



# **Determining the scope and nature of Non-tariff Measures prevalent in selected international markets**

## **Report**

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## Key points

- Trade-related matters which are of special concern to developing countries are the increase of export potential, improving current exports pivotal to economic growth, access and entry to the markets of developed countries and increasing trade between developing countries.
- As international tariffs are being reduced, increased attention is being given to the role of non-tariff measures (NTMs, used in this report interchangeably with non-tariff barriers – NTBs) in impeding trade flows.
- While there are various definitions of NTMs, they can be understood, in general, as any measures, interventions or prevailing conditions, other than tariffs, which distort or restrict trade in goods, services and factors of production.
- The primary objective of this study is to identify NTMs that hinder trade within several international and regional markets.
- It is noted that NTMs vary from country to country and from product to product. It is also observed that NTMs change over time and that countries apply several types of NTMs for the same product. Conversely, for some countries the same NTM may cover several different products in a blanket manner.
- We are conscious that there are often misunderstandings by exporters and ‘grey areas’ between NTMs and what can be more properly referred to as costs of doing business in a market, and this needs to be factored into the analysis.
- We use both secondary and primary research to compile this report. Primary research is employed in the form of key informant interviews and qualitative questionnaire surveys. Secondary research involves the assessment of information from published and non-published sources..
- Six agricultural products (cut flowers, grains: maize, wheat, potatoes, onions, and sugar) in which South Africa has potential in exporting to the EU, Japan, China India, the US, Mozambique, Zambia and Zimbabwe as well as the NTMs affecting these products were identified.
- We note that exports from developing and least developed countries (LDCs) are particularly vulnerable to NTBs, and especially to the new generation of technical barriers to trade (TBTs), such as sanitary and phytosanitary regulations.
- WTO agreements emphasise that national regulations affecting international trade should be based on internationally accepted standards where these exist.

In practice, however, there is a paucity of such standards covering agri-food products, which are precisely the type of products in which many developing countries have a comparative advantage.

- From a policy perspective, there are several issues that need to be addressed in order for South African producers to be more competitive in the international market and to increase South Africa's share in world agricultural export trade. These issues are more relevant for new and emerging exporters especially from previously disadvantaged groups who require support to enter new and existing markets.
- Effective market intelligence is crucial for the success of any business. Availability of detailed and accurate market information on potential and existing markets is a first step to facilitating and assisting South African producers and exporters to penetrate new markets and also increase their exports to existing destinations. Government should therefore create an enabling environment for the public and private agencies to gather and disseminate information at affordable cost.
- A lack of transport infrastructure in South Africa and other African countries is problematic, especially for emerging farmers. Access to all modes of transport can lead to increased returns especially for small and medium producers who are mostly vulnerable and affected by this limitation due to the high costs of establishing and accessing a reliable transport system. Government and policy makers will have to evaluate the possible options of providing transport assistance to the exporters.
- As with most agricultural products, perishability is of great concern as it affects profitability and viability of farm businesses and hence the need to have appropriate infrastructure to minimise spoilage while ensuring that quality and standards are maintained. Investments in packing and cooling facilities are necessary and required to ensure that producers maintain the required levels of quality standards. There is therefore a need to ensure that emerging farmers are linked to existing facilities or assisted with provision of such facilities by government at affordable rates.
- Extension (technical production issues, quality requirements, financial and market knowledge) and research (on a wide range of issues) are of critical importance for the sustainability of emerging farmers. This provides an opportunity for government and industry organisations to provide extension

services to producers and exporters to ensure the provision of adequate information and training in the requirements of the domestic industry and various export destinations.

- The African market has the greatest potential for South African exporters, but there are various barriers facing exporters of produce to countries in the region. Customs procedures and administration have been highlighted as causing delays and in most cases adhering to the changing required procedures for imports without prior notification has proved to be costly. Efforts to speed up and encourage the harmonisation of customs documentation and rules and procedures among member countries are imperative.
- Elimination of NTMs/NTBs is of crucial importance if the gains of liberalisation are to be harnessed effectively. Therefore government needs to address these barriers during trade negotiations at both regional and international level to ensure that these do not continue to impede trade. Industry organisations can also assist exporters and producers providing and maintaining up-to-date market intelligence databases.

## Background

As international tariffs are being reduced, increased attention is being given to the role of non-tariff measures (NTMs, used in this report interchangeably with non-tariff barriers or NTBs) in impeding trade flows. In many cases these NTMs have been there all the time, but as the tariff barriers have been high, trade has not been extant, and therefore the NTMs have not been visible. In other cases 'creative' new barriers are being erected to replace the role of tariffs in protecting markets. Either way, the net result is the same: NTMs are significant as they are restricting trade.

The crucial role and importance of NTMs in restricting trade is officially recognised in South Africa: 'Reducing tariff barriers alone will not succeed in providing genuine market access for developing countries. Non-tariff barriers such as anti-dumping, technical barriers to trade and import licensing in developed countries, often pose significant barriers to developing country exports. Some issues, such as anti-dumping, are currently under discussion in other negotiating groups. Real progress in these areas must be achieved as part of a single undertaking<sup>1</sup>'. We would agree with these sentiments, and add that NTMs in developing countries are just as important to South African exporters.

