

The *TradeProbe* is a joint initiative by the NAMC and the Department of Agriculture: International Trade Directorate. The aim of this initiative is to create knowledge of trade related topics by discussing/reporting trade statistics; inviting perspectives from people working in related sectors; reporting on trade related research and stimulating debate.

This issue covers the following areas:

- Trade profiles
 - Fresh pears and quinces trade
 - Fresh fish
- Contributed articles
 - SADC EPA negotiations
 - SACU and EFTA

SECTION 1 – TRADE PROFILES

1.1 Fresh pears and quinces trade

➤ Southern Hemisphere pear production and exports

The World Apple and Pear Association (WAPA) February 2008 publication indicates that Southern hemisphere¹ pear production is estimated to decrease by 2.3 percent in 2008. This estimated decrease is attributed to the anticipated combined decrease in production of pears from South Africa (6.1%), Chile (2.40%) and Argentina (2.25%). Meanwhile there is an estimated increase in pear production in New Zealand and Australia (14.81% and 7.79% respectively). Even though in percentage terms the expected increase from the two countries, New Zealand and Australia, exceeds the expected decrease in South Africa, Chile and Argentina, in terms of volume, the two countries produce less than the other three countries combined and hence the overall production is expected to decrease.

In conjunction with this background of estimated decreases in Southern Hemisphere pear production, exports of pears from this region are estimated to decrease by 1.42 percent. South Africa and Argentina's exports are projected to decrease by about 3.92 and 2.05 percent respectively. Meanwhile exports from Chile and New Zealand are expected to increase by 3.61

and 16.03 percent respectively. In short, 2008 will not be a good year in terms of production (decrease) and exports (decrease) for Southern hemisphere countries.

➤ South African pears and their markets (domestic and export)

Figure 1 markets for pears produced in South Africa for the period 2004 to 2008, for the latter an estimate is used. It is interesting to note that export shares of the total production from 2004 until 2005 were above 40 percent and in 2006 were less than 40 percent, while in the last two years the share of exports was and is expected to be above 40 percent. During the same period, the average domestic consumption as a percentage of total production was about 17 percent. In 2005, the domestic consumption as a share of total production constituted 18.22 percent. Meanwhile, processing consumption averaged about 39 percent of the total production for the period under review. It can be noted that in 2006 processing consumption was about 43.76 percent, which was the highest during the period under review.

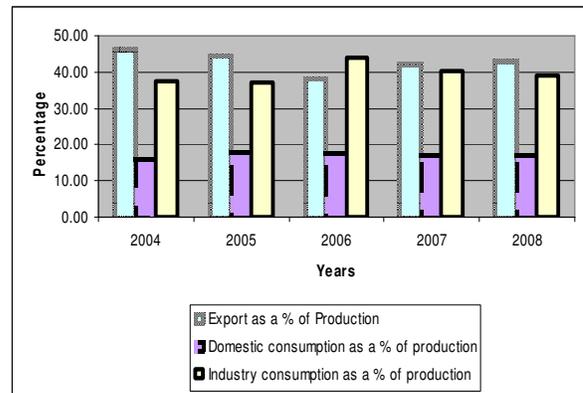


Figure 1: Markets of pears produced in South Africa

➤ Trade profile of fresh pears and quinces (HS: 080820)

Table 1 presents a list of the top ten largest world exporters of fresh pears and quinces in 2006 expressed in value terms. The top three exporters were Argentina (19%), Netherlands (15%) and Belgium (14%). Meanwhile South Africa, the only African country in the top ten, ranked ninth with a four percent share of world

¹ This production covers the produce of the following countries: Argentina, Australia, Brazil, Chile, New Zealand and South Africa.

exports. The other southern hemisphere country in the top ten list other than the leading exporter Argentina or South Africa, was Chile ranking seventh with a six percent share of world exports.

Table 1: Leading world exporters of fresh pears and quinces in 2006 (HS: 080820)

Exporters	Value exported in 2006, in US\$ thousand	Quantity exported in 2006	Share in world exports, %
World est.	1,792,688	2,202,719	100
Argentina	335,106	435,356	19
Netherlands	264,097	252,860	15
Belgium	255,050	246,286	14
Italy	184,180	175,092	10
China	147,682	375,234	8
United States	132,970	145,778	7
Chile	104,296	115,668	6
Spain	100,843	122,784	6
South Africa	68,601	118,107	4
Portugal	38,974	46,383	2

Source: ITC calculations based on COMTRADE statistics

Table 2 shows a list of the top ten world importers of fresh pears and quinces in 2006. The three leading importers were Germany (12%), Russian Federation (11%) and United Kingdom (8%). There was no African country in the top ten world importers of this product. The only Southern Hemisphere country in the top ten was Brazil ranking ninth with a four percent share of world imports.

