the calculations. Different weights will give different results. However, tests showed that alternative weights need to differ vastly from those used to arrive at significantly different results.

DI-values per tariff heading are ranked from high to low for purposes of interpretation. The headings with a high DI-value are under threat in the proposed fixed preferences agreement and may require exclusion from the agreement. Those with low values are under little or no threat at all.
However, the decision on the level of DI-values that would indicate that a product is under threat remains arbitrary. Furthermore, qualitative considerations may override the DI indicators.

Furthermore, the headings can be ranked according to their DI’s either within each sub-sector (clothing, textiles, footwear, headgear and leather) or across all the sub-sectors. If ranked according to sub-sector the advantage of comparability amongst headings within that sub-sector is gained. The disadvantage is that headings cannot be compared with that of other sub-sectors across the TCL industries. The reverse applies if ranked across all sub-sectors. Since the TCL-sub-sectors differ amongst each other it is important to consider the merits of each separately.

The tariff headings on the defensive list were compared with the tariff headings that Mercosur presented as its request for fixed preferences. A high degree of correspondence is apparent between those requested by Mercosur and the tariff headings at the higher end of the DI-values. This lends credence to the methodology of the quantitative analysis.

6.4.2 Defensive list

The full defensive list appears in Annex 2 (across all the sub-sectors). Having regard to the considerations regarding interpretation that were mentioned in the above paragraph, the results are presented in three groups, as follows:

- Group 1 constitute the tariff headings with high DI-values.

- Group 2 constitute tariff headings with middle of the road DI-values.
- Group 3 constitute tariff headings with DI-values at the lower end.

The tariff headings are differentiated according to sub-sector.

(a) *Group 1*

The tariff headings in this group are considered to be under threat and to be excluded from the proposed FTP except on economic evidence to the contrary.

HS4	Description	Sector	DI
6104	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (excluding swimwear), knitted or crocheted.	Clothing	86.5
6109	T-shirts, singlets and other vests, knitted or crocheted.	Clothing	80.7
6112	Track suits, ski suits and swimwear, knitted or crocheted.	Clothing	78.7
6108	Women's or girls' slips, petticoats, briefs, panties, nightdresses, pyjamas, negliges, bathrobes, dressing gowns and similar articles, knitted or crocheted.	Clothing	78.4
6106	Women's or girls' blouses, shirts and shirt-blouses, knitted or crocheted.	Clothing	78.1
6204	Women's or girls' suits, ensembles, jackets blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (excluding swimwear).	Clothing	76.9
6114	Other garments, knitted or crocheted.	Clothing	75.6
6103	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (excluding swimwear), knitted or crocheted.	Clothing	69.5
6208	Women's or girls' singlets and other vests, slips, petticoats, briefs, panties, nightdresses, pyjamas, negliges , bathrobes, dressing gowns and similar articles.	Clothing	68.3
6212	Brassieres, girdles, corsets, braces, suspenders, garters and similar articles and parts thereof, whether or not knitted or crocheted.	Clothing	66.1
6107	Men's or boys' underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles, knitted or crocheted.	Clothing	64.1
6211	Track suits, ski suits and swimwear; other garments.	Clothing	61.1
6105	Men's or boys' shirts, knitted or crocheted.	Clothing	60.5
6402	Other footwear with outer soles and uppers of rubber or plastics.	Footwear	85.6
6403	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather.	Footwear	81.4
6406	Parts of footwear (including uppers whether or not attached to soles (excluding outer soles)); removable in-soles, heel cushions and similar articles; gaiters, leggings and similar articles, and parts thereof.	Footwear	70.4
6401	Waterproof footwear with outer soles and uppers of rubber or of plastics, the uppers of which are neither fixed to the sole nor assembled by stitching, riveting, nailing, screwing, plugging or similar processes.	Footwear	61.2
6505	Hats and other headgear, knitted or crocheted, or made up from lace, felt or other textile fabric, in the piece (but not in strips), whether or not lined or trimmed; hair-nets of any material, whether or not lined or trimmed.	Headgear	76.7
6507	Head-bands, linings, covers, hat foundations, hat frames, peaks and chinstraps, for headgear.	Headgear	62.5
6504	Hats and other headgear, plaited or made by assembling strips of any material, whether or not lined or trimmed.	Headgear	50.3
4205	Other articles of leather or of composition leather.	Leather	79.1
4104	Leather of bovine or equine animals, without hair on, other than leather of heading no.41.08 or 41.09.	Leather	70.2
4206	Articles of gut (excluding silk-worm gut), of goldbeater's skin, of bladders or of tendons.	Leather	64.3
4201	Saddlery and harness for any animal (including traces, leads, knee pads, muzzles, saddle cloths, saddle bags, dog coats and the like), of any material.	Leather	52.9
4204	Articles of leather or of composition leather, of a kind used in machinery or mechanical appliances or for other technical uses.	Leather	47.8

HS4	Description	Sector	DI
6302	Bed linen, table linen, toilet linen and kitchen linen.	Made-up textiles	72.5
6304	Other furnishing articles (excluding those of heading no. 94.04).	Made-up textiles	71.3
6306	Tarpaulins, awnings and sunblinds; tents sails for boats, sailboards or landcraft ,camping goods.	Made-up textiles	62.0
6305	Sacks and bags, of a kind used for the packing of goods.	Made-up textiles	53.0
5210	Woven fabrics of cotton, containing less than 85 % of cotton, mixed mainly or solely with man-made fibres, of a mass not exceeding 200 g/my.	Textiles	79.1
5112	Woven fabrics of combed wool or of combed fine animal hair.	Textiles	75.6
6001	Pile fabrics, including "long pile" fabrics and terry fabrics, knitted or crocheted.	Textiles	74.5
5402	Synthetic filament yarn (excluding sewing thread), not put up for retail sale, including synthetic monofilament of less than 67 decitex.	Textiles	73.5
5603	Nonwovens, whether or not impregnated, coated, covered or laminated.	Textiles	72.9
5902	Tyre cord fabric of high tenacity yarn of nylon or other polyamides, polyesters or viscose rayon.	Textiles	72.4
5906	Rubberised textile fabrics, (excluding those of heading no. 59.02):	Textiles	71.4
5211	Woven fabrics of cotton, containing less than 85 % by mass of cotton, mixed mainly or solely with man-made fibres, of a mass exceeding 200 g/m2.	Textiles	71.3
5703	Carpets and other textile floor coverings, tufted, whether or not made up.	Textiles	70.8
5209	Woven fabrics of cotton, containing 85 % or more by mass of cotton, of a mass exceeding 200 g/m2.	Textiles	70.8
5705	Other carpets and other textile floor coverings, whether or not made up.	Textiles	70.7
5504	Artificial staple fibres, not carded, combed or otherwise processed for spinning.	Textiles	70.6
5407	Woven fabrics of synthetic filament yarn, including woven fabrics obtained from materials of heading no. 54.04.	Textiles	69.6
5702	Carpets and other textile floor coverings, woven, not tufted or flocked, whether or not made up, including "kelem", "schumacks", "karamanie" and similar hand-woven rugs.	Textiles	68.1
5304	Sisal and other textile fibres of the genus agave, raw or processed but not spun; tow and waste of these fibres (including yarn waste and garnetted stock).	Textiles	67.8
5308	Yarn of other vegetable textile fibres; paper yarn.	Textiles	67.7
5802	Terry towelling and similar woven terry fabrics, (excluding narrow fabrics of heading no. 58.06); tufted textile fabrics, (excluding products of heading no. 57.03.)	Textiles	67.5
5405	Artificial monofilament of 67 decitex or more and of which no cross-sectional dimension exceeds 1 mm; strip and the like (for example, artificial straw) of artificial textile materials of an apparent width not exceeding 5 mm.	Textiles	67.2
5607	Twine, cordage, rope and cables, whether or not plaited or braided and whether or not impregnated, coated, covered or sheathed with rubber or plastics.	Textiles	66.6
5105	Wool and fine or coarse animal hair, carded or combed (including combed wool in fragments).	Textiles	66.3
5513	Woven fabrics of synthetic staple fibres, containing less than 85 % by mass of such fibres, mixed mainly or solely with cotton, of a mass not exceeding - 170g/m2.	Textiles	66.3
5404	Synthetic monofilament of 67 decitex or more and of which no cross-sectional dimension exceeds 1 mm; strip and the like (for example, artificial straw) of synthetic textile materials of an apparent width not exceeding 5 mm.	Textiles	66.3
5908	Textile wicks, woven, plaited or knitted, for lamps, stoves, lighters, candles or the like; incandescent gas mantles and tubular knitted gas mantle fabric therefor, whether or not impregnated.	Textiles	65.1
5111	Woven fabrics of carded wool or of carded fine animal hair.	Textiles	64.9
5007	Woven fabrics of silk or of silk waste.	Textiles	64.5
5205	Cotton yarn (excluding sewing thread), containing 85 % or more by mass of cotton, not put up for retail sale.	Textiles	63.7
5608	Knotted netting of twine, cordage or rope; made up fishing nets and other made up nets, of textile materials.	Textiles	63.0
5807	Labels, badges and similar articles of textile materials, in the piece, in strips or cut to shape or size, not embroidered.	Textiles	62.8
5207	Cotton yarn (excluding sewing thread) put up for retail sale.	Textiles	61.6

HS4	Description	Sector	DI
5001	Silk-worm cocoons suitable for reeling.	Textiles	61.5
5208	Woven fabrics of cotton, containing 85 % or more by mass of cotton, of a mass of not exceeding 200 g/m2.	Textiles	60.7
6002	Knitted or crocheted fabricsof a width not exceeding 30cm, containing by mass 5 per cent or more of elastomeric yarn or rubber thread (excluding those of heading 60.01):	Textiles	59.7
5509	Yarn (excluding sewing thread) of synthetic staple fibres, not put up for retail sale.	Textiles	59.4
5609	Articles of yarn, strip or the like of heading no.54.04 or 54.05, twine, cordage, rope or cables, not elsewhere specified or included.	Textiles	59.0
5103	Waste of wool or of fine or coarse animal hair, including yarn waste but excluding garnetted stock.	Textiles	58.5
5401	Sewing thread of man-made filaments, whether or not put up for retail sale.	Textiles	58.4
5903	Textile fabrics impregnated, coated, covered or laminated with plastics, (excluding those of heading no. 59.02).	Textiles	58.2

(b) Group 2

Products in this group may well be under threat but possibly to a lesser extent than those of group 1. They should preferably be excluded from a FTP.

HS4	Description	Sector	DI
6111	Babies' garments and clothing accessories, knitted or crocheted.	Clothing	58.1
6207	Men's or boys' singlets and other vests, underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles.	Clothing	56.3
6210	Garments, made up of fabrics of heading no. 56.02, 56.03, 59.03, 59.06 or 59.07.	Clothing	56.2
6203	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (excluding swimwear):	Clothing	55.6
6201	Men's or boys' overcoats, car-coats, capes, cloaks, anoraks (including ski- jackets), wind-cheaters, wind-jackets and similar articles, (excluding those of heading no. 62.03).	Clothing	55.2
6101	Men's or boys' overcoats, car-coats, capes, cloaks, anoraks (including ski- jackets), wind-cheaters, wind-jackets and similar articles, knitted or crocheted, (excluding those of heading no. 61.03):	Clothing	54.4
6206	Women's or girls' blouses, shirts and shirt-blouses.	Clothing	53.7
6110	Jerseys, pullovers, cardigans, waist- coats and similar articles, knitted or crocheted.	Clothing	53.0
6117	Other made up clothing accessories, knitted or crocheted; knitted or crocheted parts of garments or of clothing accessories.	Clothing	49.1
6113	Garments, made up of knitted or crocheted fabrics of heading no. 5903, 5906 or 5907	Clothing	44.5
9606	Buttons, press-fasteners, snap-fasteners and press-studs, button moulds and other parts of these articles; button blanks.	Clothing	44.3
6205	Men's or boys' shirts.	Clothing	43.2
7326	Other articles of iron or steel.	Footwear	44.7
6404	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of textile materials.	Footwear	39.6
6405	Other footwear.	Footwear	39.4
6501	Hat-forms, hat bodies and hoods of felt, neither blocked to shape nor with made brims; plateaux and manchons (including slit manchons), of felt.	Headgear	48.0
6503	Felt hats and other felt headgear, made from the hat bodies, hoods or plateaux of heading no.65.01, whether or not lined or trimmed.	Headgear	44.3
4106	Goat or kid skin leather, without hair on, (excluding than leather of headi 41.08 or 41.09.)	Leather	47.3
4101	Raw hides and skins of bovine or equine animals (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not dehaired or split.	Leather	44.5

HS4	Description	Sector	DI
4202	Trunks, suitcases, vanity-cases, executive-cases, brief-cases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters & similar containers, travelling-bags, toilet bags, rucksacks, handbags, shopping	Leather	42.3
4107	Leather further prepared after tanning or crusting, including parchment-dressed leather, of bovine (including buffalo) or equine animals,without hair on, whether or not split (excluding leather of heading 41.14):	Leather	40.9
6301	Blankets and travelling rugs.	Made-up textiles	49.0
6308	Sets consisting of woven fabric and yarn, whether or not with accessories, for making up into rugs, tapestries, embroidered table cloths or serviettes, or similar textile articles, put up in packings for retail sale.	Made-up textiles	39.8
6303	Curtains (including drapes) and interior blinds; curtain or bed valances.	Made-up textiles	37.6
5510	Yarn (excluding sewing thread) of artificial staple fibres, not put up for retail sale.	Textiles	58.1
5101	Wool, not carded or combed.	Textiles	58.0
5201	Cotton, not carded or combed.	Textiles	57.8
5801	Woven pile fabrics and chenille fabrics, (excluding fabrics of heading no. 58.02 or 58.06.)	Textiles	56.8
5501	Synthetic filament tow.	Textiles	56.2
5602	Felt, whether or not impregnated, coated, covered or laminated.	Textiles	55.8
5109	Yarn of wool or of fine animal hair, put up for retail sale.	Textiles	55.3
6003	Knitted or crocheted fabrics of a width not exceeding 30 cm (excluding those of heading 60.01 or 60.02)	Textiles	55.0
5701	Carpets and other textile floor coverings, knotted, whether or not made up.	Textiles	54.7
5004	Silk yarn (other than yarn spun from silk waste) not put up for retail sale.	Textiles	54.5
5704	Carpets and other textile floor coverings, of felt, not tufted or flocked, whether or not made up.	Textiles	54.5
5806	Narrow woven fabrics, (excluding goods of heading no. 58.07); narrow fabrics consisting of warp without weft assembled by means of an adhesive (bolducs).	Textiles	54.1
5514	Woven fabrics of synthetic staple fibres, containing less than 85 % by mass of such fibres, mixed mainly or solely with cotton, of a mass exceeding 170 g/m2.	Textiles	53.7
5910	Transmission or conveyor belts or belting, of textile material, whether or not impregnated, coated, covered or laminated with plastics, or reinforced with metal or other material	Textiles	53.6
5403	Artificial filament yarn (excluding sewing thread), not put up for retail sale, including artificial monofilament of less than 67 decitex.	Textiles	53.1
5911	Textile products and articles, for technical uses, specified in note 7 to this chapter.	Textiles	52.8
5408	Woven fabrics of artificial filament yarn, including woven fabrics obtained from materials of heading no. 54.05.	Textiles	52.8
5203	Cotton, carded or combed.	Textiles	52.5
5502	Artificial filament tow.	Textiles	52.1
6006	Other knitted or crocheted fabrics.	Textiles	49.6
6004	Knitted or crocheted fabrics of a width exceeding 30 cm, containing by mass 5 per cent or more of elastomeric yarn or rubber thread (excluding those of heading 60.01)	Textiles	49.4
5204	Cotton sewing thread, whether or not put up for retail sale.	Textiles	49.0
5605	Metallised yarn, whether or not gimped, being textile yarn, or strip or the like of heading no.54.04 or 54.05, combined with metal in the form of thread, strip or powder or covered with metal.	Textiles	48.6
6005	Warp knit fabrics (including those made on galloon knitting machines) (excluding those of headings 60.01 to 60.04):	Textiles	48.2
5601	Wadding of textile materials and articles thereof; textile fibres, not exceeding 5 mm in length (flock), textile dust and mill neps.	Textiles	47.5
5110	Yarn of coarse animal hair or of horse hair (including gimped horsehair yarn), whether or not put up for retail sale.	Textiles	46.7

HS4	Description	Sector	DI
5002	Raw silk (not thrown).	Textiles	46.6
5606	Gimped yarn, and strip and the like of heading no.54.04 or 54.05, gimped (excluding those of heading no.56.05 and gimped horsehair yarn); chenille yarn (including flock chenille yarn); loop wale-yarn.	Textiles	46.4
5909	Textile hosepiping and similar textile tubing, with or without lining, armour or accessories of other materials.	Textiles	45.6
5108	Yarn of fine animal hair (carded or combed), not put up for retail sale.	Textiles	45.5
5505	Waste (including noils, yarn waste and garnetted stock) of man-made fibres.	Textiles	44.7
5102	Fine or coarse animal hair, not carded or combed.	Textiles	44.5
5805	Hand-woven tapestries of the type gobelins, flanders, aubusson, beauvais and the like, and needle-worked tapestries (for example, petit point, cross stitch), whether or not made up.	Textiles	44.5
5003	Silk waste (including cocoons unsuitable for reeling, yarn waste and garnetted stock).	Textiles	43.3
5309	Woven fabrics of flax.	Textiles	42.1
5005	Yarn spun from silk waste, not put up for retail sale.	Textiles	42.1

(c) *Group 3*

The products of this group are under less threat than others. If any concessions are contemplated for an FTP they should be considered from among this group. Any such concessions should nevertheless be approached with great circumspection by all stake holders and with due regard to qualitative considerations.

HS4	Description	Sector	DI
6202	Women's or girls' overcoats, car-coats, capes, cloaks, anoraks (including ski- jackets), wind-cheaters, wind-jackets and similar articles, (excluding those of heading no. 62.04).	Clothing	43.0
6214	Shawls, scarves, mufflers, mantillas, veils and the like.	Clothing	42.4
6215	Ties, bow ties and cravats.	Clothing	40.9
8308	Clasps, frames with clasps, buckles, buckle-clasps, hooks, eyes, eyelets and the like, of base metal, of a kind used for clothing, footwear, awnings, handbags, travel goods or other made up articles; tubular or bifurcated rivets, of band spangles, of bas	Clothing	40.1
6102	Women's or girls' overcoats, car-coats, capes, cloaks, anoraks (including ski- jackets), wind-cheaters, wind-jackets and similar articles, knitted or crocheted, (excluding those of heading no. 61.04.):	Clothing	38.5
6217	Other made up clothing accessories; parts of garments or of clothing accessories, (excluding those of heading no. 62.12).	Clothing	36.8
6209	Babies' garments and clothing accessories.	Clothing	36.8
6115	Panty hose, tights, stockings, socks and other hosiery, including stockings for varicose veins and footwear without applied soles, knitted or crocheted.	Clothing	33.6
9607	Slide fasteners and parts thereof.	Clothing	31.7
6116	Gloves, mittens and mitts, knitted or crocheted.	Clothing	30.0
6213	Handkerchiefs.	Clothing	27.8
6216	Gloves, mittens and mitts.	Clothing	17.5
7018	Glass beads, imitation pearls, imitation precious or semi-precious stones & similar glass smallwares, and articles thereof (excluding imitation jewellery); glass eyes (excluding prosthetic articles) statuettes and other ornaments of ls (excl. imitati on j	Footwear	30.4
4821	Paper or paperboard labels of all kinds, whether or not printed.	Footwear	28.2
7317	Nails, tacks, drawing pins, corrugated nails, staples (excluding those of heading no. 83.05) and similar articles, of iron or steel, whether or not with heads of other material, (excluding such articles with heads of copper).	Footwear	7.7
6506	Other headgear, whether or not lined or trimmed.	Headgear	39.8
6502	Hat-shapes, plaited or made by assembling strips of any material, neither blocked to shape, nor with made brims, nor lined, nor trimmed.	Headgear	5.3

HS4	Description	Sector	DI
4102	Raw skins of sheep or lambs (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not with wool on or split (excluding those excluded by note 1 (c) to this chapter):	Leather	40.3
4105	Leather of bovine or equine animals, without hair on, other than leather of heading no.41.08 or 41.09.	Leather	38.5
4203	Articles of apparel and clothing accessories, of leather or of composition leather.	Leather	38.4
4103	Other raw hides and skins (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not dehaired or split (excluding those excluded by note 1 (b) or 1 (c) to this chapter):	Leather	32.4
6310	Used or new rags, scrap twine, cordage, rope and cables and worn out articles of twine, cordage, rope or cables, of textile materials.	Made-up textiles	36.7
6307	Other made up articles, including dress patterns.	Made-up textiles	35.9
6309	Worn clothing and other worn articles.	Made-up textiles	19.3
5803	Gauze, (excluding narrow fabrics of heading no. 58.06.)	Textiles	41.6
5503	Synthetic staple fibres, not carded, combed or otherwise processed for spinning.	Textiles	41.6
5905	Textile wall coverings.	Textiles	40.8
5310	Woven fabrics of jute or of other textile bast fibres of heading no. 53.03.	Textiles	40.8
5202	Cotton waste (including yarn waste and garnetted stock).	Textiles	39.7
5515	Other woven fabrics of synthetic staple fibres.	Textiles	39.0
5305	Coconut, abaca (manila hemp or musa textilis nee), ramie and other vegetable fibres, not elsewhere specified or included, raw or processed but not spun; tow, noils and waste of these fibres (including yarn waste and garnetted stock):	Textiles	38.9
5506	Synthetic staple fibres, carded, combed or otherwise processed for spinning.	Textiles	38.6
5511	Yarn (excluding sewing thread) of man-made staple fibres, put up for retail sale.	Textiles	38.5
5303	Jute and other textile bast fibres (excluding flax, true hemp and ramie), raw or processed but not spun; tow and waste of these fibres (including yarn waste and garnetted stock).	Textiles	38.0
5804	Tulle and other net fabrics,(excluding woven, knitted or crocheted fabrics); lace in the piece, in strips or in motifs (excluding fabrics of heading no. 60.02)	Textiles	38.0
5512	Woven fabrics of synthetic staple fibres, containing 85 % or more by mass of synthetic staple fibres.	Textiles	37.6
5808	Braids in the piece; ornamental trimmings in the piece, without embroidery (excluding knitted or crocheted); tassels, pompons and similar articles.	Textiles	36.7
5307	Yarn of jute or of other textile bast fibres of heading no. 53.03.	Textiles	36.6
5516	Woven fabrics of artificial staple fibres.	Textiles	36.6
5508	Sewing thread of man-made staple fibres, whether or not put up for retail sale.	Textiles	36.0
5104	Garnetted stock of wool or of fine or coarse animal hair.	Textiles	35.7
5212	Other woven fabrics of cotton.	Textiles	35.5
5810	Embroidery in the piece, in strips or in motifs.	Textiles	33.0
5107	Yarn of combed wool, not put up for retail sale.	Textiles	32.4
5406	Man-made filament yarn (excluding sewing thread), put up for retail sale.	Textiles	31.0
5901	Textile fabrics coated with gum or amy- laceous substances, of a kind used for the outer covers of books or the like; tracing cloth; prepared painting canvas; buckram and similar stiffened textile fabrics of a kind used for hat foundations.	Textiles	30.2
5604	Rubber thread and cord, textile covered; textile yarn, and strip and the like of heading no. 54.04 or 54.05, impregnated, coated, covered or sheathed with rubber or plastics.	Textiles	29.8
5113	Woven fabrics of coarse animal hair or of horsehair.	Textiles	29.8
5106	Yarn of carded wool, not put up for retail sale.	Textiles	29.7
5904	Linoleum, whether or not cut to shape; floor coverings consisting of a coating or covering applied on a textile backing, whether or not cut to shape.	Textiles	27.6
5811	Quilted textile products in the piece, composed of one or more layers of textile materials assembled with padding by stitching or otherwise (excluding embroidery of heading no. 58.10)	Textiles	27.2
5206	Cotton yarn (excluding sewing thread), containing less than 85 % by mass of cotton, not put up for retail sale.	Textiles	25.9
5907	Textile fabrics otherwise impregnated, coated or covered; painted canvas being theatrical scenery, studio back-cloths or the like.	Textiles	20.8
5507	Artificial staple fibres, carded, combed or otherwise processed for spinning.	Textiles	20.1
5809	Woven fabrics of metal thread and woven fabrics of metallised yarn of heading no.56.05, of a kind used in apparel, as furnishing fabrics or for similar purposes, not elsewhere specified or included.	Textiles	19.0

HS4	Description	Sector	DI
5302	True hemp (cannabis sativa l.), raw or processed but not spun; tow and waste of true hemp (including yarn waste and garnetted stock).	Textiles	18.5
5311	Woven fabrics of other vegetable textile fibres; woven fabrics of paper yarn.	Textiles	12.7
5301	Flax, raw or processed but not spun; flax tow and waste (including yarn waste and garnetted stock).	Textiles	10.0
5006	Silk yarn and yarn spun from silk waste, put up for retail sale; silk-worm gut.	Textiles	7.7
5306	Flax yarn.	Textiles	7.5

CHAPTER 7

QUANTITATIVE ANALYSIS OF THE OFFENSIVE POSITION

7.1 INTRODUCTION

The offensive position is defined by the following approach:

- An analysis of TCL-imports by Mercosur from the rest of the world
- An analysis of South African TCL-exports to Mercosur.
- A quantitative analysis that identifies South African TCL-exports that may benefit from the proposed fixed preferences agreement with Mercosur.

A synthesis of the contents of this chapter and the previous ones appears in chapter 8 with the purpose of arriving at an offensive position for the TCL-industries in the Mercosur trade negotiations.

7.2 IMPORTS BY MERCOSUR

7.2.1 Data imperatives

The data imperatives for this chapter are the same as that for the previous chapter.

7.2.2 TCL-imports from the world

TCL-imports diminished between 1998 and 2002. In 2002 TCL-imports by Mercosur were $ 2.0 billion. That was less than half the $ amount of 1998. Economic crises and currency devaluations apparently contributed to this. As a consequence, the favourable balance of Mercosur in TCL-trade increased from $1.2 billion in 1998 to $ 3.5 billion in 2002.

