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EVALUATING THE IMPACT OF PREFERENTIAL MARKETS ON ESWATINI SME ECONOMY

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by

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3. This dissertation evaluating the Impact of Preferential Markets on Eswatini SME Economy is my own work.

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Acknowledgements

The Lord and my saviour deserves honour for giving me the ability to complete this course at the University of Cape Town.

Secondly, among countless people who have incalculably made this research thesis a success deserve special mention:

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Abstract

The study was motivated by the fact that the impact of preferential trade agreements (PTA) on Eswatini SME economies (measured through labour productivity (LP), as well as the perception from SMEs on these markets) remain unknown. Studies conducted in various continents give conflicting findings on the benefit realised by SMEs exporting to PTAs. In analysing the economic effect of PTAs on Eswatini SMEs, the researcher selected variables affecting labour productivity (LP) based on previous literature findings, and gathered SME perceived solutions to improve PTA through interviews. A mixed method approach was employed, where the quantitative aspect employed Cobb-Douglas production function. LP being the dependent variable, the independent categorical variables were capital intensity, size of firm, qualification of directors, age of directors, proportion of revenue obtained from PTA, and dummy variables being technology, networking, capacity building, external financing, family firm, and tax. Qualitative data on the one hand was gathered through interviews and analysed using a thematic analysis model, based on a tripartite approach themes were generated.

The quantitative findings through descriptive statistics presented that LP and size of firm as highly volatile, yet all other variables do not show high volatility. This study found that capital intensity, technology, networking, capacity building, and finance have positive effects on LP, with capacity building followed by financial support causing the most significant increase on LP. Firm size, director's qualifications and age, proportion of revenue, family firm, and tax were found to cause a negative growth effect on LP. Through qualitative data, SMEs observed that PTA sustains job opportunities, however, SMEs lament that preferential markets are highly volatile, competitive, and quality driven. Furthermore, lack of access to finance, coupled with high cost of production put SMEs at a disadvantage. Dependence on manual labour rather than technology result in firm size causing a negative growth effect. Internal conflicts and poor policy framework threaten the sustainability of smallholder farmers. SMEs put their hope on policy adjustments, improved ease of doing business with a special focus on increasing trade rather than revenue collections.

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List of Acronyms

ACP	-	African Caribbean Pacific
AEC	-	African Economic Community
AU	-	African Union
AfCFTA	-	African Continental Free Trade Area
AGOA	-	African Growth Opportunity Act
APEC	-	Asian-Pacific Economic Cooperation
ASEAN	-	Association of Southeast Asian Nations
Brexit	-	British Exit
CACEU	-	Central African Customs and Economic Union
CACM	-	Central American Common Market
CAP	-	Capital Intensity
CAP-BLD	-	Capacity Building
CBE	-	Central Bank of Eswatini
COMESA	-	Common Market for Eastern and Southern Africa
COVID-19	-	Corona Virus Disease 2019 novel
DEV	-	Deviation
E	-	Emalangeni
EAC	-	East African Community
ECOWAS	-	Economic Community of West African States
ECG	-	Export Credit Guarantee
EIPA	-	Eswatini Investment Promotion Authority
EPA	-	Economic Partnership Agreement
ERA	-	Eswatini Revenue Authority
ESA	-	Eswatini Sugar Association
EU	-	European Union
FMLY	-	Family Firm
FTA	-	Free Trade Area
GATT	-	Generalised Agreement on Tariff and Trade
GDP	-	Gross Domestic Product
GSP	-	Generalised System of Preference
GVC	-	Global Value Chain
HIV	-	Human Immune Deficiency Syndrome
IFAD	-	International Fund for Agriculture Development

IMF	-	International Monetary Fund
KENSA	-	Kenya Egypt, Nigeria and South Africa
LAFTA	-	Latin American Free Trade Area
LDBC	-	Less Developed Beneficiary Country
LDC	-	Least Developed Countries
LP	-	Labour Productivity
MNC	-	Multinational National Companies
MSME	-	Micro Small Medium sized Enterprise
MoCIT	-	Ministry of Commerce Industry and Trade
NEPAD	-	New Partnership for Africa's Development
NGO	-	Non-Governmental Organization
NIEO	-	New International Economic Order
NTWRK	-	Networking
OECD	-	Organisation for Economic Co-operation and Development
PPP	-	Public Private Partnerships
PTA	-	Preferential Trade Arrangement
PTR	-	Preferential Trade Revenue
QUA	-	Qualification of Directors
REC	-	Regional Economic Community
SACU	-	Southern African Customs Union
SADC	-	Southern African Development Community
SEDCO	-	Small Enterprise Development Cooperation
SME	-	Small and Medium-sized Enterprise
STD	-	Standard
TB	-	Tuberculosis
TECHN	-	Technology
TRQ	-	Tariff Rate Quote
UK	-	United Kingdom
UNCTD	-	United Nation Conference on Trade Development
UNDAF	-	United Nation Development Assistance Framework
USA	-	United States of America
WTO	-	World Trade Organisation

Chapter 1

Introduction

1.1 Background of the Research

Singh (2015) observes that insufficient capital causes low labour productivity which results in small to medium sized enterprises (SMEs) bearing the risk of market failure, incurred losses made worse by lack of economies of scale. It is common for SMEs to suffer. Particularly countries that have been denied factors of production, and those that have suffered unfair political treatment along the lines of race and colonialism.

A fact that cannot be disputed is that market failure can limit economic growth. This obvious truth begs a fundamental yet tricky global collective initiative: should traders from the South receive special trade treatment from the North? The fact that there are limits to international trade market access, is today, a major concern that has necessitated tariff negotiations and regional trade agreements (Buigut, 2016).

The involvement of less developed countries from Preferential Trade Agreements (PTA) has been an initiation process to international trade. Recently, regional integration (RI) has been noted as the game changer in international trade. Significant economic and political growth caused by PTAs has been noted in developing countries. In addition, Free Trade Areas (FTA) have given a voice to all players and has fostered intra-regional trade and value addition, promoting economic growth, through infrastructure and investment development (Ebaidalla & Yahia, 2014).

African countries successfully implemented a south-south trade cooperation. The globe has witnessed the common formation of regional integration regarding trade. The NEPAD 34-year plan for establishing African Continent Free Trade Area (AfCFTA) has recently been realised and launched, following a discussion that took a couple of decades (Erasmus & Hartzenberg, 2020).

Rijkenberg (2019) in his 11th Eswatini parliament budget speech, stated that there were more export earnings because of Africa Growth Opportunity Act (AGOA) preferential trade, such that sugarcane, wood, and textile exports increased by 2.9% in 2018 from the previous year. He further assured the business community of policies that would attract investors, through reduction of the corporate tax rate and ease of doing business. He further estimated that the PTA would generally result in about

17% of price hike compared to what would be available to producers without the duty free to preference markets.

Over 40% of Eswatini sugar exports have recently lost EU preferential access. There is a growing concern that Europe's sugar beet quotas abolishment in 2015 has significantly reduced the country's exports (Sikuka, 2019). Furthermore, the country will now benefit from EU markets through the SADC Economic Partnership Agreement which intends to set-up duty-free as well as provide unlimited access to EU markets. Entering into the agreement as a region earns the country a significant negotiation voice. It is anticipated that once finalised, the country may benefit from increased trade volumes. The regional trade agreement will improve Eswatini trade with Mozambique, and enhance internal trade across-borders in SADC. This is intended to benefit SMEs. It is a fact that studies to unpack SMEs' benefit from preferential market agreements in Eswatini are tied to the anonymous, and remain an agent for unearthing (Sithole, 2013).

1.2 Research Problem and Questions

In theoretical and empirical research, the effects of PTA on economic growth remain a protracted controversy. Various study findings have given conflicting outcomes regarding benefits realised from trade flows (Eicher & Henn, 2011). This problem has been exacerbated by recent trade terms and the global financial crisis which has made the competition more rigid due to tough trade terms that come with PTA. Lack of detailed analysis of benefits accruing from preferential trade agreements has been observed as a limiting factor to the country's economic growth plan. It is assumed the current PTAs are benefiting Swati owned businesses. If the impact of PTAs on SME growth remains unknown, the Eswatini ministry of commerce industry and trade will not put effective programmes to address preferential trade gaps affecting SME growth. Even the regional integrations meant to transform PTA will not be properly programmed to ensure the Swati owned companies benefit optimally from preferential markets.

The extent to which Eswatini SMEs have benefited from preferential markets remains unknown. The urgency of this study becomes obvious following that there is no empirical evidence substantiating economic benefits realised by Eswatini SMEs from preferential markets and regional integration.

A study to evaluate the extent to which preferential trade markets have impacted SME economic growth in Eswatini was then conducted in 2020. Joubert (2004) expressed concern that previous

Eswatini SME economy growth studies were not backed by numerical evidence, and as such, inconclusive arguments have been made because of the shortcomings observed. The following research questions were posed;

- What are the effects of preferential markets on SME labour productivity?
- How do exporting SMEs perceive PTAs regarding their optimal benefits from the market?

1.3 Research objectives and/or hypotheses

This research pursues the influence of preferential markets on Small to Medium Enterprises, often referred to as the backbone for economic evolution in the Kingdom of Eswatini.
It builds on the assumption that existing PTAs were initiated by countries from the North, commonly allowing duty free import on specific commodities yet receiving mostly raw materials from developing countries. Primary data was obtained through distribution of questionnaires as well as conducting interviews amongst selected SMEs.
The study intended:

- To examine the impact of preferential markets on SME labour productivity
- To evaluate the perception of exporting SMEs towards PTAs in line with optimal benefits from the market.

1.4 Scope and Justification of the research

This research was done mostly to assess the economic effects of preferential markets on SMEs. Key learning areas contributed to the body of knowledge, advice would be given to government on aspects to consider in trade negotiations. And further reveal how preferential trade impacted specified variables. The perceptions and proposed strategies raised by SMEs were noted.

Small to Medium sized Enterprises (SMEs) benefited from the academic perspective of how Preferential Trade Agreements impacted them economically, in skills development. This study further put an effort to present the effects of PTA on selected variables on SME labour productivity.

Findings and recommendations will be instrumental in SME capacity building programmes. They will also caution FTA policy development, and suggest techniques to be used by Eswatini exporting corporate businesses, SMEs, Ministry of Commerce Industry and Trade (MoCIT), and other countries engaged in preferential trade.

1.5 Organisation of the research

An overview of the contents of the various chapters of the dissertation are alluded to below:

Chapter One: Introduction - was to acquaint the reader with the rationale behind the study, with the intention of justifying its importance.

Chapter Two: Literature Review - gave an academic basis for the research, and show where the study fits into the current understanding of PTAs.

Chapter Three: Research Design and Methodology where educational research would be applied scientifically, and through the disciplined inquiry approach to the study.

Chapter Four: Results, discussions, and interpretation of findings were expected to show how research findings differed from the current knowledge.

Chapter Five: Conclusion and Recommendations - were to link collected data, or integrate the various issues presented in the dissertation, and to make effective remarks upon the implication in its entirety.

Chapter 2

Literature Review

2.1 Introduction

Most governments make trade partnerships to sustain economic development. In an attempt to address market risks, Eswatini has embarked on several trade agreements regionally and abroad.

This literature review will provide the description of preferential trade as well as state existing Eswatini preferential markets, observations made by other scholars on the impact of preferential trade on both developed and developing countries, PTA trade limitations, evolutions, concerns noted, legal frameworks, and analyses of the opportunity costs of entering into trade agreements, evolutions, and contributions in capacity development; a result of the trade agreements.

2.2 Historical Background

Finger (2008) traces trade partnerships as early as 1870, he states that due to the scramble and rivalry that came with the colonial era, developing countries were not benefiting from trade, but were exploited. The lengthy discussion on General Agreement on Trade and Tariffs (GATT) was initiated back in the 1950s. GATT was founded on principles of non-discrimination and reciprocity. It began as a strategy to establish a safe and stable western, post-second world war. Robert Hudec who was passionate about open trade, then called for preferential treatment of developing countries, a call which countries from the North were not willing to entertain. Engagement of the disadvantaged countries, referred to as 'Preferential treatment' on trade partnership terms, was advocated by the United Nations Conference on Trade and Development (UNCTD) in 1964 when the New International Economic Order (NIEO) was declared.

According to (WTO, 2019) Eswatini became member of GATT since February 1993, and automatically became member of World Trade Organisation (WTO) in January 1995. Eswatini became the 98th country to sign up for the trade facilitation agreement (TFA), that expedites release and clearance of goods in transit, this began on the 23rd of July 2014. For the first time, the TFA aligned the capacity of the country to implement the TFA.

In 1950 Jacob Viner analysed Preferential Trade Agreements. He came with static theories that PTA could be 'trade diverse' and 'trade creator'. PTA with EU have been increasing since 1963. These

agreements were referred to as Yaoundé Convention, signed initially by 18 former colonies. The Cotonou Agreement that replaced Lomé Convention was signed when EU aligned herself with WTO protocols in the year 2000. Eswatini was part of the Lomé Convention for supply of beef to Europe (Bhangwati, Krishna & Panagariya, 2000).

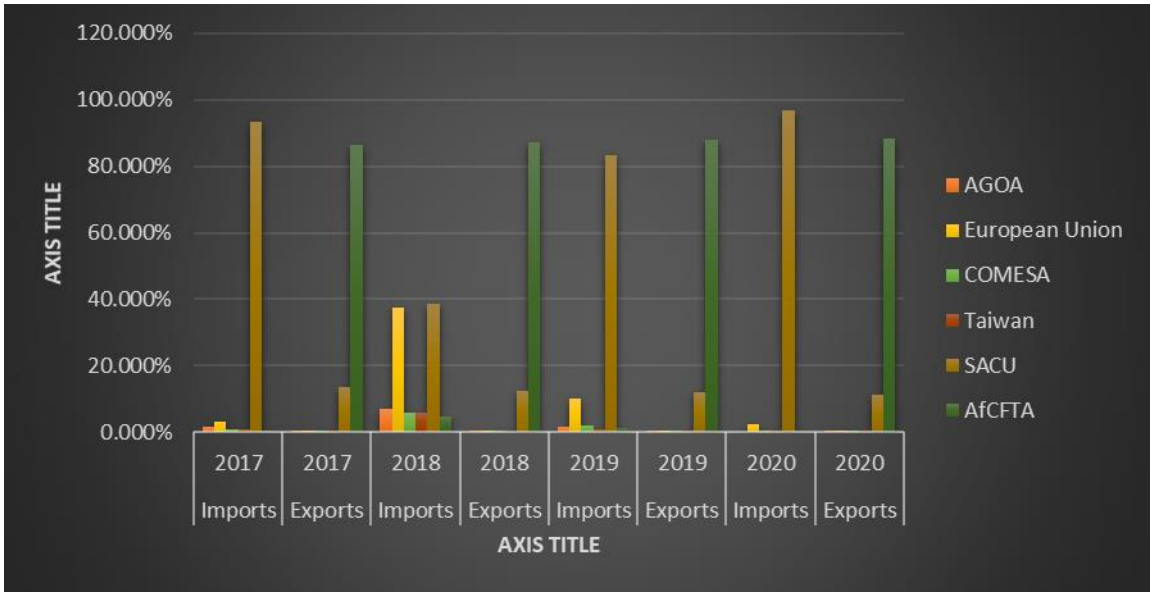
Japan and Eswatini signed a life time iron ore mining agreement in 1970. Then later, the country became part of the Lomé Convention in 1975. Eswatini could export 1.3 Million metric tonnes of sugar, beef (52 000 tonnes) and veal at prices above the world market rates. The tariff rate for veal was 92% at competitive prices. SADC was established in 1980, where Eswatini was a founding member. In 1993 Eswatini became member of GATT. The country joined COMESA in 1994, however, could not perform certain treaties since she already was a member of SACU (Sacolo, Mohammed & Dlamini, 2018).

2.2.1 Trade in Eswatini

Sacolo et al. (2018) made an account of major markets with Eswatini since independence, presenting them in three periods. Period 1 (1968 to1980), the country exported 92% of its products to South Africa and only 8% to the rest of the world. In Period 2 (1993 to2004) exports to other countries increased to 1.43% in USA, 3.25% UK, Mozambique 2.13%, others 9.35%, South Africa still had the lion's share of 83.8%. Then in Period 3, (2005 to 2015) the country lost trade with other countries, the US came down to 0.82%, export to other nations declined to 9.67%. In 2015 Eswatini's main exports were raw sugar (20.53%), and soft drinks constituted 50% of exports. Due to drought, agricultural imports increased significantly, thus the beef protocol for Lomé Convention was grossly underutilised.

As observed by Zikalala and Sacolo (2018) due to high tax burden, intensity of regulation, and lack of social security, there was an increasing shady economy. The agricultural sector had many cases of undeclared production. The shady economy accounted 37.4% of the formal economy estimated at 20.5 billion Rands. Most effective businesses that operated as SMEs were doing so under cover, thereby producing fraudulent documentation. Even those that were operating formally were under declaring tax.

Figure 1: Comparison of total value of PTA Imports and Exports in Eswatini



Source: (ERA, 2020)

In 2017, the highest imports were from SACU, yet their highest exports went to AfCFTA. In 2018, SACU and EU had the highest imports, AfCFTA remained the highest market for the country. In 2019 and 2020, the highest imports came from SACU, and the AfCFTA bought the highest value of goods and services for Eswatini. The total trade balance in the past four years in Eswatini had a cumulative total import of R70.8 Billion, yet exports totalled R77.2 Billion (Eswatini Revenue Authority, 2020).

2.3 Definition of Key Terms (PTA, FTA, LP, and SME)

Preferential Trade Agreements (PTA) are meant to trade with specific countries such that the selected trader is given advantages on tariffs, either because of a historic disadvantage and or because of strong political ties. The European Union and USA made trade agreements with Eswatini to allow selected commodities to be imported at an abridged or zero charge for duty. The detailed conditions for bilateral trade agreements is based on the 'Rule of Origin'. If the Generalised System of Preference (GSP) country meets the conditions of the rule of origin, the importing country waives the duty costs. This trade arrangement is referred to as Preferential Trade Agreements. In most instances PTAs require developing countries to export agricultural products to any country within the FTA at reduced rates of duty (Preferential Origin, 2019).

As outlined by Chauffour and Maur (2011), preferential trade has evolved in the last 20 years, recently the world has observed the hip regional integration groups establishing Free Trade Area zones, and interestingly the developing countries drive the agenda being fully involved in the establishment of the rules of origin. The scope of these regional trade areas is wider, whilst various objectives are addressed, such as; strengthening regional policy coordination, simplifying foreign policy, and addressing domestic reforms.

The rules of origin guides the preferential market, ensuring that goods and services destined to the importing country are really from the exporting country. The rules of origin condition is met when raw material not of Swati origin is sufficiently processed. Furthermore, blending raw material with imported input material has to bear enough evidence of the specified value addition. Raw material originating from the exporting country is subjected to a minimal level of scrutiny (Preferential Origin, 2019).

Free Trade Area (FTA) happens when countries from the same geographical region agree on terms of increasing intra trade, as well as joining hands to earn bargaining power in trade terms. The EU alone has signed the GSP with more than 112 developing countries, coming from Asia, Africa, and Latin America. A FTA offers an opportunity of increasing intra-regional trade through establishment of economic partnerships with other continents, and spear head industrialisation. The advantage of regional agreements is that they address market failure, infrastructure development, and provide basic guidelines that address national policy initiatives. (OECD, 2005).

According to Attar, Gupta, and Desai (2016) Labour Productivity (LP) is a vital economic growth indicator. It is interconnected with efficient use of inputs in producing goods and services to earn high living standards, competitiveness, and economic growth for a country. Simply put, it is a total volume output (GDP) produced per number of hours worked or unit labour. In macro-micro link it monitors contribution of SMEs to national economy. There are top ten factors affecting LP for SMEs identified;

i) Non discipline labour and use of alcohol and drugs
ii) Lack of material
iii) Delay in arrival of materials
iv) Lack of Capital
v) Poor labour management (Bad supervisors)

vi) Non-productive days due to weather

vii) Bad resources management

viii) Labour strikes

ix) Absenteeism and improper material storage, and

x) Lack of education thus poor leadership.