Table 2: List of world leading importers of fresh pears and quinces in 2006 (HS: 080820)

Importers	Value imported in 2006, in US\$ thousand	Quantity imported in 2006	Share in world imports, %
World est.	1,821,469	2,168,680	100
Germany	209,806	187,255	12
Russian Federation	203,009	326,964	11
United Kingdom	150,979	126,371	8
Netherlands	121,607	140,101	7
United States	119,879	89,586	7
France	113,981	118,649	6
Italy	97,894	111,816	5
Mexico	80,456	89,068	4
Brazil	78,527	124,927	4
Canada	76,108	91,861	4

Source: ITC calculations based on COMTRADE statistics

Table 3 presents the top ten export destinations of fresh pears and quinces exported by South Africa in 2006. The top three export destinations of fresh pears and quinces by South Africa were the United Kingdom (23%), Netherlands (18%), and the Russian Federation (13%). There was no African country in the top ten export destinations of fresh pears and quinces exported

by South Africa. It is noteworthy that in the top ten list of importers of this product from South Africa were three Asian countries - Malaysia (4%), Singapore (4%), and United Arab Emirates (3%).

Table 3: South Africa's export markets for fresh pears and quinces (HS: 080820) in 2006

Importers	Exported value 2006 in US\$ thousand	Share in South Africa's exports, %
World est.	68,601	100
United Kingdom	15,649	23
Netherlands	12,475	18
Belgium	9,237	13
Russian Federation	4,606	7
Germany	3,679	5
Switzerland	2,658	4
Malaysia	2,458	4
France	2,448	4
Singapore	1,934	3
United Arab Emirates	1,840	3

Source: ITC calculations based on COMTRADE statistics

The UK was the largest export destination of pears and quinces exported by South Africa in 2006. **Figure 2** presents the top 10 imports origins of fresh pears and quinces imported by the UK in 2006.

The UK market as destination for pears and quinces in 2006 represented 8 percent of world imports of this product and ranked third in the world. South Africa ranked third as an exporter of this product to the UK, constituting an 18 percent share of the UK imports. The leading two exporters of this product with their shares of UK's imports, in value terms, were the Netherlands (35%) and Belgium (18%). In the Southern Hemisphere, Argentina came ninth with a 2 percent share of the UK market.

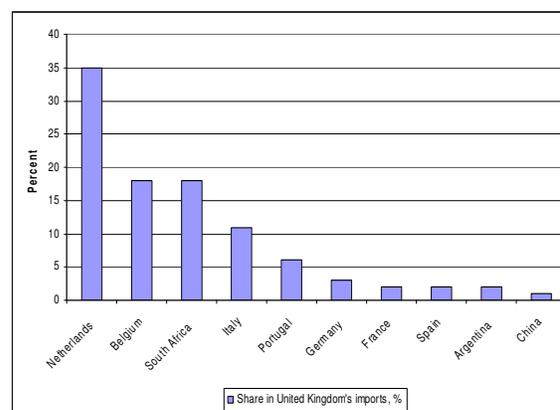


Figure 2: Countries exporting fresh pears and quinces (HS: 080820) to the UK and their shares of the UK's imports

Source: ITC calculations based on COMTRADE statistics

1.2 Fresh fish trade

➤ World fresh fish production and trade

The period from 1996 to 2001 has experienced an approximate **231 percent increase** in worldwide fish production. Since the 1980s, developing countries have played a leading role as producers of fish products with the Asian countries taking the lead.

The share of developing countries production in world fish production increased from 42 percent in 1961 to about 71 percent in 2001. Increasing fish production from developing countries caused trade in fish products to increase more rapidly. On the other hand, fish product trade has been driven by increasing consumption in the developing countries.

These increases in consumption were the result of increases in population sizes and disposable incomes. The world fish consumption in 2001 also doubled from what it was in 1973 with 90 percent of that drastic increase accounted for by the developing countries.

Globally, about 72 percent of the total fish catch is used for direct human consumption. The remainder (26%) is used for the production of fishmeal and oil. Thirty-one percent of all products directed for human consumption are eaten fresh and 35 percent is frozen. Another 16 percent is processed as cured fish (dried, salted, smoked) and 18 percent as canned fish. Thus, 31 percent is consumed within the first two weeks after capture and 69 percent preserved in some form or another for later consumption. Thirty-nine percent of the total catch is sold at the international markets.