TABLE 7.1: MERCOSUR IMPORTS OF TCL-PRODUCTS FROM THE WORLD 1998 TO 2002. US$ MILLION[40]. (%)

Sector	1998	1999	2000	2001	2002
Textiles	2557 (57.9)	2012 (57.7)	2217 (58.3)	1707 (52.0)	1243 (60.7)
Made-ups	181 (4.1)	144 (4.1)	158 (4.2)	134 (4.1)	44 (2.1)
Clothing	684 (15.5)	512 (14.7)	537 (14.1)	531 (16.2)	215 (10.5)
Headgear	22 (0.5)	695 (0.4)	15 (0.4)	13 (0.4)	6 (0.3)
Leather	362 (8.2)	665 (9.4)	404 (10.6)	423 (12.9)	292 (14.3)
Footwear	614 (13.9)	260 (13.6)	475 (12.5)	475 (14.5)	248 (12.1)
Total	**4420 (100)**	**3487 (100)**	**3806 (100)**	**3283 (100)**	**2048 (100)**

Source: IDC

More than 60% of imports are textiles (2002) with that of clothing, leather and footwear varying between 12% and 15% each.

[40] Because of the devaluation of the Real and Peso $ import values in $ will show a decline.

TABLE 7.2: SHARE OF MERCOSUR COUNTRIES IN THE IMPORT OF TCL-PRODUCTS FROM THE WORLD 1998 TO 2002

$ MILLION (%)

Country	1998	1999	2000	2001	2002
Brazil	2486 (56.2)	1871 (53.6)	2107 (55.4)	1713 (52.2))	1431 (69.7)
Argentina	1528 (34.6)	1298 (37.2)	1310 (34.4)	1166 (35.5)	361 (17.6)
Paraguay	92 (2.1)	71 (2.0)	110 (2.9)	113 (3.4)	72 (3.5)
Uruguay	314 (7.1)	247 (7.1)	278 (7.3)	291 (8.9)	184 (9.2)
Total	**4420 (100)**	**3487 (100)**	**3806 (100)**	**3283 (100)**	**2048 (100)**

Source: IDC

Typically Brazil would represent 50% to 55% of imports with Argentina around 35%. In 2002 the crisis in Argentina reduced its TCL-imports to 17.6% of that of Mercosur while Brazil contributed 70%. The more prominent imports of TCL-products appear in table 7.3.

The imports of synthetic filament yarn and of woven products thereof were the two prominent imported textile products in 2002. They represented 27% of textile imports in 2002. Brazil was almost exclusively the importer of synthetic filament yarn and woven products thereof.

Imports of cotton were also important in 2002. For the rest imports are found over a wide range of textile products. Brazil accounts for about 77% of textile imports and Argentina for 16%.

Imports of clothing are spread over the range of tariff headings with imports of jerseys and pullovers-; men's and boy's and women's and girl's suits the more prominent among them. Brazil represents 55% and Argentina 22% of clothing imports.

Imports of leather of bovine animals (55%) and of trunks, suit-, vanity-and briefcases (22%) make-up the bulk of imports of leather and leather products. Brazil imports 64% of the leather and leather products imported by Mercosur and Uruguay 21%.

Imports of footwear are relatively small. Brazilian imports are 57% of the total and that of Argentina 27%.

TABLE 7.3: MERCOSUR TCL-IMPORTS IN EXCESS OF $10 MILLION IN 2002.					
HS	**Description**	**1998**		**2002**	
		$ mil	**%**	**$ mil**	**%**
	Textiles				
5402	Synthetic filament yarn	350	7.9	323	15.8
5407	Woven fabrics of synthetic filament yarn	189	4.3	229	11.2
5201	Cotton not carded or combed	532	12.0	91	4.4
5603	Non-wovens	108	2.4	50	2.4
5503	Synthetic staple fibres not carded	71	1.6	45	2.2
5903	Textile fabrics impregnated with plastics	72	1.6	40	2.0
5902	Tyre cord fabric	41	0.9	38	1.9
5502	Artificial filament tow	54	1.2	31	1.5
5509	Yarn of synthetic staple fibre	73	1.7	30	1.5
5209	Woven fabrics of cotton	98	2.2	28	1.4
6002	Knitted or crocheted fabrics	85	1.9	22	1.1
5101	Wool not carded or combed	25	0.6	22	1.1
5601	Wadding	18	0.4	18	0.9
5501	Synthetic filament tow	10	0.2	18	0.9
5504	Artificial staple fibre	24	0.6	12	0.6
5906	Rubberised textile fabrics	7	0.2	10	0.5
5703	Carpets	31	0.7	10	0.5
	Sub-total	**1788**	**40.4**	**1017**	**49.7**
	Made-ups				
6302	Bed, table, toilet and kitchen linen	90	2.0	13	0.6
6305	Sacks and bags	23	0.5	10	0.5
	Sub-total	**113**	**2.5**	**23**	**1.1**
	Cumulative Sub-total		**42.9**		**50.8**
	As % of exports of made-ups		**62.4**		**52.3**
	Clothing				
6110	Jerseys, pullovers, cardigans	57	1.3	27	1.3
6203	Men's or boys suits, jackets, blazers	86	2.0	26	1.3
6204	Women's or girls' suits	89	2.0	25	1.2
6201	Men's or boys' overcoats	33	0.8	12	0.6
6205	Men's or boys' shirts	67	1.5	11	0.5
6109	T-shirts, vests	30	0.7	11	0.5
	Sub-Total	**362**	**8.2**	**112**	**5.5**
	Cumulative Sub-Total		**51.1**		**56.3**
	As % of clothing exports		**52.9**		**52.1**
	Leather				
4104	Leather of bovine animals without hair	176	4.0	157	7.8
4202	Trunks, suit-, vanity-, and brief cases	127	2.9	65	3.2
4101	Raw hides of bovine animals	10	0.2	23	1.1
4106	Goat or kidskin leather	5	0.1	17	0.8
	Sub-Total	**318**	**7.2**	**262**	**12.9**
	Cumulative Sub-Total		**58.4**		**69.6**
	As % of leather exports		**87.9**		**90.0**
	Footwear				
6404	Footwear with uppers of textiles	106	2.4	40	2.0
6402	Footwear uppers of rubber or plastic	110	2.5	28	1.4
6403	Footwear with uppers of leather	101	2.3	22	1.1
6406	Parts of footwear	35	0.8	10	0.5
	Sub-Total	**352**	**8.0**	**100**	**5.0**
	Cumulative Sub-Total		***15.2***		***17.9***
	As % of footwear exports		**66.4**		**74.6**

Source: IDC

7.2.3. Origin of imports

(a) Textiles

Six countries outside Mercosur supplied 44% of textile imports by Mercosur in 2001. They were:

Republic of Korea	14.7%
USA	9.9%
Taiwan	7.8%
Indonesia	4.8%
Italy	3.9%
China	3.0%
Intra-Mercosur	30.0%
Others	25.9%
Total	*100.0%*

Except for the USA and Italy, these counties increased their exports between 1994 and 2001.

South Africa supplied 0.9% of Mercosur imports in 2001.

(b) Clothing

China replaced Hong Kong as the largest supplier of clothing imports by Mercosur in 1997. In 2001 the most important suppliers of imports were:

China	12.1%
Hong Kong	5.8%
USA	5.5%
Italy	5.3%
Germany	2.9%
France	2.7%
Spain	2.4%
Intra-Mercosur	39.0%
Others	24.3%
Total	*100.0%*

Exports from Hong Kong were probably re-exports of goods manufactured in China.

South Africa supplied 0.04% of clothing imports by Mercosur in 2001.

(c) Leather

China increased its leather exports to Mercosur since 1994. The prominent suppliers of Mercosur imports of leather in 2001 were:

China	15.5%
Hong Kong	10.2% (re-exports)
USA	3.9%
Malaysia	3.7%
Italy	3.4%
Intra-Mercosur	41.0%
Others	22.3%
Total	*100.0%*

South Africa supplied 0.7% of leather imports by Mercosur in 2001.

(d) Footwear

China replaced Hong Kong as the most important supplier of footwear to Mercosur from countries outside Mercosur. In 2001 the more prominent suppliers of footwear to Mercosur were;

China	13.0%
Hong Kong	6.6% (re-exports)
Indonesia	5.8%
Thailand	3.6%
Italy	3.3%
Vietnam	2.9%
Intra-Mercosur	58.5%
Others	6.3%
Total	*100.0%*

South Africa supplied 0.04% of footwear imports by Mercosur in 2001.

7.2.3 Summary

TCL-imports by Mercosur countries diminished to about R2.0 billion in 2002 equal to about half the amount of 1998. The favourable TCL-trade balance of Mercosur countries thus increased to $ 3.5 billion in 2002 compared to $1, 2 billion in 1998.

More than 60% of imports are textiles (2002) with that of clothing, leather and footwear varying between 12% and 15% each. Typically Brazil would represent 50% to 55% of imports with Argentina around 35%. In 2002 the crisis in Argentina reduced its TCL-imports to 17.6% of that of Mercosur.

Synthetic filament yarn and woven fabrics thereof were the two prominent imported textile products in 2002. They represented 27% of textile imports in 2002. Brazil was almost exclusively the importer of synthetic filament yarn and woven fabrics thereof.

Brazil accounts for about 77% of textile imports and Argentina for 16%. Intra-Mercosur trade accounts for 30% of imports while the Republic of Korea (14.7%); the USA (9.9%); Taiwan (7.8%) are the prominent suppliers from outside Mercosur. South Africa supplied 0.9% of Mercosur imports in 2001.

Imports of clothing are spread over the range of tariff headings with imports of jerseys and pullovers; men's and boys and women and girls suits the more prominent among them. Brazil represents 55% and Argentina 22% of clothing imports.

Intra-Mercosur imports are 39% of clothing imports while China (12.1%); Hong Kong (5.8%) (re-exports); and the USA (5.5%) are prominent suppliers from outside Mercosur. South Africa supplied 0.04% of Mercosur imports in 2001.

Imports of leather of bovine animals are 55% and trunks, suit-, vanity-and briefcases 22% of imports of leather and leather products. Brazil imports 64% of the leather and leather products and Uruguay 21%. Intra-Mercosur trade was 41% of imports in 2001 and imports from China 15.5% and Hong Kong 10% (re-exports). South Africa supplied 0.7% of Mercosur imports in 2001.

Imports of footwear are relatively small. Brazilian imports are 57% of the total and that of Argentina 27%. Intra-Mercosur imports are 58.5% of total imports and that from China 13% and Hong Kong 6.6% (re-exports). South Africa supplied 0.04% of Mercosur imports in 2001.

7.3 SOUTH AFRICAN EXPORTS TO MERCOSUR.

The analysis is undertaken for the period 1994 to 2003, according to the 4-digit-level of the H.S. Exports are measured in Rand.

7.3.1 TCL-Trade.

South African TCL-exports to Mercosur increased from R12 million in 1994 to R72.6 in 1998 and R94.8 million in 2003. Exports from South Africa to Mercosur came to 0.3% of the latter's imports in 2002 and to 1.2% of South Africa's total TCL-exports in 2003.

The bulk of South Africa's exports go to Brazil (70%). Argentina takes (23.5%) and Uruguay (6%).

(a) *Textiles*

Synthetic filament yarn is the primary TCL-export product (72%) to Mercosur and represents 77% of textile exports. About 70% is exported to Brazil and the remainder to Argentina. Export of tyre cord fabric seems to be rising. It is exported to Brazil. 92% of exports of wool not carded or combed go to Uruguay.

TABLE 7.4: SOUTH AFRICA: TEXTILE EXPORTS TO MERCOSUR 1994, 1998 AND 2003. R MILLION

HS	Description	1994	1998	2003
5402	Synthetic filament yarn	5.4	46.4	68.7
5902	Tyre cord fabric	0.0	3.2	10.1
5101	Wool not carded or combed	0.0	2.0	3.9
5503	Synthetic staple fibres	0.0	0.0	1.3
6005	Warp knit fabrics	0.0	0.0	1.1
5704	Carpets and other floor coverings (felted)	0.9	1.4	0.9
5703	Carpets and other floor coverings (tufted)	0.7	6.4	0.1
	Others	2.7	7.3	2.8
	Total	**9.7**	**66.7**	**88.9**

(b) *Clothing*

The export of clothing to Mercosur increased from R0.3 million in 1994 to R1.3 million in 1998 and to R1.8 million in 2003. Exports of men's or boys' suits, jackets, blazers and trousers (to Argentina) amounted to R1.3 million in 2003.

(c) *Leather*

Exports of leather increased from R1.1 million in 1994 to R2.6 million in 1998 but subsided to R2.4 million in 2003. Exports occur as raw skins of sheep and lamb and other raw hides and are destined for Uruguay and Brazil.

(d) *Footwear*

Exports of footwear declined from R0.8 million in 1994 to R0.3 million in 1998 and 2003.

7.3.2 Summary

Apart from synthetic filament yarn, South African exports to Mercosur seem to be insignificantly small. Most of the synthetic filament yarn goes to Brazil and the latter takes 70% of the total South African exports to Mercosur.

7.4. QUANTITATIVE ANALYSIS: OFFENSIVE

7.4.1 Methodology

The purpose of this analysis is to arrive at a list of products that may have potential to penetrate the Mercosur market with the help of the proposed fixed preferences agreement with Mercosur. For this purpose an "offensive indicator" (OI) is compiled for TCL-products at the 4-digit- level of the HS. The OI shows the degree of the South Africa's offensive interests.

It is calculated by taking into account a number of factors that could be indicative of South Africa's relative strengths in the trade of TCL-products. They are:

- South Africa's global exports for TCL-tariff headings.
- Growth in South Africa's global TCL-exports.
- Growth in South Africa's TCL-exports to Mercosur.
- South Africa's export penetration into the global TCL-market (share in world trade).
- Growth of share of South Africa's exports in global trade.
- South Africa's export penetration into the Mercosur market (share in Mercosur imports).
- Growth of South Africa's share in exports to Mercosur (growth of share in Mercosur imports)
- Revealed Comparative Advantage (RCA) of South African exports. The RCA to the world is used because there is little trade between SA and Mercosur. (See Annex 1 for methodology on the RCA).
- Growth in the RCA of South African exports to the world (RCA growth).
- The Mercosur tariff levels for the respective headings as an indicator of Mercosur's relative weakness in respect of a particular product.

Because different indicators, values, growth rates, and ratios are used, they need to be made comparable for purposes of arriving at an OI. They were made comparable by normalising them on the interval (0-1).

Since some of the factors that constitute the OI are considered to be more, and others less important, weights are attached to each factor to arrive at an OI-value per tariff heading. The weights are as follows:

Factor	Weights (%)
RSA export to world	11
Growth of RSA export to world	15
Growth of RSA export to Mercosur	8
RSA export to world penetration	5
RSA export to Mercosur penetration	8
Growth of RSA exp share in world trade	5
Growth of RSA exp share in Mercosur imports	8
RCA RSA export to world	15
RCA RSA export to world growth	10
Mercosur Tariff	15
TOTAL	**100**

The weights are arrived at subjectively. The growth in RSA export to the world; South Africa's RCA; and the level of the Mercosur tariff are considered the more important factors. Different weights will give different results. However, tests indicated that vastly different weights are to be used to arrive at significantly different results.

OI-values per tariff heading are ranked from high to low for purposes of interpretation. The headings with a high OI-value exhibit some potential with regard to the proposed fixed preferences agreement and may be candidates for the negotiation of preferential market access. Those with low values are headings with little or no potential.

However, the decision on the level of OI-values that would indicate that they may have potential and to be included in a FPA remains arbitrary. In this respect the qualitative assessment that follows later on for the compilation of the final list, is very important.

Furthermore, the headings can be ranked according to their OI's either within each sub-sector (clothing, textiles, footwear, headgear and leather) or across all the sub-sectors. If ranked according to sub-sector the advantage of comparability amongst headings within that sub-sector is gained. The disadvantage is that headings cannot be compared with that of other sub-sectors across the TCL industries. The reverse applies if ranked across all sub-sectors. Since the TCL-sub-sectors differ amongst each other it is important to consider the merits of each separately.

7.4.2 Offensive list

The full offensive list appears in Annex 3 (across all the sub-sectors). Having regard to the considerations regarding interpretation that were mentioned in the above paragraph, the results are presented in three groups, as follows:

- Group 1 constitute the tariff headings with high OI-values...
- Group 2 constitute tariff headings with middle of the road OI-values.
- Group 3 constitute tariff headings with OI-values at the lower end.

(a) Group 1

The tariff headings in this group are considered to have some potential to penetrate the Mercosur market.

HS4	Description	Sector	OI
6103	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (excluding swimwear), knitted or crocheted.	Clothing	81.4
6111	Babies' garments and clothing accessories, knitted or crocheted.	Clothing	80.5
6203	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (excluding swimwear):	Clothing	78.0
6104	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (excluding swimwear), knitted or crocheted.	Clothing	75.8
6211	Track suits, ski suits and swimwear; other garments.	Clothing	74.6
6117	Other made up clothing accessories, knitted or crocheted; knitted or crocheted parts of garments or of clothing accessories.	Clothing	73.7
6109	T-shirts, singlets and other vests, knitted or crocheted.	Clothing	68.6
6105	Men's or boys' shirts, knitted or crocheted.	Clothing	68.2
6114	Other garments, knitted or crocheted.	Clothing	68.1
6106	Women's or girls' blouses, shirts and shirt-blouses, knitted or crocheted.	Clothing	67.6
6112	Track suits, ski suits and swimwear, knitted or crocheted.	Clothing	67.3
6110	Jerseys, pullovers, cardigans, waist- coats and similar articles, knitted or crocheted.	Clothing	63.9
6204	Women's or girls' suits, ensembles, jackets blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (excluding swimwear).	Clothing	63.9
7326	Other articles of iron or steel.	Footwear	74.6
6401	Waterproof footwear with outer soles and uppers of rubber or of plastics, the uppers of which are neither fixed to the sole nor assembled by stitching, riveting, nailing, screwing, plugging or similar processes.	Footwear	73.9
6406	Parts of footwear (including uppers whether or not attached to soles (excluding outer soles)); removable in-soles, heel cushions and similar articles; gaiters, leggings and similar articles, and parts thereof.	Footwear	68.3
4821	Paper or paperboard labels of all kinds, whether or not printed.	Footwear	61.6
6506	Other headgear, whether or not lined or trimmed.	Headgear	82.8
6504	Hats and other headgear, plaited or made by assembling strips of any material, whether or not lined or trimmed.	Headgear	67.8
6505	Hats and other headgear, knitted or crocheted, or made up from lace, felt or other textile fabric, in the piece (but not in strips), whether or not lined or trimmed; hair-nets of any material, whether or not lined or trimmed.	Headgear	55.5
4103	Other raw hides and skins (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not dehaired or split (excluding those excluded by note 1 (b) or 1 (c) to this chapter):	Leather	75.9
4201	Saddlery and harness for any animal (including traces, leads, knee pads, muzzles, saddle cloths, saddle bags, dog coats and the like), of any material.	Leather	70.2
4102	Raw skins of sheep or lambs (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not with wool on or split (excluding those excluded by note 1 (c) to this chapter):	Leather	63.8
4107	Leather further prepared after tanning or crusting, including parchment-dressed leather, of bovine (including buffalo) or equine animals,without hair on, whether or not split (excluding leather of heading 41.14):	Leather	58.2
4101	Raw hides and skins of bovine or equine animals (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not dehaired or split.	Leather	55.6
6306	Tarpaulins, awnings and sunblinds; tents sails for boats, sailboards or landcraft ,camping goods.	Made-up textiles	87.2
6304	Other furnishing articles (excluding those of heading no. 94.04).	Made-up textiles	77.7
6308	Sets consisting of woven fabric and yarn, whether or not with accessories, for making up into rugs, tapestries, embroidered table cloths or serviettes, or similar textile articles, put up in packings for retail sale.	Made-up textiles	61.6
6303	Curtains (including drapes) and interior blinds; curtain or bed valances.	Made-up textiles	59.4
5902	Tyre cord fabric of high tenacity yarn of nylon or other polyamides, polyesters or viscose rayon.	Textiles	80.6
5907	Textile fabrics otherwise impregnated, coated or covered; painted canvas being theatrical scenery, studio back-cloths or the like.	Textiles	79.9
5211	Woven fabrics of cotton, containing less than 85 % by mass of cotton, mixed mainly or solely with man-made fibres, of a mass exceeding 200 g/m2.	Textiles	78.6
5704	Carpets and other textile floor coverings, of felt, not tufted or flocked, whether or not made up.	Textiles	75.9

HS4	Description	Sector	OI
5603	Nonwovens, whether or not impregnated, coated, covered or laminated.	Textiles	75.3
5607	Twine, cordage, rope and cables, whether or not plaited or braided and whether or not impregnated, coated, covered or sheathed with rubber or plastics.	Textiles	75.3
5809	Woven fabrics of metal thread and woven fabrics of metallised yarn of heading no.56.05, of a kind used in apparel, as furnishing fabrics or for similar purposes, not elsewhere specified or included.	Textiles	73.3
5702	Carpets and other textile floor coverings, woven, not tufted or flocked, whether or not made up, including "kelem", "schumacks", "karamanie" and similar hand-woven rugs.	Textiles	72.9
5407	Woven fabrics of synthetic filament yarn, including woven fabrics obtained from materials of heading no. 54.04.	Textiles	71.2
5406	Man-made filament yarn (excluding sewing thread), put up for retail sale.	Textiles	70.6
5101	Wool, not carded or combed.	Textiles	69.9
6006	Other knitted or crocheted fabrics.	Textiles	69.7
5402	Synthetic filament yarn (excluding sewing thread), not put up for retail sale, including synthetic monofilament of less than 67 decitex.	Textiles	69.4
5705	Other carpets and other textile floor coverings, whether or not made up.	Textiles	68.8
5514	Woven fabrics of synthetic staple fibres, containing less than 85 % by mass of such fibres, mixed mainly or solely with cotton, of a mass exceeding 170 g/m2.	Textiles	68.4
5103	Waste of wool or of fine or coarse animal hair, including yarn waste but excluding garnetted stock.	Textiles	67.0
5311	Woven fabrics of other vegetable textile fibres; woven fabrics of paper yarn.	Textiles	66.8
5903	Textile fabrics impregnated, coated, covered or laminated with plastics, (excluding those of heading no. 59.02).	Textiles	66.1
5608	Knotted netting of twine, cordage or rope; made up fishing nets and other made up nets, of textile materials.	Textiles	65.0
5807	Labels, badges and similar articles of textile materials, in the piece, in strips or cut to shape or size, not embroidered.	Textiles	64.5
6004	Knitted or crocheted fabrics of a width exceeding 30 cm, containing by mass 5 per cent or more of elastomeric yarn or rubber thread (excluding those of heading 60.01)	Textiles	63.9
5604	Rubber thread and cord, textile covered; textile yarn, and strip and the like of heading no. 54.04 or 54.05, impregnated, coated, covered or sheathed with rubber or plastics.	Textiles	63.8
5808	Braids in the piece; ornamental trimmings in the piece, without embroidery (excluding knitted or crocheted); tassels, pompons and similar articles.	Textiles	63.4
5204	Cotton sewing thread, whether or not put up for retail sale.	Textiles	63.3
5802	Terry towelling and similar woven terry fabrics, (excluding narrow fabrics of heading no. 58.06); tufted textile fabrics, (excluding products of heading no. 57.03.)	Textiles	63.2
5601	Wadding of textile materials and articles thereof; textile fibres, not exceeding 5 mm in length (flock), textile dust and mill neps.	Textiles	62.5
5513	Woven fabrics of synthetic staple fibres, containing less than 85 % by mass of such fibres, mixed mainly or solely with cotton, of a mass not exceeding – 170g/m2.	Textiles	62.2
5205	Cotton yarn (excluding sewing thread), containing 85 % or more by mass of cotton, not put up for retail sale.	Textiles	61.5
5108	Yarn of fine animal hair (carded or combed), not put up for retail sale.	Textiles	61.2
5806	Narrow woven fabrics, (excluding goods of heading no. 58.07); narrow fabrics consisting of warp without weft assembled by means of an adhesive (bolducs).	Textiles	60.8
5112	Woven fabrics of combed wool or of combed fine animal hair.	Textiles	60.7
5503	Synthetic staple fibres, not carded, combed or otherwise processed for spinning.	Textiles	60.7
5306	Flax yarn.	Textiles	60.6
5209	Woven fabrics of cotton, containing 85 % or more by mass of cotton, of a mass exceeding 200 g/m2.	Textiles	60.1
5910	Transmission or conveyor belts or belting, of textile material, whether or not impregnated, coated, covered or laminated with plastics, or reinforced with metal or other material	Textiles	59.5
6001	Pile fabrics, including "long pile" fabrics and terry fabrics, knitted or crocheted.	Textiles	59.4
5107	Yarn of combed wool, not put up for retail sale.	Textiles	58.2

(b) *Group 2*

The tariff headings in this group may have potential to export in to Mercosur but less so than the first group.