SME stands for Small to Medium sized Enterprise. Depending on the context SMEs in full are referred to as Micro, Small to Medium sized Enterprises (MSMEs). An SME is a business initiative that is engaged in an economic activity through trading on goods and services'. Just like in South Africa, Eswatini ranks SMEs on the basis of staff complement, and the annual turnover. They are characterized by self-employed persons, managed by owners or part owners personally, partnerships, and self-help groups taking trade risk. Most businesses owned by local persons are SMEs (Abor, 2017).

In the Eswatini context SMEs are classified into four, where there are independent (75%), Micro (18%), Small (7%), and Medium (1%) enterprises. The SMEs are either matured (operated for 10 or more years), established (6 to 10 years), growth (3 to 5 years), and start-up (0 to 2 years). Furthermore, most micro, and small enterprises in Eswatini are owned by women (FinScope MSME Eswatini, 2017). The table below presents characteristics of each MSME class:

Table 1: Classification of SMEs in Eswatini

	Independent Formal & Professional	**Micro** (Informal)	**Small** (Formal)	**Medium** (Formal)
Employees	0	0 – 3	4 -10	11-50
Assets value	Less than E50,000	Less than E50,000	E50,001 to E2 Million	E2 Million to E5 Million
Annual Turnover	Less than E60,000	Less than E60,000	Less than E3 Million	Up to E8 Million

Source: (FinScope MSME Eswatini, 2017)

2.4 Overview of SMEs in Eswatini

SMEs in Eswatini have been promoted by a state owned enterprise named Small Enterprise Development Cooperation (SEDCO) since 1970. In 2016, there was a total of 68,536 SMEs, and 59,283 SME owners. SMEs are geographically concentrated in Manzini and Mbabane. In the past it

was common for Swatis to own SMEs, yet in the past 17 years Pakistanis are increasingly dominating this sector (Joubert, 2004).

Eswatini SMEs do business in the following sectors: in farming (23%), transport (14%), marketing, manufacturing (13%), wholesale & retail (39%), construction (3%), tourism (2%), services (1%), and other sectors (5%) which are not limited to distribution of handcraft, supplies, micro-financing, and food processing (Dlamini, 2018).

SMEs employ 43.7% (92, 643) of the work force in the country (212, 130) (Dlamini & Mohammed, 2016). Most 74% SMEs are based in rural areas. Most MSMEs are owned by women (65%), sadly women only own 36% of the medium businesses. Education levels for SME owners are worrisome, with only 72% having attained secondary education. Sadly, there are only 11% of business owners who have relevant work experience for their business sector (FinScope MSME Eswatini, 2017).

Critical SME government support programmes are currently lacking and policy development aspects including the National Economic Empowerment Bill have not yet been ratified. The Small Scale Enterprise Loan Guarantee Scheme (SSELG) operationalization mechanism is not fully benefiting SMEs. Export Credit Guarantee (ECG) remain dormant 28 years after its launch date (Makhanya, 2014). After many years MoCIT has failed to complete Informal Traders Guarantee Scheme with DFIs to secure finance for informal vendors. Establishment of Eswatini Investment Promotion Authority (EIPA) in 1998 has not increased exports to-date. Although the construction of SME trade hub is completed, it remains none functional (Dlamini, 2018).

Major challenges encountered by Eswatini SMEs are lack of funding, no market research for products, poor business management culture, inconsistent supply in the market, lack of credit worthiness, and local market demanding imports (Dlamini, 2018).

2.4.1 Country Overview

The Kingdom of Eswatini is formerly known as Swaziland. There is generally a stagnant business growth in the country noted. GDP is $4.8 Billion, constituting 0.01% of the world economy. In 2018, the GDP per capita was $4820. The Gini coefficient is 0.52. The country battles with food insecurity, poverty is at 63%, and unemployment at 28.1% (Hlophe, 2018). Total exports for Eswatini in the second quarter of 2019 were R6.52 Billion, hence the trade balance was R-1.075 Billion (Trading

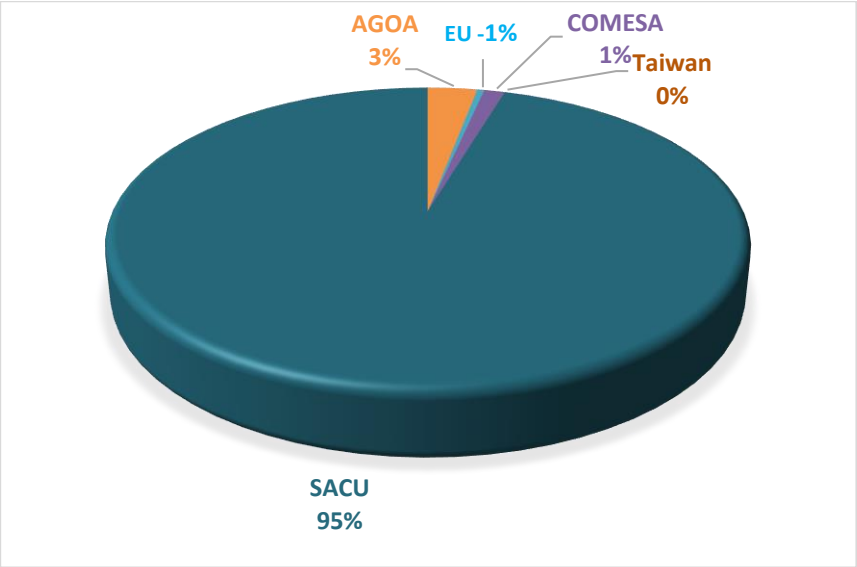
Economics, 2020). The entire population is 1.1 million with 22% of the population living in urban areas, and the majority residing in rural areas (78%) (FinScope MSME Eswatini, 2017).

As described by the Central Bank of Eswatini (2018), Eswatini is a small landlocked kingdom bordering South Africa on the west, and Mozambique in the east, covering 17,364 square kilometres. GDP was projected to decline by 0.4 per cent in the year 2018 in the wake of weakening Eswatini fiscal and influence from external positions from 1.9 per cent in 2017. UNDAF (2016) outlines that customs revenues have declined due to low purchasing power, in turn causing reduction in imports. Subsequent to decline in revenue the country is in fiscal crisis. Eswatini is dependent on Development Financiers and donor countries for survival. SMEs are the source of hope to change the tide through exports, since the economy of the country is heavily reliant on agriculture (notably at 77%).

In 2019, ILO modelled statistics rated Eswatini labour productivity (LP) at $37,569, and the highest globally was Luxembourg with $199,367. The country ranked number 84 in LP out of 189 countries globally. It allows data labour input comparison with GDP, quality of human capital, and efficiency (ILO, 2020). Exporting SMEs in Europe are making 13% more profit than SMEs trading locally (Falk & Hagsten, 2015).

Recently, many countries prefer PTAs more than commerce treaties. Rules of origin policy determined by WTO governs the products benefitting from low tariffs. This encourages trade diversion, thus threatening international commerce. Just like all developing countries, Eswatini PTAs have vague agreements, which leads to high administration costs. On the other hand WTO detects that there is no reciprocity, special, and more favourable treatment for developing countries (James, 2007). Whilst Eswatini underutilised preferential trade agreements, significant benefits of PTAs accrue to the MNCs (Sacolo et al. 2018).

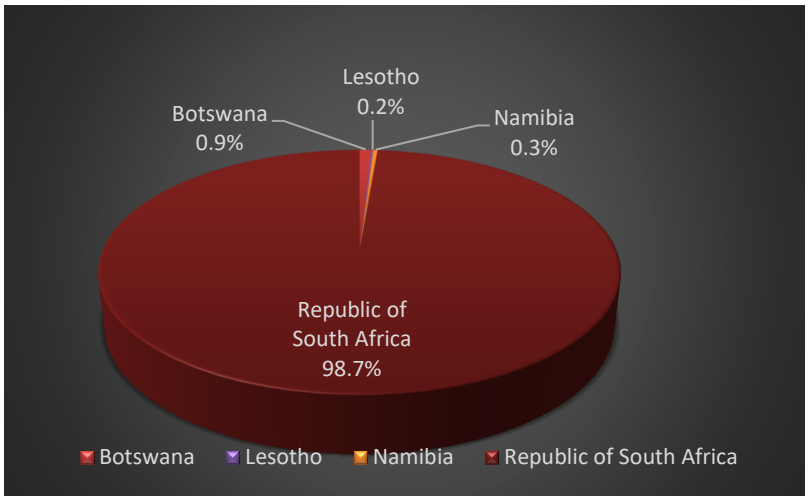
Figure 2: SME sales value earned from preferential markets from 2014 to 2020



Source: (Eswatini Revenue Authority, 2020)

Export data recorded since 2014 above, presents that Eswatini SMEs benefited meaningfully from SACU preferential trade agreements (95%). AGOA accounted for 3%, COMESA 1.24%, European Union 0.42%, and lastly Taiwan 0.004% of Eswatini SMEs exports (Eswatini Revenue Authority, 2020).

Figure 3: Breakdown of SME's export to SACU market

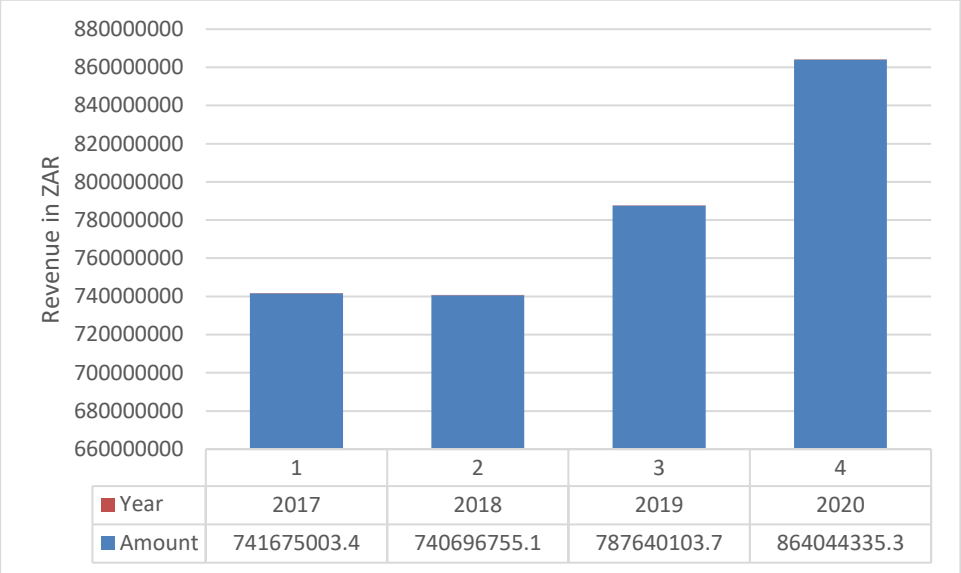


Source: (Eswatini Revenue Authority, 2020)

As indicated in the pie chart above (Figure 3), within the 95% SACU preferential market, the importing countries are South Africa, Botswana, Lesotho, and Namibia. The biggest importer is

South Africa (98.7%), then Botswana 0.9%, Namibia 0.3%, and lastly Lesotho 0.2% (Eswatini Revenue Authority, 2020)

Figure 4: Export value for SMEs in the sugar industry



Source: (Eswatini Revenue Authority, 2020)

In 2017 alone, there were 446 SMEs (referred to as smallholder farmer companies) growing sugar cane at Eswatini, and have grown to 468 SMEs in 2020. Eswatini Sugar Association (ESA) exports 21% of the SME processed raw sugar. The sugar industry is the largest exporting SME sector, with the highest number of new SME entrants. There are over 3000 individual members within the 468 smallholder farmer companies.

Even though the EU markets were revised downwards due to decline in EU sugar prices and the changed EU policy in 2018, the total Eswatini sugar exports in 2019/20 were projected to grow by 12% to 760, 000 MT. SACU markets have become significant markets for the sugar industry. ESA distributes the revenue collected through paying the millers weekly, who in-turn pay farmers as per the sucrose delivered (ESA, 2019).

2.4.2 Challenges faced by SMEs in Eswatini

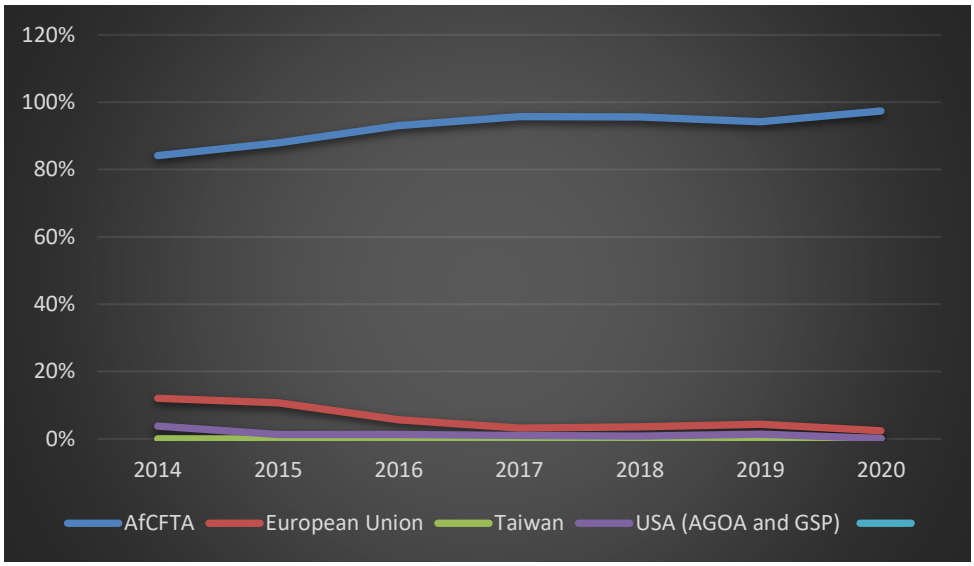
Local SMEs struggle with access to finance (66%), inconsistence of markets (41%), and lack of input resources (23%), legal (15%), as well as lack of business management skills (74%). SMEs struggle to access finance at start up and during operations, for some sectors commercial banks are

not helpful in this regard. There are 6% SMEs accessing finance through formal credit. About 45% of SMEs have financed their businesses from personal savings, 24% financed from individual savings schemes, friends, and family (FinScope MSME Eswatini, 2017).

Most small businesses compete for the small market since they are involved in similar activities, let down by that business owners attained secondary education and mostly have poor or no record keeping mechanism. There is low level of SME participation in the manufacturing sector targeting to benefit from industrialization and global value chains (FinScope MSME Eswatini, 2017).

2.5 Preferential Trade Agreements at Eswatini

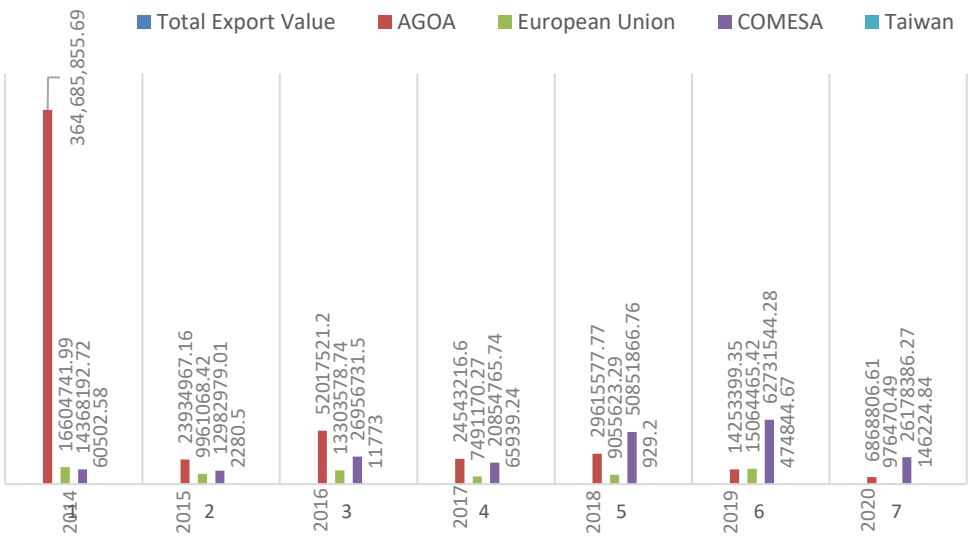
Figure 5: Eswatini total value obtained from Preferential Markets since 2014



Source: (Eswatini Revenue Authority, 2020)

Eswatini's total exports for both large corporations and SMEs for the past 7 years (Figure 5 above) show how preferential trade within the African countries (AfCFTA) are so meaningful to Eswatini. T second largest export market is the European Union. On downward trend, the third position was occupied by the AGOA market. Taiwan's market was the lowest in 2014, gradually on the upward trend (Eswatini Revenue Authority, 2020).

Figure 6: Total SME export value (SZL) to preferential markets besides SACU

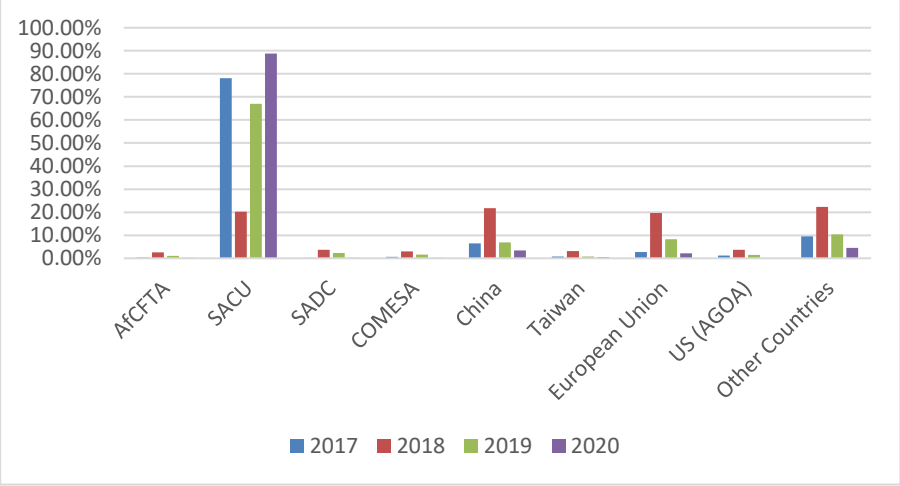


Source: (Eswatini Revenue Authority, 2020)

Figure 6 above analyses the trend of SME export revenues besides SACU. In 2014, AGOA was a significant market for Eswatini SMEs by far when put in juxtaposition with the other preferential markets all combined. In 2015 to 2017, with a very low margin AGOA markets remained above the other markets. In 2018, COMESA markets increased significantly, and further surged by 23.4 % in 2019 (Eswatini Revenue Authority, 2020).

Imports from the Preferential Markets

Figure 7: Overall value proportions of Eswatini Imports from PTA 2017 to 2020



Source: (Eswatini Revenue Authority, 2020)

The highest proportion of imports to Eswatini are from SACU (as illustrated in Figure 7 above). Other countries not part of the preferential markets combined, occupied second position. Chinese imports were third, followed by imports from the EU. Imports from the USA ranked fifth. Imports from COMESA and SADC are almost the same (Eswatini Revenue Authority, 2020).