The objective of the study is to highlight some of the NTMs that impede trade within several international and regional markets. Specifically the study attempts to highlight the prevailing and documented as well as perceived NTMs in Asian markets (China and India), Japan, the US, the EU and Africa (Zambia, Zimbabwe and Mozambique) in general as well as those specifically facing South African exporters.

Furthermore, our analysis will focus on a substantial list of identified products that South Africa is either currently exporting or has potential to export to these particular markets. The products will be identified on the basis of (i) a survey of existing literature on NTMs faced by developed and developing countries while exporting to EU, the US, Japan, China, India, Mozambique, Zambia and Zimbabwe; and (ii) products in which South Africa has potential in exporting to the respective particular markets.

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<sup>1</sup> See South Africa (2003) and an excerpt from a report received by the WTO from the Permanent Mission of South Africa.



It is important to note at the outset that identifying NTMs can be a very subjective matter. For instance, a measure that a particular country has imposed for reasons of legitimate health or environmental concern may be perceived in other countries as fundamentally a trade-restricting measure.

The uncertainties surrounding quantitative estimates of these NTMs should not preclude a study that as a minimum examines and documents measures impeding trade. This is because a strong qualitative assessment is also able to give policy makers and trade negotiators significant information as to where effort should be directed for maximum gain.

The study will comprise both primary and secondary research as tools of analysis. Primary research methods comprising key informant interviews and questionnaire surveys will be employed depending on the feasibility of using such tools and factoring in the time factor.

### **Research objectives**

Trade-related matters which are of special concern to developing countries are the increase of export potential, improving current exports pivotal to economic growth, access and entry to the markets of developed countries and increasing trade between developing countries. In order to address these issues the primary objective of this study is to identify NTMs that hinder trade within several international and regional markets. It is essential to evaluate the following to obtain the primary objective:

- Different types of NTMs imposed by the EU, the US, Japan, China, India, Mozambique, Zambia and Zimbabwe on agricultural imports;
- NTMs that are specifically facing South African agricultural exporters in these particular markets;
- Challenges in the compliance with and addressing of NTMs for South African agricultural exporters;
- Technical and policy considerations applicable to NTMs from an emerging farmer perspective.

The secondary objective of the study will focus on a list of agricultural export products to each of the international and regional markets identified. Priority will be

given to South Africa's main agricultural export products and also products of export potential. The intention is to provide current and prospective commercial and emerging agricultural exporters with an indication of the existing export situation and future potential within these markets.

## **Methodology**

It is noted that NTMs vary from country to country and from product to product. It is also observed that NTMs change over time and that countries apply several types of NTMs for the same product. Conversely, for some countries the same NTM may cover several different products in a blanket manner. Therefore, a study of NTMs needs to cover a wide range of countries as well as products. However, it is not possible to study NTMs imposed by, and on all countries, or the way they are faced by different countries with limited resources and time. We are also conscious that often there are some misunderstandings and a 'grey area' between NTMs and what can be more properly referred to as costs of doing business in a market by exporters, and this needs to be factored into the analysis.

This section lays out the detailed methodology adopted for identifying the NTMs. An empirical analysis of NTMs applied to agricultural products needs to be carried out at two levels: (a) types of NTMs practiced; and (b) NTMs used on specific products that are of export interest of South Africa. Both primary and secondary research is used as the tools of analysis. Using secondary data, the prevailing and documented as well as perceived NTMs in Asian markets (China and India), Japan, the US, the EU and Africa (Mozambique, Zambia and Zimbabwe) in general are highlighted.

This section also outlines the methodology adopted to undertake a primary survey to assess the extent of NTMs faced by South African exporters while exporting to EU, Japan, the US, China, India Mozambique, Zambia and Zimbabwe. We note that for China and India a) tralac has already undertaken such an exercise in a recent publication on 'South Africa's Way Ahead: Looking East' (the findings of which will be referred to here); and b) tariffs remain the major barrier into these markets, more especially for India.

### **Primary research**

Primary research in the form of key informant interviews and a questionnaire survey is employed. This method can be time consuming, but will make it possible to assess the current climate and challenges within the export market from the perception of the agricultural exporter.

Due to the nature of the study and the fact that NTMs vary from country to country and from product to product, a qualitative approach was taken to collect information from exporters. Qualitative surveys are about exploring an issue with people. There are no fixed questionnaires and interviewers use their interviewing skill to draw views and opinions from people using a discussion guide. We applied e-mail, telephonic and face-to-face interviews to collect the data.

### **Secondary research**

Secondary research involves the assessment of information from published and non-published sources. Although this method relies on documented and existing data, instead of primary sources of information, it is a valuable tool to provide an overview of the current information available on the application of NTMs. This approach will provide in general an overview and background to the application of existing NTMs within specific international and regional markets mentioned here and in particular NTMs applicable to South African agricultural exporters. Challenges facing exporters and technical and policy consideration can also be identified. The methodology takes advantage of research already undertaken on NTMs, enabling a comprehensive analysis in the specific field.