HS4	Description	Sector	OI
6216	Gloves, mittens and mitts.	Clothing	61.6
6115	Panty hose, tights, stockings, socks and other hosiery, including stockings for varicose veins and footwear without applied soles, knitted or crocheted.	Clothing	57.8
6206	Women's or girls' blouses, shirts and shirt-blouses.	Clothing	57.5

HS4	Description	Sector	OI
6205	Men's or boys' shirts.	Clothing	55.9
6108	Women's or girls' slips, petticoats, briefs, panties, nightdresses, pyjamas, negliges, bathrobes, dressing gowns and similar articles, knitted or crocheted.	Clothing	55.7
6101	Men's or boys' overcoats, car-coats, capes, cloaks, anoraks (including ski- jackets), wind-cheaters, wind-jackets and similar articles, knitted or crocheted, (excluding those of heading no. 61.03):	Clothing	54.8
6213	Handkerchiefs.	Clothing	54.8
6113	Garments, made up of knitted or crocheted fabrics of heading no. 5903, 5906 or 5907	Clothing	54.3
9607	Slide fasteners and parts thereof.	Clothing	53.9
6212	Brassieres, girdles, corsets, braces, suspenders, garters and similar articles and parts thereof, whether or not knitted or crocheted.	Clothing	53.7
6107	Men's or boys' underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles, knitted or crocheted.	Clothing	53.5
6210	Garments, made up of fabrics of heading no. 56.02, 56.03, 59.03, 59.06 or 59.07.	Clothing	50.7
6405	Other footwear.	Footwear	46.1
7018	Glass beads, imitation pearls, imitation precious or semi-precious stones & similar glass smallwares, and articles thereof (excluding imitation jewellery); glass eyes (excluding prosthetic articles) statuettes and other ornaments of ls (excl. imitati on j	Footwear	41.9
6403	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather.	Footwear	41.1
6507	Head-bands, linings, covers, hat foundations, hat frames, peaks and chinstraps, for headgear.	Headgear	45.2
6503	Felt hats and other felt headgear, made from the hat bodies, hoods or plateaux of heading no.65.01, whether or not lined or trimmed.	Headgear	44.2
4203	Articles of apparel and clothing accessories, of leather or of composition leather.	Leather	53.4
4205	Other articles of leather or of composition leather.	Leather	51.4
4106	Goat or kid skin leather, without hair on, (excluding than leather of headi 41.08 or 41.09.)	Leather	48.0
4104	Leather of bovine or equine animals, without hair on, other than leather of heading no.41.08 or 41.09.	Leather	45.5
6301	Blankets and travelling rugs.	Made-up textiles	53.6
6310	Used or new rags, scrap twine, cordage, rope and cables and worn out articles of twine, cordage, rope or cables, of textile materials.	Made-up textiles	52.9
6305	Sacks and bags, of a kind used for the packing of goods.	Made-up textiles	49.6
5908	Textile wicks, woven, plaited or knitted, for lamps, stoves, lighters, candles or the like; incandescent gas mantles and tubular knitted gas mantle fabric therefor, whether or not impregnated.	Textiles	57.8
5911	Textile products and articles, for technical uses, specified in note 7 to this chapter.	Textiles	57.6
5007	Woven fabrics of silk or of silk waste.	Textiles	56.8
5904	Linoleum, whether or not cut to shape; floor coverings consisting of a coating or covering applied on a textile backing, whether or not cut to shape.	Textiles	56.6
6005	Warp knit fabrics (including those made on galloon knitting machines) (excluding those of headings 60.01 to 60.04):	Textiles	56.2
5501	Synthetic filament tow.	Textiles	55.9
5105	Wool and fine or coarse animal hair, carded or combed (including combed wool in fragments).	Textiles	55.9
5605	Metallised yarn, whether or not gimped, being textile yarn, or strip or the like of heading no.54.04 or 54.05, combined with metal in the form of thread, strip or powder or covered with metal.	Textiles	55.7
5505	Waste (including noils, yarn waste and garnetted stock) of man-made fibres.	Textiles	55.7
5703	Carpets and other textile floor coverings, tufted, whether or not made up.	Textiles	55.5
5304	Sisal and other textile fibres of the genus agave, raw or processed but not spun; tow and waste of these fibres (including yarn waste and garnetted stock).	Textiles	54.7
5310	Woven fabrics of jute or of other textile bast fibres of heading no. 53.03.	Textiles	53.9
5111	Woven fabrics of carded wool or of carded fine animal hair.	Textiles	53.6
5102	Fine or coarse animal hair, not carded or combed.	Textiles	53.6
5210	Woven fabrics of cotton, containing less than 85 % of cotton, mixed mainly or solely with man-made fibres, of a mass not exceeding 200 g/my.	Textiles	53.4
5901	Textile fabrics coated with gum or amy- laceous substances, of a kind used for the outer covers of books or the like; tracing cloth; prepared painting canvas; buckram and similar stiffened textile fabrics of a kind used for hat foundations.	Textiles	52.5
5511	Yarn (excluding sewing thread) of man-made staple fibres, put up for retail sale.	Textiles	52.4
5212	Other woven fabrics of cotton.	Textiles	51.0
5502	Artificial filament tow.	Textiles	51.0
5906	Rubberised textile fabrics, (excluding those of heading no. 59.02):	Textiles	49.8

HS4	Description	Sector	OI
5506	Synthetic staple fibres, carded, combed or otherwise processed for spinning.	Textiles	49.6
5810	Embroidery in the piece, in strips or in motifs.	Textiles	49.0
5208	Woven fabrics of cotton, containing 85 % or more by mass of cotton, of a mass of not exceeding 200 g/m2.	Textiles	49.0
5801	Woven pile fabrics and chenille fabrics, (excluding fabrics of heading no. 58.02 or 58.06.)	Textiles	48.7
5509	Yarn (excluding sewing thread) of synthetic staple fibres, not put up for retail sale.	Textiles	48.7
5609	Articles of yarn, strip or the like of heading no.54.04 or 54.05, twine, cordage, rope or cables, not elsewhere specified or included.	Textiles	48.5
5512	Woven fabrics of synthetic staple fibres, containing 85 % or more by mass of synthetic staple fibres.	Textiles	48.3
5104	Garnetted stock of wool or of fine or coarse animal hair.	Textiles	47.7
6003	Knitted or crocheted fabrics of a width not exceeding 30 cm (excluding those of heading 60.01 or 60.02)	Textiles	47.2
5811	Quilted textile products in the piece, composed of one or more layers of textile materials assembled with padding by stitching or otherwise (excluding embroidery of heading no. 58.10)	Textiles	47.0
5602	Felt, whether or not impregnated, coated, covered or laminated.	Textiles	46.3
5803	Gauze, (excluding narrow fabrics of heading no. 58.06.)	Textiles	46.1
5109	Yarn of wool or of fine animal hair, put up for retail sale.	Textiles	45.0
5516	Woven fabrics of artificial staple fibres.	Textiles	44.7
5006	Silk yarn and yarn spun from silk waste, put up for retail sale; silk-worm gut.	Textiles	44.4
5515	Other woven fabrics of synthetic staple fibres.	Textiles	43.6

(c) *Group 3*

The tariff headings in this group are considered to have little potential for export to Mercosur.

HS4	Description	Sector	OI
6215	Ties, bow ties and cravats.	Clothing	49.3
6116	Gloves, mittens and mitts, knitted or crocheted.	Clothing	47.9
6201	Men's or boys' overcoats, car-coats, capes, cloaks, anoraks (including ski- jackets), wind-cheaters, wind-jackets and similar articles, (excluding those of heading no. 62.03).	Clothing	47.1
6208	Women's or girls' singlets and other vests, slips, petticoats, briefs, panties, nightdresses, pyjamas, negliges , bathrobes, dressing gowns and similar articles.	Clothing	46.6
6209	Babies' garments and clothing accessories.	Clothing	45.9
6102	Women's or girls' overcoats, car-coats, capes, cloaks, anoraks (including ski- jackets), wind-cheaters, wind-jackets and similar articles, knitted or crocheted, (excluding those of heading no. 61.04.):	Clothing	44.3
6217	Other made up clothing accessories; parts of garments or of clothing accessories, (excluding those of heading no. 62.12).	Clothing	43.1
6214	Shawls, scarves, mufflers, mantillas, veils and the like.	Clothing	39.6
6207	Men's or boys' singlets and other vests, underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles.	Clothing	39.5
8308	Clasps, frames with clasps, buckles, buckle-clasps, hooks, eyes, eyelets and the like, of base metal, of a kind used for clothing, footwear, awnings, handbags, travel goods or other made up articles; tubular or bifurcated rivets, of band spangles, of bas	Clothing	37.6
6202	Women's or girls' overcoats, car-coats, capes, cloaks, anoraks (including ski- jackets), wind-cheaters, wind-jackets and similar articles, (excluding those of heading no. 62.04).	Clothing	34.1
9606	Buttons, press-fasteners, snap-fasteners and press-studs, button moulds and other parts of these articles; button blanks.	Clothing	26.2
7317	Nails, tacks, drawing pins, corrugated nails, staples (excluding those of heading no. 83.05) and similar articles, of iron or steel, whether or not with heads of other material, (excluding such articles with heads of copper).	Footwear	39.7
6402	Other footwear with outer soles and uppers of rubber or plastics.	Footwear	30.0
6404	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of textile materials.	Footwear	28.6
6502	Hat-shapes, plaited or made by assembling strips of any material, neither blocked to shape, nor with made brims, nor lined, nor trimmed.	Headgear	25.5
6501	Hat-forms, hat bodies and hoods of felt, neither blocked to shape nor with made brims; plateaux and manchons (including slit manchons), of felt.	Headgear	16.5
4204	Articles of leather or of composition leather, of a kind used in machinery or mechanical appliances or for other technical uses.	Leather	44.7
4202	Trunks, suitcases, vanity-cases, executive-cases, brief-cases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters & similar containers, travelling-bags, toilet bags, rucksacks, handbags, shopping	Leather	39.2

HS4	Description	Sector	OI
4105	Leather of bovine or equine animals, without hair on, other than leather of heading no.41.08 or 41.09.	Leather	35.5
4206	Articles of gut (excluding silk-worm gut), of goldbeater's skin, of bladders or of tendons.	Leather	28.2
6302	Bed linen, table linen, toilet linen and kitchen linen.	Made-up textiles	49.0
6309	Worn clothing and other worn articles.	Made-up textiles	47.6
6307	Other made up articles, including dress patterns.	Made-up textiles	41.0
5207	Cotton yarn (excluding sewing thread) put up for retail sale.	Textiles	43.5
5701	Carpets and other textile floor coverings, knotted, whether or not made up.	Textiles	43.0
5905	Textile wall coverings.	Textiles	42.9
5909	Textile hosepiping and similar textile tubing, with or without lining, armour or accessories of other materials.	Textiles	42.8
5405	Artificial monofilament of 67 decitex or more and of which no cross-sectional dimension exceeds 1 mm; strip and the like (for example, artificial straw) of artificial textile materials of an apparent width not exceeding 5 mm.	Textiles	42.8
5309	Woven fabrics of flax.	Textiles	41.5
6002	Knitted or crocheted fabricsof a width not exceeding 30cm, containing by mass 5 per cent or more of elastomeric yarn or rubber thread (excluding those of heading 60.01):	Textiles	41.3
5408	Woven fabrics of artificial filament yarn, including woven fabrics obtained from materials of heading no. 54.05.	Textiles	40.9
5805	Hand-woven tapestries of the type gobelins, flanders, aubusson, beauvais and the like, and needle-worked tapestries (for example, petit point, cross stitch), whether or not made up.	Textiles	39.2
5113	Woven fabrics of coarse animal hair or of horsehair.	Textiles	39.2
5004	Silk yarn (other than yarn spun from silk waste) not put up for retail sale.	Textiles	39.1
5303	Jute and other textile bast fibres (excluding flax, true hemp and ramie), raw or processed but not spun; tow and waste of these fibres (including yarn waste and garnetted stock).	Textiles	38.8
5202	Cotton waste (including yarn waste and garnetted stock).	Textiles	37.8
5403	Artificial filament yarn (excluding sewing thread), not put up for retail sale, including artificial monofilament of less than 67 decitex.	Textiles	37.2
5804	Tulle and other net fabrics,(excluding woven, knitted or crocheted fabrics); lace in the piece, in strips or in motifs (excluding fabrics of heading no. 60.02)	Textiles	36.5
5206	Cotton yarn (excluding sewing thread), containing less than 85 % by mass of cotton, not put up for retail sale.	Textiles	36.1
5106	Yarn of carded wool, not put up for retail sale.	Textiles	35.4
5606	Gimped yarn, and strip and the like of heading no.54.04 or 54.05, gimped (excluding those of heading no.56.05 and gimped horsehair yarn); chenille yarn (including flock chenille yarn); loop wale-yarn.	Textiles	34.6
5401	Sewing thread of man-made filaments, whether or not put up for retail sale.	Textiles	32.9
5510	Yarn (excluding sewing thread) of artificial staple fibres, not put up for retail sale.	Textiles	31.4
5308	Yarn of other vegetable textile fibres; paper yarn.	Textiles	30.1
5302	True hemp (cannabis sativa l.), raw or processed but not spun; tow and waste of true hemp (including yarn waste and garnetted stock).	Textiles	28.9
5005	Yarn spun from silk waste, not put up for retail sale.	Textiles	27.7
5508	Sewing thread of man-made staple fibres, whether or not put up for retail sale.	Textiles	26.7
5404	Synthetic monofilament of 67 decitex or more and of which no cross-sectional dimension exceeds 1 mm; strip and the like (for example, artificial straw) of synthetic textile materials of an apparent width not exceeding 5 mm.	Textiles	26.6
5203	Cotton, carded or combed.	Textiles	24.8
5201	Cotton, not carded or combed.	Textiles	24.7
5001	Silk-worm cocoons suitable for reeling.	Textiles	23.1
5110	Yarn of coarse animal hair or of horse hair (including gimped horsehair yarn), whether or not put up for retail sale.	Textiles	23.1
5507	Artificial staple fibres, carded, combed or otherwise processed for spinning.	Textiles	22.5
5002	Raw silk (not thrown).	Textiles	21.8
5307	Yarn of jute or of other textile bast fibres of heading no. 53.03.	Textiles	21.6
5301	Flax, raw or processed but not spun; flax tow and waste (including yarn waste and garnetted stock).	Textiles	19.3
5305	Coconut, abaca (manila hemp or musa textilis nee), ramie and other vegetable fibres, not elsewhere specified or included, raw or processed but not spun; tow, noils and waste of these fibres (including yarn waste and garnetted stock):	Textiles	18.0
5003	Silk waste (including cocoons unsuitable for reeling, yarn waste and garnetted stock).	Textiles	13.9
5504	Artificial staple fibres, not carded, combed or otherwise processed for spinning.	Textiles	11.9

CHAPTER 8

SYNTHESIS AND CONCLUSIONS

8.1 PURPOSE

In this paragraph a synthesis is drawn from the contents of the report as it impacts on South Africa's defensive and offensive positions in trade negotiations with Mercosur. The defensive position is discussed first and thereafter the offensive one.

8.2. MACRO-ECONOMIC BACKGROUND: THE EXCHANGE RATE

Following the Uruguay Round of Trade Negotiations in the first half of the nineties, Mercosur and South Africa departed from the historical protective trade policy backgrounds to embrace global integration. Since successful trade liberalisation depends on a sound macro-economic platform, Mercosur and South Africa embarked on policies to achieve macro-economic stability. This entailed interest rate, inflation and international financial and exchange rate policies. Consequently, exchange rate and interest rates became more important determinants of international competitiveness than before.

At present interest rates in Brazil are still comparatively high and artificially low in Argentina. A floating exchange rate regime only came into force by the end nineties/early twenties. The financial stability of Argentina and Brazil are, furthermore, threatened by large external debts. South Africa seems to have achieved a stronger macro-economic footing than Mercosur. To the extent that a weaker macro-economic position may reduce the value of Mercosur currencies relative to the Rand and thus raise the price of imports into Mercosur, exchange rate fluctuations pose a greater potential risk to South African TCL-exports to Mercosur, than to markets with more stable currencies such as the Euro.

The current exchange rates of the Real and Peso relative to the Rand renders Mercosur exports to South Africa competitive and South African exports to Mercosur uncompetitive. Present circumstances thus leave South African producers vulnerable and the granting of trade concessions questionable in view of possible negative industrial and social consequences.

8.3 THE DEFENSIVE POSITION

8.3.1 Sectoral aspects

Since the inception of trade liberalisation both Mercosur and South Africa experienced slower growth of manufacturing relative to that in their national GDP's while the growth in the TCL-industries in turn lagged that of manufacturing. However, the objective of increased integration in international trade was achieved with both exports and imports becoming larger.

Measured in value added to the economy, the textile sectors of the Mercosur countries are more important to their respective economies than that of South Africa. The ratio of value added to GDP by the clothing sector is higher for South Africa than for Brazil and on par with that of Argentina. Taken together,

the share of value added in textiles and clothing is the most important to Argentina while it is also more important to Brazil than to South Africa.
Employment can serve as an indicator of the vastly larger size (strength) of the TCL-sectors of Mercosur compared to South Africa:

- The South African textile work force is 27% of that of Brazil.
- Employment in the Brazilian clothing sector is about three times that of South Africa and growing.
- The size of employment in textile production of South Africa and Argentina is about the same.
- The size of South African employment in clothing manufacture overshadows that of Argentina by a wide margin.

The leather and footwear sectors of Mercosur are much more important to them than their textiles and clothing sectors. In most countries the opposite applies. The leather and footwear sectors are major employers and:

- Employment in the processing of leather in Brazil is ten times and that of Argentina about twice that of South Africa.
- The work force in footwear manufacturing in Brazil is 20 times that of South Africa and that of Argentina 1.5 times.

Hourly labour rates between Brazil and South Africa seem to be comparable after depreciation of the Real and appreciation of the Rand. However, subsequent devaluation of the Rand in 2004 now probably renders South African rates higher than Brazil's . Hourly labour rates of Argentina are now substantially lower after having been higher than South Africa's before the exchange rate adjustments of recent years.

The cost structure of Brazilian textiles manufacturing is typical of that of developing countries with labour being a smaller component while capital, depreciation and interest, are more important cost components. The unit costs of knitted and of woven fabric of Brazil declined in recent years. The $-cost of Brazilian fabric is comparatively low after depreciation of the Real, even lower than that of India (and China).

Intra-Mercosur trade intensified between 1994 and 1998 but then fell back by 2001 as the result of the economic crisis in Argentina and adverse conditions in cotton production. Brazil is dominant in exporting to Mercosur and Argentina in importing.

8.3.2 Tariffs

The Mercosur tariff on made-up textiles, clothing, leather products and footwear of 20% is a significant barrier to trade but is lower than South Africa's 30%. The tariff on clothing is half of South Africa's 40%.

Applied tariffs are significantly lower than the WTO-binding rates. Therefore, Mercosur's leeway to increase applied tariffs on TCL-products should be noted. A fixed preference agreement (and a subsequent FTA) will remove Mercosur's scope to increase tariffs against imports from SACU as trade agreements normally include duty stand-still and drawback provisions. Successful conclusion of the Doha Round of the WTO will also limit the scope of WTO members to increase applied tariffs.

8.3.3 Trade Agreements

The conclusion of regional trade agreements has been a significant factor in trends in the international trade of textiles and clothing, especially access into the massive markets of the US and EU.

At present no active bilateral trade agreement, involving tariff preferences, between Mercosur (or its members) and other parties are in force. Discussions on a Free Trade Agreement of the Americas were initiated in 1994 but have shown limited progress. Brazil and Argentina are anxious about preferential market access into the US but at the same time concerned about the effect of tariff concessions on their sensitive products. Talks on a free trade agreement between Mercosur and the EU led to a framework agreement but have since been terminated.

The ending of quotas with the full implementation of the WTO Agreement on Textiles and Clothing (ATC) on 31 December 2004 is likely to have a greater impact on future trends in trade in textiles and clothing than tariffs and regional trade agreements, particularly with regard to market share in the US and EU. China, India and Pakistan will benefit substantially to massively from the removal of quota restrictions and this will most probably be at the expense of other countries that will no longer have an advantage in respect of quota-free access into the US and the EU.

Increased imports by the US and EU from countries such as China, India and Pakistan is a threat to all other countries that have not been subject to MFA quotas, including Mercosur and SACU countries. Mercosur could thus become more aggressive in pursuing exports to South Africa. South Africa need not be equally aggressive because of existing preferential access to the EU and US.

8.3.4 Non-tariff barriers to trade

Exports to Mercosur countries face numerous non-tariff barriers to trade including many additional taxes, import licensing, difficult and cumbersome customs procedures, financing restrictions, policy unpredictability and a lack of transparency. Textiles, clothing and footwear are subject to additional measures such as onerous labelling requirements and reference prices.

South Africa, in comparison, does not apply significant non-tariff barriers to these and other products.

Producers in Mercosur thus have the advantage over their South African counterparts by enjoying stronger protection of their domestic market. By being assured of their domestic markets producers in Mercosur benefit from a competitive platform that can enhance their export performance.

8.3.5 Mercosur exports to the world

Exports of leather and footwear account for almost two-thirds of TCL-exports and textiles and clothing for a third. This is quite the opposite of the norm found in other countries.

Mercosur has a comparative advantage in:

- **Leather: -** Exports of leather of bovine animals account for a third of all TCL-exports. All four Mercosur countries feature in the export of leather and products.
- **Footwear: -** Exports of footwear with uppers of leather, represent almost one quarter of TCL-exports. Brazil exports 28% of footwear production. It is the third largest producer of footwear in the world after China and India and the fifth largest consumer after China, the USA, India and Japan.
- **Made-up textiles: -** Made-up textiles are the major part segment of textile exports.

Apart from made-up textiles, textile exports by Mercosur tend to be concentrated in fibres and yarns at the beginning of the pipeline. Among clothing exports that of women's' and girls' outer clothing feature as the more important export group.

Brazil's is growing in dominance in Mercosur exports. The share of Brazil in every Mercosur $ of TCL exports is about 70 cent; that of Argentina 20 cent with 10 cent left to Paraguay and Uruguay.

The destination of exports by Mercosur is concentrated in ten countries. The USA is the most important destination followed by Italy and China.

8.3.6 Mercosur exports to South Africa

TCL-trade between South Africa and Mercosur is small. Exports of TCL-products by Mercosur represented 3.5% of South African TCL-imports in 2003. Mercosur, nonetheless, runs a positive balance in TCL-trade with South Africa.

Leather represents about two-thirds of Mercosur exports to South Africa and accounts for 16% of South African leather imports. As an intermediate product in production processes imported leather can be considered to supplement South African resources in downstream leather use.

Exports of footwear are growing steadily but are still small compared with South African imports

Textile exports to South Africa are products typically found at the beginning of the pipeline. Mercosur's comparative advantage in made-up textiles has as yet not made inroads into South Africa.

Because of the dominance of leather and footwear in exports to South Africa, Brazil supplies the overwhelming share of exports followed by Uruguay.

8.3.7 The list of defensive products

Defensive indicators taking into account a variety of quantitative parameters were calculated for TCL-products. They were ranked in three groups that range from those highly vulnerable to those less vulnerable to free trade. Although their interpretation remains arbitrary, they are useful guides in circumstances where trade-offs are required in negotiations. Concessions should be avoided on tariff headings with high DI's while concessions could be considered where DI's are at the lower end of the scale, i.e. the third group as identified in paragraph 4.2.3 after due consideration of qualitative issues.

8.3.8 Conclusion: Considerations in respect of the defensive position

The following are the more important considerations in defining a defensive position for TCL-products:

- The South African TCL-industries are sensitive ones presently experiencing adverse international trading conditions that undermine their performance in terms of national economic and social objectives. The further opening-up of domestic markets as contemplated in the Mercosur negotiations can only aggravate the situation.

- Current exchange rates of the Rand, Real and Peso are such that suppliers from Mercosur are in a strong competitive position compared to South African producers. This is further enhanced by an ability, in the instance of Brazil, to reduce unit costs to a level comparable to low cost producers like India and China.

- The South African TCL-sectors are small compared to that of Mercosur and Brazil in particular. Mercosur has clear comparative advantages in leather, footwear and made-up textiles. These aspects give Mercosur a strong platform to access the South African market substantially in the event of fixed preference or another trade agreement. The present trade balance in favour of Mercosur attests to this.

- The South African TCL-industries are exclusively protected by import tariffs while Mercosur, in addition to tariffs employs a range of non-tariff barriers. This gives producers in Mercosur the advantage of a more secure home base to operate from in export markets compared to South African producers.

- South African imports from Mercosur are small, 3.5% of TCL-imports, with leather for two-thirds the dominant import product.

- Imports of leather can be considered as supplementing locally available resources. A mutually beneficial dispensation with Mercosur could be contemplated as determined by South Africa's demand for leather.

By having regard to the above considerations, preferential access into the South African TCL-markets granted to Mercosur could aggravate already severe trading conditions to the detriment of national economic and social objectives. Should a situation of trade-offs in the negotiations arise that involve TCL-industries, the tariff headings in chapter 6, paragraph 4.2.3 could present some candidates. In the event thereof due consultation with stakeholders is required.

8.4 THE OFFENSIVE POSITION

8.4.1 Sectoral aspects

The Mercosur market, especially Brazil with a population of 192 million, is large and in principle should offer potential to South African exporters. The comparative advantages of Mercosur in leather, footwear and household textiles suggest that potential in these industries are limited.

8.4.2 Tariffs

The uniform tariff of 20% that is levied on clothing, made-up textiles, footwear and leather products and 14% - 18% on yarns and fabrics by Mercosur can discourage South African exporters. Fixed preferences could benefit exports to Mercosur.

8.4.3 Non-tariff barriers

Exports to Mercosur countries face numerous non-tariff barriers to trade including many additional taxes, import licensing, difficult and cumbersome customs procedures, financing restrictions, policy unpredictability and a lack of transparency. Textiles, clothing and footwear are subject to additional measures such as onerous labelling requirements and reference prices.

The additional taxes applied by Mercosur countries mean that exports to those countries are subject to higher total direct payments (custom duties and taxes) than the applied import duties alone. Even if Mercosur grants some tariff preferences on SACU exports, the additional taxes will still be applicable which will result in a reduced effective preference. For example, with a Mercosur tariff rate of 20% and additional taxes of, say, 10%, a 50% tariff preference will yield an effective total import "tax" of 20% rather than 10%, that is a 33,3% reduction rather than 50%.

The application of reference prices may further increase the total import taxes and dilute the tariff preferences granted by Mercosur.

The duty/tax situation together with the additional costs of compliance with import licensing, customs procedures, labelling requirements etcetera will still make exports to Mercosur costly even in the event of tariff preferences.

The issue of non-tariff barriers should be high on SACU's agenda in the negotiations with Mercosur. It is doubtful, however, that Mercosur countries will agree to and actually apply substantial relief on NTB's on imports from SACU.

In comparison, exports to the US and the EU are not subject to significant NTB' although the rules of origin are quite stringent.

8.4.4 Trade Agreements

South Africa benefits from tariff-free access to the US in terms of AGOA in respect of clothing but not textile products and tariff-free access into the EU in respect of some textiles and clothing with the rest currently (2004) subject to 28% of the EU basic tariff. In 2006 all South African textiles and clothing will have tariff-free access into the EU. In the case of both markets, the rules of origin are a limiting factor.

Full implementation of the (WTO) Agreement on Textiles and Clothing (ATC) on 31 December 2004 is likely to have a greater impact on future trends in trade in textiles and clothing than tariffs and regional trade agreements particularly with regard to market share in the US and EU markets. Increased imports by the US and EU from countries such as China, India and Pakistan is a threat to all other countries that have not been subject to MFA quotas, including Mercosur and SACU countries.

Despite the prospect of tougher competition current evidence suggest that South African exporters stand a better chance to win market share in the US and EU than in Mercosur. In fact, the question can be asked if the South African TCL-industry has the capacity at present to fully exploit the opportunities at market access that were opened up with the agreements with the US and EU without having to attend to additional trade agreements like the proposed one with Mercosur. Further dispersion of trade agreements may leave the TCL-industries unable to exploit potential benefits while the counter parties to agreements are positioned to erode the domestic market of local industry.

8.4.5 Mercosur imports from the world

TCL-imports by Mercosur countries diminished to about R2.0 billion in 2002. In that year Mercosur achieved a positive trade balance in TCL-products of $ 3.5 billion.