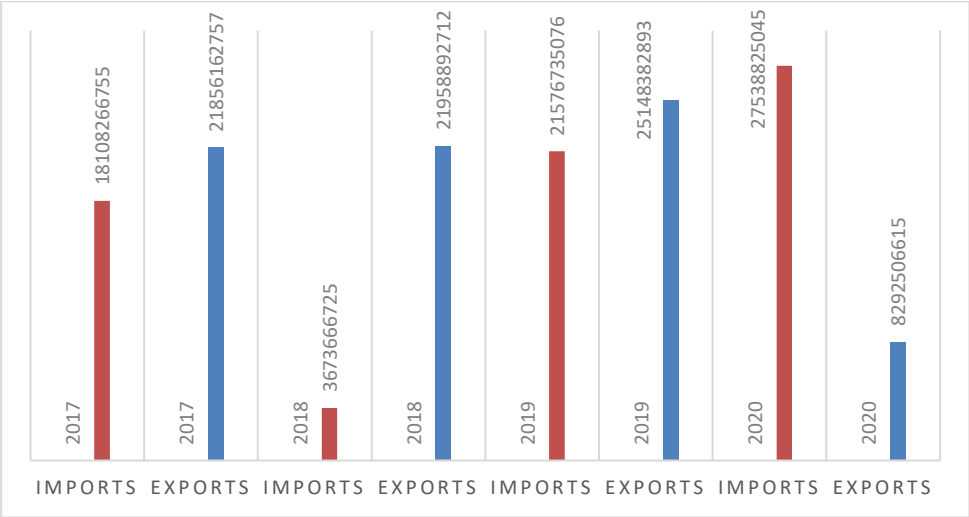
Countries within AfCFTA zone account for the least value of Eswatini imports. Mostly SACU imports do not adhere to the rules of origin protocol; most RSA imported goods are of Chinese origin. It is time Eswatini negotiates with Taiwan to open up direct trade deals with China for certain goods with reciprocity conditions. Eswatini potential benefit is so obvious since China market for the raw sugar is a potential replacement for the lost EU markets (Eswatini Revenue Authority, 2020).

Table 2: Comparison of Overall PTA Import vs Export Proportion of Trade Value

	Imports (%) **2017**	**Exports** (%) **2017**	**Imports** (%) **2018**	**Exports** (%) **2018**	**Imports** (%) **2019**	**Exports** (%) **2019**	**Imports** (%) **2020**	**Exports** (%) **2020**
AGOA	1.493	0.112	7.049	0.135	1.844	0.057	0.00	0.083
European Union	3.194	0.034	37.63	0.041	10.31	0.060	2.37	0.012
COMESA	0.739	0.095	5.81	0.232	2.06	0.249	0.18	0.316
Taiwan	0.991	0.000	5.91	0.000	1.02	0.002	0.49	0.002
SACU	93.21	13.46	38.72	12.54	83.49	11.89	96.7	11.3
AfCFTA	0.375	86.30	4.89	87.06	1.280	87.74	0.32	88.3

Source: (Eswatini Revenue Authority, 2020)

Figure 8: Eswatini Overall imports vs exports in rands



Source: (Eswatini Revenue Authority, 2020)

Comparing the total value of imports with exports in 2017, 2018, and 2019 there are more imports than exports from the following preferential markets AGOA, EU, COMESA, Taiwan, and SACU being the highest source of imports. Eswatini's largest exports go to AfCFTA countries with insignificant imports from the same countries. There was a gradual growth of exports to EU, COMESA, Taiwan, and AfCFTA. In May 2020 there were no imports from AGOA, but only a small proportion (0.08%) of exports (Eswatini Revenue Authority, 2020).

2.5.1 AGOA Preferential Trade

US-Eswatini preferential trade agreement dates back to the year 2000. Eswatini exports to the US were the highest in the years 2004 and 2005. According OECD (2005) to qualify for AGOA the country had to be classified as a Lesser Developed Beneficiary Country (LDBC), i.e. countries with per capita GNP under $1500.

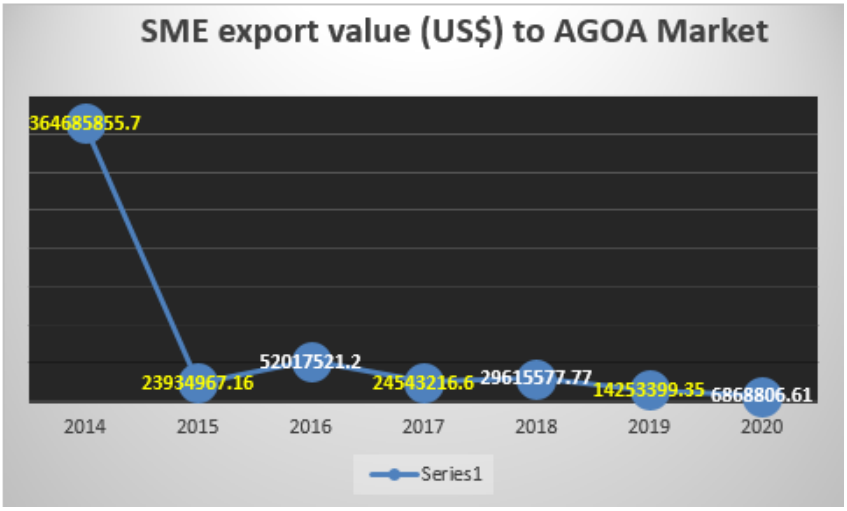
However, due to political challenges, in June 2014 the monarchy was tragically detached from African Growth Opportunity Act (AGOA) beneficiaries. The termination was caused by failure to adhere to democratic commitments, as stated in AGOA's suitability criteria. Two years later the country regained its PTA. This break worsened unemployment rate in the textile industry since AGOA was the lucrative market for textile and apparels. The new AGOA agreement is in favour of

USA through the reciprocity they benefit by $20 million more than all the 39 African countries with the exception of RSA.

Lighthizer (2018) notes that AGOA trade agreement allows for imports of textile and apparel articles, as long as they meet applicable visa requirements conditions. Amongst the African countries, only South Africa benefits meaningfully from AGOA. In 2015 exports were valued at $8.1 Billion. Recent AGOA conditions coming with the reciprocity conditions are eliminating limitations to U.S. companies trading and investing in the African countries, as well democratic progress towards political pluralism.

Ismail (2016) observes that the AGOA contributes 8-11%, a total amount of $100 – 140 Million shared in 39 African countries. Only South Africa negotiated a meaningful business deal under AGOA. Central Bank of Eswatini (2018) reports that U.S. goods exports to Eswatini increased by 38.5% in 2018, making a total of $33 million, contrary Eswatini exports to US declined by 34.9% in 2018 from previous year, with a total of $13 million.

Figure 9: SME exports to AGOA markets



Source: (Eswatini Revenue Authority, 2020)

AGOA export value for SMEs has declined drastically. As shown in Figure 9 above exports to AGOA decreased by 93.4% between the years 2014 and 2015. It is further noted, that since 2015 decline in AGOA markets were gradually on the downward trend, with 2019 recording the lowest exports in the period under observation. This was due to loss of the AGOA benefits in 2015, which were recovered in December 2017. AGOA outlook remains on the downward trend beyond 2017.

On the contrary in 2018, US imports to Eswatini were 60.1% higher than exports to AGOA, and 2019 US imports were 19.7% higher that Eswatini's exports to AGOA. Products exported to the AGOA markets are only textile, handicraft, and mining specifically quarry and coal (Eswatini Revenue Authority, 2020).

2.5.2 European Union PTA

The EU is historically an important market for the Eswatini agricultural products especially in the sugar industry, accounting for 24 – 55 percent of sugar sales alone. However, the changes in the EU domestic sugar policy have resulted in low sugar prices and returns from this market. The key changes in the EU domestic sugar policies, include the removal of restrictions for domestic sugar beet production and ending the duty free access that was previously extended to least developed countries including Eswatini. The volume of Eswatini sugar exported to Europe has significantly dropped due to a decline in commodity prices. It is expected that such changes may result in a decrease in EU imports from the country over time (Sikuka, 2019).

Smallholder farmers constituting 30% of Eswatini sugarcane growers were grossly affected by EU markets ending the quota regime in September 2017. The policy changes were motivated by increase in EU self-sufficiency in sugar production caused by the removal of sugar beet restriction, hence reduction in procurement price of sugar from the African Caribbean Pacific (ACP) countries (Rossi, 2018).

2.5.3 Asian Preferential Trade

Eswatini is the only African country with economic and diplomatic ties with Taiwan, and amongst 15 African countries that are not part of the Chinese Belt Road Initiative. Taiwan is the 22nd wealthiest nation globally, and also the 2nd safest country in the world. On the 27th of December 2018, the Economic cooperation between the two countries came into force. The agreement was that 153 export items from Eswatini have zero tariffs. Eswatini is reckoned as a trade base for Taiwan in the entire African continent. In just 11 months the trade agreement yielded US$9.82 Million, with 20 Taiwan firms had invested US$80 million in Eswatini. There were 13 000 new jobs established incremental effect on jobs (Taiwan Today, 2018).

2.6 Perspective of PTA from Significant Markets

In South Africa alone PTAs have enhanced trade by 'about 50 percent'. Moreover, financial reports released by the National Bureau of Economic Research further confirms preferential trade agreements triple effect on quantity of commodities and services traded externally (Jordaan & Kanda, 2011).

2.7 Explored opportunities to enhance Labour productivity

There are on-going debates regarding the existing PTAs and observed trends in favour of regional integration in all continents. Africa's discussions around regional integration date back as far as 1950s. Ghana's Kwame Nkrumah's approach was radical (establishing the United States of Africa), yet Julius Nyerere from Tanzania advocated for gradual integration. Five decades later Thabo Mbeki from South Africa preferred a gradual approach, when Muamar Ghadafi from Libya advocated for a radical transformation (Oloruntoba, 2016).

As observed by Abbott et al. (2019) Australian SMEs had lower labour productivity than social enterprises, and as such Australia adopted a policy where delivery of social services is placed on Non-Governmental Organizations (NGOs). In Singapore, reliance on foreign labour was noted to be the major cause of declining SME labour productivity, in resolving this challenge the country resorted to minimising workers from other countries, focus on service driven economy led by private sector. This initiative strategically increased innovation that subsequently increased productivity (Pang Eng Fong & Lim Linda, 2015).

2.7.1 Competent SMEs in Exporting around the World

Yoshino and Taghizadeh-hesary (2018) observe that with its trade significance, in Southeast Asia the SMEs economically are the backbone of a country. SMEs account for a majority (more than 90%) of the entire private-sector firms, and moreover employing 40-90% of domestic workforce in their countries. Association of Southeast Asian Nations (ASEAN) SMEs dominate all socio-economic businesses and services in the cities and peri-urban areas. Moreover, there is substantive deviation in their sectorial area of dominance by country.

Shinozaki (2012) observes that in Asia, SMEs gain significantly from regional integration. It is worth noting that, global trade and FTA can drive race and rivalry for markets everywhere. Corporate firms obviously leverage better than SMEs on new prospects and fiscal challenges encountered in local markets as well as across duty free export markets. Market failure and global melt down is not a challenge to all SME in this world. Asian SMEs (such as Japan, South Korean, Malaysia, Thailand, India, Philippines) are referred to as engines and wheels of economic growth. SMEs are crucial in subcontracting and supplying to Multi-National Companies (MNCs).

As a result of PTA, in Singapore SMEs provide an elastic skilled manufacturing base that has a way of attracting MNCs, relying on SMEs for supply chain. It has also been noted that in Vietnam alone SMEs and rural initiatives are contributory in the evolution process from a prearranged to market economy. SMEs have a prodigious presence in the service business segment in Malaysia. Indonesian SMEs are sturdy in farming. Beverages, eateries, and tobacco industry is best done by SMEs in Cambodia, yet in Philippines wholesale and retail trade is best done by SMEs (Oum, Narjoko, & Harvie, 2014).

Battisti, Jurado, and Perry (2014) argues that FTAs under good legal framework are capable of transforming a business dealing atmosphere, simplifying admittance to arcades, not only over lowering tariff barriers. In order for FTA to be apprehended, SMEs need to be keen to take up these different trading prospects. It was further noted from previous studies in New Zealand, that few SMEs grow into internationalisation or enlarge their current export venture because of FTAs.

Considering the above stated observation and given the Global Value Chains (GVCs) it can be implied that there are great prospects for the SME sector to raise its influence to the region's enlargement through greater sharing and crowding in financial resources.

2.7.2. Southern African Customs Union (SACU)

Eswatini is a benefiting member from SACU trade for Common Monetary Area (CMA) countries. SACU is currently the most significant market for the Eswatini raw sugar, accounting for 45 – 70 percent of the Eswatini (Sikuka, 2019), where in 2019 alone sugar revenues were R3.47 Billion. The economic risk dimension for Eswatini is the lowest in SACU at 0.43, but however has the highest environment mean risk of 0.58. It was also noted that distance can reduce trade by 1.54% within SACU, such that 27% trade incremental effect is ascribed to sharing the border. A 10% increase in

the economy size has an incremental effect on goods of 6.3%. A 1% increase in population has 7.46% on importer and 4.6% on exporter (Mlipha & Kalaba, 2020).

According to SACU (2012) policy there are outdated clauses and practices that need review in order for regional business to benefit optimally, and also in view of new developments in trade agreements across the continent. There is great need for SACU to reduce transaction costs faced by traders. Customs has to improve or balance its roles of trade facilitation and societal protectors as opposed to revenue collectors. With the increasing complexity of the trade rules there is pressure on customs to ensure continuous development of business processes, skills, and requirements to cope with new business practices and diverse trade agreements.

2.7.3 Africa Continental Free Trade Area (AfCFTA)

The breakthrough in the long journey towards continental integration was achieved when the presidents and distinguished Governments of countries from COMESA-EAC-SADC were unanimous in launching the tripartite FTA on the 10th of June 2015. There are 55 African states targeted to be members of AfCFTA. Its launch on the 1st of January 2021 gave hope that internal trade will improve by more than 52.3%. The total GDP of the countries that have signed up so far is $3.4 Trillion. There are currently 29 AfCFTA members that have ratified and signed as members out of 44 members, so far there are 30 countries that signed movement protocol. The target is commencing trade under AfCFTA on the 1st of July 2020. It is anticipated that upon full roll-out, the Tripartite Free Trade Area (TFTA) is expected to take advantage of the 1.2 billion people, along with a developing middle class (Tralac, 2020).

In a montage of benefits anticipated from AfCFTA Mishra (2018) outlines the following reasons to be the most imperative:

- Consumer access to cheaper products made in Africa.
- Access to cheap raw materials due to higher economies of scale.
- Empower women stuck in informal trade to access lucrative trade opportunities
- Better allocation of (labour, financial, natural) resources leading to faster economic growth.
- Increased continent trade and foreign direct financing to African countries.
- Eradication of multiple and overlapping trade agreements.
- The structural transformation from low technology-based to a knowledge-based economies.

- Stronger cooperation in technology transfer, investment, innovation and Africa-wide infrastructure development.
- There is fear that the free trade area will raise protectionism against countries outside the area.

2.7.3.1 Progress on AfCFTA

AfCFTA is operational and was launched on the 1st of January 2021, by AU chair Cyril Ramaphosa. The government of Ghana donated $3 Million towards secretariat establishment and an office was set-up for AfCFTA. The president of Ghana presented that by 31st of March 2020 the secretariat will be operational. Ghana has committed on providing office, including security systems, office furnishing, AfCFTA corporate branding, the fixing of essential elements, and information working tools. However, challenges anticipated to delay AfCFTA full roll-out are the lack of good road and border infrastructure (BusinessGhana, 2020).

'Internal trade amongst African is currently low (at 14% in 2013) as compared to trade with other parts of the globe, especially Asia, and Latin America. The Economic Commission of Africa made a strong case that if AfCFTA was to be intra Africa trade will significantly go up (Fazel Ismail, 2019).

Ismail (2019) outlines that major economies in Africa such as; Kenya, Egypt, Nigeria, and South Africa (KENSA) stand a better chance of benefiting more from the FTA, thus small economies fear tariff cuts may put them out of trade. The spirit of Ubuntu is the solution to facilitate growth for all members. Thus development regionalism was necessary before AfCFTA. KENSA and dominant firms must influence outcomes through inclusive decision making. Trade negotiations should be conducted in a spirit that encourages growth with LDCs. Collaboration on transformative industrialisation in value addition and upgrading regional value chains require teamwork on investment in regional infrastructure and cooperation in trade facilitation. Currently insurance and transport costs erode export profits for landlocked countries. Use of Public Private Partnerships (PPP) to fast track regional infrastructure development, such as the model used by TRAC special purpose vehicle during N4 toll route construction.

2.7.4 Trade Blocs and Preferential markets

Emmenegger and Marx (2019) recommended regional integration with neighbouring countries for LDCs to enjoy autonomy in trade terms with the developed countries. However, lessons can be drown from ineffectiveness of the economic cooperative ventures of the Eastern Africa Community (EAC), as well as Latin American Free Trade Association (LAFTA). These failures should send a strong lesson to the new regional integration partnerships (still at formation stage) on establishing a good foundation in terms of policies and enforcement measures.

Towards rolling-out the SADC Trade Protocol that commenced in September 2000, declared a free trade area in 2008 which is still not yet fully operational in 2019. Eswatini is part of the SADC countries, and has commitments under other agreements. SADC is a regional integration group that deals more with trade matters. These development partnerships have consequences on the enactment of the SADC trade processes, and may let down SADC RI intended to foster industrial development done jointly. Trade matters may be less prioritised than other development agendas need commitment from each country (Brenton & Kalenga, 2019).

Medvedev (2012), confirms that PTAs have good effects on net Foreign Direct investment (FDI) at national level. Deep regional integration also significantly increase net FDI inflows to both participating countries. It remains unknown how it impacts the GNP per capita and the local SME.

COMESA through the European Union supported trade for SMEs in Eswatini. The minister of Commerce, Industry and Trade secured a trade hub structure finance of 1.2 Million Euros that was constructed in Manzini. Eswatini was granted €331 246 as project support to finance the planned trade centre building, which shall serve SMEs and women informal trade. This facility will go a long way towards poverty eradication at grass root level, and making the un-bankable bankable. Informal traders engaged in exports and imports are mostly women. The other amount of €854,643 is for two tranches and project support (Gakunga, 2019).

2.7.5 Constraints faced by SMEs regarding Foreign Markets

Battisti et al. (2014) recommends that SMEs have to recruit managers with an understanding of international trade, enter in partnerships with good abilities of making friends, understanding multicultural behaviour, and multi-language expertise for survival in preferential markets. Lack of exposure and ignorance of how trade is conducted beyond the borders is a limiting factor to SMEs.

There is lack of promotion on opportunities to the local business owners, as such most SMEs do not take advantage of the preferential trade facility.

Thomas and Marandu (2017) observed that in spite of political pronouncements and launching of regional economic integration, intra-regional trade is still ineffective and unbalanced in Africa. Intra-regional trade remains restricted (below 20%) and unbalanced (with selected countries benefiting). It is surprising to note that within the SACU region, non-tariff trade barriers are still negatively impacting smaller economies. In a qualitative study conducted in Botswana with small-to-medium sized enterprises, findings reveal that SMEs have not benefited meaningfully from the integration yet, South Africa, the trade hub is dominating the region.

2.8 Theoretical Framework

2.8.1 Marxian Theory

This study has benefitted from the Marxian theory and Neo-classical economics. Marxian theory emphases on importance of labour in growth of the economy, thus the study used LP to access economic impact of PTAs. It further criticises the laissez-faire classical economists theory developed by Adam Smith, by arguing that capitalists (ruling class) exploit the working class through extracting value (Kenton, 2019). Neoclassical economics is commonly used in the modern society since it emphasises profit maximization and individual prudence. It is built on the principle that every individual will use all means at their disposal to optimise personal satisfaction. The theories are used in planning, policy making, and business decision making. Coase in his comparative institutional study presented; “it is strange how poor decisions made by government turnout as market failure” (Journal, Jun, & Hodgson, 2018).

The recent fiscal policy in Eswatini has adopted the Switzerland economic growth style, where the Swiss democratic voters made a puzzling outcome of not taxing the super-rich in the year 2015. The interest groups effectively influenced the voters against the policy that ought to fund redistribution. In endeavour to lure foreign investors, Eswatini reduced MNC and big corporate tax to 12%, yet income tax rate for SMEs remains at 28%. Marxian theory critiques classical economists theories and capitalism (Emmenegger & Marx, 2019).

The effects of globalization and international competitiveness have necessitated the need for qualified employees and investment in technology. Considering shared risks arising from the socio-

economic sector, these developments have created the need for advancing leadership development of developing countries through policy coherence (Szabo, Šoltés, & Herman, 2013).