The following components of the research were undertaken and are discussed in brief below:

- i) Identification of products
- ii) Questionnaire design
- iii) Selection of samples.

## Identification of products

The study has identified agricultural products that are likely to face non-tariff barriers. The products have been identified on the basis of (i) a survey of existing literature on NTBs faced by exporters while exporting to the EU, the US and Japan, (ii) agricultural products in which South Africa has potential in exporting to the EU, Japan, the US, Mozambique, Zambia and Zimbabwe.

For the latter, a trade chilling analysis<sup>2</sup> of South Africa's trade with the countries under review was done using time series trade data at the Harmonised System (HS) 6 level of classification over a five-year period from 2004 and 2008 sourced from the World Trade Atlas (EU, Japan and US) and the ITC UN-COMTRADE database (Mozambique, Zambia and Zimbabwe). A range was selected containing products possibilities for market expansion and supply capacities. Care was taken to narrow down to a range that could give a representative sample of products having a commonality of problems (See Annex 1 for full details).

For the African countries – Mozambique, Zambia and Zimbabwe – we used a different approach simply because all these countries including South Africa are members of SADC which recently established a free trade area and therefore a trade chilling exercise may not be appropriate. However, since South Africa is a net exporter of agricultural products in the region we only focussed on the demand side and selected at the HS6 level – the top agricultural imports with a value exceeding US\$2 million – from the world for the countries under review to represent demand capacity. These we included in our list for the survey.

We created groups of agricultural products by converting the agricultural products identified using the HS classification to the Central Product Classification (CPC) system – CPC group products belonging to the same subsectors. Using these criteria the products for the present study were identified. Annex 1 shows the relevant products in each of the countries under review.

Due to limited resources and time constraints, six products were selected for the study mainly from the CPC 01 – Products of agriculture, horticulture and market

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<sup>2</sup> The concept of trade chilling occurs where trade in goods between two countries does not exist although they trade the same goods with the rest of the world, given that the tariff is not the limiting factor.

gardening. The selection of these products was mainly based on their export potential in two or more markets under review and the fact that either a) emerging farmers are already present in the domestic market in these subsectors; or b) there is potential for emerging farmers to venture into these subsectors.

The emphasis on emerging farmers is in line with the NAMC objective of uplifting the emerging farmers in the agricultural sector and to encourage their integration into the commercial mainstream. Access to output markets, especially export markets, is important for emerging farmers to earn more income for their produce. Thus, increasing market access, encouraging new business development and capacity building of emerging farmers is of crucial and strategic importance for South Africa.

The final product list included cut flowers, sugar, potatoes, onions, wheat and maize. A further motivation for the selection of cut flowers, despite the sophisticated nature of their production process and financial requirements was the fact that flower growing also has the advantage to complement more traditional exports, while the access to markets in developed countries provides powerful financial incentives.

### **Questionnaire design**

In this study we made use of unstructured questionnaires. These are made up of questions that elicit free responses. They are guided conversations rather than structured interviews and would often be referred to as a 'topic/discussion guide'. The discussion guide is made up of a list of questions with an apparent order but is not so rigid that the interviewer has to slavishly follow it in every detail. A discussion guide was prepared for each product to ensure that all the pertinent points are covered and to ensure that spontaneous expressions of opinion can be gathered. This type of approach allows the interviewer to probe or even construct new questions which have not been scripted. The discussion guides for each product are listed in Annex 2.

### **Selection of samples**

Sampling procedures aim to ensure that a sample is representative of the target population. These procedures require some prior knowledge of the target population, which allows a determination of the size of the sample needed to achieve a reasonable estimate of the characteristics of the population. Due to the nature of the study, different methods of sampling were used to ensure that a representative

sample is obtained. The fact that the research was mainly qualitative enabled the use of small samples that provide an indicative picture of the nature and extent of the prevailing NTMs. Below is a brief overview of the samples used for each product.

**Cut flowers:** We identified a total of 18<sup>3</sup> major exporters who account for over 90 percent of the total cut flower exports. These were all contacted via email and follow-up telephone or face to face interviews<sup>4</sup> were conducted. Of the 18 identified exporters we received responses from 10 exporters (55%). Cape Flora<sup>5</sup> and roses were the main export products that the exporters traded in. Among the surveyed firms, 12 declared to export only Cape flora, 3<sup>6</sup> to export both classes of products and 1 to export roses. The main destination is the EU (90%) and the rest destined for US, Japan and the Far East markets of China, India, Malaysia and Singapore. None of the respondents exported to the African market.

**Onions and potatoes:** Our preliminary research identified Industry Associations representing exporters of potatoes, exporters of onions and exporters of both potatoes and onions. The identified exporters constituted farmers who export their own produce directly and export companies (or intermediaries) who export to various regional and international markets. Based on the information gathered, a total of 27 major exporters were identified and requested to participate in the survey. We received a response rate of about 63 percent (17 respondents) who participated in the survey, via email (1), telephone interviews (15), and face to face (1). The respondents comprised 3 Industry Associations, 4 potato, and 10 onion exporters, and 10 exporters of both potatoes and onions. Out of the exporters and producers identified 11 were large, 8 medium and 5 small exporters.