More than 60% of imports are textiles with that of clothing, leather and footwear varying between 12% and 15% each (2002).

The imports of synthetic filament yarn and of woven products thereof were the two prominent imported textile products in 2002. Brazil accounts for about 77% of textile imports and Argentina for 16%. Intra-Mercosur trade is 30% of Mercosur imports while the Republic of Korea (14.7%); the USA (9.9%); and Taiwan (7.8%) are the prominent suppliers from outside Mercosur.

Imports of clothing are spread over the range of tariff headings with imports of jerseys and pullovers; men’s and boys’ and women’s and girls’ suits the more prominent among them. China (12.1%); Hong Kong (5.8%); and the USA (5.5%) are prominent suppliers from outside Mercosur (39%).

Imports of leather of bovine animals are 55% and trunks, suit-, vanity-and briefcases 22% of imports of leather and leather products. Intra-Mercosur trade was 41% of imports in 2001 and imports from China 15.5% and Hong Kong 10%.

Imports of footwear are relatively small. Intra-Mercosur imports are 58.5% of total imports and that from China 13% and Hong Kong 6.6%.

8.4.6 South African exports to Mercosur

South African TCL-exports to Mercosur increased from R12 million in 1994 to R72.6 in 1998 and R94.8 million in 2003. Exports from South Africa to Mercosur came to 0.3% of the latter’s imports in 2002 and to 1.2% of South Africa’s total TCL-exports in 2003. South Africa’s exports go to Brazil (70%), Argentina takes 23.5% and Uruguay 6%.

Synthetic filament yarn is the dominant TCL-export product (72%) to Mercosur. It makes up 77% of textile exports to Mercosur. About 70% is exported to Brazil and the remainder to Argentina. Export of tyre cord seems to be rising. South Africa supplied 0.9% of Mercosur textile imports in 2001.

The export of clothing to Mercosur was 0.04% of imported clothing into Mercosur in 2001; that of footwear also 0.04% and of leather 0.07% (mainly raw hides and skins).

8.4.7 The list of offensive products

Offensive indicators per tariff heading were calculated with the help of quantitative parameters and ranked according to export potential. In the event of trade-offs in negotiations, the tariff headings mentioned in paragraph 4.2.1 could be the better candidates for gaining access into Mercosur.

8.4.8 Conclusion: Considerations iro the offensive position

The following are to be considered in formulating an offensive position:

- Current exchange rates of the Rand, Real and Peso render South African TCL-exporting into Mercosur uncompetitive. Even if a better alignment of the currencies should occur this could be short lived because of the greater macro-economic and foreign debt vulnerability on the part of Mercosur.

- While South African exporters may benefit from a reduction in the tariff of about 20% that Mercosur applies to TCL-products, exports to Mercosur countries face numerous non-tariff barriers to trade including many additional taxes, import licensing, difficult and cumbersome customs procedures, financing restrictions, policy unpredictability and a lack of transparency. Textiles, clothing and footwear are subject to additional measures such as onerous labelling requirements and reference prices.

- Great care should be taken in trade negotiations with Mercosur not to consider tariffs and tariff concessions in isolation. An exchange of tariff concessions with Mercosur in respect of TCL-products is not likely to yield the expected result of trade benefits to South Africa as non-tariff barriers will erode any tariff concessions granted by Mercosur. The issue of non-tariff barriers should be high on the agenda of negotiators, especially since tariff concessions that South Africa may contemplate will not have the back up offered by non-tariff measures.

- The Mercosur TCL-industries dwarf that of South Africa and are competitive. This suggest a greater potential on their part to access the South African market than the capacity of the South African industry to realise gains in the Mercosur market.

- South African TCL-industries benefits from trade agreements with the US and EU. Like other countries that were not restricted by quotas, South Africa will experience stronger competition in the US and EU from China, India and Pakistan when the MFA disappears by end 2004. Despite the prospect of tougher competition current evidence suggest that South African exporters stand a better chance in the affluent markets of the US and EU than in Mercosur, which amongst others entails higher transaction costs as the result of extensive non-tariff barriers. In fact, in view of the size and capacity of the South African TCL-industries exploitation of the US and EU agreements need to take precedence above new trade agreements with countries at roughly the same development level as South Africa and that, in addition, would entail the erosion of the domestic market of local industry because of the market access desired by these countries.

- South Africa's TCL-exports to Mercosur are small at 0.3% of the latter's imports in 2002 and 1.2% of South Africa's exports in 2003. Synthetic filament yarn is the dominant TCL-export product (72%) to Mercosur. It makes up 77% of textile exports to Mercosur. Export of tyre cord fabric is increasing too.

- Should trade-offs be required in negotiations, the tariff headings in chapter 7, paragraph 4.2.1 could be the better candidates for gaining access into Mercosur. Synthetic filament yarn and tyre cord fabric are amongst these.

ANNEXURES

ANNEX 1

MERCOSUR: NON-TARIFF BARRIERS

The following tables taken from the reports mentioned in paragraph 4.1 give information of some of the NTBs in Brazil and Argentina.

European Apparel and Textile Organization (EURATEX) * www.curatex.org Updated Non-Tariff and Clothing Industry – April 2003

Country	Barriers	Perception of the level of difficulty
ARGENTINA	Recent developments: Argentina has long track record of non-tariff barriers textile and clothing. Despite some progress following Euratex Trade barrier Regulation action (1999-2000), the custom clearance system continues to be difficult, cumbersome and imposing long delays. Particularly the very tight and strict control by the customs of all documentation including certificate of origin, declaration form on product composition, labeling. In addition very strict control on custom valuation is still considered to add to the burdensome formalities required for import of the products under examination and to create un unfavourable context to trade. Recent inquiry confirmed that for EU companies import documentation (i.e. certificate of origin to be legalized by the Embassy) and pre-shipment inspection remain still problematic. Finally the problem of additional import duties, particularly for rugs, is still not resolved even if the measure seems respecting the WTO provisions.	HIGH
ARGENTINA	Marking and Labelling: Labelling: according to new legislation the labelling should bear the following information: name of the producer, exporter, importer, country of origin, fibre content, identification of size and care instructions (ISO symbols can be used). The customs are imposing a very strict control of labels during custom clearance. The law leaves open an important place for subjectivity while the same information is requested in 3-4 different documents. Moreover it is requested to affix a fiscal stamp on the labels after custom clearance which is considered excessive, time consuming and costly. New request (2003) In order to ease custom clearance, it is compulsory to have a label with the number of the importer needed (code NIT). This number being released by the Customs.	HIGH
ARGENTINA	Exchange control procedure which does not allow pre-payment nor payment terms less than 90 days.	HIGH

BRAZIL	Despite the August 2002 agreement, exporters are continuously complaining of systematic delays in custom clearance and in official accrediting of custom brokers. Moreover some companies continue to complain about minimum customs value which seems still be applied as well as pre-shipment inspections and in some cases additional import values. In addition import licence is still requested for specific products(	HIGH

	i.e. wool fabrics).Finally import quotas seems still be applied to some products (t.b.c.?)	
BRAZIL	All this seems to confirm that Brazil have not given up the system implemented since 1997 which uses a vast array of administrative measures: [a] Customs procedures: Brazil has lengthy and difficult import licensing procedures including non-automatic import license procedures - in 1997, Brazil declared "zero tolerance" policy and instituted new, difficult administrative criteria. [b] Reference pricing: and valuation problems still remains important . [c] Internal taxes and charges: Brazil imposes numerous add-on taxes for imports, including union tax, brokerage tax, forwarding agent tax, harbour tax, storage tax also, Customs brokers association tax of $250/container instituted in 1997.	HIGH
BRAZIL	Labelling: according to new legislation the labelling should bear the following information: name of the producer, exporter, importer (with the CUIT number of the importer) country of origin, fibre content, identification of size and care instructions (ISO symbols can be used). This is a potential problem as the tariff and non-tariff barriers are impeding real exports into Brazil. Recent information (2003) indicate that Brazil have implemented new requirements for textile and clothing products labelling imposing a laboratory test to verify if dry-cleaning washing is really necessary. Potential breach of the bilateral EU-Brazil recent agreement even if the Brazilian claim to fulfil the condition of article 2 of the Technical Barrier to trade (TBT) agreement and confirmed: [a] The type of test method applied; [b] There is no discrimination between domestic and imported products; [c] And most importantly recognised the possibility to certify products in laboratories signatories of various Mutual Recognition agreements. Intellectual Property Right: Insufficient protection of trade marks and implementation of article 25.2 of the TRIP'S agreement	MEDIUM-HIGH

Country	***Barriers***
ARGENTINA	Customs procedures: Difficult and cumbersome certificate-of-origin rules (requires a visa from the local Argentine consulate); long delays at Customs;difficult dealing w/Customs officials; in 1997, mandated time-consuming and costly pre-export inspections (Note: The EU filed a WTO case against Argentina in November 1999 citing Argentina's "burdensome" import requirements and "discriminatory" tax treatment) Marketing and Labelling: Standards/inspections/marketing: In 1996, imposed new onerous labelling requirements that stipulate that the name of the manufacturer; the importer and the exporter be included on the label; 1996 marking rules require chemical composition statements for carpets and clothing
	Customs procedures: Brazil has a history of difficult licensing procedures – in 1997, Brazil declared "zero tolerance" policy and instituted new, difficult administrative criteria

BRAZIL	Reference pricing: Brazil also has a history of valuation problems, including the irregular use of minimum/specific duties (Note: In 1997, minimum duties increased for some textile products) Internal taxes and charges: Brazil imposes numerous add-on taxes for imports, including union tax, brokerage tax, forwarding agent tax, harbour tax, storage tax; also, Customs broker association tax of $250/containerinstituted in 1997. Other: Unpredictability regarding financing – from 1997 to March 1999, Brazil instituted up-front payment requirements for textile products and banned letters of credit (EU filed a WTO case against Brazil in January 1998; Brazil ended the practice in 1999 Imported licensing procedures: Brazil has a history of imposing often lengthy non-automatic import license procedures for many textile and made-up products.

European Commission: Directorate-General for Trade **Directorate D – Sectoral trade questions, market access * Negotiation and management of textile agreements; footwear** **Report on Market Access: Report Referred to in Article 1(7) of Council Regulation (EEC) 3030/93 (12.07.00)**

Country	***Barriers***
ARGENTINA Cases	Certificate of origin requirements: Difficulties to provide the information required. Difficult and costly legalisation of the certificate of origin by the Argentinean consulate in the country of origin. Compulsory *"de facto" direct shipment.* Prohibits trade with intermediaries and prevents import into the EU before exporting to Argentina.

where WTO action could be considered	Included in a TBR investigation initiated in November 1999. The Commission will submit a conclusive report before the end of July
ARGENTINA Cases that could be dealt with in a non-WTO context	<u>Pre-shipment inspection</u> to control the value of the goods, allegedly burdensome and useless. This is being addressed in the context of the TBR investigation covering certificate of origin requirements High <u>applied tariff rates</u> in particular for yarns (18%), fabrics (21%) and footwear (31%). <u>Specific duties</u>: Argentina applies specific duties when they have a higher result than the applied ad-valorem rates, but only up to the bound WTO level, which is either 26 or 30% for textile and clothing products. These duties are however still a problem for importers, both for their level and for the disputes with the customs arising on their calculation, such as differences in weight, questioning of the customs classification of the goods (the specific duties vary quite substantially according to the customs position), etc. These issues were mentioned in the TBR complaint, but there are not sufficient elements for WTO action. <u>Description requirements of the product</u>: very detailed and burdensome product description and labelling requirements. Costly, excessive importer identification. Excessive controls. This is being addressed in the context of the TBR investigation covering certificate of origin requirements.
BRAZIL Cases where WTO action could be considered	<u>Additional import taxes</u>: There is a vast array of additional taxes that increase significantly the total amount of import duties and the difference with the domestic similar product. More information is still needed, however, on the exact nature and possible discrimination of the taxes.

ANNEX 2

REVEALED COMPARATIVE ADVANTAGE (RCA) METHODOLOGY

One of the most widely used measures of comparative advantage or international competitiveness is the Revealed Comparative Advantage (RCA) index developed by Balassa (1965). The RCA index compares a country's global market share for a particular product (sector) with its global market share for all goods traded. It can therefore be used to identify a country's comparative (competitive) advantage in the production and export of specific products or sub-sectors.

Because the RCA index is based on actual trade flows, it highlights a country's actual competitive advantage in a particular product, despite the existence of trade barriers.

The Revealed Comparative Advantage (RCA) index used in this report was calculated as follows:

$$RCA_{ik} = \left(X_{ik} \Big/ M_{jk} \right) \Big/ \left(X_{it} \Big/ M_{jt} \right)$$

where:

X_{ik} = Exports from country *i* (SA / MERCOSUR) for a specific sector *k*

M_{jk} = Imports from country *j* (SA / MERCOSUR / World) for a specific sector *k*

X_{it} = Total exports (*t*) from country *i* (SA / MERCOSUR)

M_{jt} = Total imports (*t*) from country *j* (SA / MERCOSUR / World)

X_{ik} = Exports from country *i* (SA / MERCOSUR) for a specific sector *k*

M_{jk} = Imports from country *j* (SA / MERCOSUR / World) for a specific sector *k*

X_{it} = Total exports (*t*) from country *i* (SA / MERCOSUR)

M_{jt} = Total imports (*t*) from country *j* (SA / MERCOSUR / World)

The Revealed Comparative Advantage (RCA) is a very good indicator of competitiveness and general performance.

There are two ways of interpreting it:

If we consider competitiveness in the total world market

1. It measures the share of South African exports in a specific sector relative to total export share of world trade.

2. It measures the share of South African exports in the specific sector in world trade in that sector relative to total SA export share of world trade.

If we consider competitiveness in the specific country or region

1. It measures the share of South African exports in a specific sector of that relative to total SA export share of that country's total imports.

2. It measures the share of South African exports in the specific sector in that country's total import in that sector relative to total SA export to that country share of the country total import.

The difference comes from the fact that world imports equal world exports.

A value of greater than one indicates a revealed comparative advantage.

ANNEX 3

THE FULL DEFENSIVE (ACROSS ALL THE SUB-SECTORS)

HS4	Description	Sector	DI	On Merc list?	Rank
6402	Other footwear with outer soles and uppers of rubber or plastics.	Footwear	83.16	Yes	1
6104	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (excluding swimwear), knitted or crocheted.	Clothing	80.00	Yes	2
6403	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather.	Footwear	79.43	Yes	3
4205	Other articles of leather or of composition leather.	Leather	77.29	Yes	4
6109	T-shirts, singlets and other vests, knitted or crocheted.	Clothing	75.75	Yes	5
6302	Bed linen, table linen, toilet linen and kitchen linen.	Made-up textiles	75.70	Yes	6
6106	Women's or girls' blouses, shirts and shirt-blouses, knitted or crocheted.	Clothing	73.81	Yes	7
6108	Women's or girls' slips, petticoats, briefs, panties, nightdresses, pyjamas, negliges, bathrobes, dressing gowns and similar articles, knitted or crocheted.	Clothing	73.70	Yes	8
6204	Women's or girls' suits, ensembles, jackets blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (excluding swimwear).	Clothing	73.45	Yes	9
5210	Woven fabrics of cotton, containing less than 85 % of cotton, mixed mainly or solely with man-made fibres, of a mass not exceeding 200 g/my.	Textiles	72.79	Yes	10
6112	Track suits, ski suits and swimwear, knitted or crocheted.	Clothing	72.17	Yes	11
6406	Parts of footwear (including uppers whether or not attached to soles (excluding outer soles)); removable in-soles, heel cushions and similar articles; gaiters, leggings and similar articles, and parts thereof.	Footwear	71.30	Yes	12
6304	Other furnishing articles (excluding those of heading no. 94.04).	Made-up textiles	70.57	Yes	13
6114	Other garments, knitted or crocheted.	Clothing	70.30	Yes	14
4104	Leather of bovine or equine animals, without hair on, other than leather of heading no.41.08 or 41.09.	Leather	69.90	Yes	15
5112	Woven fabrics of combed wool or of combed fine animal hair.	Textiles	68.57	Yes	16
5705	Other carpets and other textile floor coverings, whether or not made up.	Textiles	67.31	No	17
5504	Artificial staple fibres, not carded, combed or otherwise processed for spinning.	Textiles	67.25	No	18
4206	Articles of gut (excluding silk-worm gut), of goldbeater's skin, of bladders or of tendons.	Leather	67.07	Yes	19
5402	Synthetic filament yarn (excluding sewing thread), not put up for retail sale, including synthetic monofilament of less than 67 decitex.	Textiles	66.76	Yes	20
6401	Waterproof footwear with outer soles and uppers of rubber or of plastics, the uppers of which are neither fixed to the sole nor assembled by stitching, riveting, nailing, screwing, plugging or similar processes.	Footwear	66.33	No	21
4201	Saddlery and harness for any animal (including traces, leads, knee pads, muzzles, saddle cloths, saddle bags, dog coats and the like), of any material.	Leather	65.70	Yes	22
6212	Brassieres, girdles, corsets, braces, suspenders, garters and similar articles and parts thereof, whether or not knitted or crocheted.	Clothing	65.64	Yes	23
5603	Nonwovens, whether or not impregnated, coated, covered or laminated.	Textiles	65.52	Yes	24
5105	Wool and fine or coarse animal hair, carded or combed (including combed wool in fragments).	Textiles	65.49	No	25
6001	Pile fabrics, including "long pile" fabrics and terry fabrics, knitted or crocheted.	Textiles	65.45	Yes	26
5209	Woven fabrics of cotton, containing 85 % or more by mass of cotton, of a mass exceeding 200 g/m2.	Textiles	65.43	Yes	27
5902	Tyre cord fabric of high tenacity yarn of nylon or other polyamides, polyesters or viscose rayon.	Textiles	65.31	Yes	28
6107	Men's or boys' underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles, knitted or crocheted.	Clothing	64.57	Yes	29
6211	Track suits, ski suits and swimwear; other garments.	Clothing	64.49	Yes	30
5304	Sisal and other textile fibres of the genus agave, raw or processed but not spun; tow and waste of these fibres (including yarn waste and garnetted stock).	Textiles	63.76	No	31
5703	Carpets and other textile floor coverings, tufted, whether or not made up.	Textiles	63.54	Yes	32

HS4	Description	Sector	DI	On Merc list?	Rank
6103	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (excluding swimwear), knitted or crocheted.	Clothing	63.27	Yes	33
6306	Tarpaulins, awnings and sunblinds; tents sails for boats, sailboards or landcraft ,camping goods.	Made-up textiles	63.08	No	34
5211	Woven fabrics of cotton, containing less than 85 % by mass of cotton, mixed mainly or solely with man-made fibres, of a mass exceeding 200 g/m2.	Textiles	63.02	No	35
6208	Women's or girls' singlets and other vests, slips, petticoats, briefs, panties, nightdresses, pyjamas, negliges , bathrobes, dressing gowns and similar articles.	Clothing	62.99	Yes	36
5906	Rubberised textile fabrics, (excluding those of heading no. 59.02):	Textiles	62.92	Yes	37
5007	Woven fabrics of silk or of silk waste.	Textiles	61.96	Yes	38
5404	Synthetic monofilament of 67 decitex or more and of which no cross-sectional dimension exceeds 1 mm; strip and the like (for example, artificial straw) of synthetic textile materials of an apparent width not exceeding 5 mm.	Textiles	61.71	Yes	39
6210	Garments, made up of fabrics of heading no. 56.02, 56.03, 59.03, 59.06 or 59.07.	Clothing	61.34	Yes	40
5308	Yarn of other vegetable textile fibres; paper yarn.	Textiles	61.20	No	41
5407	Woven fabrics of synthetic filament yarn, including woven fabrics obtained from materials of heading no. 54.04.	Textiles	59.96	Yes	42
5802	Terry towelling and similar woven terry fabrics, (excluding narrow fabrics of heading no. 58.06); tufted textile fabrics, (excluding products of heading no. 57.03.)	Textiles	59.90	No	43
5205	Cotton yarn (excluding sewing thread), containing 85 % or more by mass of cotton, not put up for retail sale.	Textiles	59.33	Yes	44
5405	Artificial monofilament of 67 decitex or more and of which no cross-sectional dimension exceeds 1 mm; strip and the like (for example, artificial straw) of artificial textile materials of an apparent width not exceeding 5 mm.	Textiles	59.23	No	45
5513	Woven fabrics of synthetic staple fibres, containing less than 85 % by mass of such fibres, mixed mainly or solely with cotton, of a mass not exceeding -170g/m2.	Textiles	59.11	Yes	46
5702	Carpets and other textile floor coverings, woven, not tufted or flocked, whether or not made up, including "kelem", "schumacks", "karamanie" and similar hand-woven rugs.	Textiles	57.87	No	47
7326	Other articles of iron or steel.	Footwear	57.70	Yes	48
4106	Goat or kid skin leather, without hair on, (excluding than leather of headi 41.08 or 41.09.)	Leather	57.15	Yes	49
5607	Twine, cordage, rope and cables, whether or not plaited or braided and whether or not impregnated, coated, covered or sheathed with rubber or plastics.	Textiles	56.80	Yes	50
6305	Sacks and bags, of a kind used for the packing of goods.	Made-up textiles	56.65	Yes	51
5908	Textile wicks, woven, plaited or knitted, for lamps, stoves, lighters, candles or the like; incandescent gas mantles and tubular knitted gas mantle fabric therefor, whether or not impregnated.	Textiles	56.55	No	52
4204	Articles of leather or of composition leather, of a kind used in machinery or mechanical appliances or for other technical uses.	Leather	56.30	No	53
5111	Woven fabrics of carded wool or of carded fine animal hair.	Textiles	56.23	Yes	54
4101	Raw hides and skins of bovine or equine animals (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not dehaired or split.	Leather	55.99	Yes	55
6105	Men's or boys' shirts, knitted or crocheted.	Clothing	55.79	Yes	56
6201	Men's or boys' overcoats, car-coats, capes, cloaks, anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles, (excluding those of heading no. 62.03).	Clothing	55.78	Yes	57
6203	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (excluding swimwear):	Clothing	55.59	Yes	58
6206	Women's or girls' blouses, shirts and shirt-blouses.	Clothing	55.59	Yes	59
5201	Cotton, not carded or combed.	Textiles	55.54	Yes	60
6111	Babies' garments and clothing accessories, knitted or crocheted.	Clothing	55.08	Yes	61
5208	Woven fabrics of cotton, containing 85 % or more by mass of cotton, of a mass of not exceeding 200 g/m2.	Textiles	54.71	Yes	62
5101	Wool, not carded or combed.	Textiles	54.58	No	63
6002	Knitted or crocheted fabricsof a width not exceeding 30cm, containing by mass 5 per cent or more of elastomeric yarn or rubber thread (excluding those of heading 60.01):	Textiles	54.55	Yes	64
5207	Cotton yarn (excluding sewing thread) put up for retail sale.	Textiles	54.49	Yes	65

HS4	Description	Sector	DI	On Merc list?	Rank
6507	Head-bands, linings, covers, hat foundations, hat frames, peaks and chinstraps, for headgear.	Headgear	54.34	No	66
6207	Men's or boys' singlets and other vests, underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles.	Clothing	54.24	Yes	67
6405	Other footwear.	Footwear	53.74	Yes	68
5608	Knotted netting of twine, cordage or rope; made up fishing nets and other made up nets, of textile materials.	Textiles	53.71	No	69
6404	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of textile materials.	Footwear	53.62	Yes	70
5001	Silk-worm cocoons suitable for reeling.	Textiles	53.11	No	71
6110	Jerseys, pullovers, cardigans, waist- coats and similar articles, knitted or crocheted.	Clothing	53.01	Yes	72
5103	Waste of wool or of fine or coarse animal hair, including yarn waste but excluding garnetted stock.	Textiles	52.96	No	73
5807	Labels, badges and similar articles of textile materials, in the piece, in strips or cut to shape or size, not embroidered.	Textiles	52.25	Yes	74
5903	Textile fabrics impregnated, coated, covered or laminated with plastics, (excluding those of heading no. 59.02).	Textiles	52.24	Yes	75
6101	Men's or boys' overcoats, car-coats, capes, cloaks, anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles, knitted or crocheted, (excluding those of heading no. 61.03):	Clothing	51.73	Yes	76
5609	Articles of yarn, strip or the like of heading no.54.04 or 54.05, twine, cordage, rope or cables, not elsewhere specified or included.	Textiles	51.55	No	77
6301	Blankets and travelling rugs.	Made-up textiles	51.19	Yes	78
5401	Sewing thread of man-made filaments, whether or not put up for retail sale.	Textiles	50.57	No	79
5109	Yarn of wool or of fine animal hair, put up for retail sale.	Textiles	50.51	No	80
4202	Trunks, suitcases, vanity-cases, executive-cases, brief-cases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters & similar containers, travelling-bags, toilet bags, rucksacks, handbags, shopping	Leather	50.15	Yes	81
4203	Articles of apparel and clothing accessories, of leather or of composition leather.	Leather	50.00	Yes	82
5510	Yarn (excluding sewing thread) of artificial staple fibres, not put up for retail sale.	Textiles	49.85	Yes	83
4107	Leather further prepared after tanning or crusting, including parchment-dressed leather, of bovine (including buffalo) or equine animals,without hair on, whether or not split (excluding leather of heading 41.14):	Leather	49.77	Yes	84
5501	Synthetic filament tow.	Textiles	49.57	No	85
6505	Hats and other headgear, knitted or crocheted, or made up from lace, felt or other textile fabric, in the piece (but not in strips), whether or not lined or trimmed; hair-nets of any material, whether or not lined or trimmed.	Headgear	49.31	Yes	86
6117	Other made up clothing accessories, knitted or crocheted; knitted or crocheted parts of garments or of clothing accessories.	Clothing	49.30	Yes	87
5911	Textile products and articles, for technical uses, specified in note 7 to this chapter.	Textiles	49.11	Yes	88
5509	Yarn (excluding sewing thread) of synthetic staple fibres, not put up for retail sale.	Textiles	48.85	Yes	89
4105	Leather of bovine or equine animals, without hair on, other than leather of heading no.41.08 or 41.09.	Leather	48.09	Yes	90
5602	Felt, whether or not impregnated, coated, covered or laminated.	Textiles	47.65	Yes	91
6003	Knitted or crocheted fabrics of a width not exceeding 30 cm (excluding those of heading 60.01 or 60.02)	Textiles	47.46	No	92
4102	Raw skins of sheep or lambs (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not with wool on or split (excluding those excluded by note 1 (c) to this chapter):	Leather	47.40	Yes	93
6205	Men's or boys' shirts.	Clothing	47.29	Yes	94
5806	Narrow woven fabrics, (excluding goods of heading no. 58.07); narrow fabrics consisting of warp without weft assembled by means of an adhesive (bolducs).	Textiles	47.26	Yes	95
5704	Carpets and other textile floor coverings, of felt, not tufted or flocked, whether or not made up.	Textiles	47.11	No	96
6501	Hat-forms, hat bodies and hoods of felt, neither blocked to shape nor with made brims; plateaux and manchons (including slit manchons), of felt.	Headgear	46.33	No	97