2.8.2 New International Economic Order

LaFayette and Hossain (2015) narrates that since the less developed countries, were not benefiting from the initial preferential trade terms, there were discussions made in Africa, Caribbean and Pacific countries on how they can benefit from the trade agreements. There was further evidence noted by both Central African Customs and Economic Union (CACEU) in different scenarios, and Central American Common Market (CACM) that economic integration has incremental effect on LDBCs ability to conduct mutual beneficial trade.

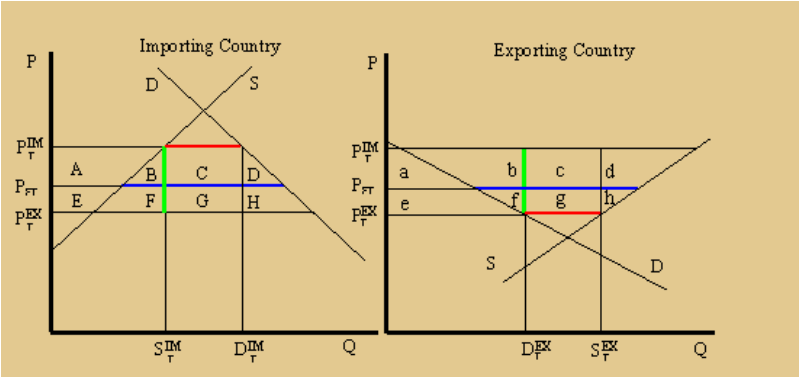
The New International Economic Order (NIEO) in 1974 was established with an agenda to facilitate negotiations between countries from the North and those from the South. NIEO required that countries from the North-South should negotiate that; (1) Proper strategies to improve transfer of real productive resources to the developing countries should be in place. (2) Total removal of trade barriers, (3) Significant decrease of price and supply, (4) Removal of price instabilities of certain commodities, (5) Advocate for radical changes of the global monetary system, and (6) formulation of strategies to enhance industrialisation in the poor countries. The LDBCs believed that viable and equitable economic order was based on the idea that such a new system would enclosure economic growth and advocate for equal sharing of natural resources amongst humanity(Laszlo, Baker, & Eisenberg, 2017).

Developing countries proposed a non-reciprocal preferential agreements to benefit the poor countries. However, the developed countries refused the proposal, disputing that this initiative would then lead to complex customs administration. In 1975 about 150 third world countries in Lima, Peru passed an agreement that 25 percent share the world industrial output. USA was the only country against that initiative. The following year, the US decided to establish International Fund for Agriculture Development (IFAD) through an agreement that the OECD nations should increase foreign aid to the LDBCs. They were unanimous that the Organization of the Petroleum Exporting Countries (OPEC) and developed countries should contribute 0.7 percent of their GNP every year to sustain IFAD. In 1976, a $1.2 Billion fund was launched where oil rich countries would contribute 50-50 ratio with developed countries (Laszlo et al. 2017).

2.8.3 Effects of PTAs on both Importing and Exporting Country

Bhangwati et al. (1999) outlines differential policy issues analyses of the two regionalism (first 1950s, and second 1980 regionalism). They gave reasons why the differences were a success. On static welfare analysis of PTA there are two main concepts; trade diversion reducing welfare, and trade creation that is improving welfare.

Figure 10: Trade Creation and Diversion effect



The red line shows the negative terms of trade effect

PTA price of imports and exports is shown as the blue line segment

Tariff rate would be green line segment

P_T^{IM} - Import Price
P_T^{EX} – Export Price

Source: (Suranovic, 2012)

The 'importing country' graph above presents the harmful effect of PTA to country due to trade diversion. If prices of imports are higher than the price of exports, this creates discrepancy in the balance of payments. It further states that even though supply price of one country is high the demand for her commodity will be higher than that other country with a cheaper price (most efficient production standards). The green line gives the size of the price difference, which is the tariff rate (the difference between import and export price is huge. The red line gives imports supply and demand quantity difference. The blue line is the PTA price rate, which falls in between the import and export price (Suranovic, 2012).

In the 'exporting country graph,' the PTA exporting price is adjusted above the normal export price when there are no preferential agreements. The blue line is above the demand-supply equilibrium. The blue line represents the diversion into a less efficient supplier from a competent supplier. As the demand of a good increases in an importing country, results in the domestic price of the same good increase in the exporting country. Suppose the importing country increases the tariff, the price of similar goods in the exporting country will fall to P_T^{EX} (Suranovic, 2012).

Jacob Viner in 1950 confused PTAs with customs union in an attempt to find optimal trade agreement and since he put focus on static welfare of PTA outcomes. Interest on PTA came again in 1980 when USA embraced PTAs. PTA was viewed by most economists as a tool that was against the concept of trade liberalization in favour of multilateral system. Analysis was done using the static approach and the dynamic time path.

2.9 Legal Implications of the Preferential Agreement

Darku and Appau (2015), argue that the foundation of successful trade agreements and investment is within a proper lawful framework, well-matched with dictates of modern-day trade structure. PTA, FTA, and or regional integration partnerships require that all participating states take time to harmonise their trade, legal, and monetary policies. In order for the African Economic Community (AEC) to achieve Africa Union (AU) objectives, all African countries have to abide by the principle of "Interstate Cooperation". This is the wise principle of harmonisation of policies, laws, guidelines, and integration of programmes.

Thomas and Marandu (2017) observed that the reason SADC is not effective emanates from REC's secretariat lack of legislative power to enforce treaty obligations. SADC has to enforce macro-economic policies, implement tariff reductions, and take radical steps on non-tariffs that still persists. Botswana traders have observed that when importing products from South Africa, about 70-90% of the instance discover that the products are imported from either China, India, East Africa, or Brazil, yet rules of origin are imbedded in the regional integration.

2.10 Empirical Literature

2.10.1 Recent Trends on PTAs

Cheong, Kwak, and Tang (2015) observe that the intercontinental PTAs were unevenly distributed across the globe, and as such are only covering 11%. The landscape of PTAs is rapidly changing with introduction of FTA, and more so now that developing countries are leading this transformation. The developing countries have recently shown interest in reciprocal arrangements as divergent to single party driven ones just like Generalized System of Preferences.

Developing countries are recently motivated by the prospect of access to a bigger and more flexible export market. Traditional PTA have been discredited by the fact that they put more emphasis on compliance with procedures set by one party (countries from the North). By forming FTAs,

developing countries increase their bargaining power, earning a collective voice contrast their ability to negotiate unfavourable terms from their richer counterparts, change is inevitable.

2.10.2 Effect of Tariff Removal on Importing and Exporting countries

According to Suranovic (2012) 'a tariff is a tax, or it is often used as a strategy to protect a country's local business from import competition'. This tax is imposed on imported goods and services. Tariffs have been used by countries for many years as a form of revenue collection. Tariff rates in developed countries are on average less than ten percent, yet generally tariff rates in developing countries are less than 20 percent. They are often high rates on agriculture commodities especially with LDBCs. Tariff rates in the USA are 3.6%, European Union 4.3%, China 9.95%, India 15%, and Egypt 17%. Following the Doha Round most countries are significantly lowering the tariff rates. However, since its taking long for countries to implement the tariff liberalization, free trade is now referred to (by many developing countries) as an 'old joke', or and GATT is referred to as 'General Agreement to Talk and Talk'.

Tariff effect on a small country is that the price of that commodity will increase by the tariff charge. Consumers of the commodity in the importing country are made worse, if the tariff remains effective. Contrary to that the government gets revenue that can be used to provide services. The producer on the other hand benefits from increase in commodity prices, hence they enjoy producer surplus (Suranovic, 2012).

2.11 Chapter Summary

The impact of preferential trade agreement on economies growth is notable, however the benefit of SMEs on preferential trade has not been fully explored. It is obvious from the literature review above that preferential trade has an incremental effect on both trade partners especially the economy of the importing country. In Eswatini, it is not known how SMEs have been impacted by internationalisation, competition, value addition and economic growth. Lack of information on international trade, limited finance, and competitiveness have been a limiting factor to exporting SMEs in many developing countries.

It is quite interesting to note how developed economies have used preferential markets to take advantage of the world economy. Colonisation was the cruellest form of extracting raw material from LDBCs, through the international humanitarian organisations (such as UNCTD), and

preferential treatment granted to the developing countries. Initial preferential trade agreements came with political conditions to the exporting countries. Developing countries do not seem to be comfortable with some of the conditions, hence PTA has evolved to FTA. The countries from the North have a way of taking advantage of the cheap unskilled labour rates in Eswatini through these agreements. However, the country has not done proper analysis of PTA terms, and negotiated enough to benefit optimally.

The concept of free trade area and regional integration is proving to suit the developing countries perfectly well. FTAs also ensure sustainable markets, if only necessary policies and enforcements are in place. Government reports and Research Institutions confirm that FTA are giving comparative advantage to developed nations, following that emerging economies have combined FTA with capacity (skill and financial) support for their SMEs to be competitive in global exports. The most effective tool used is information sharing systems. However, the fact that preferential markets are withdrawn from Lesser Developed Beneficiary Countries (LDBCs) if they grow to middle income state, this then sends suspicion that there is some element of exploitation in preferential trade.

Chapter 3

Methodology

3.1 Introduction

This research methodology outlines the research design employed by the researcher to effectively address research objectives and questions. It outlines the sampling strategy, methodology for primary data collection, and explained data analysis approach used for the study. This chapter explains how normality tests, data reliability and validity were conducted. Furthermore, the researcher gave details of ethical consideration, and finally justified the importance of the study.

3.2 Research Design

The study employed the mixed method research (MMR) design simple to merge results for comparison purposes and explanation. Qualitative data was used to explore the perceptions of SMEs on the preferential markets, skills obtained, and value addition as a result of the PTA. The quantitative data displayed the extent of economic benefit that trickles to the SMEs through variables used elsewhere to enhance sales growth. In order to effectively meet the objectives, the study used a labour productivity model, through using a non-experimental study approach to establish a correlation. The quantitative aspect was crucial since it brought the statistical analysis of financial inflows obtained from primary data from exporting SMEs (Creswell, 2015).

The researcher chose the convergent parallel MMR design model which was found to be the ideal response for the research questions. Another intention was to obtain difference by matching data on effects of preferential markets on SMEs, through taking advantage of varying weaknesses and noted strengths such as trends and large sample size for quantitative methods, as well as detailed information, yet small sample size for qualitative method. There was limited time and also the researcher felt results from either method hold same value in understanding the problem (Creswell and Clark, 2007).

As observed by Leacock, Rose, and Warrican (2009), “typically under qualitative method the explanatory research type which involves the collection of narrative data, done by interviews, in addition the researcher made observations and gathered textual data from existing documents, reports, photographs, and journals”. The mixed method provided an opportunity for researcher to analyse other benefits that will be provided using empirical data, yet qualitative research captured

the perception and non-financial benefits realised by SMEs because of the trade partnerships. Considering the numerical and narrative data, a convergent parallel design approach was handy as the researcher integrated findings from both approaches.

3.3. Sampling

Under sampling the researcher conducted sampling strategy, data collection, quantitative, and qualitative analysis.

3.3.1 Sampling Strategy

The target SMEs for primary data were 64 SMEs trading in preferential markets. To obtain primary data a quantitative survey questionnaire was administered through a link with 42 SMEs exporting and 22 subcontracted under preferential trade agreements (Onwuegbuzie and Collins, 2007). Managing directors, human resource personnel, managers, and accountants were qualifying respondents targeted for the questionnaire response. Labour productivity was obtained using nine quantitative variables. The challenge was the availability of respondents since the whole nation was under curfew from the corona virus pandemic. Secondary data that enriched the literature review on SME exports to PTA was requested from Eswatini Revenue Authority (ERA).

The sampling strategy for the qualitative aspect of the research targeted the phenomenology techniques. According to Bryman and Bell (2016) a non-probability sampling strategy, ‘where a sample selected by a method based on the theory of purposive, in this case the choice of participating firms for their unique characteristics, the SMEs doing business in the preferential market platform’. In the interviews SMEs were requested to share a proposal to help them reap more benefits from the trade platforms.

3.4 Data Collection Instruments

Means used to gather quantitative data were a questionnaire. The questionnaire was sent to 64 targeted SMEs that export to preferential markets. The researcher developed a web-based questionnaire that had a survey link, shared through emails, WhatsApp, and Facebook messenger accounts for SME directors. Close-ended questions were developed by the researcher requesting information around the variables of labour productivity obtained from literature. The questionnaire was uploaded on-line using google forms. Upon completion of the questionnaire the respondents

clicked the submit button, hence the fully completed questions were saved in the researcher's google account (Johnson and Christensen, 2017).

Ensuring effective collection of qualitative data Leacock et al. (2009) advised on using an interview to answer precisely to the purposes of the research. A standardized open-ended questionnaire was designed in line with the research objectives to guide the interviews conducted with the SMEs. The researcher used a combination of telephonic and face to face interviews. A sample size ranging between 3 and 10 SMEs were interviewed. The intention was getting the perspective of the SMEs on the PTA. Ensuring convergence and clarification of responses, officers from the key institutions were interviewed as key informants.

3.5 Quantitative Data Analysis

The impact of PTA exports analysis in Eswatini will gave a numerical value representing the reality of preferential markets effect. The techniques employed are modelling statistically, and mathematical analysis of primary data obtained through an online survey.

3.5.1 Analysis of Quantitative Variables

The model measured the SME economic growth using firm labour productivity. Independent variables used were outlined in empirical studies.

3.5.1.1 Empirical model

Based on a neoclassical economic growth model Cobb-Douglas established a production function. The model combines three factors, labour, capital, and technology to analyse economic growth:

$$Y_{it} = AK_{it}^{\alpha} L_{it}^{\beta} e^{x_{it}} \quad (1)$$

Y_{it} was the total output, which is a vital economic indicator closely associated with economic growth, living standards within an economy, and competitiveness. A was a constant term, K_{it} was capital, and L_{it} was labour for businesses *i* at specified time *t* and x_{it} being possible factors grouped together, which affected employment output, respectively. Constant elasticity coefficients of production across firms were $^{\alpha}$ and $^{\beta}$. Assumed constant production factors across firms are; α, and β the elasticity coefficients (Kyophilavong, 2008).

$\ln Y_i = \ln A_i + \alpha \ln K_i + \beta \ln L_i + \varepsilon_i$ … (2)

Y_i the sales growth or total factor productivity is affected by factors such as human capital, technological improvement, director's age, firm size, and preferential trade revenue. Dummy variables were characterised by switching to various parameters, turning on and off hence affecting total factor production. Dummy variables were external financing, technology, family firm, networking, tax, capacity building, and other unobservable factors. The X_{it} group of possible factors was expressed as:

$X_{it} = f$ (PTR, QUA, SIZE, AGE, Techn D_1, NtwrkD_2, Cap BldD_3, FinD_4, FmlyD_5, TaxD_6) … (3)

The linear regression model is specified in equation 4 as;

$$ln(LP)_i = \beta_0 + \beta_1 ln(PTR)_i + \beta_2 ln(CAP)_i + \beta_3 SIZE_i + \beta_4 QUA_i + \beta_5 ln(AGE)_i + \beta_6 TechnD1_i + \beta_7 NtwrkD2_i + \beta_8 Cap - BldD3_i + \beta_9 FinD4_i + \beta_{10} FmlyD5_i + \beta_{11} TaxD6_i + \varepsilon_i \quad \ldots (4)$$

Where, ln and i denotes natural logarithm and the SME respectively; LP is labour productivity; PTR, CAP, SIZE, QUA, AGE denotes preferential trade revenue, capital intensity, SME size, qualification of directors, and directors age respectively. TechnD1, NtwrkD2, Cap-BldD3, FinD4 and FmlyD5 represented Technology, Networking, Capacity Building, External financing and Family firm respectively. ε was the error term or unobservable variables (Barrett, Shahiduzzaman, & Kowalkiewicz, 2018).

3.5.1.2 Description and Measurement

Considering the econometric model, the variables considered by the researcher to obtain the effect of SME preferential trade treatment (whether directly or through subcontracting). The independent variables were CAP, SIZE, QUA, AGE, PTR, Techn D_1, Ntwrk D_2, Cap Bld D_3, Fin D_4, Fmly D_5, & Tax D_6, yet the dependent variable was LP. The dummy variables (control variables) were used to differentiate treatment groups, where in this study the control group was 0, when the treated group represented by 1 (Chisasa & Makina, 2015).

Dependent variable

Labour Productivity (LP) labour productivity was expressed as total sale value per employee, having strong correlation with firm sales growth. In this study increase in sales growth implied increase in SME economy. Several studies in the UK were unanimous in that for SMEs high firm labour productivity made, the firm grows faster in sales. Total factor productivity (TFP) is directly connected with sales growth, knowledge economy, innovation, effects of incentives (minimum wage), and Research & Development (Barrett et al., 2018).

Independent variables

PTR is the preferential trade revenue of the firm. This variable will ascertain if the highest source of SME revenues are from PTAs or domestic market. The various PTA are not offering the same foreign currency value and prices. Studies have proven that SMEs involved in international trade without tariffs are more productive than firms targeting domestic market, or trading at global price (Wang, 2016).

CAP was capital intensity (K/L) computed as the total fixed assets divided by the SME number of employees. Firms with high capital intensity also have high LP since availability of resources improves productivity. Following the hypothesis that preferential trade agreements have improved economic value, the researcher expected CAP to be positive.

SIZE - firm size in Eswatini was measured through computing the hired staff, as well as the asset value, where this variable was imperative to put the SME in the right category (micro, small, and medium). According to empirical findings preferential markets were regarded as yielding significant impact if the number of employees have grown by at least $1.2^3 = 1.728$ times more in a 3 year period. The researcher expected this variable to be positive (Wang, 2016).

QUA – qualification of directors; a variable essential in promoting labour productivity. Other studies have observed that highly skilled labour and effective leadership is more productive. In the same manner a firm with highly skilled labour has high technology adoption and intangible spill over effects (such as strategic management). This variable considers if executive management or senior staff has completed school, vocational, and tertiary training relevant for the trade to be effective.

AGE of the firm director. This variable captured the maturity of the firm directors through their age range, hence the more years the more experience, the firm was expected to be productive. In view

of the firm director's average age (correlated with high financial discipline) we expected this to be positive effect in Eswatini (Roger and Wasmer, 2012).

Technology (**TechnD1)** was a dummy variable; (Technology) if there was a new technology required to meet increasing demand (new technology solicited) score was 1 and 0 for none. Information, communication and technology (ICT) has been observed to significantly increase labour productivity through enhancing communication with customers, reducing transaction costs of business, expands networks, improves quality and quantity of production (Barrett et al. 2018). A variable contributing positively to impact on firms' labour productivity. Use of innovative technology in production, improves economies of scale (Aquilina, Klump, and Pietrobelli, 2006).

Networking **(NtwrkD2)** was a dummy variable; (Networking) if management established a strong business network with foreign markets, and continuously negotiates with new partners, the score is 1, and 0 for other. A variable contributing positively to impact on firms' labour productivity through increased knowledge sharing.

Capacity building (**Cap-BldD3)** was a dummy variable, (Capacity building) if the business got training from partners, market, and government (on process and product quality, market standards, competitiveness, R&D outcomes, and use of technology), the score was 1 and 0 for other. Capacity building ensures sustainability of the SMEs, may have positive effect on labour productivity (Love & Roper, 2013).

External Financing **(FinD4)** was a dummy variable, if there was external financial support for the firm the score was 1 and 0 for other. This variable has a positive effect on production. Financial support has positive effect on profitability, improve performance, and procurement of production equipment as observed by Wang (2016).

Family firm **(FmlyD5)** was a dummy variable, its value is 1, if the directors or owner managers are family members and 0 for other. There is a Germany study observing that family firms take advantage of opportunities and organisational innovation. However, family firms are not open to export trade when put in juxtaposition with their counterpart firms expects family firm cause market sustainability on exporting firms (Bresciani, Thrassou, & Vrontis, 2013).

Tax **(TaxD6)** was dummy variable, outlined if management respondent confirmed that the proportion of tax paid affects sustainability of the firm the score was 1, and 0 for other. This variable had negative effects on LP. Tax rates in most African countries are noted as obstacles by the World Bank through enterprise survey (Wang, 2016).