**Sugar:** We note that sugar is a political commodity, around which numerous political economy issues abound internally, at bilateral and at multilateral level. Due to the unique nature and complexity of the sugar industry, we were unable to get substantial information from industry stakeholders. We would like to acknowledge the

<sup>3</sup> Because of the small size of some exporters, they use freight agencies to export their products and as such are not directly involved with the importers and only adhere to the standards that freight agencies inform them of.

<sup>4</sup> Face to face interviews were only conducted for exporters who had branches in the Cape Town area.

<sup>5</sup> Cape flora consist of proteas, leucadendron, leucospermum, Cape greens, dyed and natural bouquets, ferns, fynbos, reeds, grasses, and cymbidiums.

<sup>6</sup> These were freight agencies that pool small consignments from different producers who do not have the capacity to supply a full container/consignment.

efforts by the South African Sugar Association (SASA)<sup>7</sup>, to assist in our efforts to gather information on NTMs for the sugar sector. Efforts to obtain responses from the individual milling companies and traders were constrained within the specific time frame. The issue of disclosing sensitive information was raised as a concern which made our task difficult and hence we were unable to engage with the sector. We would therefore like to note that all information on sugar is based on published sources.

**Grains (maize and wheat):** The questionnaire used for maize and wheat was based on the five categories of the NTMs as highlighted by Alan Deardoff and Robert Stern (1997). To test the relevancy of the five NTMs to the traders/exporters of maize and wheat in South Africa, a draft of a questionnaire was pretested with one of the experts from Grain South Africa. Based on the discussion, quantitative restrictions and technical barriers to trade were the main issues identified to be affecting trade in maize, while wheat is considered an insignificant product as far as exporters are concerned.

Twelve of the big traders were identified and the following were considered: Cargill, Noble, Afgri, Senwes, Atlas and Bongani Consultant. Five millers were considered and only Grain Management, National Chamber of Milling and Grain Milling were selected based on availability and their willingness to participate. A further step was taken to verify reliability of the information that the respondents would provide, and several government bodies were contacted such as the South African Revenue Services (SARS), the International Trade Administration Commission (ITAC), the Department of Trade and Industry (DTI) and the Department of Agriculture, Fisheries and Forestry (DAFF).

## **Review of Non-tariff Measures**

Successive rounds of multilateral trade negotiations under the auspices of the General Agreement on Tariffs and Trade (GATT), and, later, the World Trade Organisation (WTO), have resulted in significant reductions of tariffs on internationally traded goods. As tariffs have decreased both in prevalence and magnitude, the significance of non-tariff barriers, used here interchangeably with

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<sup>7</sup> SASA is an organisation that exists to promote the global competitiveness, profitability and sustainability of the South African sugar industry.

non-tariff measures, has increased. While there are various definitions of NTMs, they can be understood, in general, as any measures, interventions or prevailing conditions, other than tariffs, which distort or restrict trade in goods, services and factors of production. Examples of such barriers can include excessive health and safety regulations, costly customs procedures and government procurement policies which favour domestic over imported goods or services.

While many of the measures which can be classed as NTMs have existed for a long time, they have become much more relevant as the value of international trade has increased in response to reductions in tariffs. High tariffs in the past served to disguise the existence of other measures that could potentially restrict imports. With the reductions in tariffs achieved through WTO and GATT negotiations, the awareness of NTMs has increased. In 1994, the average number of lines per country affected by any type of NTB was recorded at around 1880. By 2004 this figure had increased to 5620 (Beghin 2006). This increase can be attributed partly to increased awareness and better monitoring of existing barriers, but also to the implementation by many countries of new forms of NTMs in order to compensate for the cuts they have had to make to the high tariffs that had served to protect their domestic industries in the past.

Recent years have seen a shift away from 'traditional' or 'core' NTBs, such as import quotas, voluntary export restraints, price control mechanisms, and export subsidies, towards new 'creative' barriers, such as health and safety regulations, antidumping measures, restrictive rules of origin, and phytosanitary standards (Ibid.). Multilateral trade negotiations have been successful in largely eradicating export subsidies – which are now limited to a few agri-food markets – and in converting import quotas into two-tiered tariff systems known as tariff-rate quotas (TRQs). Increased consumer demand for higher safety standards and environmentally friendly practices has also contributed to the increasing prevalence of non-traditional NTBs. Of product lines affected by NTBs, the percentage affected by quantity and price control measures, or finance measures, (i.e. 'traditional' NTBs) declined from 45 percent in 1994 to just 15 percent in 2004, while the percentage affected by technical barriers to trade (TBTs), such as quality standards and labelling regulations, increased from 32 percent to 59 percent over the same period (Ibid.).