HS4	Description	Sector	DI	On Merc list?	Rank
5910	Transmission or conveyor belts or belting, of textile material, whether or not impregnated, coated, covered or laminated with plastics, or reinforced with metal or other material	Textiles	46.02	Yes	98
9606	Buttons, press-fasteners, snap-fasteners and press-studs, button moulds and other parts of these articles; button blanks.	Clothing	46.00	No	99
5004	Silk yarn (other than yarn spun from silk waste) not put up for retail sale.	Textiles	45.84	No	100
5203	Cotton, carded or combed.	Textiles	45.43	Yes	101
5403	Artificial filament yarn (excluding sewing thread), not put up for retail sale, including artificial monofilament of less than 67 decitex.	Textiles	45.29	No	102
5701	Carpets and other textile floor coverings, knotted, whether or not made up.	Textiles	45.09	No	103
5408	Woven fabrics of artificial filament yarn, including woven fabrics obtained from materials of heading no. 54.05.	Textiles	44.67	Yes	104
5801	Woven pile fabrics and chenille fabrics, (excluding fabrics of heading no. 58.02 or 58.06.)	Textiles	44.65	Yes	105
6215	Ties, bow ties and cravats.	Clothing	44.54	Yes	106
5514	Woven fabrics of synthetic staple fibres, containing less than 85 % by mass of such fibres, mixed mainly or solely with cotton, of a mass exceeding 170 g/m2.	Textiles	44.51	No	107
5502	Artificial filament tow.	Textiles	44.24	No	108
6214	Shawls, scarves, mufflers, mantillas, veils and the like.	Clothing	43.88	Yes	109
4821	Paper or paperboard labels of all kinds, whether or not printed.	Footwear	43.86	Yes	110
6504	Hats and other headgear, plaited or made by assembling strips of any material, whether or not lined or trimmed.	Headgear	43.48	No	111
6308	Sets consisting of woven fabric and yarn, whether or not with accessories, for making up into rugs, tapestries, embroidered table cloths or serviettes, or similar textile articles, put up in packings for retail sale.	Made-up textiles	43.30	No	112
6307	Other made up articles, including dress patterns.	Made-up textiles	43.04	Yes	113
6004	Knitted or crocheted fabrics of a width exceeding 30 cm, containing by mass 5 per cent or more of elastomeric yarn or rubber thread (excluding those of heading 60.01)	Textiles	42.86	No	114
5605	Metallised yarn, whether or not gimped, being textile yarn, or strip or the like of heading no.54.04 or 54.05, combined with metal in the form of thread, strip or powder or covered with metal.	Textiles	42.68	No	115
6217	Other made up clothing accessories; parts of garments or of clothing accessories, (excluding those of heading no. 62.12).	Clothing	42.58	Yes	116
6503	Felt hats and other felt headgear, made from the hat bodies, hoods or plateaux of heading no.65.01, whether or not lined or trimmed.	Headgear	42.43	No	117
6113	Garments, made up of knitted or crocheted fabrics of heading no. 5903, 5906 or 5907	Clothing	42.40	Yes	118
6303	Curtains (including drapes) and interior blinds; curtain or bed valances.	Made-up textiles	42.32	No	119
5601	Wadding of textile materials and articles thereof; textile fibres, not exceeding 5 mm in length (flock), textile dust and mill neps.	Textiles	41.80	Yes	120
6202	Women's or girls' overcoats, car-coats, capes, cloaks, anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles, (excluding those of heading no. 62.04).	Clothing	41.52	Yes	121
5110	Yarn of coarse animal hair or of horse hair (including gimped horsehair yarn), whether or not put up for retail sale.	Textiles	41.51	No	122
5909	Textile hosepiping and similar textile tubing, with or without lining, armour or accessories of other materials.	Textiles	41.04	Yes	123
6310	Used or new rags, scrap twine, cordage, rope and cables and worn out articles of twine, cordage, rope or cables, of textile materials.	Made-up textiles	40.91	Yes	124
6006	Other knitted or crocheted fabrics.	Textiles	40.67	No	125
6102	Women's or girls' overcoats, car-coats, capes, cloaks, anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles, knitted or crocheted, (excluding those of heading no. 61.04.):	Clothing	40.35	Yes	126
5002	Raw silk (not thrown).	Textiles	40.30	No	127
8308	Clasps, frames with clasps, buckles, buckle-clasps, hooks, eyes, eyelets and the like, of base metal, of a kind used for clothing, footwear, awnings, handbags, travel goods or other made up articles; tubular or bifurcated rivets, of band spangles, of bas	Clothing	39.74	Yes	128
5204	Cotton sewing thread, whether or not put up for retail sale.	Textiles	39.65	Yes	129

HS4	Description	Sector	DI	On Merc list?	Rank
7018	Glass beads, imitation pearls, imitation precious or semi-precious stones & similar glass smallwares, and articles thereof (excluding imitation jewellery); glass eyes (excluding prosthetic articles) statuettes and other ornaments of ls (excl. imitati on j	Footwear	39.56	No	130
5108	Yarn of fine animal hair (carded or combed), not put up for retail sale.	Textiles	38.59	No	131
9607	Slide fasteners and parts thereof.	Clothing	38.33	Yes	132
6115	Panty hose, tights, stockings, socks and other hosiery, including stockings for varicose veins and footwear without applied soles, knitted or crocheted.	Clothing	38.32	Yes	133
5606	Gimped yarn, and strip and the like of heading no.54.04 or 54.05, gimped (excluding those of heading no.56.05 and gimped horsehair yarn); chenille yarn (including flock chenille yarn); loop wale-yarn.	Textiles	38.05	No	134
6116	Gloves, mittens and mitts, knitted or crocheted.	Clothing	37.83	Yes	135
6005	Warp knit fabrics (including those made on galloon knitting machines) (excluding those of headings 60.01 to 60.04):	Textiles	37.56	No	136
5102	Fine or coarse animal hair, not carded or combed.	Textiles	37.39	No	137
6209	Babies' garments and clothing accessories.	Clothing	37.06	Yes	138
5905	Textile wall coverings.	Textiles	36.44	No	139
5309	Woven fabrics of flax.	Textiles	36.20	Yes	140
4103	Other raw hides and skins (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not dehaired or split (excluding those excluded by note 1 (b) or 1 (c) to this chapter):	Leather	36.11	Yes	141
5310	Woven fabrics of jute or of other textile bast fibres of heading no. 53.03.	Textiles	36.03	No	142
5505	Waste (including noils, yarn waste and garnetted stock) of man-made fibres.	Textiles	35.95	Yes	143
5803	Gauze, (excluding narrow fabrics of heading no. 58.06.)	Textiles	35.66	No	144
5305	Coconut, abaca (manila hemp or musa textilis nee), ramie and other vegetable fibres, not elsewhere specified or included, raw or processed but not spun; tow, noils and waste of these fibres (including yarn waste and garnetted stock):	Textiles	35.56	No	145
6506	Other headgear, whether or not lined or trimmed.	Headgear	35.53	Yes	146
5003	Silk waste (including cocoons unsuitable for reeling, yarn waste and garnetted stock).	Textiles	35.47	No	147
5005	Yarn spun from silk waste, not put up for retail sale.	Textiles	35.10	No	148
5805	Hand-woven tapestries of the type gobelins, flanders, aubusson, beauvais and the like, and needle-worked tapestries (for example, petit point, cross stitch), whether or not made up.	Textiles	34.91	No	149
5503	Synthetic staple fibres, not carded, combed or otherwise processed for spinning.	Textiles	34.25	Yes	150
6213	Handkerchiefs.	Clothing	34.09	Yes	151
5202	Cotton waste (including yarn waste and garnetted stock).	Textiles	33.94	Yes	152
5506	Synthetic staple fibres, carded, combed or otherwise processed for spinning.	Textiles	33.92	No	153
5511	Yarn (excluding sewing thread) of man-made staple fibres, put up for retail sale.	Textiles	32.72	No	154
5515	Other woven fabrics of synthetic staple fibres.	Textiles	32.29	Yes	155
5303	Jute and other textile bast fibres (excluding flax, true hemp and ramie), raw or processed but not spun; tow and waste of these fibres (including yarn waste and garnetted stock).	Textiles	31.33	No	156
5104	Garnetted stock of wool or of fine or coarse animal hair.	Textiles	31.17	No	157
5804	Tulle and other net fabrics,(excluding woven, knitted or crocheted fabrics); lace in the piece, in strips or in motifs (excluding fabrics of heading no. 60.02)	Textiles	30.80	No	158
5307	Yarn of jute or of other textile bast fibres of heading no. 53.03.	Textiles	30.79	No	159
5512	Woven fabrics of synthetic staple fibres, containing 85 % or more by mass of synthetic staple fibres.	Textiles	30.30	Yes	160
5212	Other woven fabrics of cotton.	Textiles	28.93	Yes	161
5508	Sewing thread of man-made staple fibres, whether or not put up for retail sale.	Textiles	28.38	No	162
5516	Woven fabrics of artificial staple fibres.	Textiles	28.02	Yes	163
6309	Worn clothing and other worn articles.	Made-up textiles	27.55	No	164
5406	Man-made filament yarn (excluding sewing thread), put up for retail sale.	Textiles	26.69	No	165
5810	Embroidery in the piece, in strips or in motifs.	Textiles	26.39	Yes	166
5808	Braids in the piece; ornamental trimmings in the piece, without embroidery (excluding knitted or crocheted); tassels, pompons and similar articles.	Textiles	26.07	No	167

HS4	Description	Sector	DI	On Merc list?	Rank
5604	Rubber thread and cord, textile covered; textile yarn, and strip and the like of heading no. 54.04 or 54.05, impregnated, coated, covered or sheathed with rubber or plastics.	Textiles	25.02	No	168
5904	Linoleum, whether or not cut to shape; floor coverings consisting of a coating or covering applied on a textile backing, whether or not cut to shape.	Textiles	24.98	No	169
5113	Woven fabrics of coarse animal hair or of horsehair.	Textiles	24.65	No	170
5107	Yarn of combed wool, not put up for retail sale.	Textiles	24.47	Yes	171
5811	Quilted textile products in the piece, composed of one or more layers of textile materials assembled with padding by stitching or otherwise (excluding embroidery of heading no. 58.10)	Textiles	23.81	Yes	172
5106	Yarn of carded wool, not put up for retail sale.	Textiles	23.09	Yes	173
6216	Gloves, mittens and mitts.	Clothing	23.07	Yes	174
5901	Textile fabrics coated with gum or amy- laceous substances, of a kind used for the outer covers of books or the like; tracing cloth; prepared painting canvas; buckram and similar stiffened textile fabrics of a kind used for hat foundations.	Textiles	22.22	No	175
7317	Nails, tacks, drawing pins, corrugated nails, staples (excluding those of heading no. 83.05) and similar articles, of iron or steel, whether or not with heads of other material, (excluding such articles with heads of copper).	Footwear	21.39	Yes	176
5206	Cotton yarn (excluding sewing thread), containing less than 85 % by mass of cotton, not put up for retail sale.	Textiles	21.38	Yes	177
5809	Woven fabrics of metal thread and woven fabrics of metallised yarn of heading no.56.05, of a kind used in apparel, as furnishing fabrics or for similar purposes, not elsewhere specified or included.	Textiles	19.41	No	178
6502	Hat-shapes, plaited or made by assembling strips of any material, neither blocked to shape, nor with made brims, nor lined, nor trimmed.	Headgear	18.22	No	179
5302	True hemp (cannabis sativa l.), raw or processed but not spun; tow and waste of true hemp (including yarn waste and garnetted stock).	Textiles	17.09	No	180
5907	Textile fabrics otherwise impregnated, coated or covered; painted canvas being theatrical scenery, studio back-cloths or the like.	Textiles	16.25	No	181
5507	Artificial staple fibres, carded, combed or otherwise processed for spinning.	Textiles	16.12	No	182
5311	Woven fabrics of other vegetable textile fibres; woven fabrics of paper yarn.	Textiles	9.64	No	183
5301	Flax, raw or processed but not spun; flax tow and waste (including yarn waste and garnetted stock).	Textiles	7.87	No	184
5306	Flax yarn.	Textiles	6.93	No	185
5006	Silk yarn and yarn spun from silk waste, put up for retail sale; silk-worm gut.	Textiles	6.65	No	186

ANNEXURE 4

THE FULL DEFENSIVE LIST: MERCOSUR EXPORTS AND IMPORTS 2002

HS4	Description	Sector	DI	Rank	Merc. exp to world (R'm)	Merc. imp from world (R'm)
6402	Other footwear with outer soles and uppers of rubber or plastics.	Footwear	83.16	1	1,350.96	291.32
6104	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (excluding swimwear), knitted or crocheted.	Clothing	80.00	2	227.98	65.09
6403	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather.	Footwear	79.43	3	13,375.29	235.97
4205	Other articles of leather or of composition leather.	Leather	77.29	4	1,157.02	71.51
6109	T-shirts, singlets and other vests, knitted or crocheted.	Clothing	75.75	5	506.44	110.90
6302	Bed linen, table linen, toilet linen and kitchen linen.	Made-up textiles	75.70	6	2,695.24	139.76
6106	Women's or girls' blouses, shirts and shirt-blouses, knitted or crocheted.	Clothing	73.81	7	107.29	69.21
6108	Women's or girls' slips, petticoats, briefs, panties, nightdresses, pyjamas, negliges, bathrobes, dressing gowns and similar articles, knitted or crocheted.	Clothing	73.70	8	99.82	29.14
6204	Women's or girls' suits, ensembles, jackets blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (excluding swimwear).	Clothing	73.45	9	624.31	260.12
5210	Woven fabrics of cotton, containing less than 85 % of cotton, mixed mainly or solely with man-made fibres, of a mass not exceeding 200 g/my.	Textiles	72.79	10	87.99	26.80
6112	Track suits, ski suits and swimwear, knitted or crocheted.	Clothing	72.17	11	119.90	27.86
6406	Parts of footwear (including uppers whether or not attached to soles (excluding outer soles)); removable in-soles, heel cushions and similar articles; gaiters, leggings and similar articles, and parts thereof.	Footwear	71.30	12	762.29	104.57
6304	Other furnishing articles (excluding those of heading no. 94.04).	Made-up textiles	70.57	13	50.05	18.19
6114	Other garments, knitted or crocheted.	Clothing	70.30	14	48.53	27.11
4104	Leather of bovine or equine animals, without hair on, other than leather of heading no.41.08 or 41.09.	Leather	69.90	15	19,700.67	1,646.73
5112	Woven fabrics of combed wool or of combed fine animal hair.	Textiles	68.57	16	285.35	53.42
5705	Other carpets and other textile floor coverings, whether or not made up.	Textiles	67.31	17	42.00	20.17
5504	Artificial staple fibres, not carded, combed or otherwise processed for spinning.	Textiles	67.25	18	94.53	128.82
4206	Articles of gut (excluding silk-worm gut), of goldbeater's skin, of bladders or of tendons.	Leather	67.07	19	115.05	0.82
5402	Synthetic filament yarn (excluding sewing thread), not put up for retail sale, including synthetic monofilament of less than 67 decitex.	Textiles	66.76	20	1,064.83	3,399.12
6401	Waterproof footwear with outer soles and uppers of rubber or of plastics, the uppers of which are neither fixed to the sole nor assembled by stitching, riveting, nailing, screwing, plugging or similar processes.	Footwear	66.33	21	82.58	30.85
4201	Saddlery and harness for any animal (including traces, leads, knee pads, muzzles, saddle cloths, saddle bags, dog coats and the like), of any material.	Leather	65.70	22	90.41	2.66
6212	Brassieres, girdles, corsets, braces, suspenders, garters and similar articles and parts thereof, whether or not knitted or crocheted.	Clothing	65.64	23	71.95	38.18

HS4	Description	Sector	DI	Rank	Merc. exp to world (R'm)	Merc. imp from world (R'm)
5603	Nonwovens, whether or not impregnated, coated, covered or laminated.	Textiles	65.52	24	485.17	524.09
5105	Wool and fine or coarse animal hair, carded or combed (including combed wool in fragments).	Textiles	65.49	25	2,456.67	20.27
6001	Pile fabrics, including "long pile" fabrics and terry fabrics, knitted or crocheted.	Textiles	65.45	26	122.63	99.24
5209	Woven fabrics of cotton, containing 85 % or more by mass of cotton, of a mass exceeding 200 g/m2.	Textiles	65.43	27	1,608.04	289.59
5902	Tyre cord fabric of high tenacity yarn of nylon or other polyamides, polyesters or viscose rayon.	Textiles	65.31	28	374.67	399.13
6107	Men's or boys' underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles, knitted or crocheted.	Clothing	64.57	29	38.98	15.52
6211	Track suits, ski suits and swimwear; other garments.	Clothing	64.49	30	29.94	60.44
5304	Sisal and other textile fibres of the genus agave, raw or processed but not spun; tow and waste of these fibres (including yarn waste and garnetted stock).	Textiles	63.76	31	135.98	0.19
5703	Carpets and other textile floor coverings, tufted, whether or not made up.	Textiles	63.54	32	57.37	108.97
6103	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (excluding swimwear), knitted or crocheted.	Clothing	63.27	33	46.92	86.92
6306	Tarpaulins, awnings and sunblinds; tents sails for boats, sailboards or landcraft ,camping goods.	Made-up textiles	63.08	34	83.81	46.78
5211	Woven fabrics of cotton, containing less than 85 % by mass of cotton, mixed mainly or solely with man-made fibres, of a mass exceeding 200 g/m2.	Textiles	63.02	35	45.37	30.22
6208	Women's or girls' singlets and other vests, slips, petticoats, briefs, panties, nightdresses, pyjamas, negliges , bathrobes, dressing gowns and similar articles.	Clothing	62.99	36	120.97	13.46
5906	Rubberised textile fabrics, (excluding those of heading no. 59.02):	Textiles	62.92	37	37.82	109.75
5007	Woven fabrics of silk or of silk waste.	Textiles	61.96	38	53.52	21.62
5404	Synthetic monofilament of 67 decitex or more and of which no cross-sectional dimension exceeds 1 mm; strip and the like (for example, artificial straw) of synthetic textile materials of an apparent width not exceeding 5 mm.	Textiles	61.71	39	166.26	96.38
6210	Garments, made up of fabrics of heading no. 56.02, 56.03, 59.03, 59.06 or 59.07.	Clothing	61.34	40	5.53	31.52
5308	Yarn of other vegetable textile fibres; paper yarn.	Textiles	61.20	41	77.27	0.44
5407	Woven fabrics of synthetic filament yarn, including woven fabrics obtained from materials of heading no. 54.04.	Textiles	59.96	42	163.47	2,407.15
5802	Terry towelling and similar woven terry fabrics, (excluding narrow fabrics of heading no. 58.06); tufted textile fabrics, (excluding products of heading no. 57.03.)	Textiles	59.90	43	31.85	5.82
5205	Cotton yarn (excluding sewing thread), containing 85 % or more by mass of cotton, not put up for retail sale.	Textiles	59.33	44	716.58	97.78
5405	Artificial monofilament of 67 decitex or more and of which no cross-sectional dimension exceeds 1 mm; strip and the like (for example, artificial straw) of artificial textile materials of an apparent width not exceeding 5 mm.	Textiles	59.23	45	4.08	0.25
5513	Woven fabrics of synthetic staple fibres, containing less than 85 % by mass of such fibres, mixed mainly or solely with cotton, of a mass not exceeding - 170g/m2.	Textiles	59.11	46	51.97	89.51
5702	Carpets and other textile floor coverings, woven, not tufted or flocked, whether or not made up, including "kelem", "schumacks", "karamanie" and similar hand-woven rugs.	Textiles	57.87	47	32.67	46.03
7326	Other articles of iron or steel.	Footwear	57.70	48	851.48	1,191.72

HS4	Description	Sector	DI	Rank	Merc. exp to world (R'm)	Merc. imp from world (R'm)
4106	Goat or kid skin leather, without hair on, (excluding than leather of headi 41.08 or 41.09.)	Leather	57.15	49	66.16	174.33
5607	Twine, cordage, rope and cables, whether or not plaited or braided and whether or not impregnated, coated, covered or sheathed with rubber or plastics.	Textiles	56.80	50	270.57	69.71
6305	Sacks and bags, of a kind used for the packing of goods.	Made-up textiles	56.65	51	261.65	105.75
5908	Textile wicks, woven, plaited or knitted, for lamps, stoves, lighters, candles or the like; incandescent gas mantles and tubular knitted gas mantle fabric therefor, whether or not impregnated.	Textiles	56.55	52	3.92	1.64
4204	Articles of leather or of composition leather, of a kind used in machinery or mechanical appliances or for other technical uses.	Leather	56.30	53	4.75	1.91
5111	Woven fabrics of carded wool or of carded fine animal hair.	Textiles	56.23	54	41.57	26.54
4101	Raw hides and skins of bovine or equine animals (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not dehaired or split.	Leather	55.99	55	104.24	241.87
6105	Men's or boys' shirts, knitted or crocheted.	Clothing	55.79	56	76.55	53.56
6201	Men's or boys' overcoats, car-coats, capes, cloaks, anoraks (including ski- jackets), wind-cheaters, wind-jackets and similar articles, (excluding those of heading no. 62.03).	Clothing	55.78	57	38.93	121.25
6203	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (excluding swimwear):	Clothing	55.59	58	182.53	270.65
6206	Women's or girls' blouses, shirts and shirt-blouses.	Clothing	55.59	59	34.50	82.37
5201	Cotton, not carded or combed.	Textiles	55.54	60	1,491.94	955.46
6111	Babies' garments and clothing accessories, knitted or crocheted.	Clothing	55.08	61	31.29	30.40
5208	Woven fabrics of cotton, containing 85 % or more by mass of cotton, of a mass of not exceeding 200 g/m2.	Textiles	54.71	62	256.53	77.16
5101	Wool, not carded or combed.	Textiles	54.58	63	795.22	229.26
6002	Knitted or crocheted fabricsof a width not exceeding 30cm, containing by mass 5 per cent or more of elastomeric yarn or rubber thread (excluding those of heading 60.01):	Textiles	54.55	64	263.11	234.88
5207	Cotton yarn (excluding sewing thread) put up for retail sale.	Textiles	54.49	65	26.98	7.93
6507	Head-bands, linings, covers, hat foundations, hat frames, peaks and chinstraps, for headgear.	Headgear	54.34	66	1.15	2.51
6207	Men's or boys' singlets and other vests, underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles.	Clothing	54.24	67	84.25	5.33
6405	Other footwear.	Footwear	53.74	68	108.34	72.23
5608	Knotted netting of twine, cordage or rope; made up fishing nets and other made up nets, of textile materials.	Textiles	53.71	69	18.55	52.54
6404	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of textile materials.	Footwear	53.62	70	407.10	421.95
5001	Silk-worm cocoons suitable for reeling.	Textiles	53.11	71	10.68	6.61
6110	Jerseys, pullovers, cardigans, waist- coats and similar articles, knitted or crocheted.	Clothing	53.01	72	220.71	280.97
5103	Waste of wool or of fine or coarse animal hair, including yarn waste but excluding garnetted stock.	Textiles	52.96	73	94.61	2.26
5807	Labels, badges and similar articles of textile materials, in the piece, in strips or cut to shape or size, not embroidered.	Textiles	52.25	74	24.94	15.46

HS4	Description	Sector	DI	Rank	Merc. exp to world (R'm)	Merc. imp from world (R'm)
5903	Textile fabrics impregnated, coated, covered or laminated with plastics, (excluding those of heading no. 59.02).	Textiles	52.24	75	101.37	416.20
6101	Men's or boys' overcoats, car-coats, capes, cloaks, anoraks (including ski- jackets), wind-cheaters, wind-jackets and similar articles, knitted or crocheted, (excluding those of heading no. 61.03):	Clothing	51.73	76	11.64	20.80
5609	Articles of yarn, strip or the like of heading no.54.04 or 54.05, twine, cordage, rope or cables, not elsewhere specified or included.	Textiles	51.55	77	1.99	8.34
6301	Blankets and travelling rugs.	Made-up textiles	51.19	78	55.69	24.12
5401	Sewing thread of man-made filaments, whether or not put up for retail sale.	Textiles	50.57	79	40.48	25.00
5109	Yarn of wool or of fine animal hair, put up for retail sale.	Textiles	50.51	80	2.78	0.50
4202	Trunks, suitcases, vanity-cases, executive-cases, brief-cases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters & similar containers, travelling-bags, toilet bags, rucksacks, handbags, shopping	Leather	50.15	81	108.02	687.40
4203	Articles of apparel and clothing accessories, of leather or of composition leather.	Leather	50.00	82	237.93	79.82
5510	Yarn (excluding sewing thread) of artificial staple fibres, not put up for retail sale.	Textiles	49.85	83	16.16	24.05
4107	Leather further prepared after tanning or crusting, including parchment-dressed leather, of bovine (including buffalo) or equine animals,without hair on, whether or not split (excluding leather of heading 41.14):	Leather	49.77	84	26.36	25.67
5501	Synthetic filament tow.	Textiles	49.57	85	51.91	189.27
6505	Hats and other headgear, knitted or crocheted, or made up from lace, felt or other textile fabric, in the piece (but not in strips), whether or not lined or trimmed; hair-nets of any material, whether or not lined or trimmed.	Headgear	49.31	86	4.84	19.82
6117	Other made up clothing accessories, knitted or crocheted; knitted or crocheted parts of garments or of clothing accessories.	Clothing	49.30	87	6.39	17.20
5911	Textile products and articles, for technical uses, specified in note 7 to this chapter.	Textiles	49.11	88	127.16	378.30
5509	Yarn (excluding sewing thread) of synthetic staple fibres, not put up for retail sale.	Textiles	48.85	89	101.65	283.61
4105	Leather of bovine or equine animals, without hair on, other than leather of heading no.41.08 or 41.09.	Leather	48.09	90	71.78	54.98
5602	Felt, whether or not impregnated, coated, covered or laminated.	Textiles	47.65	91	26.38	49.04
6003	Knitted or crocheted fabrics of a width not exceeding 30 cm (excluding those of heading 60.01 or 60.02)	Textiles	47.46	92	-	-
4102	Raw skins of sheep or lambs (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not with wool on or split (excluding those excluded by note 1 (c) to this chapter):	Leather	47.40	93	41.34	78.75
6205	Men's or boys' shirts.	Clothing	47.29	94	37.67	117.47
5806	Narrow woven fabrics, (excluding goods of heading no. 58.07); narrow fabrics consisting of warp without weft assembled by means of an adhesive (bolducs).	Textiles	47.26	95	51.76	104.74
5704	Carpets and other textile floor coverings, of felt, not tufted or flocked, whether or not made up.	Textiles	47.11	96	15.30	16.29
6501	Hat-forms, hat bodies and hoods of felt, neither blocked to shape nor with made brims; plateaux and manchons (including slit manchons), of felt.	Headgear	46.33	97	13.93	2.28
5910	Transmission or conveyor belts or belting, of textile material, whether or not impregnated, coated, covered or laminated with plastics, or reinforced with metal or other material	Textiles	46.02	98	7.03	44.95