ε error term: was the sum of all unobserved variables that impact SME growth.

Table 3: Description of regression variable measurement and symbols

Variable	**Measurement**	**Symbol**	**Expected relationship**
Dependent Variable			
Labour productivity LP	Measured as value added (sales - cost of material & service) per full time worker (employee)	LP	
Independent variable			
Preferential Trade Revenue	Proportion of SME revenue obtained from PTA compared revenue from local sales	PTR	Positive
Capital Intensity	Rating by respondents in a Likert scale	CAP	Positive
Size of SME	The size of the SME will be determined through number of employees.	SIZE	Positive
Qualified Staff	Requesting highest academic qualification level of firm directors,	QUA	Positive
Directors Age	The age range of firm directors obtained from questionnaire responses	AGE	Positive
Technology	If new technology used to enhance production because of trading in preferential markets chose 1, and 0 for other	Techn (D1)	Positive
Networking	Respondents asked if firm has established relationships with distribution market and creates new partnerships chose 1, and 0 for other	Ntwrk (D2)	Positive
Capacity Building	Respondents asked on trainings obtained from partners, market, or government agency on product quality and competitiveness chose 1, and other 0	Cap-Bld (D3)	Positive
External Financing	SMEs receiving external financial support chose 1, and other 0	Fin (D4)	Positive
Family Firm	If firm Directors are family members the response is 1, and chose 0 for other	Fmly (D5)	Positive
Tax	Chose 1 if firm profitability affected after paying taxes and chose 0 for other	Tax (D6)	Negative

3.5.2 Estimator approach

The least of squares were used for estimating variations for all the equations numbered 1 to 4 above, an attempt to minimise the sum of squares residuals (SSR). When the sum of the residuals is equal to zero, the linear regression line is a true representation of the distribution. The goodness of fit model was used to conduct the assessment. SSE (estimated variation in dependent variable) was used to explain how much of the variation is explained by the model. SST (the true variation of dependent variable). Therefore, the goodness of fit will tell us how much we have explained using our regression R^2 = SSE/SST. The higher the R^2 the better the goodness of fit (Keller, 2018).

3.5.3 Normality Test

A descriptive statistics was conducted to remove errors and ensure data cleaning. Kurtosis and Skewness was used to measure visual representation and resistant statistics of data distribution. It was established that the distribution LP is leptokurtic (a distribution with more values at the tails and mean) at 9.7, yet the independent variables PTA, Size of firm, qualification of director, age of director, technology, network, external finance, capacity building, family firm, and tax are all distributions in platykurtik (has thinner tails than normal distribution since kurtosis value is negative). Considering skewness all variables attained normality, except the dependent variable labour productivity (Guest, MacQueen, and Namey, 2012).

3.6 Qualitative data analysis

The observed non-numeric data was analysed, accurate data was ensured reliability and validity tests.

3.6.1 Analysis of the Qualitative variables

Upon interviewing the exporting SMEs as well as marketing agencies, the researcher familiarised himself with the data. Considering the research questions, themes were identified, then clustered related codes into groups establishing themes, the researcher compiled the story of the SMEs on how firms were positively or negatively impacted by involvement in the preferential trade powered business deals.

A relational analysis was conducted for the narrative data gathered through the interviews upon grouping of thematic issues. Its core method was deductive for the purpose of assimilating,

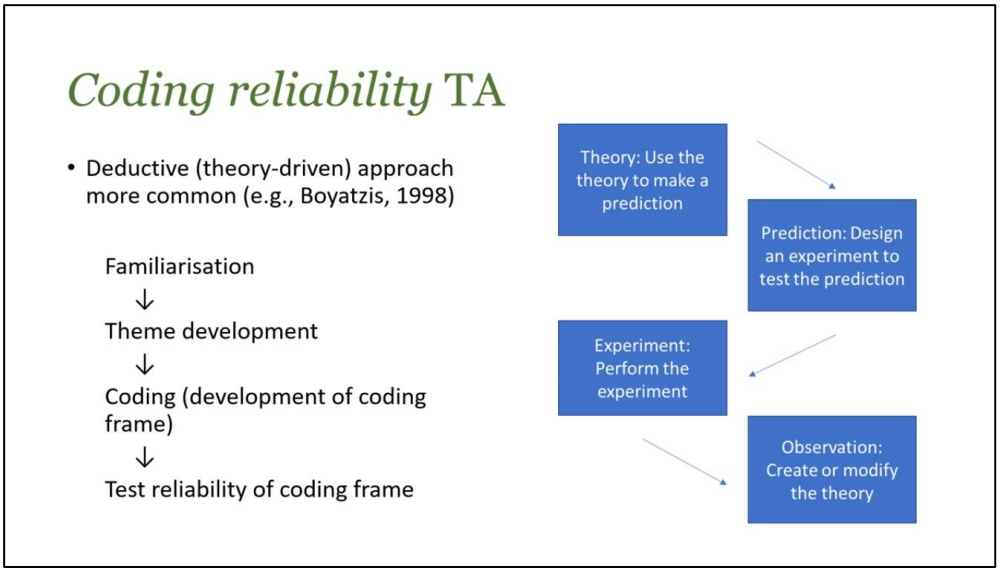
collecting acuities, interpreting observations made, and related results with the influence of preferential trade considering variables established from the research objectives. Instead of patterns of shared meaning, themes were viewed as domain summaries. The researcher generated themes instead of searching for themes. Based on the premise of tripartite approach (consisting of codebook, coding reliability, as well as reflexive methods), code reliability was selected in this study. The themes were perceived benefits, PTA observations, cost of production, systematic problems, improved policy and regulations, proposed incentives, and negotiation points (Braun and Clarke, 2019).

3.6.2 Reliability and Validity

Reliability for qualitative data is often a challenge in most research work, hence the researcher made it a point it is properly done in this research. Reliability is defined as ‘an assessment of the degree to which data collection technique produce steady results was done’. Matching with similar observations made prior, considering suppositions reached at by other researchers. A transparent approach in how logic was made from the raw data was systematic and tested using the code reliability (Saunders, Lewis, & Thornhill, 2009).

Code reliability theme analysis approach followed the structure shown in the figure below where themes were developed from codes based on the deductive approach employed by the researcher through developing questions from the themes from theory that further addressed the concerns of the research question. A deductive approach was employed in analysing open ended interview questions. To augment the validity the identified themes were labelled with quotation extracted from the interviews (Guest et al., 2012).

Figure 11: Thematic Analysis Model used



Source: (Braun & Clarke, 2019)

Familiarization with Data

Upon conducting interviews with the SMEs the buried treasure was uncovered through the backward and forward process of reading and engaging with the data responses. The notation system was employed for items of interest, linking them with previous findings within the discipline the researcher was as inclusive as possible (Braun & Clarke, 2019).

Theme Development

Upon coding and collating all data, this phase begins to happen. The central organising concept for themes was the objective of establishing perception of SMEs on preferential markets with the intention to optimise their benefits. These were used to develop interview questions that were used to gather responses that were then put as codes. The framework emphasises that the researcher did back and forth processes upon developing the themes (Nowell, Norris, White, & Moules, 2017).

Coding

The interesting statements, challenges, observations, concerns, and proposals made by the respondents were labelled as codes. They were given different colours that were eventually used to group them under the themes. The accuracy coding standard was employed following that, a gold standard coding scheme was established on the basis of theoretical framework (Campbell, Quincy, Osserman, & Pedersen, 2013).

Test reliability of coding frame

The level of agreement on the effect of each code on firm was used to confirm reliability. If more than 75 to 80% of the interviewees mentioned that code, it was deemed a multiple relative code. On another note reliability was also based on link of theme with previous study findings. The positivist approach was employed by the researcher in establishing reliability of the themes (Braun & Clarke, 2019).

3.7 Pilot Study

The qualitative and quantitative questionnaires were each pilot tested with two SMEs who were not targeted for the preferential trade study. The rationale for conducting a pilot was to assess the tool to ensure that the questions are coherent and also to ensure the tools would collect the intended information in line with the study objectives. The pilot test was conducted with SMEs that have the same interest with those targeted (Turner, 2010).

3.8 Considerations Ethically

The researcher gave the respondents (SMEs and targeted institutions) the right to privacy. Regarding the secondary data on trade volumes, financial information, the institutions were not compelled to share the actual names of the exporting firms. The SMEs had the right to anonymity, especially with their management accounts. ‘Firms were assured that the information shared was only used for the purpose of this study’ (Mushoriwa, 2007).

Key institutions received letters requesting access to export data (stating variables key to achieving the objectives). All participating SME directors either responded, or requested senior officers to complete the web based questionnaire, signed an agreement form to prove they agreed to share classified material. The researcher explained to each interviewee that he/she had the right to stop the interview if they were not comfortable to respond.

Chapter 4

Results, Discussions, and Interpretation of findings

4.1 Introduction

The following division outlines findings, study results, as well as interpretation discussions obtained from the survey conducted on impact of preferential markets on SME economy growth in Eswatini. Results discussed include the regression analysis (Cobb-Douglas model) and the qualitative analysis of respondents.

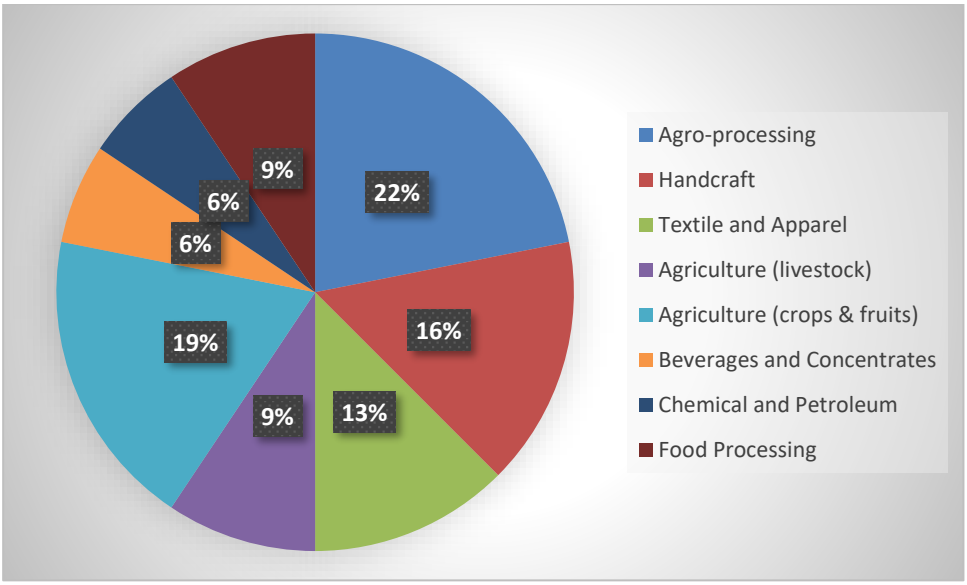
4.2 Rate of Response

There were 64 SMEs targeted with survey questionnaires for evaluating economic impact of preferential markets in country. The web-based questionnaire was shared with 76 SMEs. Out of the 76 SMEs, 32 submitted fully completed survey questionnaire. 33 never responded since their operations were grossly affected by the corona virus lockdown. Eleven respondents submitted incomplete questionnaires. The tool (quantitative questionnaire) administered through a web-based link sent through email and social media (WhatsApp and Facebook messenger). Interviews for the qualitative questionnaire were conducted with 12 SMEs (7 face to face and 5 telephone).

4.3 Demographics of Respondents

Figure 12 below shows the distribution of respondents across industry sectors. There were 22% respondents from agro-processing, 16% from handcraft, 13% textile and apparels, 19% agriculture (crops and fruits), 9% agriculture (livestock), 9% food processing, 6% Beverages and concentrates, and 6% from chemical and petroleum.

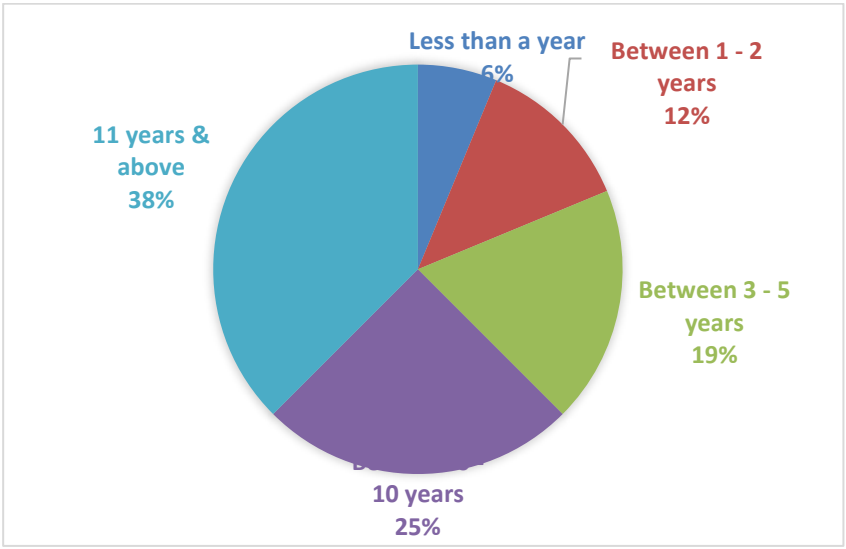
Figure 12: Category of respondents by industry



Source: Candidates design from survey (primary) data

Considering Figure 13 below, most (38%) of the respondents are firms that have exported to preferential markets in the last 11 and above years. 25% of the respondents have been exporting to PTA for the last 6 to 10 years. SMEs participating in the survey that happen to be trading in preferential markets in the last 3 to 5 years are 19%. 12% of the respondents have been exporting to PTA for the last 1 to 2 years. Only 6% have traded in this (PTA) platform for less than a year.

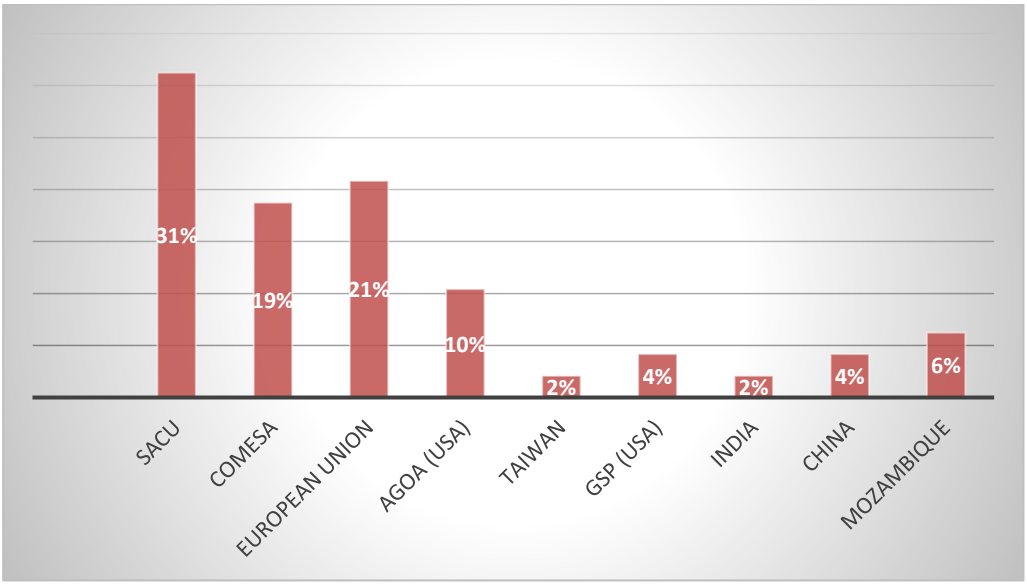
Figure 13: Period firm exporting to the preferential market



Source: Candidates design from survey (primary) data

In Figure 14, markets for SMEs participating in this study are as shown in figure 3 above. There are 37.5% SMEs exporting to more than one preferential market. Amongst the respondents, the most significant market was SACU 31%, European Union 21%, COMESA 19%, USA (AGOA 10% and GSP 4%), and Taiwan 2%. Other markets for SMEs are Mozambique 6%, China 4%, and India 2%.

Figure 14: Proportion of markets for the respondents



Source: Candidates design from survey (primary) data

4.4 Quantitative Findings

After conducting the regression analysis, the findings were analysed considering the obtaining relationship between dependent (LP) and independent variables. The regression statistical tool was used to analyse the primary data gathered through the web-based questionnaire. The descriptive statistics presented volatility of each variable, collinearity assessed using a collinearity matrix, and the regression analysis presented in a model summary table.

4.4.1 Descriptive statistics

In view of the descriptive statistics results in Table 4 below, it can be concluded that labour productivity (LP) show high volatility (mean = 6.7, standard deviation = 11.5), since standard deviation is higher than the mean. And also because the difference between minimum and maximum is very high (Min = 0.2, Max = 53.2). The size of firm (SIZE) has high volatility since its standard deviation (17.1) being greater than the mean (16.8), a huge difference between minimum (1) and maximum (48), implies that for Eswatini SMEs, firm size is not a reliable variable that can either

improve labour productivity or significantly reduce it. Mahmood (2008) observed that growth in firm size (number of employees) does not have direct relationship with growth in labour productivity for Australian SMEs. He further observed that for SMEs employment growth effects on LP varies by business sector.

Preferential trade revenue (PTR), capital intensity (CAP), qualification of SME directors (QUA), age of directors (AGE), technology (D1), networking (D2), capacity building (D3), external finance (D4), family firm (D5), and tax (D6) all do not show high volatility, hence they do contribute to increased labour productivity.

Table 4: Descriptive Statistics

	Mean	Median	Mode	Std Dev	Kurtosis	Skewness	Range	Min	Max	Count
LP	6.7	3.0	1.0	11.5	9.7	3.1	53.0	0.2	53.2	32.0
CAP	3.7	4.0	4.0	1.1	0.0	-0.6	4.0	1.0	5.0	32.0
SIZE	16.8	9.0	1.0	17.1	-1.3	0.6	47.0	1.0	48.0	32.0
QUA	3.3	3.5	5.0	1.6	-1.5	-0.2	4.0	1.0	5.0	32.0
AGE	46.0	47.5	48.0	8.4	-0.1	-0.3	35.0	25.0	60.0	32.0
PTR	2.4	2.0	2.0	1.1	-1.3	0.2	3.0	1.0	4.0	32.0
Techn (D1)	0.6	1.0	1.0	0.5	-1.8	-0.5	1.0	0.0	1.0	32.0
Ntwrk (D2)	0.5	0.0	0.0	0.5	-2.1	0.1	1.0	0.0	1.0	32.0
Cap-Bld (D3)	0.7	1.0	1.0	0.5	-1.6	-0.7	1.0	0.0	1.0	32.0
Fin (D4)	0.5	1.0	1.0	0.5	-2.1	-0.1	1.0	0.0	1.0	32.0
Fmly (D5)	0.5	1.0	1.0	0.5	-2.1	-0.1	1.0	0.0	1.0	32.0
Tax (D6)	0.6	1.0	1.0	0.5	-2.0	-0.4	1.0	0.0	1.0	32.0

Note: LP= Labour productivity; CAP=Capital intensity; SIZE= Size of SME; QUA=Qualified staff; AGE= Owners age; PTA=Proportion of SME revenue from PTA; Dummies; Techn (D1) = Technology; Ntwrk (D2) = Networking; Cap-Bld (D3) = Capacity Building; Fin (D4) = external Financing; Fmly (D5)= Family Firm: Tax (D6) = Tax; Std = Standard; Dev= Deviation; Min= Minimum Source: Candidates design from survey (primary) data

4.4.2 Correlation analysis

The results of the multi-collinearity analysis from the correlation matrix in Table 5 implies that collinearity between the variables are within the acceptable range, therefore all variables were used for the empirical analysis. In interpreting this matrix the direction ranges from -1 to 1. The strength

of the correlations among variables represent the following relationships; 0 to 0.1 (green) represents poor correlation, 0.1 to 0.5 Moderate, 0.5 to 0.9 Strong, 0.9 to 1 Perfect (red). Strong negatively correlated variables are dark green (-1 to -0.5), light green is moderate (-0.5 to -0.1), and yellow represent no correlation (0). Most variables are moderately correlated, with the exception of family firm, which negatively correlates with seven variables (LP, CAP, SIZE, QUA, AGE, PTR, and Ntwrk). Tax negatively correlates with four variables (LP, AGE, Techn, and Fin).