The eradication of NTMs is important as these barriers restrict trade between nations by imposing additional costs on importers and exporters. Furthermore, the proliferation of such measures could potentially offset the gains that have accrued from multilateral tariff liberalisation in recent decades. The concept of an NTB is somewhat controversial, however, as parties can hold quite different views on whether a particular measure constitutes an appropriate response to a legitimate concern, or whether it is simply a device used to protect local industries or firms. For this reason, identifying NTMs can be a highly subjective exercise. A certain importing country might argue, for instance, that a particular health and safety regulation is necessary in order to protect the welfare of its citizens or the quality of its environment, while an exporting country affected by this particular regulation may view the regulation as a discriminatory measure, designed to keep its products out of the importing country's market.

Many of the measures which have the potential to restrict trade are imposed to mitigate the effects of genuine market failures. Negative externalities that can arise from unregulated trade may include the introduction of pests which might damage local ecosystems, or human welfare risks posed by unhealthy additives in processed food products. It can therefore be quite difficult to assess whether a particular policy or measure is a form of protectionism if its stated aim is to address such externalities. One method to determine if a specific measure is a disguised form of protectionism is to examine whether the standards and regulations imposed on imported goods or services are applied equally to like domestic goods and services. If no effective discrimination against imports can be determined, then the presumption is that the measures are not protectionist (Ibid). When measures which have the potential to act as NTBs are not aimed at addressing market failures (including negative externalities such as environmental degradation) or information asymmetries that exist between producers and consumers (such as the nutritional information of processed food products), then they are inherently protectionist.

Exports from developing and least developed countries (LDCs) are particularly vulnerable to NTBs, and especially to the new generation of TBTs, such as sanitary and phytosanitary regulations. Many poorer countries rely on exports of a limited range of commodities, and regulations which hamper their ability to export these goods can severely damage their economies. WTO agreements emphasise that

national regulations affecting international trade should be based on internationally accepted standards where these exist. In practice, however, there is a paucity of such standards covering agri-food products, which are precisely the type of products in which many developing countries have a comparative advantage. In addition, developing countries have historically been poorly represented on international standard-setting bodies. This has meant that issues of particular importance to developing countries have not always been taken into account in the standards-setting process.

Complying with stringent regulations and standards is also sometimes quite difficult for developing countries, many of which lack the resources and capabilities to do so. Developed countries, in particular, often defend such standards by citing increased consumer awareness of health risks and environmental impacts, and increased consumer pressure for safer goods. Nevertheless, there is at least some evidence of discrimination by developed countries against imports through the use of stricter regulations on imports than on locally produced goods (Mold 2005). Finally, even where such discrimination exists, and where measures are clearly in violation of WTO rules, it is often too costly for developing countries to challenge the legality of these measures.

Addressing NTBs is a significant part of the ongoing WTO agenda, and multilateral agreements regulating measures which have the potential to be used as NTBs are already in place. These include the Sanitary and Phytosanitary (SPS) Agreement, the Technical Barriers to Trade Agreement, and various other agreements covering issues such as subsidies and countervailing measures, antidumping and rules of origin. Nevertheless, significant work still needs to be done to examine the economic impacts of NTBs, as current empirical and conceptual knowledge of these barriers remains somewhat sketchy. In particular, this knowledge is hampered by a lack of common methodologies, adequate data and up-to-date information. Establishing a unified method for quantifying NTBs also remains a significant challenge (UNCTAD 2005).

## **Types of non-tariff barriers<sup>8</sup>**

Due to the sheer number of potential sources of NTBs, it is useful to be able to place such measures into specific categories. Alan Deardorff and Robert Stern have proposed a taxonomy of NTMs which contains the following five categories (Beghin 2006).<sup>9</sup>

### **Quantitative restrictions and similar limitations**

These are often measures designed specifically with the intent to limit the quantity of imports or exports. Examples of such measures include import quotas and the various ways in which such quota schemes are administered, such as through non-automatic licensing or auctions, limitations or prohibitions on exports of certain sensitive goods, negotiated voluntary export restraints, controls on foreign exchange, domestic content requirements, preferential trading arrangements which exhibit a discriminatory nature, and restrictive rules of origin requirements.

### **Non-tariff charges and related policies**

The most significant examples of such barriers are variable levies, which are triggered when prices reach certain threshold levels, antidumping and countervailing duties, safeguard duties and taxes levied more heavily on imported goods than on like domestic products.

### **Direct government participation in restrictive trade practices**

There are numerous ways in which governments can engage in practices which restrict imports or exports. Instruments they can use include state trading enterprises, state sanctioned monopolies, procurement policies which discriminate against foreign goods and services, and industrial policies which subsidise domestic firms. Governments can also use macroeconomic, competition, fiscal, immigration or investment policy tools to distort trade in desired ways.

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<sup>8</sup> For a full description of the various NTMs summarised in this section, refer to Sandrey et al (2010:184-194).

<sup>9</sup> Many classifications of NTBs group the first three categories highlighted here into one broad category of 'trade policy NTBs'.