HS4	Description	Sector	DI	Rank	Merc. exp to world (R'm)	Merc. imp from world (R'm)
9606	Buttons, press-fasteners, snap-fasteners and press-studs, button moulds and other parts of these articles; button blanks.	Clothing	46.00	99	28.05	16.69
5004	Silk yarn (other than yarn spun from silk waste) not put up for retail sale.	Textiles	45.84	100	365.98	6.04
5203	Cotton, carded or combed.	Textiles	45.43	101	0.21	4.13
5403	Artificial filament yarn (excluding sewing thread), not put up for retail sale, including artificial monofilament of less than 67 decitex.	Textiles	45.29	102	81.68	35.65
5701	Carpets and other textile floor coverings, knotted, whether or not made up.	Textiles	45.09	103	56.69	17.09
5408	Woven fabrics of artificial filament yarn, including woven fabrics obtained from materials of heading no. 54.05.	Textiles	44.67	104	50.26	62.89
5801	Woven pile fabrics and chenille fabrics, (excluding fabrics of heading no. 58.02 or 58.06.)	Textiles	44.65	105	75.82	58.47
6215	Ties, bow ties and cravats.	Clothing	44.54	106	1.00	29.99
5514	Woven fabrics of synthetic staple fibres, containing less than 85 % by mass of such fibres, mixed mainly or solely with cotton, of a mass exceeding 170 g/m2.	Textiles	44.51	107	7.90	13.88
5502	Artificial filament tow.	Textiles	44.24	108	173.44	326.52
6214	Shawls, scarves, mufflers, mantillas, veils and the like.	Clothing	43.88	109	14.28	32.12
4821	Paper or paperboard labels of all kinds, whether or not printed.	Footwear	43.86	110	52.49	146.26
6504	Hats and other headgear, plaited or made by assembling strips of any material, whether or not lined or trimmed.	Headgear	43.48	111	0.94	2.24
6308	Sets consisting of woven fabric and yarn, whether or not with accessories, for making up into rugs, tapestries, embroidered table cloths or serviettes, or similar textile articles, put up in packings for retail sale.	Made-up textiles	43.30	112	2.32	0.71
6307	Other made up articles, including dress patterns.	Made-up textiles	43.04	113	23.44	82.37
6004	Knitted or crocheted fabrics of a width exceeding 30 cm, containing by mass 5 per cent or more of elastomeric yarn or rubber thread (excluding those of heading 60.01)	Textiles	42.86	114	-	-
5605	Metallised yarn, whether or not gimped, being textile yarn, or strip or the like of heading no.54.04 or 54.05, combined with metal in the form of thread, strip or powder or covered with metal.	Textiles	42.68	115	0.15	12.01
6217	Other made up clothing accessories; parts of garments or of clothing accessories, (excluding those of heading no. 62.12).	Clothing	42.58	116	13.37	10.00
6503	Felt hats and other felt headgear, made from the hat bodies, hoods or plateaux of heading no.65.01, whether or not lined or trimmed.	Headgear	42.43	117	0.84	1.30
6113	Garments, made up of knitted or crocheted fabrics of heading no. 5903, 5906 or 5907	Clothing	42.40	118	3.20	10.05
6303	Curtains (including drapes) and interior blinds; curtain or bed valances.	Made-up textiles	42.32	119	10.04	26.77
5601	Wadding of textile materials and articles thereof; textile fibres, not exceeding 5 mm in length (flock), textile dust and mill neps.	Textiles	41.80	120	82.55	190.64
6202	Women's or girls' overcoats, car-coats, capes, cloaks, anoraks (including ski- jackets), wind-cheaters, wind-jackets and similar articles, (excluding those of heading no. 62.04).	Clothing	41.52	121	54.51	81.44
5110	Yarn of coarse animal hair or of horse hair (including gimped horsehair yarn), whether or not put up for retail sale.	Textiles	41.51	122	0.52	0.06
5909	Textile hosepiping and similar textile tubing, with or without lining, armour or accessories of other materials.	Textiles	41.04	123	9.28	8.73
6310	Used or new rags, scrap twine, cordage, rope and cables and worn out articles of twine, cordage, rope or cables, of textile materials.	Made-up textiles	40.91	124	1.88	19.63

HS4	Description	Sector	DI	Rank	Merc. exp to world (R'm)	Merc. imp from world (R'm)
6006	Other knitted or crocheted fabrics.	Textiles	40.67	125	-	-
6102	Women's or girls' overcoats, car-coats, capes, cloaks, anoraks (including ski- jackets), wind-cheaters, wind-jackets and similar articles, knitted or crocheted, (excluding those of heading no. 61.04.):	Clothing	40.35	126	6.57	18.82
5002	Raw silk (not thrown).	Textiles	40.30	127	1.65	3.56
8308	Clasps, frames with clasps, buckles, buckle-clasps, hooks, eyes, eyelets and the like, of base metal, of a kind used for clothing, footwear, awnings, handbags, travel goods or other made up articles; tubular or bifurcated rivets, of band spangles, of bas	Clothing	39.74	128	28.21	28.63
5204	Cotton sewing thread, whether or not put up for retail sale.	Textiles	39.65	129	8.13	9.92
7018	Glass beads, imitation pearls, imitation precious or semi-precious stones & similar glass smallwares, and articles thereof (excluding imitation jewellery); glass eyes (excluding prosthetic articles) statuettes and other ornaments of ls (excl. imitati on j	Footwear	39.56	130	12.29	23.88
5108	Yarn of fine animal hair (carded or combed), not put up for retail sale.	Textiles	38.59	131	2.30	0.88
9607	Slide fasteners and parts thereof.	Clothing	38.33	132	17.79	83.91
6115	Panty hose, tights, stockings, socks and other hosiery, including stockings for varicose veins and footwear without applied soles, knitted or crocheted.	Clothing	38.32	133	36.66	48.52
5606	Gimped yarn, and strip and the like of heading no.54.04 or 54.05, gimped (excluding those of heading no.56.05 and gimped horsehair yarn); chenille yarn (including flock chenille yarn); loop wale-yarn.	Textiles	38.05	134	18.95	26.65
6116	Gloves, mittens and mitts, knitted or crocheted.	Clothing	37.83	135	2.65	38.43
6005	Warp knit fabrics (including those made on galloon knitting machines) (excluding those of headings 60.01 to 60.04):	Textiles	37.56	136	-	-
5102	Fine or coarse animal hair, not carded or combed.	Textiles	37.39	137	13.81	10.27
6209	Babies' garments and clothing accessories.	Clothing	37.06	138	23.31	20.03
5905	Textile wall coverings.	Textiles	36.44	139	0.04	0.97
5309	Woven fabrics of flax.	Textiles	36.20	140	22.79	7.59
4103	Other raw hides and skins (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not dehaired or split (excluding those excluded by note 1 (b) or 1 (c) to this chapter):	Leather	36.11	141	2.52	3.13
5310	Woven fabrics of jute or of other textile bast fibres of heading no. 53.03.	Textiles	36.03	142	0.12	12.72
5505	Waste (including noils, yarn waste and garnetted stock) of man-made fibres.	Textiles	35.95	143	4.73	8.58
5803	Gauze, (excluding narrow fabrics of heading no. 58.06.)	Textiles	35.66	144	3.22	16.91
5305	Coconut, abaca (manila hemp or musa textilis nee), ramie and other vegetable fibres, not elsewhere specified or included, raw or processed but not spun; tow, noils and waste of these fibres (including yarn waste and garnetted stock):	Textiles	35.56	145	0.00	17.14
6506	Other headgear, whether or not lined or trimmed.	Headgear	35.53	146	5.49	29.90
5003	Silk waste (including cocoons unsuitable for reeling, yarn waste and garnetted stock).	Textiles	35.47	147	15.34	16.13
5005	Yarn spun from silk waste, not put up for retail sale.	Textiles	35.10	148	20.01	1.04

HS4	Description	Sector	DI	Rank	Merc. exp to world (R'm)	Merc. imp from world (R'm)
5805	Hand-woven tapestries of the type gobelins, flanders, aubusson, beauvais and the like, and needle-worked tapestries (for example, petit point, cross stitch), whether or not made up.	Textiles	34.91	149	0.20	0.45
5503	Synthetic staple fibres, not carded, combed or otherwise processed for spinning.	Textiles	34.25	150	117.22	471.52
6213	Handkerchiefs.	Clothing	34.09	151	0.97	2.00
5202	Cotton waste (including yarn waste and garnetted stock).	Textiles	33.94	152	15.86	6.86
5506	Synthetic staple fibres, carded, combed or otherwise processed for spinning.	Textiles	33.92	153	6.68	41.93
5511	Yarn (excluding sewing thread) of man-made staple fibres, put up for retail sale.	Textiles	32.72	154	3.13	39.82
5515	Other woven fabrics of synthetic staple fibres.	Textiles	32.29	155	19.91	49.10
5303	Jute and other textile bast fibres (excluding flax, true hemp and ramie), raw or processed but not spun; tow and waste of these fibres (including yarn waste and garnetted stock).	Textiles	31.33	156	0.07	18.24
5104	Garnetted stock of wool or of fine or coarse animal hair.	Textiles	31.17	157	0.34	0.75
5804	Tulle and other net fabrics,(excluding woven, knitted or crocheted fabrics); lace in the piece, in strips or in motifs (excluding fabrics of heading no. 60.02)	Textiles	30.80	158	7.89	24.06
5307	Yarn of jute or of other textile bast fibres of heading no. 53.03.	Textiles	30.79	159	0.06	13.99
5512	Woven fabrics of synthetic staple fibres, containing 85 % or more by mass of synthetic staple fibres.	Textiles	30.30	160	4.98	47.35
5212	Other woven fabrics of cotton.	Textiles	28.93	161	4.36	8.84
5508	Sewing thread of man-made staple fibres, whether or not put up for retail sale.	Textiles	28.38	162	4.64	14.42
5516	Woven fabrics of artificial staple fibres.	Textiles	28.02	163	22.17	91.44
6309	Worn clothing and other worn articles.	Made-up textiles	27.55	164	0.60	1.24
5406	Man-made filament yarn (excluding sewing thread), put up for retail sale.	Textiles	26.69	165	1.00	1.07
5810	Embroidery in the piece, in strips or in motifs.	Textiles	26.39	166	8.47	27.98
5808	Braids in the piece; ornamental trimmings in the piece, without embroidery (excluding knitted or crocheted); tassels, pompons and similar articles.	Textiles	26.07	167	1.28	23.94
5604	Rubber thread and cord, textile covered; textile yarn, and strip and the like of heading no. 54.04 or 54.05, impregnated, coated, covered or sheathed with rubber or plastics.	Textiles	25.02	168	2.81	9.59
5904	Linoleum, whether or not cut to shape; floor coverings consisting of a coating or covering applied on a textile backing, whether or not cut to shape.	Textiles	24.98	169	0.01	2.99
5113	Woven fabrics of coarse animal hair or of horsehair.	Textiles	24.65	170	-	-
5107	Yarn of combed wool, not put up for retail sale.	Textiles	24.47	171	5.98	20.33
5811	Quilted textile products in the piece, composed of one or more layers of textile materials assembled with padding by stitching or otherwise (excluding embroidery of heading no. 58.10)	Textiles	23.81	172	4.73	4.48
5106	Yarn of carded wool, not put up for retail sale.	Textiles	23.09	173	7.55	4.04
6216	Gloves, mittens and mitts.	Clothing	23.07	174	0.17	8.34

HS4	Description	Sector	DI	Rank	Merc. exp to world (R'm)	Merc. imp from world (R'm)
5901	Textile fabrics coated with gum or amy- laceous substances, of a kind used for the outer covers of books or the like; tracing cloth; prepared painting canvas; buckram and similar stiffened textile fabrics of a kind used for hat foundations.	Textiles	22.22	175	0.96	41.38
7317	Nails, tacks, drawing pins, corrugated nails, staples (excluding those of heading no. 83.05) and similar articles, of iron or steel, whether or not with heads of other material, (excluding such articles with heads of copper).	Footwear	21.39	176	31.69	76.79
5206	Cotton yarn (excluding sewing thread), containing less than 85 % by mass of cotton, not put up for retail sale.	Textiles	21.38	177	3.43	3.73
5809	Woven fabrics of metal thread and woven fabrics of metallised yarn of heading no.56.05, of a kind used in apparel, as furnishing fabrics or for similar purposes, not elsewhere specified or included.	Textiles	19.41	178	0.00	4.43
6502	Hat-shapes, plaited or made by assembling strips of any material, neither blocked to shape, nor with made brims, nor lined, nor trimmed.	Headgear	18.22	179	0.22	4.66
5302	True hemp (cannabis sativa l.), raw or processed but not spun; tow and waste of true hemp (including yarn waste and garnetted stock).	Textiles	17.09	180	0.00	0.09
5907	Textile fabrics otherwise impregnated, coated or covered; painted canvas being theatrical scenery, studio back-cloths or the like.	Textiles	16.25	181	0.42	11.14
5507	Artificial staple fibres, carded, combed or otherwise processed for spinning.	Textiles	16.12	182	-	3.17
5311	Woven fabrics of other vegetable textile fibres; woven fabrics of paper yarn.	Textiles	9.64	183	0.27	6.30
5301	Flax, raw or processed but not spun; flax tow and waste (including yarn waste and garnetted stock).	Textiles	7.87	184	0.14	10.92
5306	Flax yarn.	Textiles	6.93	185	0.02	2.76
5006	Silk yarn and yarn spun from silk waste, put up for retail sale; silk-worm gut.	Textiles	6.65	186	0.00	0.02

ANNEX 5

THE FULL OFFENSIVE LIST (ACROSS ALL THE SUB-SECTORS)

HS4	Description	Sector	OI	Rank
5902	Tyre cord fabric of high tenacity yarn of nylon or other polyamides, polyesters or viscose rayon.	Textiles	81.98	1
5907	Textile fabrics otherwise impregnated, coated or covered; painted canvas being theatrical scenery, studio back-cloths or the like.	Textiles	81.42	2
6306	Tarpaulins, awnings and sunblinds; tents sails for boats, sailboards or landcraft ,camping goods.	Made-up textiles	80.85	3
5211	Woven fabrics of cotton, containing less than 85 % by mass of cotton, mixed mainly or solely with man-made fibres, of a mass exceeding 200 g/m2.	Textiles	79.71	4
4201	Saddlery and harness for any animal (including traces, leads, knee pads, muzzles, saddle cloths, saddle bags, dog coats and the like), of any material.	Leather	78.83	5
4103	Other raw hides and skins (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not dehaired or split (excluding those excluded by note 1 (b) or 1 (c) to this chapter):	Leather	77.35	6
5603	Nonwovens, whether or not impregnated, coated, covered or laminated.	Textiles	76.35	7
6103	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (excluding swimwear), knitted or crocheted.	Clothing	75.21	8
6401	Waterproof footwear with outer soles and uppers of rubber or of plastics, the uppers of which are neither fixed to the sole nor assembled by stitching, riveting, nailing, screwing, plugging or similar processes.	Footwear	74.84	9
6304	Other furnishing articles (excluding those of heading no. 94.04).	Made-up textiles	74.80	10
6203	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (excluding swimwear):	Clothing	74.69	11
6111	Babies' garments and clothing accessories, knitted or crocheted.	Clothing	74.65	12
5607	Twine, cordage, rope and cables, whether or not plaited or braided and whether or not impregnated, coated, covered or sheathed with rubber or plastics.	Textiles	74.29	13
5704	Carpets and other textile floor coverings, of felt, not tufted or flocked, whether or not made up.	Textiles	74.08	14
5809	Woven fabrics of metal thread and woven fabrics of metallised yarn of heading no.56.05, of a kind used in apparel, as furnishing fabrics or for similar purposes, not elsewhere specified or included.	Textiles	73.39	15
7326	Other articles of iron or steel.	Footwear	73.00	16
5407	Woven fabrics of synthetic filament yarn, including woven fabrics obtained from materials of heading no. 54.04.	Textiles	72.28	17
5702	Carpets and other textile floor coverings, woven, not tufted or flocked, whether or not made up, including "kelem", "schumacks", "karamanie" and similar hand-woven rugs.	Textiles	72.08	18
6104	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (excluding swimwear), knitted or crocheted.	Clothing	71.70	19
5402	Synthetic filament yarn (excluding sewing thread), not put up for retail sale, including synthetic monofilament of less than 67 decitex.	Textiles	69.83	20
5406	Man-made filament yarn (excluding sewing thread), put up for retail sale.	Textiles	69.74	21
6211	Track suits, ski suits and swimwear; other garments.	Clothing	68.87	22
5101	Wool, not carded or combed.	Textiles	68.54	23
6117	Other made up clothing accessories, knitted or crocheted; knitted or crocheted parts of garments or of clothing accessories.	Clothing	68.35	24

HS4	Description	Sector	OI	Rank
5514	Woven fabrics of synthetic staple fibres, containing less than 85 % by mass of such fibres, mixed mainly or solely with cotton, of a mass exceeding 170 g/m2.	Textiles	68.02	25
6406	Parts of footwear (including uppers whether or not attached to soles (excluding outer soles)); removable in-soles, heel cushions and similar articles; gaiters, leggings and similar articles, and parts thereof.	Footwear	67.19	26
6106	Women's or girls' blouses, shirts and shirt-blouses, knitted or crocheted.	Clothing	67.08	27
6006	Other knitted or crocheted fabrics.	Textiles	66.84	28
6105	Men's or boys' shirts, knitted or crocheted.	Clothing	66.69	29
5705	Other carpets and other textile floor coverings, whether or not made up.	Textiles	66.19	30
5311	Woven fabrics of other vegetable textile fibres; woven fabrics of paper yarn.	Textiles	66.09	31
5903	Textile fabrics impregnated, coated, covered or laminated with plastics, (excluding those of heading no. 59.02).	Textiles	65.98	32
6109	T-shirts, singlets and other vests, knitted or crocheted.	Clothing	65.95	33
6112	Track suits, ski suits and swimwear, knitted or crocheted.	Clothing	65.45	34
6114	Other garments, knitted or crocheted.	Clothing	65.37	35
5103	Waste of wool or of fine or coarse animal hair, including yarn waste but excluding garnetted stock.	Textiles	65.05	36
4821	Paper or paperboard labels of all kinds, whether or not printed.	Footwear	64.92	37
5604	Rubber thread and cord, textile covered; textile yarn, and strip and the like of heading no. 54.04 or 54.05, impregnated, coated, covered or sheathed with rubber or plastics.	Textiles	64.85	38
5601	Wadding of textile materials and articles thereof; textile fibres, not exceeding 5 mm in length (flock), textile dust and mill neps.	Textiles	63.05	39
6506	Other headgear, whether or not lined or trimmed.	Headgear	62.96	40
5608	Knotted netting of twine, cordage or rope; made up fishing nets and other made up nets, of textile materials.	Textiles	62.94	41
5204	Cotton sewing thread, whether or not put up for retail sale.	Textiles	62.90	42
5807	Labels, badges and similar articles of textile materials, in the piece, in strips or cut to shape or size, not embroidered.	Textiles	62.90	43
6110	Jerseys, pullovers, cardigans, waist- coats and similar articles, knitted or crocheted.	Clothing	62.89	44
6004	Knitted or crocheted fabrics of a width exceeding 30 cm, containing by mass 5 per cent or more of elastomeric yarn or rubber thread (excluding those of heading 60.01)	Textiles	62.31	45
4102	Raw skins of sheep or lambs (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not with wool on or split (excluding those excluded by note 1 (c) to this chapter):	Leather	62.29	46
5205	Cotton yarn (excluding sewing thread), containing 85 % or more by mass of cotton, not put up for retail sale.	Textiles	62.12	47
6204	Women's or girls' suits, ensembles, jackets blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (excluding swimwear).	Clothing	62.11	48
5808	Braids in the piece; ornamental trimmings in the piece, without embroidery (excluding knitted or crocheted); tassels, pompons and similar articles.	Textiles	61.84	49
5802	Terry towelling and similar woven terry fabrics, (excluding narrow fabrics of heading no. 58.06); tufted textile fabrics, (excluding products of heading no. 57.03.)	Textiles	61.67	50
5503	Synthetic staple fibres, not carded, combed or otherwise processed for spinning.	Textiles	61.52	51
5513	Woven fabrics of synthetic staple fibres, containing less than 85 % by mass of such fibres, mixed mainly or solely with cotton, of a mass not exceeding - 170g/m2.	Textiles	60.60	52
5108	Yarn of fine animal hair (carded or combed), not put up for retail sale.	Textiles	60.52	53

HS4	Description	Sector	OI	Rank
6308	Sets consisting of woven fabric and yarn, whether or not with accessories, for making up into rugs, tapestries, embroidered table cloths or serviettes, or similar textile articles, put up in packings for retail sale.	Made-up textiles	60.49	54
6216	Gloves, mittens and mitts.	Clothing	59.95	55
5910	Transmission or conveyor belts or belting, of textile material, whether or not impregnated, coated, covered or laminated with plastics, or reinforced with metal or other material	Textiles	59.64	56
5306	Flax yarn.	Textiles	59.52	57
5112	Woven fabrics of combed wool or of combed fine animal hair.	Textiles	59.52	58
5806	Narrow woven fabrics, (excluding goods of heading no. 58.07); narrow fabrics consisting of warp without weft assembled by means of an adhesive (bolducs).	Textiles	59.33	59
4101	Raw hides and skins of bovine or equine animals (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not dehaired or split.	Leather	59.22	60
5107	Yarn of combed wool, not put up for retail sale.	Textiles	58.86	61
6504	Hats and other headgear, plaited or made by assembling strips of any material, whether or not lined or trimmed.	Headgear	58.72	62
6303	Curtains (including drapes) and interior blinds; curtain or bed valances.	Made-up textiles	58.27	63
5908	Textile wicks, woven, plaited or knitted, for lamps, stoves, lighters, candles or the like; incandescent gas mantles and tubular knitted gas mantle fabric therefor, whether or not impregnated.	Textiles	57.85	64
5209	Woven fabrics of cotton, containing 85 % or more by mass of cotton, of a mass exceeding 200 g/m2.	Textiles	57.74	65
6206	Women's or girls' blouses, shirts and shirt-blouses.	Clothing	57.64	66
4205	Other articles of leather or of composition leather.	Leather	57.27	67
5911	Textile products and articles, for technical uses, specified in note 7 to this chapter.	Textiles	57.17	68
5105	Wool and fine or coarse animal hair, carded or combed (including combed wool in fragments).	Textiles	57.12	69
6205	Men's or boys' shirts.	Clothing	57.06	70
6001	Pile fabrics, including "long pile" fabrics and terry fabrics, knitted or crocheted.	Textiles	56.58	71
6305	Sacks and bags, of a kind used for the packing of goods.	Made-up textiles	56.45	72
6505	Hats and other headgear, knitted or crocheted, or made up from lace, felt or other textile fabric, in the piece (but not in strips), whether or not lined or trimmed; hair-nets of any material, whether or not lined or trimmed.	Headgear	56.40	73
6115	Panty hose, tights, stockings, socks and other hosiery, including stockings for varicose veins and footwear without applied soles, knitted or crocheted.	Clothing	56.16	74
9607	Slide fasteners and parts thereof.	Clothing	55.90	75
5904	Linoleum, whether or not cut to shape; floor coverings consisting of a coating or covering applied on a textile backing, whether or not cut to shape.	Textiles	55.58	76
4203	Articles of apparel and clothing accessories, of leather or of composition leather.	Leather	55.36	77
6107	Men's or boys' underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles, knitted or crocheted.	Clothing	55.30	78
6108	Women's or girls' slips, petticoats, briefs, panties, nightdresses, pyjamas, negliges, bathrobes, dressing gowns and similar articles, knitted or crocheted.	Clothing	55.27	79
6101	Men's or boys' overcoats, car-coats, capes, cloaks, anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles, knitted or crocheted, (excluding those of heading no. 61.03):	Clothing	55.19	80
5007	Woven fabrics of silk or of silk waste.	Textiles	55.19	81