Table 5: Correlation Matrix

	1	*2**	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*
LP	1.00											
CAP	0.049	1.00										
SIZE	0.022	-0.084	1.00									
QUA	0.083	0.341	0.443	1.00								
AGE	0.297	0.234	-0.117	0.005	1.00							
PTR	-0.152	0.462	0.171	0.100	0.256	1.00						
Techn(D1)	0.322	0.288	0.224	0.266	-0.251	0.052	1.00					
Ntwrk(D2)	-0.021	0.436	-0.204	-0.090	0.091	0.398	-0.049	1.00				
Cap Bld(D3)	0.241	-0.069	-0.166	-0.124	-0.160	-0.032	-0.017	0.152	1.00			
Fin(D4)	0.311	0.047	0.070	0.009	-0.114	0.294	0.307	0.129	0.243	1.00		
Fmly(D5)	-0.316	-0.375	-0.355	-0.477	-0.594	-0.398	-0.081	-0.247	0.375	-0.004	1.00	
Tax(D6)	-0.503	0.021	-0.034	-0.055	-0.379	-0.042	-0.378	0.139	0.071	-0.267	0.243	1.00

Note: LP= Labour productivity; CAP=Capital intensity; SIZE= Size of SMME; QUA=Qualified staff; AGE= Owners age; PTR=Proportion of SME revenue from PTA; Dummies; Techn (D1) = Technology; Ntwrk (D2) = Networking; Cap-Bld (D3) = Capacity Building; Fin (D4) = external Financing; Fmly (D5): Family Firm: Tax (D6) = Tax Source: Candidates design from survey (primary) data

4.4.3 Regression results

The regression results on the determinants of labour productivity is illustrated in Table 6 below. The regression model is statistically significant, at 95% significance level, with 11 predicting variables ($F_{(11, 20)} = 3.48$, $p = 0.0076$). The coefficient of determinant (R^2) of 0.66 indicates that 66% of variations in labour productivity are collectively explained by the independent variables.

From the regression results in Table 6, the increase in revenue proportion from Preferential Trade Revenue (PTR) have negative effects on SME labour productivity (Coefficient = -5.05, t = -2.71, p = 0.01). This means PTAs have a drawback effect on Eswatini SME labour productivity. This variable (PTR) has a strong significance (at 5% significance level) on the dependent variable (LP).

This finding is consistent with findings of Morita-Jaeger and Borchert (2020) in the UK that Free Trade Agreements conditions are not favourable for British SMEs. The research findings corroborate findings made within the region, in Botswana by Thomas and Marandu (2017) observing that SACU preferential markets do not benefit SMEs in their country.

However, field evidence from this study are opposed to Wang (2016) outlining that exporting to China has higher PTR compared to local revenue. Furthermore, its contrary to findings by Ren, Eisingerich, and Tsai (2015) that internationalisation improves growth, a study made with the Chinese SMEs.

The coefficient of capital intensity (CAP) is observed to have positive (1.26) effect on labour productivity, where ($t = 0.54$, $p = 0.59$) which indicates that capital intensity enhances productivity although with insignificance. This finding is in line with observations made by Kyophilavong (2008). It is however contrary to the findings made by Palel, Ismail, and Awang (2016), which further states that foreign labour affects economic restructuring and slows down national productivity.

The firm size (SIZE) has a negative effect on labour productivity (coefficient = -0.03, $t = -0.24$, $p = 0.81$). Decrease in firm size results in high LP. Small firms are dependent on manual labour rather than technology, yet are expected to comply with minimum wage. An increase in wages affects the labour productivity. The field evidence is against observations made by Wang (2016). However, if the coefficient is standardised, it is observed that the increase in size of firm results to a 0.005 increase in labour productivity.

The justification for the PTR and firm size's negative relation with LP; the revenue authority is thorough in taxing exporting firms and those doing business with government. Trading in this platform results in SMEs employing more people due to dependence on manual labour, yet dropping commodity prices and declining global markets cost SME. There is serious lack of financial support for SMEs. The EIPA confirmed that the rate of bankruptcy for exporting SMEs is very high, supported by high business failure rate noted in the EIPA database.

Qualifications of firm directors (AGE) has negative effect on labour productivity growth for Eswatini SMEs exporting to PTA (coefficient = -1.83, $t = -1.27$, $p = 0.22$). There is weak evidence

though on the effects of qualifications of senior staff on impacting labour productivity. This finding is opposed to the findings made in Malaysia on qualified directors by Amran and Ahmad (2011).

Age of the SME directors has a positive effect on labour productivity (coefficient = 0.05, t = 0.15, p = 0.88). This means the older the directors of the SME, the higher the labour productivity. However, there is weak level of significance that director's age impacts labour productivity. This finding is in agreement with a French SME effects of age of directors on labour productivity made by Roger and Wasmer (2012).

Technology has a positive effect on labour productivity growth (coefficient = 4.22, t = 0.9, p = 0.38). An increase in the use of technology results on a higher LP output. This finding supports findings from other studies that technology increases LP outputs (Barrett et al. 2018).

Networking reduces labour productivity growth (coefficient = -3.4, t = -0.8, p = 0.43). The attempt to do networking causes reduction in LP outputs. This means that making exogenous network has not improved labour productivity for SMEs. This finding differs from findings presented by previous researchers that a 10% increase in networking causes 1.7% increase in labour productivity as observed by Lindquist, Sauermann, and Zenou (2015).

Capacity building causes a significant increase in labour productivity growth (coefficient = 10.8, t = 2.83, p = 0.01). This means capacity building causes a 10 times increase labour productivity. There is a significant evidence (at 5% significance level) that capacity building causes growth in labour productivity. This field evidence corroborates the finding made by Love and Roper (2013) that capacity building grows and sustains SME initiatives.

Table 6: Model Summary & Multi linear regression

	Coefficients	*Std Coefficients*	*Std Error*	*t Stat*	*P-value*
Intercept	18.8948	0.000	22.6569	0.834	0.4142
PTR	-5.0548	-5.038	1.8594	-2.7186	0.0132**
CAP	1.2578	1.015	2.3118	0.5441	0.5924
SIZE	-0.0302	0.005	0.1239	-0.2436	0.81
QUA	-1.8302	-1.301	1.4415	-1.2697	0.2188
AGE	0.0529	0.328	0.3546	0.1492	0.8829
Techn(D1)	4.2204	5.906	4.6749	0.9028	0.3774

Ntwrk(D2)	-3.3975	-2.159	4.2571	-0.7981	0.4342
Cap-Bld(D3)	10.7688	10.07	3.8045	2.8306	0.0103**
Fin(D4)	5.6271	6.2	3.6234	1.553	0.1361
Fmly(D5)	-16.1983	-12.025	6.4123	-2.5261	0.0201**
Tax(D6)	-5.3168	-3.602	4.3908	-1.2109	0.2401
F	3.48***				
Prob>F	0.0076				
R Square	0.66				
Adjusted R Square	0.47				
Standard Error	8.41				
Observations	32				

Note: CAP=Capital intensity; SIZE= Size of SMME; QUA=Qualified staff; AGE= Owners age; PTA=Proportion of SME revenue from PTA; Dummies; Techn (D1) = Technology; Ntwrk (D2) = Networking; Cap-Bld (D3) = Capacity Building; Fin (D4) = external Financing; Fmly (D5) = Family Firm: Tax (D6) = Tax; Std = Standard; t = Test Source: Candidates design from survey (primary) data.

The results present that external financing (Fin) has a significant positive effect on labour productivity (coefficient = 5.63, t = 1.55, p = 0.13). This means that finance support for SMEs boosts labour productivity more than five times. This finding supports Wang (2016) that finance is the greatest obstacle and limitation for SMEs in trade and meeting requirements.

Family firm (Fmly) has negative relationship with labour productivity (coefficient = -16.2, t = -2.52, p = 0.02), at significant level. This means there is negative labour productivity growth in Eswatini when directors of the SME are family members. This field evidence is in support of findings that family firms make less foreign sales than the rest of SMEs Hennart, Majocchi, and Forlani (2019). There is no corroboration between this study findings with Roger and Wasmer (2012). According to Bresciani, Thrassou, and Vrontis (2013) successful family firms leverage on global business model that does not require specialised skills from non-family managers.

The results present negative effects of Tax on labour productivity growth (coefficient = -5.31, t = -1.21, p = 0.24). This means that tax affects labour productivity growth. This finding corroborates the finding by Wang (2016) that tax is a significant obstacle to SME economic growth.

4.5 Qualitative data findings

Interviewed exporting SMEs presented the way they perceive preferential markets. Compared to literature and the markets perspectives, Eswatini SMEs shared their honest view on their experiences illustrated in this section of the thesis. Perception of SMEs on preferential trade agreements were based on; SME general observations on PTA, perceived benefits, cost of production, systematic problems, proposed improvements on policy, proposed incentives and negotiations points.

(a) Perception of benefits

There was broad consensus amongst interviewees that preferential markets provided more job opportunities (increased labour demand), yet have limited profit margin accruing for the SMEs. The rationale of this observation is high debt ratio for SMEs caused by preferential market conditions. The findings in this study corroborate findings presented by OECD (1996) that although exports increase job opportunities (SMEs from OECD countries account for 60 to 70% of jobs), but there is great variability in SME growth, survival, and profitability. Due to shortage of collateral, SMEs are faced with the challenge of credit rationing and high interest rates.

A majority of the respondents observed that preferential markets offer a great potential to facilitate SME growth, but lack of resources to facilitate capacity building is a limiting factor. The field evidence corroborate findings made by Mpunga (2016) stating that Tanzanian SME barriers to foreign market are export competencies, insufficient and unsteady finance, dependence on manual labour, language, lack of R&D competencies, non-tariff barriers, and poor quality of SME products.

"More jobs, but limited personal benefit. PTAs have increased labour demand" (Respondent 8).

SMEs agree on effect of PTA causing increased demand results in high volume of work performed and fewer stoppages. Some SMEs lamented that the increased demand causes stress. Opposed findings confirm that due to financial regulations and limited economies of scale constraints, SMEs do not enjoy more product demand just like big firms (Mpunga, 2016). However, findings suggest improving market and entrepreneurial capability of SMEs will make-up for the constraints multi-dimensionally, improving performance of SMEs (Buli, 2017).

SMEs are concerned that the nature of international markets are very volatile, quality driven, and with high competition. These concerns are in line with findings from Brondoni (2008) warning that there is high competition in global markets mixed with political and social instability. Self-reliance as a country is no longer applicable due to worsened state of rivalry in the global market, but networks are the proposed solutions.

b) Observed Preferential Market Trends and Outcomes

Generally respondents observe that marketing agencies make more profitable than the primary producers, who are more exposed to production risks. Most SMEs rely on marketing agencies to deliver their products in preferential markets. International marketing companies rapidly growing in global market share, need to hire competent personnel at global level, thereby increasing the cost in marketing. Therefore, to effectively compete the marketing company has to manipulate Social, Legal, Economic, Political, and Technological (SLEPT) aspects of the multi complex market characterised by uncertainty and change (Doole and Robin, 2009).

Interviewees observed that preferential markets have strict requirements, put in juxtaposition with local markets. Stringent requirements from international markets cause most SMEs to struggle in delivering the required quality due to lack of innovative financing. The government of Eswatini has attempted to address this issue in the post COVID-19 economic recovery plan, stating that 'big projects' will be the main market for SMEs, who will in turn supply the international market (ESEPARC, 2020).In line with this statement, the researcher observed a high rate of SME drop-out from the list of SMEs exporting as given by Eswatini Investment Promotion Authority. There are SMEs that have stopped trading, yet three respondents targeted for the survey reported they have stopped exporting due to stringent procedures, yet limited financial gain. This finding is in line with Lee, Gereffi, and Beauvais (2012) that Global standards are a barrier to smallholders and negatively affects efforts to eradicate poverty.

"There is not much to benefit from PTA, in fact free trade does not really exist" (respondent 10

Contrary to the previous submission, other respondents stated that without an export market. This finding concurs with observations in Southeast Asia that SMEs increase employment and are the back bone of the economy, Lim and Kimura (2009) note that SMEs economically are the backbone regarding trade significance. This finding supports Abor and Quartey (2010) observations that

Ghana and South African exporting SMEs increase the number of their employees regularly, hence SMEs are referred to as 'the seeds of big businesses, efficient, the fuel of national economic engines and prolific job creators'.

"Our business would not be sustainable and employees would not have employment" (respondent 9).

Eswatini market is very small and as such most respondents in agro-processing & manufacturing sector presented that to stay in business, *"our products must be exported to be usable by consumers because in-country facilities for the value chain are not available yet, exporting is a necessity" (respondent 12).* This finding corroborates the finding by Lee, Gereffi, and Beauvais (2012) that international value chains have a potential of upgrading smallholders through agri-food and manufacturing increased supplies, through integrations of SMEs from developing countries into global source networks. Furthermore, the transnational firms in agri-food processing sector increase flexibility of SMEs from developing countries to supply diversified products, high volume, on a year-round basis, and coordinate regulation systems.

c) Unique challenges related to costs

All respondents stated that preferential markets increased their cost of production through significantly increasing electricity, labour, loan interest, and transport costs. This finding confirms that the transaction cost theory (TCT) is a rationale used by SMEs to trade with external markets presented by Mpunga (2016), stating that if external market increase internal firm costs, exports will be avoided. TCT is ensured by a firm avoiding external markets targeting local markets if transport costs are high. A study conducted in Belgium by Morita-Jaeger and Borchert (2020) confirms that SMEs face more financial constraints, liability of newness, low innovations, and lack of skills in external markets when compared with big companies.

Respondent 1 says: *"PTAs have significantly increased the cost of production mainly due to loans interests, electricity, and labour".*

"Shipping costs are high" (respondent 5).

Interviewees expressed concern over high risks of perishable products. Most of these SMEs affected are those in the agriculture sector. Eswatini being a developing country suffers from under developed

agro-industry (most SMEs sell farm produce at farm gate level). Failure to do value addition results in low income due to declining commodity prices globally. SMEs also struggle with competitive factors such as compliance with stringent standards, economies of scale, delivering statements, and efficiency in logistics. This finding confirms the narrative of da Silva, Baker, Shepherd, Janine, and Miranda-da-Cruz (2009) stating that agricultural products have a short shelf life hence any delays in travel logistics results in great loss to the farmer.

SMEs in Eswatini lamented the lack of tax incentives, stating that the presumptive tax will not suffice to earn them the much needed competitive advantage in the complex global market. This finding corroborates other studies, Malaysian SMEs according to Ayob and Freixanet (2014) are referred to as more useful, hence they were granted a value added tax exemption.

All SME respondents lamented that lack of financial assistance need urgent attention in the country. Financial support remains a challenge for SMEs due to lack of ideal financial instruments for SMEs, and guarantees. There is little done by the government and development finance institutions, let down by lack of stock markets, finance companies, and under developed capital markets. This makes Eswatini SMEs fail to access credit, caused by expensive loans and high credit rationing. Other studies confirm that many countries support their SMEs through various financial packages; fiscal incentives, direct subsidies, tax exemption, and exchange rates used as indirect subsidies (Ayob & Freixanet, 2014). SMEs are regarded as high risk by banks even though there is export credit guarantee. The export credit guarantee (ECG) in Eswatini has not functioned and has not worked. The facility is ignored by banks since its cumbersome to make default claims at the central banks (Makhanya, 2014).

d) Systematic trade problems affecting SMEs

Majority of SMEs in group schemes have a growing concern that internal conflicts amongst directors are a drawback to sustainability of firms. This challenge was also confirmed by the farmers' federation chairperson representing 468 smallholder farmers growing sugarcane as schemes and exporting raw sugar through Eswatini Sugar Association. The farmers' federation chairperson was emphatic in that internal conflicts are a serious drawback to this government led initiative. This is in line with findings by Dlamini, Rowshon, Makhanya, and Sithole (2014) that poor planning and community disputes have failed many smallholder initiatives. The same article proposes a bottom-up planning framework that sustains farmer initiatives through attitude transformation, competence building, and project implementation phase.

"*Internal conflicts for the smallholder schemes are a serious threat to their sustainability, job security of employees, and the grant investment made by government" (Respondent 5).*

Most firms responding stated that they have not benefitted optimally from representative groups, technology, civil society, and support institutions advocating for policy change. This finding supports a Tanzanian case by Kabanda and Brown (2017) where SMEs underutilise the e-commerce web-based platform for policy lobbying, partnership, and technical problem solving, since SMEs believe it is against the Tanzania cultural norms of partnership. SMEs underutilise websites instead of using the platform for marketing and transactions. Culturally sensitive sustainable solutions need to be solicited.

Interviewees grieved that marketing agencies disregard smallholder producers through the top down planning approach. SMEs are mainly kept in the dark regarding the changes in the global markets, they get a lower share from the proceeds of their products. A transparent system of accountability and empowerment is lacking.

Some respondents mentioned there is lack of government support in soliciting strong market linkages. This finding shares the same sentiments with a similar practice by Mehta and Jaspers (2008) through MozLink SME development programme empowering SMEs through technical, business skills mentoring approach, and large companies offering markets for SMEs.

Few interviewees have suffered from corruption at the border gates, resulting in volatile demand of SME products due to delayed delivery. This challenge seems to be on the rise in African borders. The same was observed in a Malawi study by Nelson and Francis (2019) presenting that in a montage of corruption challenges faced by women in the borders are high taxes, corrupt tax officials, unfair competition from large firms, delays, and unstable exchange rate. Following that SADC countries subscribe to different regional trade blocs with different interests, this gives border officials an opportunity to ask for bribes. The delays at the borders affect delivery efficiency of the SMEs. The bad treatment includes; unwillingness to explain to businesses tax and custom duty charge computation methodology, rough responses, and issuing non-negotiable charges.

"Border delays cause volatile demand, border issues, and corruption at borders often slow exports, in particular all exports related to Mozambique" (respondent 8).

All respondents dirge that exporting to preferential markets is volatile, with tough conditions, and taut competition. The report by SME Competetiveness Outlook (2018) confirms that some sectors have to be met more are conformity and technical requirements, such that fresh food meets 96% technical regulations. The report further states that regulations affect SME efficiency and subsequently the cost structure.

Respondents mentioned that they have been affected by new EU regulations on selected product lines. Changes have both negative and positive effects. This field evidence corroborates findings by Colen, Maertens, and Swinnen (2012) that SMEs in Senegal state that internationalisation conditions (global gap effects) resulted in wage increase, more trainings, and more working seasons, and longer working hours for employees, hence increased labour productivity, but caused severe losses. The bad aspect was that 50% of the Senegalese owned smallholders who were exporting beans lost the opportunity to trade in this platform (EU) to corporate businesses leveraging on economies of scale.

e) Proposed policy, regulation, and practices improvements

All respondents were unanimous in that the country needs to align policies, regulations, and guidelines with the government strategy to be an export and private sector driven economy. The SMEs stated that the government has a mammoth task in ensuring there is ease of doing business, expressing disappointment it has gone worse instead. In view of recent developments there is a post COVID-19 economic recovery plan that has set aside R5 Billion to support SMEs and has created local market for SMEs estimating a market share (through supply of goods and services) of R30 Billion for SMEs through concerted efforts to ensure SMEs identify the opportunities in the recovery plan (ESEPARC, 2020).

"Policies and regulations need to be aligned ease of business requirements" (respondent 7).

In line with the national fiscal policy adjustments, most respondents proposed that tax duties should be lowered and harmonised for exporting firms to encourage SMEs to venture into this aspect of trade. The respondents stated that they had not realised benefits from the proposed presumptive tax yet. The recovery plan targets to further lower presumptive tax for Eswatini SMEs compared to that offered in South Africa. The respondents however complained that great economic plans never see the light of day.