## **Customs procedures and administrative practices**

The way in which traded goods are treated at points of entry and exit also affect their competitiveness *vis-à-vis* non-traded goods. Border measures which can negatively impact on trade include discriminatory or inconsistent customs valuation methods, the use of classification procedures other than the harmonised system to levy duties, excessive freight handling and transportation fees and clearance procedures which create additional costs (such as mandatory inspections and excessive documentation requirements).

## **Technical barriers to trade**

These have become increasingly significant as trade-restricting measures in recent years. Examples of TBTs include health and safety regulations relating to human, animal and plant welfare (including sanitary and phytosanitary standards and regulations), environmental regulations, quality standards and labelling requirements, and other marketing regulations.

NTBs can also arise from sources other than those highlighted above. One such potential barrier is a lack of adequate trade-related infrastructure in an importing country. For example, poor road infrastructure can result in delays and higher freight costs, which ultimately affect the final price of internationally traded goods. Poor rail and port infrastructure can have similar effects. Another area where infrastructure is important in facilitating international trade is information and communications technology (ICT). A lack of adequate ICT can also serve to hinder cross-border trade, for example, by making it more difficult for traders to access information that may be important for their transactions. Corruption can also be seen as a significant NTB, especially in many poorer countries where corrupt practices by customs officials is a relatively big problem. Being forced to pay bribes places additional costs on traders, and increases the uncertainty involved in their transactions. Where such corruption is rife, the incentive to engage in international trade is lessened.

## Secondary research by market

### China<sup>10</sup>

#### Agricultural market conditions in China

China is the world's leading producer and consumer of agricultural products. It is the number one producer of paddy rice, cotton, wheat, pork, vegetables, rapeseed, groundnuts and apples, and the leading consumer of wheat, rice, corn, cotton, pork, oilseeds, and vegetable oils (Cotton Economics Research Institute 2009). Agriculture's contribution to the Gross Domestic Product (GDP) has nevertheless declined in recent years to around 11 percent of GDP, and while the sector accounts for around 40 percent of employment, labour productivity in agriculture is much lower than in other sectors of the Chinese economy. This reflects, among other things, the sector's high labour intensity and lack of mechanisation.

Crops account for around half of agricultural production in China and livestock around a third. Recent shifts in production from traditional staples such as rice and wheat to maize and other more profitable crops such as fruit and vegetables reflect the country's comparative advantage, policy changes allowing farmers more choice in what they plant and changes in demand for different types of food as incomes have risen. As Chinese diets have incorporated more dairy and meat, higher production of these goods has in turn increased demand for feed grains.

China is a major importer and exporter of agricultural products, with imports of US\$46 billion and exports of US\$39 billion in 2009. Oilseeds and cotton are the country's two most important agricultural imports, while horticultural products are also a major export. China's number one source of agricultural imports is the United States (US), while the most important export market for Chinese agricultural products is Japan. According to the WTO, China's simple average applied tariff on agricultural products is approximately 15.6 percent, while the simple average applied tariff on non-agricultural goods is around 8.7 percent (WTO 2010). Grains, sugar and tobacco benefit from significantly higher than average tariff protection, while lower tariffs apply to fruits and animal products. Tariffs on agricultural products are sometimes temporarily reduced in order to ensure sufficient domestic supply of particular commodities.

<sup>10</sup> Unless otherwise specified, the information on China in this section is derived from WTO (2010).

Historically, agricultural policy in China focused on ensuring an adequate supply of food (especially grains) at stable prices through the use of procurement, distribution and marketing restrictions as well as measures such as subsidies, price controls and import and export restrictions. The Chinese government's current food security policy aims to maintain self-sufficiency in rice, wheat, maize and tubers through the use of direct payments, seed subsidies, government procurement, TRQs, price support and subsidies for machinery, fuel and fertilisers (Cotton Economics Research Institute 2009). China also offer programs aimed at encouraging exports, including subsidies of sales from government held reserves, waivers for transportation taxes, subsidised port fees and rebates of VAT on maize, rice and wheat exports Ibid.).

### **NTMs facing agricultural imports**

The Chinese government maintains a strong influence on the trade of certain agricultural goods through the use of TRQs and state trading. Imports of cotton, maize, rice, wheat and sugar are subject to TRQs, with a significant proportion of the quotas for these imports being set aside for state owned companies. Certain exports (cotton, rice, maize and tobacco) are subject to TRQs and state trading in order to ensure adequate domestic supply and price stability. China also makes use of export restrictions to keep domestic prices low, and in recent years has levied interim export tariffs on a number of agricultural tariff lines including wheat, maize, rice and soybeans.

Since 2004, China has switched from taxing to subsidising its agricultural sector. Domestic support is provided mostly in the form of direct subsidies, input subsidies and market price support. Cotton, sugar and maize are the most heavily supported agricultural products. Grain producers benefit from direct payments and subsidies for purchasing improved crop strains, agricultural machinery and tools. They have also received subsidies to compensate for high fuel and fertiliser prices. In addition, a minimum procurement price scheme is applied to wheat and rice in certain major production areas, and certain controls are maintained in the marketing of grain.