HS4	Description	Sector	OI	Rank
5605	Metallised yarn, whether or not gimped, being textile yarn, or strip or the like of heading no.54.04 or 54.05, combined with metal in the form of thread, strip or powder or covered with metal.	Textiles	55.00	82
5505	Waste (including noils, yarn waste and garnetted stock) of man-made fibres.	Textiles	54.73	83
6212	Brassieres, girdles, corsets, braces, suspenders, garters and similar articles and parts thereof, whether or not knitted or crocheted.	Clothing	54.62	84
6405	Other footwear.	Footwear	54.34	85
6005	Warp knit fabrics (including those made on galloon knitting machines) (excluding those of headings 60.01 to 60.04):	Textiles	54.29	86
5310	Woven fabrics of jute or of other textile bast fibres of heading no. 53.03.	Textiles	53.84	87
6213	Handkerchiefs.	Clothing	53.75	88
5304	Sisal and other textile fibres of the genus agave, raw or processed but not spun; tow and waste of these fibres (including yarn waste and garnetted stock).	Textiles	53.43	89
6301	Blankets and travelling rugs.	Made-up textiles	53.36	90
6507	Head-bands, linings, covers, hat foundations, hat frames, peaks and chinstraps, for headgear.	Headgear	53.33	91
5102	Fine or coarse animal hair, not carded or combed.	Textiles	53.30	92
6310	Used or new rags, scrap twine, cordage, rope and cables and worn out articles of twine, cordage, rope or cables, of textile materials.	Made-up textiles	53.29	93
6113	Garments, made up of knitted or crocheted fabrics of heading no. 5903, 5906 or 5907	Clothing	53.13	94
5703	Carpets and other textile floor coverings, tufted, whether or not made up.	Textiles	53.08	95
5501	Synthetic filament tow.	Textiles	52.91	96
6210	Garments, made up of fabrics of heading no. 56.02, 56.03, 59.03, 59.06 or 59.07.	Clothing	52.76	97
6215	Ties, bow ties and cravats.	Clothing	52.59	98
5111	Woven fabrics of carded wool or of carded fine animal hair.	Textiles	51.74	99
6201	Men's or boys' overcoats, car-coats, capes, cloaks, anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles, (excluding those of heading no. 62.03).	Clothing	50.93	100
6309	Worn clothing and other worn articles.	Made-up textiles	50.88	101
5210	Woven fabrics of cotton, containing less than 85 % of cotton, mixed mainly or solely with man-made fibres, of a mass not exceeding 200 g/my.	Textiles	50.78	102
6302	Bed linen, table linen, toilet linen and kitchen linen.	Made-up textiles	50.73	103
6116	Gloves, mittens and mitts, knitted or crocheted.	Clothing	50.32	104
5901	Textile fabrics coated with gum or amy- laceous substances, of a kind used for the outer covers of books or the like; tracing cloth; prepared painting canvas; buckram and similar stiffened textile fabrics of a kind used for hat foundations.	Textiles	50.11	105
5511	Yarn (excluding sewing thread) of man-made staple fibres, put up for retail sale.	Textiles	50.06	106
4104	Leather of bovine or equine animals, without hair on, other than leather of heading no.41.08 or 41.09.	Leather	49.79	107
4107	Leather further prepared after tanning or crusting, including parchment-dressed leather, of bovine (including buffalo) or equine animals,without hair on, whether or not split (excluding leather of heading 41.14):	Leather	49.78	108
5212	Other woven fabrics of cotton.	Textiles	49.43	109
5502	Artificial filament tow.	Textiles	49.38	110
5506	Synthetic staple fibres, carded, combed or otherwise processed for spinning.	Textiles	48.88	111

HS4	Description	Sector	OI	Rank
7317	Nails, tacks, drawing pins, corrugated nails, staples (excluding those of heading no. 83.05) and similar articles, of iron or steel, whether or not with heads of other material, (excluding such articles with heads of copper).	Footwear	48.60	112
7018	Glass beads, imitation pearls, imitation precious or semi-precious stones & similar glass smallwares, and articles thereof (excluding imitation jewellery); glass eyes (excluding prosthetic articles) statuettes and other ornaments of ls (excl. imitati on j	Footwear	48.53	113
6208	Women's or girls' singlets and other vests, slips, petticoats, briefs, panties, nightdresses, pyjamas, negliges , bathrobes, dressing gowns and similar articles.	Clothing	48.16	114
6209	Babies' garments and clothing accessories.	Clothing	47.49	115
5104	Garnetted stock of wool or of fine or coarse animal hair.	Textiles	47.41	116
5509	Yarn (excluding sewing thread) of synthetic staple fibres, not put up for retail sale.	Textiles	47.37	117
5906	Rubberised textile fabrics, (excluding those of heading no. 59.02):	Textiles	47.05	118
6403	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather.	Footwear	46.86	119
4204	Articles of leather or of composition leather, of a kind used in machinery or mechanical appliances or for other technical uses.	Leather	46.83	120
5512	Woven fabrics of synthetic staple fibres, containing 85 % or more by mass of synthetic staple fibres.	Textiles	46.79	121
5208	Woven fabrics of cotton, containing 85 % or more by mass of cotton, of a mass of not exceeding 200 g/m2.	Textiles	46.69	122
5609	Articles of yarn, strip or the like of heading no.54.04 or 54.05, twine, cordage, rope or cables, not elsewhere specified or included.	Textiles	46.66	123
5810	Embroidery in the piece, in strips or in motifs.	Textiles	46.40	124
6003	Knitted or crocheted fabrics of a width not exceeding 30 cm (excluding those of heading 60.01 or 60.02)	Textiles	46.33	125
5801	Woven pile fabrics and chenille fabrics, (excluding fabrics of heading no. 58.02 or 58.06.)	Textiles	45.27	126
6307	Other made up articles, including dress patterns.	Made-up textiles	44.74	127
5811	Quilted textile products in the piece, composed of one or more layers of textile materials assembled with padding by stitching or otherwise (excluding embroidery of heading no. 58.10)	Textiles	44.33	128
6502	Hat-shapes, plaited or made by assembling strips of any material, neither blocked to shape, nor with made brims, nor lined, nor trimmed.	Headgear	44.01	129
5803	Gauze, (excluding narrow fabrics of heading no. 58.06.)	Textiles	44.00	130
6217	Other made up clothing accessories; parts of garments or of clothing accessories, (excluding those of heading no. 62.12).	Clothing	43.99	131
4106	Goat or kid skin leather, without hair on, (excluding than leather of headi 41.08 or 41.09.)	Leather	43.98	132
6102	Women's or girls' overcoats, car-coats, capes, cloaks, anoraks (including ski- jackets), wind-cheaters, wind-jackets and similar articles, knitted or crocheted, (excluding those of heading no. 61.04.):	Clothing	43.90	133
5006	Silk yarn and yarn spun from silk waste, put up for retail sale; silk-worm gut.	Textiles	43.88	134
5109	Yarn of wool or of fine animal hair, put up for retail sale.	Textiles	43.78	135
6214	Shawls, scarves, mufflers, mantillas, veils and the like.	Clothing	43.77	136
8308	Clasps, frames with clasps, buckles, buckle-clasps, hooks, eyes, eyelets and the like, of base metal, of a kind used for clothing, footwear, awnings, handbags, travel goods or other made up articles; tubular or bifurcated rivets, of band spangles, of bas	Clothing	43.54	137
5602	Felt, whether or not impregnated, coated, covered or laminated.	Textiles	43.46	138
6503	Felt hats and other felt headgear, made from the hat bodies, hoods or plateaux of heading no.65.01, whether or not lined or trimmed.	Headgear	42.92	139
6207	Men's or boys' singlets and other vests, underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles.	Clothing	42.72	140

HS4	Description	Sector	OI	Rank
4202	Trunks, suitcases, vanity-cases, executive-cases, brief-cases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters & similar containers, travelling-bags, toilet bags, rucksacks, handbags, shopping	Leather	42.09	141
6402	Other footwear with outer soles and uppers of rubber or plastics.	Footwear	41.99	142
5405	Artificial monofilament of 67 decitex or more and of which no cross-sectional dimension exceeds 1 mm; strip and the like (for example, artificial straw) of artificial textile materials of an apparent width not exceeding 5 mm.	Textiles	41.93	143
5909	Textile hosepiping and similar textile tubing, with or without lining, armour or accessories of other materials.	Textiles	41.83	144
5516	Woven fabrics of artificial staple fibres.	Textiles	41.69	145
5905	Textile wall coverings.	Textiles	41.56	146
5207	Cotton yarn (excluding sewing thread) put up for retail sale.	Textiles	41.36	147
5515	Other woven fabrics of synthetic staple fibres.	Textiles	40.96	148
5309	Woven fabrics of flax.	Textiles	40.19	149
5004	Silk yarn (other than yarn spun from silk waste) not put up for retail sale.	Textiles	39.78	150
6002	Knitted or crocheted fabricsof a width not exceeding 30cm, containing by mass 5 per cent or more of elastomeric yarn or rubber thread (excluding those of heading 60.01):	Textiles	39.51	151
6501	Hat-forms, hat bodies and hoods of felt, neither blocked to shape nor with made brims; plateaux and manchons (including slit manchons), of felt.	Headgear	38.98	152
5113	Woven fabrics of coarse animal hair or of horsehair.	Textiles	38.81	153
6404	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of textile materials.	Footwear	38.41	154
5701	Carpets and other textile floor coverings, knotted, whether or not made up.	Textiles	38.04	155
6202	Women's or girls' overcoats, car-coats, capes, cloaks, anoraks (including ski- jackets), wind-cheaters, wind-jackets and similar articles, (excluding those of heading no. 62.04).	Clothing	37.85	156
5408	Woven fabrics of artificial filament yarn, including woven fabrics obtained from materials of heading no. 54.05.	Textiles	37.61	157
4105	Leather of bovine or equine animals, without hair on, other than leather of heading no.41.08 or 41.09.	Leather	37.59	158
5805	Hand-woven tapestries of the type gobelins, flanders, aubusson, beauvais and the like, and needle-worked tapestries (for example, petit point, cross stitch), whether or not made up.	Textiles	37.36	159
5303	Jute and other textile bast fibres (excluding flax, true hemp and ramie), raw or processed but not spun; tow and waste of these fibres (including yarn waste and garnetted stock).	Textiles	36.72	160
5202	Cotton waste (including yarn waste and garnetted stock).	Textiles	35.99	161
5206	Cotton yarn (excluding sewing thread), containing less than 85 % by mass of cotton, not put up for retail sale.	Textiles	35.81	162
5403	Artificial filament yarn (excluding sewing thread), not put up for retail sale, including artificial monofilament of less than 67 decitex.	Textiles	35.33	163
5106	Yarn of carded wool, not put up for retail sale.	Textiles	34.90	164
5804	Tulle and other net fabrics,(excluding woven, knitted or crocheted fabrics); lace in the piece, in strips or in motifs (excluding fabrics of heading no. 60.02)	Textiles	33.43	165
5606	Gimped yarn, and strip and the like of heading no.54.04 or 54.05, gimped (excluding those of heading no.56.05 and gimped horsehair yarn); chenille yarn (including flock chenille yarn); loop wale-yarn.	Textiles	32.76	166
9606	Buttons, press-fasteners, snap-fasteners and press-studs, button moulds and other parts of these articles; button blanks.	Clothing	31.75	167
4206	Articles of gut (excluding silk-worm gut), of goldbeater's skin, of bladders or of tendons.	Leather	31.11	168
5401	Sewing thread of man-made filaments, whether or not put up for retail sale.	Textiles	30.82	169

HS4	Description	Sector	OI	Rank
5510	Yarn (excluding sewing thread) of artificial staple fibres, not put up for retail sale.	Textiles	29.57	170
5308	Yarn of other vegetable textile fibres; paper yarn.	Textiles	28.90	171
5005	Yarn spun from silk waste, not put up for retail sale.	Textiles	28.41	172
5302	True hemp (cannabis sativa l.), raw or processed but not spun; tow and waste of true hemp (including yarn waste and garnetted stock).	Textiles	26.71	173
5508	Sewing thread of man-made staple fibres, whether or not put up for retail sale.	Textiles	25.16	174
5404	Synthetic monofilament of 67 decitex or more and of which no cross-sectional dimension exceeds 1 mm; strip and the like (for example, artificial straw) of synthetic textile materials of an apparent width not exceeding 5 mm.	Textiles	24.85	175
5203	Cotton, carded or combed.	Textiles	22.55	176
5110	Yarn of coarse animal hair or of horse hair (including gimped horsehair yarn), whether or not put up for retail sale.	Textiles	22.41	177
5201	Cotton, not carded or combed.	Textiles	22.32	178
5001	Silk-worm cocoons suitable for reeling.	Textiles	22.10	179
5507	Artificial staple fibres, carded, combed or otherwise processed for spinning.	Textiles	21.68	180
5002	Raw silk (not thrown).	Textiles	21.47	181
5307	Yarn of jute or of other textile bast fibres of heading no. 53.03.	Textiles	21.10	182
5301	Flax, raw or processed but not spun; flax tow and waste (including yarn waste and garnetted stock).	Textiles	18.66	183
5305	Coconut, abaca (manila hemp or musa textilis nee), ramie and other vegetable fibres, not elsewhere specified or included, raw or processed but not spun; tow, noils and waste of these fibres (including yarn waste and garnetted stock):	Textiles	16.25	184
5003	Silk waste (including cocoons unsuitable for reeling, yarn waste and garnetted stock).	Textiles	13.29	185
5504	Artificial staple fibres, not carded, combed or otherwise processed for spinning.	Textiles	12.60	186

ANNEXURE 6

THE FULL OFFENSIVE LIST: MEROSUR EXPORTS AND IMPORTS 2002

HS4	Description	Sector	OI	Rank	Merc. exp to world (R'm)	Merc. imp from world (R'm)
5902	Tyre cord fabric of high tenacity yarn of nylon or other polyamides, polyesters or viscose rayon.	Textiles	81.98	1	374.67	399.13
5907	Textile fabrics otherwise impregnated, coated or covered; painted canvas being theatrical scenery, studio back-cloths or the like.	Textiles	81.42	2	0.42	11.14
6306	Tarpaulins, awnings and sunblinds; tents sails for boats, sailboards or landcraft ,camping goods.	Made-up textiles	80.85	3	83.81	46.78
5211	Woven fabrics of cotton, containing less than 85 % by mass of cotton, mixed mainly or solely with man-made fibres, of a mass exceeding 200 g/m2.	Textiles	79.71	4	45.37	30.22
4201	Saddlery and harness for any animal (including traces, leads, knee pads, muzzles, saddle cloths, saddle bags, dog coats and the like), of any material.	Leather	78.83	5	90.41	2.66
4103	Other raw hides and skins (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not dehaired or split (excluding those excluded by note 1 (b) or 1 (c) to this chapter):	Leather	77.35	6	2.52	3.13
5603	Nonwovens, whether or not impregnated, coated, covered or laminated.	Textiles	76.35	7	485.17	524.09
6103	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (excluding swimwear), knitted or crocheted.	Clothing	75.21	8	46.92	86.92
6401	Waterproof footwear with outer soles and uppers of rubber or of plastics, the uppers of which are neither fixed to the sole nor assembled by stitching, riveting, nailing, screwing, plugging or similar processes.	Footwear	74.84	9	82.58	30.85
6304	Other furnishing articles (excluding those of heading no. 94.04).	Made-up textiles	74.80	10	50.05	18.19
6203	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (excluding swimwear):	Clothing	74.69	11	182.53	270.65
6111	Babies' garments and clothing accessories, knitted or crocheted.	Clothing	74.65	12	31.29	30.40
5607	Twine, cordage, rope and cables, whether or not plaited or braided and whether or not impregnated, coated, covered or sheathed with rubber or plastics.	Textiles	74.29	13	270.57	69.71
5704	Carpets and other textile floor coverings, of felt, not tufted or flocked, whether or not made up.	Textiles	74.08	14	15.30	16.29
5809	Woven fabrics of metal thread and woven fabrics of metallised yarn of heading no.56.05, of a kind used in apparel, as furnishing fabrics or for similar purposes, not elsewhere specified or included.	Textiles	73.39	15	0.00	4.43
7326	Other articles of iron or steel.	Footwear	73.00	16	851.48	1 191.72
5407	Woven fabrics of synthetic filament yarn, including woven fabrics obtained from materials of heading no. 54.04.	Textiles	72.28	17	163.47	2 407.15
5702	Carpets and other textile floor coverings, woven, not tufted or flocked, whether or not made up, including "kelem", "schumacks", "karamanie" and similar hand-woven rugs.	Textiles	72.08	18	32.67	46.03
6104	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (excluding swimwear), knitted or crocheted.	Clothing	71.70	19	227.98	65.09
5402	Synthetic filament yarn (excluding sewing thread), not put up for retail sale, including synthetic monofilament of less than 67 decitex.	Textiles	69.83	20	1 064.83	3 399.12
5406	Man-made filament yarn (excluding sewing thread), put up for retail sale.	Textiles	69.74	21	1.00	1.07
6211	Track suits, ski suits and swimwear; other garments.	Clothing	68.87	22	29.94	60.44
5101	Wool, not carded or combed.	Textiles	68.54	23	795.22	229.26
6117	Other made up clothing accessories, knitted or crocheted; knitted or crocheted parts of garments or of clothing accessories.	Clothing	68.35	24	6.39	17.20

HS4	Description	Sector	OI	Rank	Merc. exp to world (R'm)	Merc. imp from world (R'm)
5514	Woven fabrics of synthetic staple fibres, containing less than 85 % by mass of such fibres, mixed mainly or solely with cotton, of a mass exceeding 170 g/m2.	Textiles	68.02	25	7.90	13.88
6406	Parts of footwear (including uppers whether or not attached to soles (excluding outer soles)); removable in-soles, heel cushions and similar articles; gaiters, leggings and similar articles, and parts thereof.	Footwear	67.19	26	762.29	104.57
6106	Women's or girls' blouses, shirts and shirt-blouses, knitted or crocheted.	Clothing	67.08	27	107.29	69.21
6006	Other knitted or crocheted fabrics.	Textiles	66.84	28	-	-
6105	Men's or boys' shirts, knitted or crocheted.	Clothing	66.69	29	76.55	53.56
5705	Other carpets and other textile floor coverings, whether or not made up.	Textiles	66.19	30	42.00	20.17
5311	Woven fabrics of other vegetable textile fibres; woven fabrics of paper yarn.	Textiles	66.09	31	0.27	6.30
5903	Textile fabrics impregnated, coated, covered or laminated with plastics, (excluding those of heading no. 59.02).	Textiles	65.98	32	101.37	416.20
6109	T-shirts, singlets and other vests, knitted or crocheted.	Clothing	65.95	33	506.44	110.90
6112	Track suits, ski suits and swimwear, knitted or crocheted.	Clothing	65.45	34	119.90	27.86
6114	Other garments, knitted or crocheted.	Clothing	65.37	35	48.53	27.11
5103	Waste of wool or of fine or coarse animal hair, including yarn waste but excluding garnetted stock.	Textiles	65.05	36	94.61	2.26
4821	Paper or paperboard labels of all kinds, whether or not printed.	Footwear	64.92	37	52.49	146.26
5604	Rubber thread and cord, textile covered; textile yarn, and strip and the like of heading no. 54.04 or 54.05, impregnated, coated, covered or sheathed with rubber or plastics.	Textiles	64.85	38	2.81	9.59
5601	Wadding of textile materials and articles thereof; textile fibres, not exceeding 5 mm in length (flock), textile dust and mill neps.	Textiles	63.05	39	82.55	190.64
6506	Other headgear, whether or not lined or trimmed.	Headgear	62.96	40	5.49	29.90
5608	Knotted netting of twine, cordage or rope; made up fishing nets and other made up nets, of textile materials.	Textiles	62.94	41	18.55	52.54
5204	Cotton sewing thread, whether or not put up for retail sale.	Textiles	62.90	42	8.13	9.92
5807	Labels, badges and similar articles of textile materials, in the piece, in strips or cut to shape or size, not embroidered.	Textiles	62.90	43	24.94	15.46
6110	Jerseys, pullovers, cardigans, waist- coats and similar articles, knitted or crocheted.	Clothing	62.89	44	220.71	280.97
6004	Knitted or crocheted fabrics of a width exceeding 30 cm, containing by mass 5 per cent or more of elastomeric yarn or rubber thread (excluding those of heading 60.01)	Textiles	62.31	45	-	-
4102	Raw skins of sheep or lambs (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not with wool on or split (excluding those excluded by note 1 (c) to this chapter):	Leather	62.29	46	41.34	78.75
5205	Cotton yarn (excluding sewing thread), containing 85 % or more by mass of cotton, not put up for retail sale.	Textiles	62.12	47	716.58	97.78
6204	Women's or girls' suits, ensembles, jackets blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (excluding swimwear).	Clothing	62.11	48	624.31	260.12
5808	Braids in the piece; ornamental trimmings in the piece, without embroidery (excluding knitted or crocheted); tassels, pompons and similar articles.	Textiles	61.84	49	1.28	23.94
5802	Terry towelling and similar woven terry fabrics, (excluding narrow fabrics of heading no. 58.06); tufted textile fabrics, (excluding products of heading no. 57.03.)	Textiles	61.67	50	31.85	5.82
5503	Synthetic staple fibres, not carded, combed or otherwise processed for spinning.	Textiles	61.52	51	117.22	471.52
5513	Woven fabrics of synthetic staple fibres, containing less than 85 % by mass of such fibres, mixed mainly or solely with cotton, of a mass not exceeding - 170g/m2.	Textiles	60.60	52	51.97	89.51
5108	Yarn of fine animal hair (carded or combed), not put up for retail sale.	Textiles	60.52	53	2.30	0.88

HS4	Description	Sector	OI	Rank	Merc. exp to world (R'm)	Merc. imp from world (R'm)
6308	Sets consisting of woven fabric and yarn, whether or not with accessories, for making up into rugs, tapestries, embroidered table cloths or serviettes, or similar textile articles, put up in packings for retail sale.	Made-up textiles	60.49	54	2.32	0.71
6216	Gloves, mittens and mitts.	Clothing	59.95	55	0.17	8.34
5910	Transmission or conveyor belts or belting, of textile material, whether or not impregnated, coated, covered or laminated with plastics, or reinforced with metal or other material	Textiles	59.64	56	7.03	44.95
5306	Flax yarn.	Textiles	59.52	57	0.02	2.76
5112	Woven fabrics of combed wool or of combed fine animal hair.	Textiles	59.52	58	285.35	53.42
5806	Narrow woven fabrics, (excluding goods of heading no. 58.07); narrow fabrics consisting of warp without weft assembled by means of an adhesive (bolducs).	Textiles	59.33	59	51.76	104.74
4101	Raw hides and skins of bovine or equine animals (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not dehaired or split.	Leather	59.22	60	104.24	241.87
5107	Yarn of combed wool, not put up for retail sale.	Textiles	58.86	61	5.98	20.33
6504	Hats and other headgear, plaited or made by assembling strips of any material, whether or not lined or trimmed.	Headgear	58.72	62	0.94	2.24
6303	Curtains (including drapes) and interior blinds; curtain or bed valances.	Made-up textiles	58.27	63	10.04	26.77
5908	Textile wicks, woven, plaited or knitted, for lamps, stoves, lighters, candles or the like; incandescent gas mantles and tubular knitted gas mantle fabric therefor, whether or not impregnated.	Textiles	57.85	64	3.92	1.64
5209	Woven fabrics of cotton, containing 85 % or more by mass of cotton, of a mass exceeding 200 g/m2.	Textiles	57.74	65	1 608.04	289.59
6206	Women's or girls' blouses, shirts and shirt-blouses.	Clothing	57.64	66	34.50	82.37
4205	Other articles of leather or of composition leather.	Leather	57.27	67	1 157.02	71.51
5911	Textile products and articles, for technical uses, specified in note 7 to this chapter.	Textiles	57.17	68	127.16	378.30
5105	Wool and fine or coarse animal hair, carded or combed (including combed wool in fragments).	Textiles	57.12	69	2 456.67	20.27
6205	Men's or boys' shirts.	Clothing	57.06	70	37.67	117.47
6001	Pile fabrics, including "long pile" fabrics and terry fabrics, knitted or crocheted.	Textiles	56.58	71	122.63	99.24
6305	Sacks and bags, of a kind used for the packing of goods.	Made-up textiles	56.45	72	261.65	105.75
6505	Hats and other headgear, knitted or crocheted, or made up from lace, felt or other textile fabric, in the piece (but not in strips), whether or not lined or trimmed; hair-nets of any material, whether or not lined or trimmed.	Headgear	56.40	73	4.84	19.82
6115	Panty hose, tights, stockings, socks and other hosiery, including stockings for varicose veins and footwear without applied soles, knitted or crocheted.	Clothing	56.16	74	36.66	48.52
9607	Slide fasteners and parts thereof.	Clothing	55.90	75	17.79	83.91
5904	Linoleum, whether or not cut to shape; floor coverings consisting of a coating or covering applied on a textile backing, whether or not cut to shape.	Textiles	55.58	76	0.01	2.99
4203	Articles of apparel and clothing accessories, of leather or of composition leather.	Leather	55.36	77	237.93	79.82
6107	Men's or boys' underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles, knitted or crocheted.	Clothing	55.30	78	38.98	15.52
6108	Women's or girls' slips, petticoats, briefs, panties, nightdresses, pyjamas, negliges, bathrobes, dressing gowns and similar articles, knitted or crocheted.	Clothing	55.27	79	99.82	29.14
6101	Men's or boys' overcoats, car-coats, capes, cloaks, anoraks (including ski- jackets), wind-cheaters, wind-jackets and similar articles, knitted or crocheted, (excluding those of heading no. 61.03):	Clothing	55.19	80	11.64	20.80

HS4	Description	Sector	OI	Rank	Merc. exp to world (R'm)	Merc. imp from world (R'm)
5007	Woven fabrics of silk or of silk waste.	Textiles	55.19	81	53.52	21.62
5605	Metallised yarn, whether or not gimped, being textile yarn, or strip or the like of heading no.54.04 or 54.05, combined with metal in the form of thread, strip or powder or covered with metal.	Textiles	55.00	82	0.15	12.01
5505	Waste (including noils, yarn waste and garnetted stock) of man-made fibres.	Textiles	54.73	83	4.73	8.58
6212	Brassieres, girdles, corsets, braces, suspenders, garters and similar articles and parts thereof, whether or not knitted or crocheted.	Clothing	54.62	84	71.95	38.18
6405	Other footwear.	Footwear	54.34	85	108.34	72.23
6005	Warp knit fabrics (including those made on galloon knitting machines) (excluding those of headings 60.01 to 60.04):	Textiles	54.29	86	-	-
5310	Woven fabrics of jute or of other textile bast fibres of heading no. 53.03.	Textiles	53.84	87	0.12	12.72
6213	Handkerchiefs.	Clothing	53.75	88	0.97	2.00
5304	Sisal and other textile fibres of the genus agave, raw or processed but not spun; tow and waste of these fibres (including yarn waste and garnetted stock).	Textiles	53.43	89	135.98	0.19
6301	Blankets and travelling rugs.	Made-up textiles	53.36	90	55.69	24.12
6507	Head-bands, linings, covers, hat foundations, hat frames, peaks and chinstraps, for headgear.	Headgear	53.33	91	1.15	2.51
5102	Fine or coarse animal hair, not carded or combed.	Textiles	53.30	92	13.81	10.27
6310	Used or new rags, scrap twine, cordage, rope and cables and worn out articles of twine, cordage, rope or cables, of textile materials.	Made-up textiles	53.29	93	1.88	19.63
6113	Garments, made up of knitted or crocheted fabrics of heading no. 5903, 5906 or 5907	Clothing	53.13	94	3.20	10.05
5703	Carpets and other textile floor coverings, tufted, whether or not made up.	Textiles	53.08	95	57.37	108.97
5501	Synthetic filament tow.	Textiles	52.91	96	51.91	189.27
6210	Garments, made up of fabrics of heading no. 56.02, 56.03, 59.03, 59.06 or 59.07.	Clothing	52.76	97	5.53	31.52
6215	Ties, bow ties and cravats.	Clothing	52.59	98	1.00	29.99
5111	Woven fabrics of carded wool or of carded fine animal hair.	Textiles	51.74	99	41.57	26.54
6201	Men's or boys' overcoats, car-coats, capes, cloaks, anoraks (including ski- jackets), wind-cheaters, wind-jackets and similar articles, (excluding those of heading no. 62.03).	Clothing	50.93	100	38.93	121.25
6309	Worn clothing and other worn articles.	Made-up textiles	50.88	101	0.60	1.24
5210	Woven fabrics of cotton, containing less than 85 % of cotton, mixed mainly or solely with man-made fibres, of a mass not exceeding 200 g/my.	Textiles	50.78	102	87.99	26.80
6302	Bed linen, table linen, toilet linen and kitchen linen.	Made-up textiles	50.73	103	2 695.24	139.76
6116	Gloves, mittens and mitts, knitted or crocheted.	Clothing	50.32	104	2.65	38.43
5901	Textile fabrics coated with gum or amy- laceous substances, of a kind used for the outer covers of books or the like; tracing cloth; prepared painting canvas; buckram and similar stiffened textile fabrics of a kind used for hat foundations.	Textiles	50.11	105	0.96	41.38
5511	Yarn (excluding sewing thread) of man-made staple fibres, put up for retail sale.	Textiles	50.06	106	3.13	39.82
4104	Leather of bovine or equine animals, without hair on, other than leather of heading no.41.08 or 41.09.	Leather	49.79	107	19 700.67	1 646.73
4107	Leather further prepared after tanning or crusting, including parchment-dressed leather, of bovine (including buffalo) or equine animals,without hair on, whether or not split (excluding leather of heading 41.14):	Leather	49.78	108	26.36	25.67
5212	Other woven fabrics of cotton.	Textiles	49.43	109	4.36	8.84
5502	Artificial filament tow.	Textiles	49.38	110	173.44	326.52