A significant number of respondents suggested that there would be more benefits accruing for Swatis if only government was making progress in enhancing ease of doing business and use technology to issue licenses and permits. It is further in line with observations from OECD (1996) stating that best ways to ease business environment is through systematic scrutiny of regulations, minimising bureaucratic norms, introduction of technology, and through regular audits and monitoring of new legislation. Mpunga (2016) observed that the challenge of non-friendly Tanzanian legal framework and small domestic market leave SMEs with no business environment to nurture their growth.

"Need to improve on the ease of doing business, and use technology for trade requirements such as certificates" (respondents 8).

Respondents proposed that government has to coordinate programs that will ensure SMEs get regular exposure to new innovation, and access to latest research & development outcomes. In line with the findings by Ren, Eisingerich, and Tsai (2015). The growth of exporting SMEs is low if R&D capability and innovation is low. It is in line with (OECD, 1996) that countries with high investment support for SMEs on R&D and data availability improved the SME growth. However, support programmes that were less than five years did not yield much.

One interviewee suggested that SACU must focus on encouraging trade rather than revenue collection to stimulate regional trade output. The national customs agencies limitation to their revenue collection mandate for border tax in SACU is based on the value of intra trade, division of external customs duty. The other SACU members must hold South Africa accountable for non-compliance with the rules of origin, and increasing conflicts among members are high (OECD, 1996).

One respondent considered the importance of SACU markets to government that would ensure adherence to regional market protocols and remit levies timely. This move would avoid penalties and ensure citizens realise benefits earlier. Adherence to import tax proposed by the African Union, would give Eswatini manufacturers competitive age in the region since they would increase their market base. This is in line with research recommendations done in East Africa, by the Customs Union. The proposition of legal reforms and their parameters such as reduction of rules of origin requirements, introduction of sanctions for non-compliance, allows different implementation time plan in favour of least developed states to consider the economic status of each member country (Nzioka, 2018).

Smallholder sugarcane farmers expressed their concern over recommendations in studies conducted before that have not been used to inform programmes supporting SMEs. Interviewees further mentioned that *Tibiyo* taka*Ngwane* the biggest shareholder in the sugar mills does not have interest of SME success on their top agenda, hence the evidence is that *Tibiyo* taka*Ngwane* is not holding the sugar millers' CEOs accountable for slow investment in energy (electricity, biodiesel, and ethanol), yet they are depriving small scale sugarcane growers from owning shares in the three sugar mills. A study by Mhlanga-Ndlovu and Nhamo (2017) further recommends that social cohesion programmes for the Eswatini Schemes need to be undertaken.

Smallholder farmers are suffering from high transport costs following a request made many years ago to reduce transport cost by allowing the use of 30 metre trucks instead of the current22 metre trucks. Implementing such previous study recommendations and requests must now be driven by smallholder farmers through members of parliament. In line with studies in Sweden where increase in length of trucks reduced transport costs by half, causing more tax payment to government, the noise and accident effects were estimated to be the same for longer trucks just like with shorter trucks (Vierth et al. 2008).

f) Need for Incentives

SMEs proposed that the government must target micro and small enterprises, disadvantaged groups such as women led businesses, for expansion of the agro-processing, handcraft, and manufacturing sector with finance access, and capacity building. Findings by Mutambi (2013) confirm that there is a growing idea establishing business incubator programmes. This initiative assists start-up businesses with services, training, and infrastructure.

Respondent 11 had this to say: *"For all trade opportunities negotiated, the interest of the country should be put first. The country needs to increase its foot-mark on international markets and ensure a substantial amount of local commodities qualify for export markets. Government support for the vulnerable groups is highly needed (women and youth led, Micro and Small businesses)".*

All interviewees were unanimous in that there is need for government to support SMEs in the manufacturing and agro processing sector. In view of the complex and dynamic international markets, and Eswatini SMEs lack financial, R&D, and infrastructure capability to compete effectively with SMEs from the SACU region the country cannot afford to have ECG dormant. This

is in line with previous empirical findings (Makhanya, 2014) export credit guarantees are very much needed to enhance SME product quality. Furthermore the success and survival of exporting SMEs in line with product quality, which depends on meaningful capital investment and policy support requested from government (Tettey, 2018).

g) Government Led Advocacy for SMEs

Eswatini is a small market, the country has to partner with regional countries in negotiating trade terms. Findings from previous studies by Vickers (2011) present the contrary sad state that the small states in SADC–EU economic partnership agreements suffered from lack of bargaining power in favour of RSA and EU's selfish-interest popularly referred to as "between the rock (EU) and hard place (RSA)". Finally, SADC was divided into four sets of trade regimes.

"Government has to engage experienced trade negotiators to lobby for flexible trade terms in the preferential markets" (respondent 6).

Chapter 5

Conclusion and Recommendations

5.1 Introduction

This last chapter of the study wraps and provides analysis of the findings from primary data, comparing them with literature review findings, and further makes recommendations in line with objectives of the research. Recommendations targeting marketing institutions, SOEs, government, and future research are also clearly outlined.

5.2 Summary and Findings from the study

PTAs are providing meaningful labour productivity, increasing LP even without factoring all the other variables. Other independent variables that offer direct increase on LP are capital intensity, technology, capacity building, and external financial support. The following variables offer a negative incremental effect on LP; firm size, qualification of directors, age of directors, preferential trade revenue, networking, family firm, and tax.

The complexity of export markets minimises the growth effect on SMEs. Most SMEs surviving the PTA markets are in the Medium enterprises category. It was further observed that surviving Micro and Small enterprises mostly trade in the PTA platform through marketing agencies which offers capacity building and lobby for SME to access finance. However, the paradox is that these marketing agencies limit SME profitability through high administration costs, controlling SME bargaining, and limit SMEs negotiation skill growth.

This study observed a 78% incremental effect of PTA which had a positive impact on increasing job opportunities through high labour demand. This median increase in new employees as a result of PTA is 3.5, which is above the 1.78 observed new employees from previous empirical studies. Lack of capacity building was identified by 70% of the respondents as a serious drawback in PTA's meaningful contribution to SME profitability.

5.2.1 Findings from Research

The quantitative findings from the regression model presented significant coefficient of determinant. The capacity building independent variable has the highest positive effect on LP. External finance

support ranked number two, technology in the third position in positively impacting LP. An increase in capital intensity subsequently has a fourth position incremental effect on LP.

Exporting of SMEs to preferential markets gave them an opportunity to advance labour productivity, which subsequently increased labour demand for all exporting SMEs. It was observed from the survey that SME average hike in workers ascribed to PTA was an average of seventeen ($16.8 \approx 17$) employees. The survey observation present that the minimum and maximum increase in the number of employees were 1 and 48 new employees respectively. The median increase in number of employees are 3.5 (estimated 4 employees) considering all survey respondents. PTA caused the number of employees in Eswatini to increase significantly when compared to global employment incremental proportion.

There is more positive impact on SMEs directly exporting manufactured and agro-processed products than those exporting through marketing agencies. Eswatini SMEs still have unexplored opportunities through untapped global value chains, considering that they mostly export raw material. Even the Swati gold is exported mainly as raw sugar giving abroad counterparts' opportunities to make lucrative profits through sugar refinery.

Improving ease of doing business, policies, registration guidelines, and fiscal policies to encourage export driven economy. There should be empowered negotiation teams that will advise SMEs on effects of investing and trading on sensitive products and update on timelines in the AfCFTA (big economies versus small economies) trade negotiation outcomes. The market-led strategic planning approach should inform SMEs trading in the various potential market growth risks. SMEs in less risky sectors such as manufacturing, agriculture, and agro-processing have to be financially supported and targeted as economic engines behind employment opportunities.

5.3 Summary and conclusions of the study

It has been learnt from the findings that PTA has had a positive effect on SME labour productivity, implying SMEs realise economic growth since trading on this platform. Capacity building and finance support being variables with significant positive impact on LP growth. However, there are significant challenges (corruption at the borders, unsatisfied need for capital and limited profits) brought by the same preferential trade platform on SME operations. Perceptions of SMEs on the markets, unique challenges, and proposed strategies centred on improvement of policies, support in building competences, and improvement of financial instruments to serve the needs of SMEs. Over reliance of SMEs on manual labour affects labour productivity especially the increase in number of employees. It was discovered that for Eswatini SMEs, the higher the preferential trade revenue the lower the labour productivity.

Potential (regional free trade area) future preferential markets with growth prospects have been established in the continent as well. The study analysed from export–import data trends of PTA with dwindling future global market share prospects, and other countries (without PTA) with high imports that are potential future trade partners are worth negotiating for enhanced trade terms. EU and AGOA market come with many prequalification conditions that disadvantage the country of the negative effects of reciprocity, neo-colonialism conditions accruing for the same trade partners. The SACU rules of origins need to be developed such that RSA should not redistribute Chinese products, but off-shore her manufacturing to the common monetary area countries to take advantage of low-cost skilled labour targeting the entire African continent. Taiwan has to allow Eswatini to access certain products directly from China.

The respondents raised that the role of government in supporting research & development, finance support, capacity building, and enabling environment (corrupt free, ideal fiscal, and monetary policies), and effective advocacy needs urgent attention to put Eswatini SMEs in a better position to compete effectively in PTA. Taking advantage of the AfCFTA has the potential of growing corporates that can lead the fourth industrial revolution. Targeting vulnerable groups such as women and youth, by supporting them can increase the number of SMEs successful in the preferential market space.

5.4 Policy recommendations of the findings

Eswatini Investment Promotion Authority must establish a research unit to analyse the ever changing global trade terms, exploring innovative strategies to increase labour productivity for SMEs. The MoCIT has to hire experienced trade negotiators, and establish an advisory council with dual function to represent interest and empower SMEs. It must be well coordinated with sector based trade platforms. Exporting businesses must pay minimum fees to sustain the advisory council earning them a voice guaranteeing that it serves their interest and capacity building on research innovation.

SMEs exporting through marketing agencies must explore vertical integration avenues with the marketing agencies (buying shares) for optimal gains and increased voice. Targeting optimal benefit from the sugar value chains, the government has to support skilled SMEs to establish refinery businesses planted in most African countries that will ensure increased local FDI by offering support.

Handcraft and textile industry sectors fully dependent on EU and AGOA preferential markets, have been noted with declining future prospects, hence this research proposes that they explore use of technology and e-commerce to access their clients residing beyond our borders, since COVID 19 has limited travelling. These sectors must further be innovative in modifying their products targeting the African (such as producing African attires, processing cotton, leather and wool), and Asian market. Diversification will further assist them to target local markets, such as manufacturing of toys and household utensils, products currently dominated by Chinese manufacturers.

Dependency on manual labour puts SMEs at a disadvantage when economic analysis is viewed from the Labour productivity lens. Investment in technology increases productivity of each employee and the volume of products exported. It is evident that state-driven initiatives to build capacity of SMEs, and robust SME finance programmes are long overdue.

Involvement need of academic institutions to enhance problem solving based on academic research initiatives cannot be over emphasised. Future studies need to focus research on SME targeting selective investments, establishing a research based SME service sector, labour market policies, financing an industry-manufacturing driven economy and export-oriented development model. Studies on locally driven sources of development finance such as crowd funding, and localised venture capital investments are much needed.

Investing in value addition, prioritising (agro-processing) the currently exported raw material needs to be explored through transforming local industry, exploring vertical integration for optimal benefit, and enhancing value of the exported final products. Targeting the African market has more success prospects because of the recent trade developments. Implementation of sugarcane value chains recommended by previous research studies. Adopting the long trucks will optimise profits for small holder farmers.

In order for small holder farmers to realise more profits, Eswatini Electricity Company (EEC) must allow sugar producers to transmit excess electricity produced by the sugar mills through the national grid back to the sugarcane fields, thus cutting down energy cost by 16.8%. The government must grant permission to the same small holder farmers to generate power using solar panels and selling surplus power to the grid.

The politicians, CEOs of state owned enterprises (SOEs), and government officials in high echelon must eliminate corruption and nepotism. Some quota board members were elected on the basis of friendship, which has compromised the effectiveness of critical decision making in the sugar industry. Government departments established to support SMEs are not doing their work as required, and they are not held accountable for the SME escalated rate of failure attributed to ease of doing business.

The AfCFTA secretariat has to develop regional infrastructure master plan targeting identified gaps in the; internet technology, borders, railway lines, ports (shipping and air), and roads to fast track the effectiveness of the new continent trade agreement. Then establish a high powered delegation based in the four regions to lobby for master plan acceptance (buy-in) in the various country government. In financing the infrastructure massive costs, built-operate-and-transfer (BOT) contracts have to be developed under the Public Private Partnership (PPP) arrangement.

5.5 Avenues for future research

Exporting SMEs have realised a substantial increase in the number of employees as a result of PTA, yet limited economic growth attributed to lack in capacity building and financing support. There is need for further research on informal business sector exports, causes of sales growth by sector and perception of vulnerable groups (women and youth) on export trade. The coefficient of determinant indicated that there are other variables impacting LP growth, yet to be identified in future research. There is need to explore effective strategies to negotiate additional preferential trade relationships

starting with countries which export to Eswatini with no preferential trade relationship in place; countries such as Pakistan, UAE, Japan, China, and Hong-Kong.

Eswatini has natural resources, however, amongst the respondents' business category there are sectors which are not represented at all. Further studies are required on development of the mining policies, and exploring opportunities of processing some minerals locally, which needs thorough capacity building, investment and research.

Bilateral trade cultural barrier studies aimed at growing existing Taiwan partnerships are behind schedule. Partnering, franchising off-shoring Taiwan brands, and exploring mining trade terms with Taiwan since there are strong diplomatic ties, which should be explored to ensure the country benefits from skills development and capital flows with the same partner. These are PPP, increased partnership with the Republic of Taiwan, increased access to capital inflows through restoration of the stock market as well as improved policies to attract foreign investors; enabling venture capitalists to increase equity investment through establishing of favourable guidelines and assisting best performing SMEs to be listed.

This research document proposes blended development finance resource mobilisation for infrastructure. Research on ideal blended financing model for all Eswatini different SME categories is long overdue. Centre for Financial Inclusion is the institution to ensure this initiative is implemented. Pension funds and insurance companies should be motivated through improved policies to increase local investment for monies for development finance institutions to access. The Central Bank of Eswatini has to put in place programmes to build resilience for financial institutions and subsequently, improve their credit ratings.

Strengthening capacity building programmes targeting SMEs will ensure sustainability of smallholder farmer schemes. Encouraging SMEs to adhere to formation guidelines, marketing principles and good finance management will sustain their businesses though minimising internal conflicts. Well governed production schemes open opportunities to growth opportunities. Corporate Social Investment from MNCs must be channelled to fund programmes deliberately inculcating the entrepreneurial spirit with the in-school youth, whilst the ministry of education roll-out a comprehensive entrepreneurship course informed by research for all schools.

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7.0 APPENDIX (Interview and Survey questionnaires)

7.1 Qualitative Interview Questions

Study Topic: EVALUATING THE IMPACT OF PREFERENTIAL MARKETS ON ESWATINI SME ECONOMY

Question No: 000

Target: SME

Respondent, title (confidential): _____

(Answering these two is optional)

The aim of the study is to:

- Analysis preferential trade agreements (PTA) influence on factors affecting SME sales growth (productivity).
- Examine the impact of preferential markets on SME development (production cost, value of exports, competitiveness, employment, and innovation).
- Establish how Eswatini SMEs, perceive PTAs should be structured for their optimal benefit.

This research has been approved by the Commerce Faculty Ethics in Research Committee. Your participation in this research is voluntary. You can choose to withdraw from the research at any time. The questionnaire will take approximately 10 minutes to complete. You will not be requested to supply any identifiable information, ensuring anonymity of your responses. Due to the nature of the study you will need to provide the researchers with some form of identifiable information however, all responses will be confidential and used for the purposes of this research only.

Should you have any questions regarding the research please feel free to contact the researcher (P.O. Box 1183, Manzini, M200, Email: maphiwa.makhanya@gmail.com, Cell: +268 76086905**).**

SECTION A: Demographic Information

1. a) How many male or female company directors?

- ○ Male
- ○ Female
- ○ Male and Female
- ○ Transgender

b) Nationality of Directors

- ○ Swazi citizen (if more than one specify): [ ]
- ○ Africa region (if more than one specify): [ ]
- ○ Asia (if more than one specify): [ ]
- ○ Euro Zone (if more than one specify): [ ]
- ○ Americas (if more than one specify): [ ]
- ○ Middle East
- ○ For other (specify)……..

2. Which level of management are you (is the respondent)

- ○ Senior Staff member
- ○ Middle Management
- ○ Executive Management

3. In which category of SMEs does your firm fit in?

- ○ Independent
- ○ Micro
- ○ Small Business
- ○ Medium Business

4. How long has you company been operating?

- ○ Less than a year
- ○ Between 1 - 2 years
- ○ Between 3 - 5 years
- ○ Between 6 - 10 years
- ○ 11 years and above

SECTION B

1. a) How have these export markets enhanced Employment satisfaction?

……

……

……

……

b) State unique challenges coming with the export market

……

……

……

……

2 a) Does your preferential market provide a market guarantee or contract?

……

……

……

……

b) How are product price agreements made? Can you negotiate prices?

……

……

……

……

3. What strategies, requests or suggestions do you propose for Eswatini trade Negotiators (for your firm optimal benefit)?

……

……

……

……

……..

7.2 Quantitative Questionnaire

Topic: EVALUATING THE IMPACT OF PREFERENTIAL MARKETS ON ESWATINI SME ECONOMY

Question No: 000

Target: SME

Respondent, title (confidential): _____

(Answering these two is optional)

The aim of the study is to:

- Analysis preferential trade agreements (PTA) influence on factors affecting SME sales growth (productivity).
- Examine the impact of preferential markets on SME development (production cost, value of exports, competitiveness, employment, and innovation).
- Establish how Eswatini SMEs, perceive PTAs should be structured for their optimal benefit

This research has been approved by the Commerce Faculty Ethics in Research Committee. Your participation in this research is voluntary. You can choose to withdraw from the research at any time. The questionnaire will take approximately 15 minutes to complete. You will not be requested to supply any identifiable information, ensuring anonymity of your responses. Due to the nature of the study you will need to provide the researchers with some form of identifiable information however, all responses will be confidential and used for the purposes of this research only.

Should you have any questions regarding the research please feel free to contact the researcher (P.O. Box 1183, Manzini, M200, Email: maphiwa.makhanya@gmail.com, Cell: +268 76086905**).**

Please respond with an (x) or (✓) in the with the appropriate response

Likert scale (1-Very Poor, 2-Poor, 3- Neutral, 4 Strong, 5-Very Strong).

Section I

i) Your Product Category

- ○ Agro-processing
- ○ Agriculture (livestock)
- ○ Craft and Handicraft
- ○ Drinks and Agriculture (crops & fruits) concentrates
- ○ Manufacturing
- ○ Tourism
- ○ Pharmaceuticals
- ○ Recycling metals
- ○ Electric and Electronic Parts
- ○ Automotive, Parts
- ○ Chemicals & Petroleum Products
- ○ Energy
- ○ Textile

ii) Sex Category of company directors

- ○ Male
- ○ Female
- ○ Male and Female
- ○ Transgender

iii) Home country of firm directors (type correct number):

- ○ Swazi citizen (if more than one specify): [ ]
- ○ Africa region (if more than one specify): [ ]
- ○ Asia (if more than one specify): [ ]
- ○ Euro Zone (if more than one specify): [ ]
- ○ Americas (if more than one specify): [ ]
- ○ India
- ○ Middle East
- ○ For other specify……..

iv) Business classification representing your firm

- ○ Independent (No. of employees: (0)

- ○ Micro (No. of Employees: (0 - 3)
- ○ Small Business (No. of Employees: (4 - 10)
- ○ Medium (No. of Employees: (11 - 50)
- ○ Special Category: (Specify) [ ]

v) How long have you been exporting to the preferential market

- ○ Less than a year
- ○ Between 1 - 2 years
- ○ Between 3 - 5 years
- ○ Between 6 - 10 years
- ○ 11 years and above

vi) Which Preferential Market you export to?

- ○ European Union
- ○ AGOA (United States of America)
- ○ SACU
- ○ COMESA
- ○ Taiwan
- ○ AfCFTA
- ○ If other (please specify: .....

vii) Are you trading directly or through an agent?