➤ Tariffs in fish trade

Table 4 presents average tariffs for seafood products in 2003. The fish and fish product tariff structure are generally different and higher in developing countries. Countries such as Malaysia and India levy higher duties on intermediate seafood products. However India, Chile, Thailand and Kenya have an identical tariff structure for all kinds of raw fish products.

Table 5 presents the bound tariffs of fish products before and after the Uruguay Round (UR) agreement. It is clear that the UR resulted in an increase in bound tariffs.

Table 4: Average tariff in developed countries by type of sea food in 2003

Type	EU	Japan	US	Korea	Dev. countries
Raw fish	10.3	4.3	0.6	15.3	19.4
Intermediate	4.0	2.0	1.0	33.0	22
Processed	16.3	9.0	3.3	20.0	23.8

Source: Ahmed (2006)².

Table 5: Percentage of bound tariffs before and after the Uruguay Round³

Countries	Before	After
Developed	78	99
Developing	21	73
Transition economies	73	93

Source: WTO, 2005a, b in Ahmed (2006)

The world trade of fishery products is characterized by higher tariffs and the UR agreements increased the bound tariffs.

➤ Trade profile of fresh fish (HS: 0302)

Table 6 shows a list of the world's top ten largest exporters of fresh fish in 2006, expressed in value terms. The top three largest exporters of this product were Norway (23%), Sweden (9%) and Canada (6%). South Africa was not amongst the top ten exporters of this product and did not even make it into the top twenty. South Africa actually ranked 26 with less than 1 percent share of world exports of this product. There was no African country or any Southern Hemisphere country in the top ten exporters of this product in 2006.

Table 6: World largest exporters of fresh fish (HS: 0302) in 2006

Exporters	Value exported in 2006, in US\$ thousand	Quantity exported in 2006	Share in world exports, %
World est.	9,690,420	2,745,754	100
Norway	2,302,622	570,264	23
Sweden	948,480	309,872	9
Canada	627,359	131,744	6
Denmark	537,432	161,066	5
Spain	445,960	106,747	4
United Kingdom	417,397	76,297	4
Greece	391,551	73,850	4
France	382,697	64,724	3
Netherlands	307,984	35,423	3
United States	202,044	50,857	2

Source: ITC calculations based on COMTRADE statistics

Table 7 shows a list of the top ten largest importers of fresh fish expressed in value terms in 2006. The top three leading importers were the United States (12%), Spain (10%), and France (10%). The Table also indicates that the

² Ahmed, M. (2006). Market access and trade liberalization in fisheries, Issue paper 4. ICTSD.

³ Values reflect tariff lines. Percentages are not weighted according to trade volume or value.

top four import destinations absorb 42 percent of the world's fresh fish imports. In the list of top ten importers of this product, there was no African or Southern Hemisphere country.

Table 7: World largest import destination of fresh fish (HS: 0302) in 2006

Importers	Value imported in 2006, in US\$ thousand	Quantity imported in 2006	Share in world imports, %
World est.	9,517,616	2,607,273	100
United States	1,162,400	191,360	12
Spain	981,187	236,905	10
France	975,081	200,380	10
Sweden	959,883	216,298	10
Italy	730,447	116,217	7
Japan	709,142	93,404	7
United Kingdom	536,707	144,872	5
Denmark	497,634	286,270	5
Germany	423,669	105,513	4
Netherlands	279,103	75,806	2

Source: ITC calculations based on COMTRADE statistics

Table 8 presents a list of the top ten largest export destinations of fresh fish exports from South Africa. South Africa's exports of this product are minimal representing less than 1 percent of world exports. The top three export destinations of exports of this product from South Africa and their shares of South Africa's exports were Spain (77%), UK (10%) and USA (8%). There were two African countries in the top ten export destinations of this product from South Africa, Mauritius and Mozambique constituting less than a percentage of South Africa's exports. There was no Southern Hemisphere country.

Table 8: Major export destination of fresh fish (HS: 0302) exported by South Africa in 2006

Importers	Exported value 2006 in US\$ thousand	Share in South Africa's exports, %
World est.	73,336	100
Spain	56,314	77
United Kingdom	7,460	10
United States	5,584	8
Japan	1,086	1
France	828	1
Portugal	442	1
Ship stores and bunkers	365	0
Mozambique	171	0
Mauritius	162	0
Philippines	155	0

Source: ITC calculations based on COMTRADE statistics

Spain was the biggest export destination of fresh fish exported by South Africa in 2006. **Figure 3** presents the top ten import origins for Spain's imports of this product in 2006.