Despite recent regulations aimed at liberalising grain markets, the Chinese government retains the power to intervene in these markets when prices rise rapidly. In addition, government departments remain responsible for ensuring that grain supply and demand are balanced. To this end, central and local authorities maintain

grain reserves for food security purposes and attempt to stabilise grain markets through buying or selling when necessary. Market interventions are also used to stabilise the price and supply of cotton and sugar. China's tobacco industry, meanwhile, remains subject to a state monopoly, with strict controls applied to the production, marketing, and trade of tobacco products.

China has strict documentation requirements for agricultural imports. All agricultural imports require a quarantine inspection permit as a general import certificate. This must contain information regarding the content, volume and physical characteristics of the shipment. Imports of fresh fruit and vegetables also require a phytosanitary certificate to verify that the product is free of pests, and a certificate of origin to ensure that the product originates from an approved growing site. Agricultural imports are subject to inspections by the China Entry-Exit Inspection and Quarantine Bureau (CIQ) (Austrade 2010). Quarantine and Inspection in China can be a complicated process, and can involve significant documentation, time and costs. Accessing up-to-date information on quarantine, labelling and packaging requirements, and food standards can also be challenging (Ibid.). Import regulations and requirements are often updated without prior notice. Documentation is also often complex, and failure to meet all requirements can result in delays, or the rejection of imports at the border.

### ***Onions and potatoes***

China is one of the world's leading producers of potatoes and onions and is generally not a major importer of these goods. While the majority of Chinese vegetable production is consumed domestically, the proportion produced for export has recently increased. As is the case for all fresh fruit and vegetables, imports of onions and potatoes require a phytosanitary certificate to certify that the products are free of pests. A certificate of origin is also required to verify that the product originates from an approved growing site.

### ***Sugar***

Sugar imports into China are subject to both tariff quotas and state trading. Non-automatic licensing applies to in-quota imports, while State Trading Enterprises (STEs) were allocated the rights to 70 percent of the sugar quota in 2008 (Ibid.). State sugar reserves are also used to stabilise the domestic sugar market. In

addition, sugar producers in China benefit from significant product-specific support in the form of market price support.

### ***Wheat***

Wheat imports are subject to TRQs and state trading. Quotas also apply to wheat exports, while in 2007/08 the Chinese government imposed a 25 percent tax on exports of wheat and wheat flour (Ibid.). The imports quota for wheat was 9.6 million metric tonnes (MMT) (350 million bushels) in 2008/09, with 90 percent required to be used by state owned companies (Ibid.). As with maize, imports of wheat under the TRQ are subject to non-automatic licensing, and quotas have generally remained unfilled. Wheat producers have also benefitted from direct and input subsidies since 2004, including a seed subsidy programme funded by the Ministry of Agriculture. A minimum procurement price scheme is also in place for wheat in major producing areas, with floor prices in 2009 of US\$254, US\$242 and US\$248 per metric ton for white, red and mixed wheat respectively (Ibid.).

### ***Maize***

Both imports and exports of maize are subject to TRQs and state trading. In the case of exports this is to ensure domestic supply at stable prices. In 2008/09 the import quota for maize was 7.2 MMT, with 60 percent allocated to state owned companies (Cotton Economics Research Institute 2009). This allows the government to maintain significant influence over maize imports. Imports of maize under the TRQ are subject to non-automatic licensing, while all maize imports require a bio-safety certificate and quarantine permits (Ibid.). Import quotas for maize have generally remained unfilled. Maize and other grain producers have been eligible for direct subsidies since these were introduced in 2004. In addition to general input subsidies, maize producers have occasionally been provided with an additional subsidy to compensate for high fuel and fertiliser prices. Central and provincial government governments also subsidise the fuel-ethanol sector, and the floor price for maize in 2008/09 was US\$14.7/metric ton (Ibid.).



## The European Union<sup>11</sup>

### Agricultural market conditions in the EU

The contribution of agriculture to GDP in the European Union (EU) as a whole is relatively low, but the sector is significant in certain member states. The value of total agricultural production in the EU was €343.6 billion in 2008 (Eurostat 2009), and the most important products by value in recent years have been cow's milk, fresh fruits and vegetables, swine, wheat, sugar beet and rapeseed (FAOSTAT 2010). According to WTO data, the EU's simple average applied tariff on agricultural goods is 16 percent (WTO 2010b). By comparison the simple average applied tariff on non-agricultural goods is only 4 percent. In general, tariffs on agricultural products without competing production in the EU (such as coffee, tea and spices) are low, while tariffs are higher on some primary and processed agricultural products: meat, dairy, cereals, sugar and tobacco.

In 2007, agricultural exports from the EU were worth €75 billion, while agricultural imports into the EU were worth €77 billion (European Commission 2008). The EU's chief agricultural imports include tropical products, oils and oilseeds and fruit and vegetables. Its main agricultural exports, meanwhile, are processed food and alcoholic beverages (Ibid.). The EU's main sources of agricultural imports are Brazil, Argentina and the US, while its most significant export partners for agricultural goods are the US, Russia and Switzerland (Ibid.).