- ○ Directly
- ○ Through a local marketing agency (eg Eswatini Sugar Association): [ ]
- ○ Through a web based global agency (e.g Amazon) (specify): [ ]
- ○ Through local or foreign government
- ○ Through an NGO, (specify): .....

Section II

1. a) Meaningful contribution of Preferential markets to increased SME sales growth

i) What is the firm annual total output?

ii) Current number of fulltime employees

iii) Computed Labour Productivity

1. b) Has the capital intensity (capital/ labour) increased or improved since PTA?

Strongly disagree	Disagree	Lightly disagree	Lightly Agree	Agree	Strongly Agree
1	2	3	4	5	6

2. Trading in preferential markets caused increase of firm employees by since the past two years:

- ○ None
- ○ 0 - 3 Employees
- ○ 4 - 10 Employees
- ○ 11 - 50 Employees
- ○ 51 & above

3. Qualification of executive managers/ firm owner

- ○ Primary
- ○ O' level
- ○ Diploma
- ○ Degree
- ○ Post Graduate

4. Age range of directors in years

- ○ Less than 25
- ○ Between 25 - 35
- ○ Between 35 - 45
- ○ Between 45 -55
- ○ 56 and above

5. The revenue proportion obtained from PTA is above 60% of income

Strongly disagree	Disagree	Lightly disagree	Lightly Agree	Agree	Strongly Agree

1	2	3	4	5	6

6. New Equipment introduced to meet PTA demand

Strongly disagree	Disagree	Lightly disagree	Lightly Agree	Agree	Strongly Agree
1	2	3	4	5	6

7. A formal business network helped firm access new customers, e.g., one that meets regularly

Strongly disagree	Disagree	Lightly disagree	Lightly Agree	Agree	Strongly Agree
1	2	3	4	5	6

8. Firm management capability to access external finance

Strongly disagree	Disagree	Lightly disagree	Lightly Agree	Agree	Strongly Agree
1	2	3	4	5	6

9. Mentoring support received from PTA, Government, and NGOs

Strongly disagree	Disagree	Lightly disagree	Lightly Agree	Agree	Strongly Agree
1	2	3	4	5	6

10. Directors of the firm are members of same family

Strongly disagree	Disagree	Lightly disagree	Lightly Agree	Agree	Strongly Agree
1	2	3	4	5	6

11. Tax takes more than half of the firm profits

Strongly disagree	Disagree	Lightly disagree	Lightly Agree	Agree	Strongly Agree
1	2	3	4	5	6

Microsoft Word Document

8.0 Raw Data

8.1 Qualitative Raw Data

1.a) How have these export markets enhanced Employment satisfaction	1.b) State unique challenges coming with the export market	2 a) Does your preferential market provide a market guarantee or contract?	2b) How are product price agreements made? Can you negotiate prices?	3. What strategies, requests or suggestions do you propose for Eswatini trade Negotiators (for your firm optimal benefit)
There are wider intrinsic benefits because of more income	PTAs have significantly increased the cost of production mainly due to loans interests, electricity and labour	Yes	No prices are given by the market	We have to stay ahead through, regular exposure to new innovation and research outcomes
				Regional preferential markets allow for Transitional Simplified Procedure (TSP) will allow businesses to import without having to make a full customs declaration at the border, and postpone paying any import duties
Yes, there are 10 new employees per 100ha sugarcane plantation	Shipping costs are high	Maybe	Yes	Requesting government to approve 30 m long trucks to transport sugarcane
we project more employee benefit with investment in electricity generation through solar, or the sugar mills	Internal conflicts for the smallholder schemes are a serious threat to their sustainability, job security of employees, and the grant investment made by government	Yes	Yes	Making trade-offs, or allow farmers to use electricity produced in Sugar mills for powering irrigation pumps
n/a	Volatile demand, border issues and corruption at borders often slow exports. all exports discussed here are related to Mozambique. Eagles Nest only exports to	No	yes, prices are subject to demand and availablity as local sales are prioritized	Government has to engage experienced trade negotiators to lobby for flexible trade terms in the preferential markets

	Mozambique either directly or through wholesalers situated at the various borders			
increased labour demand	customs control, new EU regulations on selected product lines	Yes	yes, prices negotiated	policies and regulations to be aligned for ease of business
Good exposure to business but increased stress levels to fulfil requirements	Global competition and risk of perishable products	No	Price set by supply and demand, perishable therefore we are price takers	Need to improve on the ease of doing business and use technology for trade requirements such as certificates etc.
Increased demand results in high volume of work performed and fewer stoppages.	Border issues and delays due to declaring.	Yes	Yes. Prices negotiable.	The applicable tax duties and tariffs should be lowered and harmonized.
Not much as free trade does not really exist	customs officials in COMESA countries always want duties even though we have free trade agreements	No	Non negotiable	Assist local manufacturers that export products with incentives per product exported. South African government does the same.
Afforded employees continued jobs and up-skilling on improved technologies	Very volatile, quality driven, high competition	Yes	Market driven and reliant on strength of local currency against international currencies	For all trade opportunities negotiated, the interest of the country should be put first. The country needs to increase its foot-mark on international markets and substantive amount of local commodities qualify for export markets. Governments support for the vulnerable groups (women and youth led, Micro and Small businesses)
Without an export market, our business would not be sustainable and employees would not have employment.	Our product must be exported to be usable by consumer because in-country facilities for the next stage are not available.	No	We have some leverage to negotiate, but mostly prices are set by buyer for all farmers with our product.	

Themes- Perceptions of PTA

	Perception on benefits	Their observations on the PTA
Codes	More Jobs, but limited personal benefits. Increased labour demand r8. Concerned with High loan/debt ratio 6/16 Firms graduate quicker from SME to corporate There is great potential but there limited education 6/10 Good exposure to business but increased stress levels to fulfil requirements r9 Increased demand results in high volume of work performed and fewer stoppages. Afforded employees continued jobs and up-skilling on improved technologies Very volatile, quality driven, high competition r13	Marketing agencies more profitable than the producers Stringent requirements for SMEs Not much as free trade does not really exist r11 Without an export market, our business would not be sustainable and employees would not have employment. Our product must be exported to be usable by consumer because in-country facilities for the next stage are not available

Theme – Unique Challenges

Codes	Cost of Production	Systemic Problems
	18.6% reduction in price due to European Markets lost	Companies are let down by internal conflicts
	Electricity cost high	Lack of using bargaining power in lobbying for policy change
	Loan interest rates very high	Lack of Recognition by the marketing agency
	Transport Costs very high	Lack of government support in strong market linkage
	No tax incentives for exporting SMEs	Corruption at the border gates, causes volatile demand of SME products due to delayed delivery r8
	Cost of production is high r1	Global markets are volatile, with tough conditions, and stiff competition
	Shipping Costs are too high r6	Reliance of handicraft on Tourism
	High costs and risk of perishable products	Customs control, new EU regulations on selected product lines r9
		Keeping up with Global competition r13
		Border issues and delays due to declaring.

Theme Proposed Strategies

Incentives	Government Led Advocacy for SMEs
Proposed Incentives for Exporting SMEs since this has a direct effect in the GDP of the country	Government has to engage experienced trade negotiators to lobby for flexible trade terms in the preferential markets
Targeting disadvantaged groups such as women lead business, and expansion of the agro-processing, handcraft, and manufacturing sector	Partnering, with big brands and franchising opportunities need to be explored
Assist local manufacturers that export products with incentives per product exported. South African government does the same.	Requesting government to approve 30 m long trucks to transport sugarcane
For all trade opportunities negotiated, the interest of the country should be put first. The country needs to increase its foot-mark on international markets and substantive amount of local commodities qualify for export markets.	Making trade-offs, or allow farmers to use electricity produced in Sugar mills for powering irrigation pumps

8.2 Quantitative Raw Data

SECTION A

No. of Respondent	Timestamp	i) Your Product Category	ii) Sex Category of company directors	iii) Age range of directors in years	iv) Home country of firm directors (type correct number):	v) Business classification representing your firm	vi) how long have you been exporting to the preferential market
1	07/10/2020 19:59	Agro-processing	Male	Between 35 - 45	Swazi citizen (if more than one specify): [ ]	Micro (No. of Employees: (0 - 3), Small Business (No. of Employees: (4 - 10)	Between 3 - 5 years
2	07/01/2020 16:11	Handcraft	Male	Between 45 - 55	Swazi citizen (if more than one specify): [ ]	Independent (No. of employees: (0)	Between 1 - 2 years
3	07/02/2020 09:09	Handcraft	Female	Between 45 - 55	Swazi citizen (if more than one specify): [ ]	Independent (No. of employees: (0)	Between 3 - 5 years
4	07/02/2020 09:22	Handcraft	Male	Between 45 - 55	Swazi citizen (if more than one specify): [ ]	Independent (No. of employees: (0)	Between 6 - 10 years
5	07/03/2020 04:58	HandCraft	Male	56 and above	Swazi citizen (if more than one specify): [ ]	Independent (No. of employees: (0)	Between 11 and above
6	07/06/2020 10:09	Textile	Female	Between 35 - 45	Swazi citizen (if more than one specify): [ ]	Micro (No. of Employees: (0 - 3)	Less than a year
7	7/13/2020 11:11	Agriculture (livestock)	Male and Female	Between 45 - 55	From Africa region (if more than one specify): [ ]	Corporate	11 years and above
8	7/13/2020 14:33	Agriculture (crops & fruits)	Male and Female	Between 35 - 45	Swazi citizen (if more than one specify): [ ]	Medium (No. of Employees: (11 - 50)	Between 3 - 5 years
9	7/13/2020 16:06	Agriculture (crops & fruits)	Male	56 and above	Swazi citizen (if more than one specify): [ ], From Euro Zone (if more than one specify): [ ]	Corporate	11 years and above
10	7/14/2020 19:22	Manufacturing	Male and Female	Between 45 - 55	Swazi citizen (if more than one specify): [ ]	Corporate	Between 1 - 2 years

11	7/16/2020 8:44	Manufacturing	Male and Female	Between 25 - 35	Swazi citizen (if more than one specify): [ ], From Africa region (if more than one specify): [ ]	Corporate	11 years and above
12	7/20/2020 10:54	Agriculture (crops & fruits)	Male	Between 45 - 55	Swazi citizen (if more than one specify): [ ]	Corporate	Between 6 - 10 years, 11 years and above
13	7/24/2020 15:07	Manufacturing	Male	Between 35 - 45	from India	Medium (No. of Employees: (11 - 50)	Between 6 - 10 years
14	7/28/2020 10:57	Agriculture (crops & fruits)	Male	Between 45 - 55	Swazi citizen (if more than one specify): [ ], From Africa region (if more than one specify): [ ], From Americas (if more than one specify): [ ]	Special Category: (Specify) [ ]	11 years and above
15	7/31/2020 11:01	Craft and Handicraft	Female	Between 45 - 55	From Euro Zone (if more than one specify): [ ]	Medium (No. of Employees: (11 - 50)	Between 6 - 10 years
16	08/01/2020 10:25	Agro-processing	Male	Between 35 - 45	Swazi citizen (if more than one specify): [ ]	Micro (No. of Employees: (0 - 3), Small Business (No. of Employees: (4 - 10)	Between 3 - 5 years
17	08/01/2020 16:11	Handcraft	Male	Between 45 - 55	Swazi citizen (han one specify): [ ]	Independent (No. of employees: (0)	Between 1 - 2 years
18	08/02/2020 19:15	Handcraft	Female	Between 45 - 55	Swazi citizen (if more than one specify): [ ]	Independent (No. of employees: (0)	Between 3 - 5 years
19	08/03/2020 12:32	Handcraft	Male	Between 45 - 55	Swazi citizen (if more than one specify): [ ]	Independent (No. of employees: (0)	Between 6 - 10 years
20	08/04/2020 06:18	HandCraft	Male	56 and above	Swazi citizen (if more than one specify): [ ]	Independent (No. of employees: (0)	Between 11 and above
21	08/06/2020 00:07	Textile	Female	Between 35 - 45	Swazi citizen	Micro (No. of Employees: (0 - 3)	Less than a year
22	08/11/2020 14:21	Agriculture (livestock)	Male	Between 45 - 55	From Africa region	Corporate	11 years and above
23	08/12/2020 17:32	Agriculture (crops & fruits)	Female	Between 35 - 45	Swazi citizen (if more than one specify): [ ]	Medium (No. of Employees: (11 - 50)	Between 3 - 5 years

24	8/13/2020 05:36:	Agriculture (crops & fruits)	Male	56 and above	Swazi citizen (if more than one specify): [ ], From Euro Zone (if more than one specify): [ ]	Corporate	11 years and above
25	8/14/2020 19:22	Manufacturing	Male	Between 45 - 55	Swazi citizen (if more than one specify): [ ]	Corporate	Between 1 - 2 years
26	8/15/2020 10:17	Manufacturing	Female	Between 25 - 35	Swazi citizen (if more than one specify): [ ], From Africa region (if more than one specify): [ ]	Corporate	11 years and above
27	8/19/2020 08:54	Agriculture (crops & fruits)	Male	Between 45 - 55	Swazi citizen (if more than one specify): [ ]	Corporate	Between 6 - 10 years, 11 years and above
28	8/22/2020 12:04	Manufacturing	Male	Between 35 - 45	from India	Medium (No. of Employees: (11 - 50)	Between 6 - 10 years
29	8/28/2020 11:27	Agriculture (crops & fruits)	Male	Between 45 - 55	Swazi citizen (if more than one specify): [ ], From Africa region (if more than one specify): [ ], From Americas (if more than one specify): [ ]	Special Category: (Specify) [ ]	11 years and above
30	8/30/2020 07:11	Craft and Handicraft	Female	Between 45 - 55	From Euro Zone	Medium (No. of Employees: (11 - 50)	Between 6 - 10 years
31	8/31/2020 09:55	Agriculture (crops & fruits)	Male	Between 35 - 45	Swazi citizen & From Africa region	Micro (No. of Employees: (0 - 3), Small Business (No. of Employees: (4 - 10)	
32	8/31/2020 18:21	Craft and Handicraft	Male	Between 45 - 55	Swazi citizen (if more than one specify): [ ], From Africa region (if more than one specify): [ ]	Micro (No. of Employees: (0 - 3), Small Business (No. of Employees: (4 - 10)	

No. of Respondent	vii) Which Preferential Market you export to?	viii) Are you trading directly or through an agent?
1	SACU	Directly
2	European Union	Directly
3	COMESA	Through an NGO, (specify): .....
4	COMESA	Directly
5	Other	Through an NGO, (specify): .....
6	European Union, AGOA (United States of America)	Through a local marketing agency (eg Eswatini Sugar Association): [ ], Through local government
7	Other	Directly, Through a local marketing agency (eg Eswatini Sugar Association): [ ]
8	European Union	Directly
9	European Union, COMESA, Taiwan	Directly
10	Other	Directly
11	SACU, COMESA	Directly
12	European Union, SACU	Directly
13	Other	Directly
14	SACU	Directly
15	European Union, AGOA (United States of America), SACU, COMESA	Directly
16	SACU	Directly
17	European Union	Directly
18	COMESA	Through an NGO, (specify): .....
19	COMESA	Directly
20	Other	Through an NGO, (specify): .....
21	European Union, AGOA (United States of America)	Through a local marketing agency (eg Eswatini Sugar Association): [ ], Through local government
22	Other	Directly, Through a local marketing agency (eg Eswatini Sugar Association): [ ]
23	European Union	Directly
24	European Union, COMESA, Taiwan	Directly
25	Other	Directly
26	SACU, COMESA	Directly

27	European Union, SACU	Directly
28	Other (please Specify:	Directly
29	SACU	Directly
30	European Union, AGOA (United States of America), SACU, COMESA	Directly
31	SACU	directly
32	SACU	directly

SECTION B

Respondent No.	1.a) Meaningful contribution of Preferential markets to increased SME sales growth	what is the annual total output	Current number of fulltime employees	Labour Productivity	1.b) Has the capital intensity (capital/ labour) increased or improved since PTA	2.b) Trading in preferential markets caused increase of firm employees by since the past two years:	3.a) i) Qualification of executive managers/ firm owner	4 (a) Age of firm directors	5. a)The revenue proportion obtained from PTA is above 60% of income	6.a) New Equipment introduced to meet PTA demand	7.c) A formal business network helped firm access new customers, e.g., one that meets regularly	8.c) Firm management capability to access external finance	9.a) Mentoring support received from PTA, Government, and NGOs	10.a) Directors of the firm are members of same family	11.b) Tax takes more than half of the firm profits
1	5	63002.7	2	0.750032143	3	0 - 3 Employees	Post graduate	37	1	1	0	1	1	1	1
2	3	62540	1	1.489047619	3	None	O' level	46	2	1	0	0	0	1	0
3		59665	1	1.420595238		None	O' level	48	4	0	1	1	1	1	1
4	4	27413	1	0.652690476		None	O' level	47	2	0	1	1	1	1	1
5	4	64790006	29	53.19376519	3	None	O' level, Diploma	58	2	1	1	1	1	0	0
6	3	1857701	9	4.91455291		0 - 3 Employees	Certificate	36	2	0	1	1	1	1	1
7	3	4750235	7	16.1572619	3	4 - 10 Employees	Certificate	48	1	1	1	0	0	1	0
8	4	3389410	44	1.83409632	3	11 - 50 Employees	Certificate	38	4	1	1	1	1	1	1
9	3	7799104	38	4.886656642	4	None	Degree	60	2	0	1	0	0	0	0
10	4	940776	10	2.239942857	2	4 - 10 Employees	Degree	48	3	0	0	0	0	0	1
11	3	6998022	46	3.622164596	4	None	Diploma	25	1	1	1	1	1	1	1
12	5	2066400	20	2.46	2	11 - 50 Employees	Diploma	45	4	1	1	1	1	0	1

13	2	7889004	42	4.47222449	5	11 - 50 Employees	Degree	38	3	1	0	0	0	0	1
14	4	7098070	23	7.347898551	3	0 - 3 Employees	Degree	55	4	1	0	1	1	0	0
15	3	1644311	1	39.1502619		0 - 3 Employees	Degree	50	1	1	1	1	1	0	0
16	5	45090	2	0.536785714	1	0 - 3 Employees	O' level	35	3	1	1	0	0	1	1
17	3	53002.7	1	1.261969048	4	None	O' level	46	1	0	0	0	0	1	0
18		63940	1	1.522380952	2	None	Certificate	52	2	0	1	1	1	1	1
19	4	29665	1	0.706309524	1	None	Certificate	56	2	0	1	0	0	1	1
20	4	45090	1	1.073571429		None	Certificate	36	2	1	0	0	0	0	1
21	3	64790	1	1.542619048	3	0 - 3 Employees	Certificate	49	1	0	1	0	0	1	1
22	3	3857701	9	10.2055582		4 - 10 Employees	Degree	38	3	1	1	1	1	1	0
23	4	2750235	15	4.365452381	4	11 - 50 Employees	Post graduate	58	3	1	1	1	1	1	0
24	3	5389410	37	3.468088803	5	None	Degree	49	2	0	0	0	0	0	1
25	4	4799104	5	22.85287619	3	4 - 10 Employees	Post graduate	36	3	1	1	1	1	0	0
26	3	7940776	48	3.938876984	4	None	Post graduate	51	1	1	1	0	0	1	1
27	5	6998022	26	6.408445055	4	11 - 50 Employees	Diploma	45	4	1	1	1	1	0	0
28	2	1006400	38	0.630576441	4	11 - 50 Employees	Post graduate	47	3	0	0	0	0	0	1
29	4	6879004	33	4.963206349	5	0 - 3 Employees	Certificate	48	4	1	0	1	1	0	0
30	3	6638070	39	4.052545788	4	0 - 3 Employees	Degree	60	2	1	0	1	1	0	0
31	1	34311	5	0.163385714	5	0 - 3 Employees	Post graduate	39	4	0	1	0	0	0	1
32	2	48276	1	1.149428571		0 - 3 Employees	O' level		1	1	1	0	0	1	1