

# **ELECTRICAL SWITCH, PROTECTOR, CONNECTOR EXPORTS FROM KWAZULU NATAL**

## **1. Overview**

Demand in South Africa's electrical infrastructure market was relatively strong over the past year, attributed mainly to spending by Eskom and some municipalities.

Supply and demand in the local cable industry fluctuates according to the infrastructure development taking place. Although South Africa spent billions to upgrade and expand the country's infrastructure. The building and construction industry is a major customer. Although the building and construction sector, which constitutes 50% of business, there has been growth in cable demand, primarily from the mining industry and for Eskom's electrification projects.

Imports from China and India continue to threaten the industry, which is subject to the free trade agreement between the South African Development Community (SADC) and the European Union (EU). These agreements have impacted on the percentage of imports into the South African market, as duties have either been withdrawn, or are progressively being reduced. There has been concern that SADC free trade might lead to 'indirect dumping' which entails the import of dumped cable components in a neighbouring country that will then receive some finishing and be re-exported as finished cable to South Africa. According to a respondent, imported product from China and Brazil is often cheaper than the cost of the raw materials purchased by South African manufacturers.

## **2. Exports**

Although the market for electrical switches and protector in the US accounted for almost US\$20bn in revenue, over the last five years the demand has decreased globally. This can be attributed to the global recession, the general decrease in building activity, a decrease in corporate investment and the overall slowdown in industrial activity.

However, according to Frost & Sullivan, improving economic conditions and growth in construction and infrastructure activities and a shift toward the use of higher-performance materials, especially in the power and communication cable segments, is expected to result in increasing demand.

Globally the demand for energy and communications infrastructure is growing and the drive to upgrade and expand power utilities and infrastructure networks is expected to result in the world spending about US\$16.5-trillion on this expansion over the next 25 years. In China the government's efforts to improve the country's power grid are also expected to be the main driver of demand in China.

## **3. Regulations**

Manufacturers must conform to the highest South African Bureau of Standards (SABS) safety specifications. These standards are enforced through regulation of South African factories in the case of domestic production and by licensing importers of foreign produced cable. All imports require a letter of authorisation from SABS. To meet the safety requirements of the South African mining industry, blasting cables are insulated in polyvinyl chloride, high-density polyethylene or halogen-free insulations.

#### **4. Competition**

The current global economic environment is dominated by intense competition for export markets, investment and technology. According to Justin Barnes, chairman of B&M Analysts, the South African industry will have to increase its competitiveness or “risk being a casualty of the rapidly increasing exports from Asia, most notably China

Trade deficits between South Africa and China, Brazil and India are high, but these countries were expected to “step up increasingly competitive exports to markets such as South Africa as their local economies were slowing

#### **5. Barriers to Entry**

The following act as the major barriers to entry.

- High capital investment required.
- Strong competition from established players as well as imports.
- Volatility of copper prices.

#### **6. Product**

Description as per product code: 85369040 - Electrical terminals, electrical splicers and electrical couplings, wafer probers, for a voltage not exceeding 1,000 V

Product & code	Trading partners	Barriers to entry				Trade Agreements	Key Industry Role Players	
		Tariffs		Non-Tariffs				
		Tariff Regime	Applied tariff	Total ad valorem equivalent tariff	Non Tariffs Measures (NTM) Code	Measures applied by importing country	Preferential tariff for SA	
H 853690 Electrical switch, protector, connector for < IV nes	Zambia	MFN duties (Applied)	15%	15%	None recorded	None recorded	Rules of Origin	ACTOM
		Preferential tariff for SA	0%	0%				Voltex
	Democratic Republic of Congo	MFN duties (Applied)	10%	10%	None recorded		None recorded	
		Preferential tariff for SA	None recorded	None recorded				
	United States	MFN duties (Applied)	0%	0%	None recorded	None recorded	Africa Investment Incentive Act of 2006	
		Preferential tariff for SA	None recorded	None recorded				
	Zimbabwe	MFN duties (Applied)	5%	5%	None recorded	None recorded	None recorded	
		Preferential tariff for SA	None recorded	None recorded			None recorded	
	Mozambique	MFN duties (Applied)	7.5%	7.5%	None recorded	None recorded	None recorded	
		Preferential tariff for SA	None recorded	None recorded				

## 7. Industry Associations

The Association of Electrical Cable Manufacturers of South Africa (AECMSA) represents employers engaged in the manufacture of electric cables. See Appendix 1 for list of members.

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