HS4	Description	Sector	OI	Rank	Merc. exp to world (R'm)	Merc. imp from world (R'm)
5506	Synthetic staple fibres, carded, combed or otherwise processed for spinning.	Textiles	48.88	111	6.68	41.93
7317	Nails, tacks, drawing pins, corrugated nails, staples (excluding those of heading no. 83.05) and similar articles, of iron or steel, whether or not with heads of other material, (excluding such articles with heads of copper).	Footwear	48.60	112	31.69	76.79
7018	Glass beads, imitation pearls, imitation precious or semi-precious stones & similar glass smallwares, and articles thereof (excluding imitation jewellery); glass eyes (excluding prosthetic articles) statuettes and other ornaments of ls (excl. imitati on j	Footwear	48.53	113	12.29	23.88
6208	Women's or girls' singlets and other vests, slips, petticoats, briefs, panties, nightdresses, pyjamas, negliges , bathrobes, dressing gowns and similar articles.	Clothing	48.16	114	120.97	13.46
6209	Babies' garments and clothing accessories.	Clothing	47.49	115	23.31	20.03
5104	Garnetted stock of wool or of fine or coarse animal hair.	Textiles	47.41	116	0.34	0.75
5509	Yarn (excluding sewing thread) of synthetic staple fibres, not put up for retail sale.	Textiles	47.37	117	101.65	283.61
5906	Rubberised textile fabrics, (excluding those of heading no. 59.02):	Textiles	47.05	118	37.82	109.75
6403	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather.	Footwear	46.86	119	13 375.29	235.97
4204	Articles of leather or of composition leather, of a kind used in machinery or mechanical appliances or for other technical uses.	Leather	46.83	120	4.75	1.91
5512	Woven fabrics of synthetic staple fibres, containing 85 % or more by mass of synthetic staple fibres.	Textiles	46.79	121	4.98	47.35
5208	Woven fabrics of cotton, containing 85 % or more by mass of cotton, of a mass of not exceeding 200 g/m2.	Textiles	46.69	122	256.53	77.16
5609	Articles of yarn, strip or the like of heading no.54.04 or 54.05, twine, cordage, rope or cables, not elsewhere specified or included.	Textiles	46.66	123	1.99	8.34
5810	Embroidery in the piece, in strips or in motifs.	Textiles	46.40	124	8.47	27.98
6003	Knitted or crocheted fabrics of a width not exceeding 30 cm (excluding those of heading 60.01 or 60.02)	Textiles	46.33	125	-	-
5801	Woven pile fabrics and chenille fabrics, (excluding fabrics of heading no. 58.02 or 58.06.)	Textiles	45.27	126	75.82	58.47
6307	Other made up articles, including dress patterns.	Made-up textiles	44.74	127	23.44	82.37
5811	Quilted textile products in the piece, composed of one or more layers of textile materials assembled with padding by stitching or otherwise (excluding embroidery of heading no. 58.10)	Textiles	44.33	128	4.73	4.48
6502	Hat-shapes, plaited or made by assembling strips of any material, neither blocked to shape, nor with made brims, nor lined, nor trimmed.	Headgear	44.01	129	0.22	4.66
5803	Gauze, (excluding narrow fabrics of heading no. 58.06.)	Textiles	44.00	130	3.22	16.91
6217	Other made up clothing accessories; parts of garments or of clothing accessories, (excluding those of heading no. 62.12).	Clothing	43.99	131	13.37	10.00
4106	Goat or kid skin leather, without hair on, (excluding than leather of headi 41.08 or 41.09.)	Leather	43.98	132	66.16	174.33
6102	Women's or girls' overcoats, car-coats, capes, cloaks, anoraks (including ski- jackets), wind-cheaters, wind-jackets and similar articles, knitted or crocheted, (excluding those of heading no. 61.04.):	Clothing	43.90	133	6.57	18.82
5006	Silk yarn and yarn spun from silk waste, put up for retail sale; silk-worm gut.	Textiles	43.88	134	0.00	0.02
5109	Yarn of wool or of fine animal hair, put up for retail sale.	Textiles	43.78	135	2.78	0.50
6214	Shawls, scarves, mufflers, mantillas, veils and the like.	Clothing	43.77	136	14.28	32.12
8308	Clasps, frames with clasps, buckles, buckle-clasps, hooks, eyes, eyelets and the like, of base metal, of a kind used for clothing, footwear, awnings, handbags, travel goods or other made up articles; tubular or bifurcated rivets, of band spangles, of bas	Clothing	43.54	137	28.21	28.63
5602	Felt, whether or not impregnated, coated, covered or laminated.	Textiles	43.46	138	26.38	49.04
6503	Felt hats and other felt headgear, made from the hat bodies, hoods or plateaux of heading no.65.01, whether or not lined or trimmed.	Headgear	42.92	139	0.84	1.30

HS4	Description	Sector	OI	Rank	Merc. exp to world (R'm)	Merc. imp from world (R'm)
6207	Men's or boys' singlets and other vests, underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles.	Clothing	42.72	140	84.25	5.33
4202	Trunks, suitcases, vanity-cases, executive-cases, brief-cases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters & similar containers, travelling-bags, toilet bags, rucksacks, handbags, shopping	Leather	42.09	141	108.02	687.40
6402	Other footwear with outer soles and uppers of rubber or plastics.	Footwear	41.99	142	1 350.96	291.32
5405	Artificial monofilament of 67 decitex or more and of which no cross-sectional dimension exceeds 1 mm; strip and the like (for example, artificial straw) of artificial textile materials of an apparent width not exceeding 5 mm.	Textiles	41.93	143	4.08	0.25
5909	Textile hosepiping and similar textile tubing, with or without lining, armour or accessories of other materials.	Textiles	41.83	144	9.28	8.73
5516	Woven fabrics of artificial staple fibres.	Textiles	41.69	145	22.17	91.44
5905	Textile wall coverings.	Textiles	41.56	146	0.04	0.97
5207	Cotton yarn (excluding sewing thread) put up for retail sale.	Textiles	41.36	147	26.98	7.93
5515	Other woven fabrics of synthetic staple fibres.	Textiles	40.96	148	19.91	49.10
5309	Woven fabrics of flax.	Textiles	40.19	149	22.79	7.59
5004	Silk yarn (other than yarn spun from silk waste) not put up for retail sale.	Textiles	39.78	150	365.98	6.04
6002	Knitted or crocheted fabricsof a width not exceeding 30cm, containing by mass 5 per cent or more of elastomeric yarn or rubber thread (excluding those of heading 60.01):	Textiles	39.51	151	263.11	234.88
6501	Hat-forms, hat bodies and hoods of felt, neither blocked to shape nor with made brims; plateaux and manchons (including slit manchons), of felt.	Headgear	38.98	152	13.93	2.28
5113	Woven fabrics of coarse animal hair or of horsehair.	Textiles	38.81	153	-	-
6404	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of textile materials.	Footwear	38.41	154	407.10	421.95
5701	Carpets and other textile floor coverings, knotted, whether or not made up.	Textiles	38.04	155	56.69	17.09
6202	Women's or girls' overcoats, car-coats, capes, cloaks, anoraks (including ski- jackets), wind-cheaters, wind-jackets and similar articles, (excluding those of heading no. 62.04).	Clothing	37.85	156	54.51	81.44
5408	Woven fabrics of artificial filament yarn, including woven fabrics obtained from materials of heading no. 54.05.	Textiles	37.61	157	50.26	62.89
4105	Leather of bovine or equine animals, without hair on, other than leather of heading no.41.08 or 41.09.	Leather	37.59	158	71.78	54.98
5805	Hand-woven tapestries of the type gobelins, flanders, aubusson, beauvais and the like, and needle-worked tapestries (for example, petit point, cross stitch), whether or not made up.	Textiles	37.36	159	0.20	0.45
5303	Jute and other textile bast fibres (excluding flax, true hemp and ramie), raw or processed but not spun; tow and waste of these fibres (including yarn waste and garnetted stock).	Textiles	36.72	160	0.07	18.24
5202	Cotton waste (including yarn waste and garnetted stock).	Textiles	35.99	161	15.86	6.86
5206	Cotton yarn (excluding sewing thread), containing less than 85 % by mass of cotton, not put up for retail sale.	Textiles	35.81	162	3.43	3.73
5403	Artificial filament yarn (excluding sewing thread), not put up for retail sale, including artificial monofilament of less than 67 decitex.	Textiles	35.33	163	81.68	35.65
5106	Yarn of carded wool, not put up for retail sale.	Textiles	34.90	164	7.55	4.04
5804	Tulle and other net fabrics,(excluding woven, knitted or crocheted fabrics); lace in the piece, in strips or in motifs (excluding fabrics of heading no. 60.02)	Textiles	33.43	165	7.89	24.06
5606	Gimped yarn, and strip and the like of heading no.54.04 or 54.05, gimped (excluding those of heading no.56.05 and gimped horsehair yarn); chenille yarn (including flock chenille yarn); loop wale-yarn.	Textiles	32.76	166	18.95	26.65
9606	Buttons, press-fasteners, snap-fasteners and press-studs, button moulds and other parts of these articles; button blanks.	Clothing	31.75	167	28.05	16.69

HS4	Description	Sector	OI	Rank	Merc. exp to world (R'm)	Merc. imp from world (R'm)
4206	Articles of gut (excluding silk-worm gut), of goldbeater's skin, of bladders or of tendons.	Leather	31.11	168	115.05	0.82
5401	Sewing thread of man-made filaments, whether or not put up for retail sale.	Textiles	30.82	169	40.48	25.00
5510	Yarn (excluding sewing thread) of artificial staple fibres, not put up for retail sale.	Textiles	29.57	170	16.16	24.05
5308	Yarn of other vegetable textile fibres; paper yarn.	Textiles	28.90	171	77.27	0.44
5005	Yarn spun from silk waste, not put up for retail sale.	Textiles	28.41	172	20.01	1.04
5302	True hemp (cannabis sativa l.), raw or processed but not spun; tow and waste of true hemp (including yarn waste and garnetted stock).	Textiles	26.71	173	0.00	0.09
5508	Sewing thread of man-made staple fibres, whether or not put up for retail sale.	Textiles	25.16	174	4.64	14.42
5404	Synthetic monofilament of 67 decitex or more and of which no cross-sectional dimension exceeds 1 mm; strip and the like (for example, artificial straw) of synthetic textile materials of an apparent width not exceeding 5 mm.	Textiles	24.85	175	166.26	96.38
5203	Cotton, carded or combed.	Textiles	22.55	176	0.21	4.13
5110	Yarn of coarse animal hair or of horse hair (including gimped horsehair yarn), whether or not put up for retail sale.	Textiles	22.41	177	0.52	0.06
5201	Cotton, not carded or combed.	Textiles	22.32	178	1 491.94	955.46
5001	Silk-worm cocoons suitable for reeling.	Textiles	22.10	179	10.68	6.61
5507	Artificial staple fibres, carded, combed or otherwise processed for spinning.	Textiles	21.68	180	-	3.17
5002	Raw silk (not thrown).	Textiles	21.47	181	1.65	3.56
5307	Yarn of jute or of other textile bast fibres of heading no. 53.03.	Textiles	21.10	182	0.06	13.99
5301	Flax, raw or processed but not spun; flax tow and waste (including yarn waste and garnetted stock).	Textiles	18.66	183	0.14	10.92
5305	Coconut, abaca (manila hemp or musa textilis nee), ramie and other vegetable fibres, not elsewhere specified or included, raw or processed but not spun; tow, noils and waste of these fibres (including yarn waste and garnetted stock):	Textiles	16.25	184	0.00	17.14
5003	Silk waste (including cocoons unsuitable for reeling, yarn waste and garnetted stock).	Textiles	13.29	185	15.34	16.13
5504	Artificial staple fibres, not carded, combed or otherwise processed for spinning.	Textiles	12.60	186	94.53	128.82

ANNEX 7

THE MERCOSUR MARKET – CLOTHING

1. INTRODUCTION

The purpose of this annex is to provide information that could be helpful to South African exporters of clothing who may be interested in exploiting the Mercosur market. The contents of the report have revealed that exporting to Mercosur could be more complicated than anticipated because the member countries are only emerging from a protective background.

While a trade agreement usually focuses on tariff reductions, the existence of a number of non-tariff barriers make access to these markets cumbersome and costly. Market information is not readily available and for that reason the contents of this chapter will focus on what could be found mainly on Brazil as the dominant member of Mercorsur.

The MFA is to disappear by the end of 2004. This event is expected to change the face of world trade in textiles and clothing with especially China, India and Pakistan among the low cost producers to benefit in the markets of the US and EU where they were constrained by quotas up to now. Countries presently enjoying preferential access into the US and EU will thus experience tougher trading conditions.

2 MARKET DYNAMICS

2.1 World

Since the 1990's, clothing manufacturers in Mercosur have been facing fierce competition from low-cost imports from South-East Asia, mainly China, and also from the EU. Brazil is also part of the problem for the region in that Argentina, the largest of the remaining three markets of Mercosur, has identified a significant presence of Brazilian imports in her basket of competitor imports.

The situation is the result of import tariff reductions and the removal of barriers to intra-trade between Mercosur members that impacted on Argentina specifically; consumer preferences; and out-of-season clearance sales (particularly by the EU).

The world ranking of China (alone) as a textiles and clothing exporter rose steadily from tenth in 1980 to number one by 1995[41]. For the past seven years (since 1997), China has consistently remained the world's top exporter of textiles and clothing.

The Chinese threat is likely to intensify given the WTO Uruguay Round Agreement on Textiles and Clothing, starting from 1995, whereby all quantitative restrictions on the trade of clothing (and textiles) would be phased out in four stages over ten years to 2005[42]. By next year China's clothing exporters will benefit immediately from the liberalization process. This means

[41] tdctrade.com "Business Alert -China
[42] Ibid

the cost of exporting and therefore the cost of the clothing product aimed at foreign markets will be more competitive.

The agreement also applies to China's imports. This should pose a threat to her local manufacturers of clothing but the widely reported low cost factor is a considerable challenge to any potential clothing exporter to China.

Consumer preferences, particularly in the area of affordability, do play a major role in this competitive environment.

2.2 Brazil

Brazil's textile and apparel industry is the seventh largest in the world and the third largest for knitwear. It turns over $ 22 billion per year and 30 000 companies produce 7.2 billion garments per year.[43] "Furthermore, it is a growing industry: the past eight years have witnessed $7 billion in investment, while a further $12 billion is earmarked for investment over the next seven years More than 70 000 new jobs have been created since 2000, and the industry is expected to employ upward of 2 million within the next five years."[44] The country is planning to expand its domestic market by 50% over the next few years, from approximately $20 billion to $30 billion.

In response to import competition as the consequence of trade liberalisation two countermeasures in particular were taken in the early nineties: (1) The Brazilian Program of Quality and Productivity and (2) The Brazilian Programme of Design. They have resulted in major investments, quality improvements and cost reductions that have enabled the industry to compete both domestically and internationally.[45]

Broad support also came from the World Bank and the IMF. The World Bank, through the International Finance Corporation, has shown strong support for the Brazilian private sector. The World Bank Country Assistance Strategy for 2004 to 2007, projects $7.5 billion of new IBRD finance for Brazil in the next four years to enhance growth and competitiveness.[46]

In February 2004 the IMF approved $505 billion loan to support broad –based growth, employment generation and poverty reduction through higher investment and rising productivity.[47]

Since 2000 export support is lend by TexBrazil. It is a strategic export promotion, program operated by ABIT (the textile association), and addresses the total supply chain to offer the best of Brazilian product to the international market.[48]

The clothing industry is the largest manufacturing employer. It consumes more than 1 million tons of raw materials: 60% are woven and 40% knitted. Cotton is the dominant fibre- 75% of fibre consumption. Prominent products

[43] http:/www.bobbin.com/"Brazil Plans Major Increases in Global Apparel Exports"
[44] Ibid
[45] Ibid
[46] The World Bank website, June 2004.
[47] The IMF website-June 2004.
[48] "Brazil Plans……"

are jeans, surf and beachwear, woven shirts, knitted shirts and lingerie and underwear. Due to the closed nature of Brazil's fashion industry many brands have grown up domestically.[49]

A large number of family companies, mostly small with up to 100 employees predominate in the clothing industry. Many of them operate on a cut make and trim basis or on purely subcontracting sewing basis. " Most small companies developed out of small sewing studios, tailor shops and enterprises of immigrants who rushed into the textile field. There have been few foreign investors entering the industry."

Larger companies have often emerged as appendices to the textile plants, specialising in a particular type of fabric and interested in expanding their businesses vertically."[50]

The private sector, including the clothing industry and its market, is set to grow under the envisaged circumstances.

The Brazilian and Argentine markets are less likely to be affected by Chinese and other perceived cheap products as they are said to be fashion conscious. Preference is given to local brands and European fashion brands.

The clothing market in the Mercosur region is therefore poised for growth with more people being employed and poverty being alleviated.

3. THE MARKET

The Mercosur market comprises four South American countries as follows:
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- Argentina
- Brazil
- Paraguay and
- Uruguay

3.1 Market size

The market for clothing is populated by 233 million[51] people being the total number of inhabitants in the Mercosur region. Brazil is the largest of the group of member countries (79.2), followed by Argentina (16.8%), Paraguay (2.6%) and then Uruguay (1.4%). This is based on population size and GDP. Paraguay has a larger population than that of Uruguay but GDP figures show the opposite.

3.2 Tariffs

Import tariffs on clothing are 20%.

3.3 Non Tariff Barriers (NTBs)

3.3.1 Market Accessibility

Import regimes can be a major factor, sometimes greater than tariff barriers for exporters contemplating market penetration in the Mercosur. These

[49] Ibid
[50] Ibid
[51] Saiia-ref. Lyall White

regimes consist of (sometimes) non-transparent trade policy measures, complex and cumbersome standards and slow customs procedures that cause delays.[52]

Under such situations the market potential or opportunity becomes less relevant.

3.3.2 Impact on the market

- **Additional taxes** on imports in Brazil tend to increase the total import duties thereby increasing prices and affecting competitiveness on the market
- **Import licensing** in Brazil has been reported to cause stoppages of shipments and indefinite pending applications rendering the market impenetrable. This process is non-automatic in nature.
- **Customs procedures, delays and policy unpredictability** serve as stumbling blocks in market strategy and planning.
- **Reference Pricing,** which is informal in nature but official in practice, discourages exporters into the Mercosur where the customs officials set minimum prices.
- **Labelling requirements,** for clothing are such that the producer, exporter, importer and country of origin be reflected on each clothing product.

3.4 Market perception of foreign clothing

The Brazilian and Argentine consumers are brand conscious. The market prefers local and European established brands.

4 RELATIONS IN MERCOSUR AND THE IMPACT ON THE MARKET

Changes in the internal economic environment have often led to trade tensions among the Mercosur partners. These tensions usually impact on consumers.

Examples:
When the Brazilian Real was devalued in 1999, trade tensions were ignited among Mercosur members, most notably between Brazil and Argentina. Argentina observed that the 32% devaluation of the Real seriously impaired the competitiveness of Argentinean goods in the Brazilian market (including the clothing market).[53]

Argentina responded by announcing that it would impose restrictions on any imports as needed, including those from Mercosur countries. This followed an announcement it made earlier that it would impose quotas on (specifically) shoes, textile and clothing. Argentina defended its actions by arguing that the safeguards were necessary to protect its market from cheap Brazilian goods.

Counter actions by Brazil only served to further tensions. Among others it offered $108 million low interest loans to domestic rice producers to counter low priced imports from Uruguay and Argentina. It also walked away from negotiations at times.

[52] See Chapter 5.
[53] Info Americas: tendencias

The instigator is not only Brazil. In mid 2002 Argentine withdrawals from Uruguayan banks started a run on banks.

Apparently one senior Argentine trade official noted that, “Mercosur is complicated by the rigidity of the rules of the game and by its own inefficiencies and unclear rules. The trade bloc has no escape valves in case of emergencies.”[54]

These unpredictable tensions have a direct impact on the market behaviour and also have a potential to catch exporters off-guard.

5 POTENTIAL NUMBER OF CUSTOMERS

The age grouping of 0 – 35 is said to be the most active in consumption however it is difficult to estimate the opportunity to exporters. This area would require consumer behaviour analysis to determine possible market share. Information in this regard is not readily available and may also require one to one interviews with the stakeholders.

6 OTHER MARKET DYNAMICS

6.1 Brazil

6.1.1 Size of the Market

The population dynamics are explored below:

Population

184 101 109[55]

Age Structure

0-14 years 26.6% (male 24 915 902; female 23 966 713)
15- 64 years: 67.6% (male 61 739 012; female 62 770 480)
65+ years : 5.8% (male 4 389 659; female 6 319 343) (2004 est.)

Population growth rate

1.11% (2004 est.)

6.1.2 Types of clothing consumed[56]

International brands are preferred particularly Italian clothing. Local brands also play a significant role and are not necessarily viewed as inferior. Prominent products are jeans, surf and beachwear, woven shirts, knitted shirts and lingerie and underwear. Due to the closed nature of Brazil’s fashion industry many brands have grown up domestically.

6.1.3 Consumption and Consumption patterns

Brazilians are said to be fashion fanatics. International designers display their designs at the popular annual Sao Paolo Fashion Week. The entire Mercosur region converges to this fashion show. The society is highly fragmented in that there is a small high class and a large low class. The former tends to

[54] Info Americas: tendencies (www.infoamericas.com)
[55] CIA – The world fact book
[56] SAIIA

wear international brands whereas the latter settles for local brands or ordinary clothing.

6.1.4 Seasonality of consumption

The climate is consistent and this replicates in clothing consumption throughout the year. Cotton dominates in clothing.

6.1.5 Expected future patterns of consumption

Indications are that the market will be more and more fashion conscious. It is set to grow by a third over the next five years.

6.1.6 Distribution

(a) Shopping Malls

Shopping for clothing in Brazil is characterised by frequenting large shopping malls similar to those found in South Africa. It is apparently the crime situation that has made mall shopping attractive. A similar situation prevails in South Africa.

The malls are categorised by class. Certain expensive clothes can only be bought at certain malls.

Wall Mart has a strong presence in all classes.

(b) Flea Markets

The Brazilian economy has one of the biggest contingents of Small Medium Enterprises. The government has thrown its weight behind SME's. This scenario has fostered the booming of "Markardo Artesanos", which means arts and crafts markets. The objective is to curb unemployment.

These markets are similar to the ones seen in South Africa. They consist of street selling and organized pay – per – stall flea markets. In these markets the lower class clothing market can be found shopping for both local and foreign cheap clothes.

6.2 Argentina

6.2.1 Size of market

The market dynamics are explored below:

Population

39 144 753

Age structure

0-14 years: 25.9% (male 5 179 236; female 4 947 234)
15-64 years: 63.6% (male 12 452 566; female 12 457 451)
65+ years: 10.5 %(male 1685 371; female 2 422 895)
(2004 est.)

Population growth rate

1.02% (2004 est.)

6.2.2 Types of clothing consumed

Recently in August 2004 there has been a high fashion show in Buenos Aires. This reflects the growing fashion consciousness in Argentina, a market that is relatively conservative in comparison to the Brazilian one. Traditional wear is prevalent outside major cities and in poorer communities.

The society is also highly fragmented in terms of class differences. The upper class tends to be concentrated in the big cities whereas the lower classes can be found in the provincial inland.

6.2.3 Consumption and consumption patterns

In the cities the market is more stylish but localized in the provincial inland. For instance the Benetton brand is the main one in the Southern parts of Argentina.

6.2.4 Seasonality of consumption

The Argentine climate has extremes similar to South Africa. The clothing consumption is therefore highly seasonal. This is due to its mountainous landscape.

6.2.5 Expected future patterns of consumption

The conservative trend is likely to prevail in the medium to long term due to the fragmentation of society.

6.2.6 Distribution

Class disparities also play a major role in the logistics of clothing in Argentina. In the major cities the more stylish consumers tend to conduct their shopping at malls whereas the lower class tends to shop downtown and in the provincial inland.

6.3 Paraguay/Uruguay

There are more prevalent class disparities in these two members of the Mercosur. The upper class shops outside the country while the lower class tend to be comfortable with traditional wear.

Trends in clothing consumption follow those of Brazil in the main and some of Argentina.

There is no specific information available in this regard.

6.3.1 Paraguay

Size of market

Population

6 191 368

Age structure

0 -14 years: 38.2% (male 1 201 459; female 1 162 954)
15-64 years: 57% (male 1 773 151; female 1 758 323)
65+ years: 4.8% (male 136 376; female 159 105)
(2004 est.)

6.3.2 Uruguay

Size of market

Population

3 399 237

Age structure

0-14 years: 23.5% (male 406 500; female 392 497)
15-64 years: 63.4 (male 1 066 464; female 1 087 100)
65+ years: 13.1% (male 182 654; female 264 022)
(2004 est.)