Figure 3 shows that Norway, France and Sweden were by far the top three exporters of this product to Spain compared to South Africa, which ranked ninth, constituting about 6 percent of Spain's imports. It is worth mentioning that Spain's imports of fresh fish in 2006 represented 10 percent of world imports.

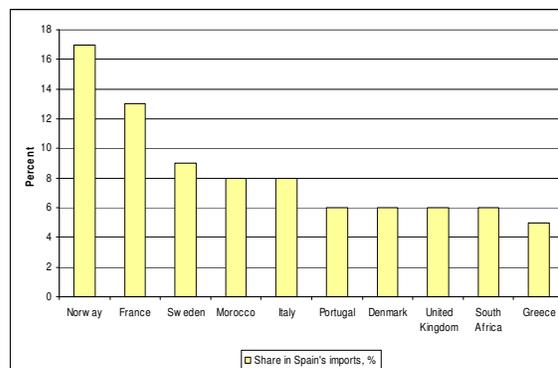


Figure 3: Major suppliers of fish (HS: 0302) to Spain in 2006

Source: ITC calculations based on COMTRADE statistics

SECTION 2 – CONTRIBUTED ARTICLES ON TRADE RELATED ISSUES

2.1 SADC EPA negotiations

By Joyce Letswalo and Lillian Rantho⁴

The implementation of Economic Partnership Agreements (EPAs) between the European Union (EU) together with the African, Caribbean and Pacific (ACP) countries was envisaged as from 1 January 2008. The World Trade Organisation waiver granted for the Cotonou agreement between the European Commission (EC) and ACP countries expired on 31 December 2007. The EC and Southern African Development Community (SADC) EPA member states agreed on a two-stage approach to the conclusion of EPAs. The first stage was to conclude an interim agreement, and thereafter the conclusion of a full agreement at a later stage. The approaches were agreed upon in order to ensure that the SADC EPA member states do not lose preferential access to the EC market after expiry of the Cotonou agreement on 31 December 2007.

At present 35 ACP countries initialled an EPA agreement. A number of Least Developed Countries did not yet initial an interim agreement. They resorted to the *Everything But Arms Initiative* (EBA) for EC market access after

⁴ Respectively Deputy Director: Europe, Russia & Middle East and Assistant Director: Europe, Russia & Middle East in the Directorate International Trade, Department of Agriculture.

expiry of the Cotonou Agreement. The Caribbean Forum (CARIFORUM) EPA completed and signed a full EPA. In the SADC EPA group, Botswana, Namibia, Swaziland, Lesotho and Mozambique initialled an interim agreement. Angola and South Africa have not yet initialled it. Tanzania joined a newly constituted EPA grouping, namely the Eastern African Community (EAC) EPA. The implementation dates for an initialled interim agreement is 1 July 2008.

The initialled interim agreement did not close the door for South Africa and Angola to participate in EPA negotiations. SACU Member States are busy with a process of finalizing tariff schedules. Negotiations towards concluding a full EPA between the EC and SADC EPA group continue. It is envisaged that a full EPA will be concluded by 31 December 2008. South Africa continues its preferential trade with the EU under the Trade, Development and Cooperation Agreement (TDCA). Angola, being a Least Developed Country, accesses the EU market through EBA preferences.

2.2 SACU and EFTA Free Trade Agreement⁵

By Joyce Letswalo and Lillian Rantho

SACU⁶ and EFTA⁷ concluded a Free Trade Agreement in August 2005. Four agreements were negotiated that all form part of the instruments establishing the free trade area between the two sides. The main agreement covers all products falling within HS Chapters 25 to 97, including products classified by the WTO as agricultural products, but falling outside chapters 1 to 24, e.g. cotton in chapter 52 or hides and skins in chapter 41. The agreement further covers processed agricultural products, as well as fisheries. To cover agriculture and ensure WTO compatibility, three bilateral agreements on basic agricultural products (within chapters 1 to 24, excluding processed agricultural products) were negotiated with each individual EFTA Member State (Switzerland also covers Liechtenstein). The agreements will be implemented over a period of ten years after entry into force. However, the agreements are not yet implemented pending ratification by all SACU member states. The agreement would be

⁵ SACU - Southern African Customs Union; EFTA - European Free Trade Association

⁶ SACU comprises of Botswana, Lesotho, Namibia, South Africa and Swaziland

⁷ EFTA member countries are Iceland, Norway, Switzerland and Liechtenstein. Switzerland and Liechtenstein constitute a customs union.

implemented with July 2006 as a reference period.

2.2.1 Tariff preference to the agricultural industry

❖ *Main agreement - Processed Agricultural Products (PAPs)*

In terms of the main agreement, SACU will enjoy immediate duty-free access into EFTA for all products covered by this agreement, with the exception of processed agricultural products. Here SACU will enjoy access that is the same as what the EU enjoys in terms of its respective agreements with the different EFTA States. This, however, does represent a substantial improvement on the market access SACU is currently enjoying. In return, SACU will gradually eliminate import duties over a period not exceeding nine years, with different phase-down modalities for different products. SACU did negotiate the right to exclude certain sensitive products, e.g. chocolate, as well as only offer partial preferences on certain other products. SACU also managed to introduce a clause that would prevent processed agricultural products that qualify for export subsidies from benefiting from preferences under this agreement. These would have to trade under Most-Favoured-Nation (MFN) conditions.

❖ *SACU-Switzerland bilateral agreement*

The bilateral agreement will eliminate trade barriers between SACU countries and Switzerland. Through the bilateral agreement, SACU exporters will have better market access for canned oranges, mandarins, and apricots to the Swiss market. They will also enjoy duty-free access for canned peaches, grapefruit and lemons. Cider apples and apples for distilling will be duty-free within the limits of Switzerland's World Trade Organization (WTO) market access quota. For other apples, MFN duties will be payable, except for apples in open packings exported from June 15 to July 14 which will be duty-free. Apples exported from July 15 to June 14 will also be duty-free within the limits of the WTO market access.

❖ *SACU-Norway bilateral agreement*

SACU exporters will face duty free access for canned fruit - Pineapple (2009.20), Pears (2008.40), Apricots (2008.50), Peaches (2008.50), and Mixtures entirely containing fruits of heading 0803 – 0810 (2008.92.01) and except for those classified under other (2008.92.09) at 20% MFN.

❖ *SACU-Iceland bilateral agreement*

SACU secured duty free access for all canned fruit, fruit juices, wine, grapes, citrus and apples into Iceland. Exporters will face no duties when exporting the above-mentioned agricultural products to Iceland.

❖ *SACU offer to individual EFTA countries*

Preferences for the bilateral agreements were negotiated based on request lists exchanged between the two sides. Based on these lists, parties constructed market access offers, taking into account defensive interests and sensitivities. In terms of the bilateral agreement with Iceland, SACU is only offering duty-free market access on live horses and meat of horses. This is because Iceland was unwilling to include a clause preventing the use of domestic support for products to be traded under this agreement (the export subsidy provision has been included). As a result, SACU was unable to offer any additional benefits (Iceland was specifically looking for lamb meat). The bilateral agreement with Norway only offers market access for SACU. Norway was unwilling to include the export subsidy and the domestic support provisions into the bilateral agreement. As a result, SACU could not offer any preferences, as the products for which Norway expressed an interest, i.e. dairy (mainly cheese), are heavily subsidised in Norway.

The third agreement with Switzerland is more comprehensive than the two other agreements. It offers substantial market access improvements for both sides. Switzerland also agreed to include the clause on domestic support and export subsidies. This means that

the one fundamental principle included in South Africa's agricultural trade strategy has been adhered to, namely that no preferences will be offered to any product that enjoys trade and production distorting support from the exporting country's Government. Of the three agreements the Switzerland agreement, offers the most substantial benefits, putting SACU on par with its major competitors in the Swiss market, especially the European Union. This is especially pleasing as Switzerland has been identified as a major export destination for SACU, specifically South African agricultural products.

2.2.2 Agricultural trade balance between South Africa and EFTA (R'mil), 2004 - 2006

For the period 2004 to 2006, the agricultural trade balance between EFTA and South Africa is in favour of South Africa (See Figure 4). However, the challenge is that the balance has been declining over time (R284.3, R265.89 and R253.35, respectively). It is envisaged that the trade balance will improve upon entry into in force of the agreements as SACU secured market access on several agricultural products. This analysis indicates Switzerland as the main trading partner for South Africa. The main products exported to EFTA are meat and edible offal, fresh, chilled or frozen (HS 02089000) followed by unfortified wine in containers of 2 litres or less (HS 22042140).

The electronic copies of the trade agreements can be obtained from the DoA website www.nda.agric.za, follow link 'Agricultural Marketing Information Systems (AMIS)', then 'MIS- e library- International agreements'. Details regarding the implementation of the agreement will be issued to the industry as soon as they are available.

Figure 4: SA-EFTA trade balance