### NTMs facing agricultural imports

Despite reform of the EU's Common Agricultural Policy (CAP) in 2003, and moves to make the agricultural sector more market-oriented (by shifting to less trade-distorting support), financial support provided to the sector remains very high by international standards. CAP expenditure on agriculture and rural development amounted to €49 billion in 2007 and was estimated at €54 billion in 2008 (European Commission 2007). Direct payments under the Single Payment Scheme and the Single Area Payment Scheme account for well over half of agricultural expenditures. Direct payments for arable crops, beef and veal and rural development are also significant. Overall producer support for agriculture among the 27 EU member states was

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<sup>11</sup> Unless otherwise specified, the information on the European Union in this section is derived from: WTO (2009c).

around 25 percent of total production value in 2008 (down from 34 percent in 2000) (OECD 2010).

Under EU guidelines EU member states are allowed to adopt any of a number of different measures for aiding rural development, including agri-environmental measures, early retirement schemes, afforestation or payments to assist farmers in least-favoured areas. Member states are also able to make use of export subsidies for some agricultural products. While such subsidies have been abolished for fruits, vegetables and wine, and suspended for sugar, a number of products continue to be eligible for such assistance. Notified export subsidies totalled almost €1.5 billion in 2006/07, with around two-thirds accounted for by sugar and dairy exports. Other measures affecting agricultural imports into the EU include the system of TRQs maintained by the EU, and strict SPS regulations and requirements.

### ***Cut flowers***

Imports of cut flowers into the EU must comply with EU phytosanitary legislation, which is based on the standards of the International Plant Protection Convention (DIPP 2009). A phytosanitary certificate is needed to guarantee that imports of cut flowers and foliage comply with phytosanitary legislation (CBI 2009). Shipments violating plant health requirements are liable for rejection and destruction at the exporters' expense. The legislation regarding protective measures is laid down in Directive 2000/29/EC (as amended)<sup>12</sup>. The phytosanitary measures include, *inter alia*, a ban on the introduction into the territory of member states of harmful organisms and plants and plant products which are contaminated by harmful organisms. Harmful organisms can be related to certain insects, mites and nematodes, bacteria, fungi and viruses and virus-like organisms<sup>13</sup>. Due to increased inception of various harmful organisms, the number of cut flower varieties requiring inspection has recently increased.

<sup>12</sup> Council Directive 2000/29/EC of 8 May 2000 on protective measures against the introduction into the Community of organisms harmful to plants or plant products and against their spread within the Community (Latest amended by Commission Directive 2009/74/EC of 26 June 2009 amending Council Directives 66/401/EEC, 66/402/EEC and 2002/57/EC).

<sup>13</sup> The annexes to the Directive contain a full list of harmful organisms and contaminated plants or plant products. See [http://europa.eu.int/eur-lex/pri/en/oj/dat/2000/l\\_169/l\\_16920000710en00010112.pdf](http://europa.eu.int/eur-lex/pri/en/oj/dat/2000/l_169/l_16920000710en00010112.pdf).

### ***Onions and potatoes***

Imports of fruit and vegetables into the EU must comply with EU rules and regulations concerning plant health<sup>14</sup>, wood packaging<sup>15</sup>, banned pesticides<sup>16</sup>, crop protection<sup>17</sup>, chemical contaminants<sup>18</sup> and the harmonisation of maximum residue limits for pesticides<sup>19</sup>. Restrictive rules on the level of contaminants permissible in food (maximum residue levels) make it difficult to export fresh produce to the EU. The EU ignores Codex recommendations on maximum residue levels and often applies stricter requirements permitting very low residue levels for fresh produce. These requirements are seen by many as a covert form of protectionism. The EU also has strict requirements regarding traceability (Embassy of Kenya in Brussels 2009). Imports must originate from known sources so that the agricultural practices and handling standards of the originating farms can be verified. These requirements discriminate against products originating from smaller farms and smallholdings.

Supermarkets in the EU have significantly increased their usage of private standards which set quality, quantity and health and safety requirements over and above EU legislated standards (Ibid.). These additional requirements increase costs for farmers wishing to sell their produce in the EU market. This is because while compliance with these private standards is voluntary, it is necessary to ensure market access. Small-scale farmers in sub-Saharan Africa have found it difficult to cover the costs involved in complying with the GLOBALGAP (previously EurepGAP) set of private standards.

Potato farmers in the EU are eligible for a number of different support programmes under the CAP, including market price support, payments based on the output of starch potatoes, national output payments for potatoes (including seeds), national deficiency payments, area payments, variable input use payments and the Single Payment Scheme. Direct payments to onion and potato farmers have been replaced by production-limiting payments based on output. Financial assistance for processing, withdrawing produce from the market and to encourage the formation of producers' organisations is also available to fruit and vegetable producers in the EU.

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<sup>14</sup> Directive 2000/29/EC.

<sup>15</sup> Directive 2004/102/EC.

<sup>16</sup> Directive 79/117/EEC.

<sup>17</sup> Directive 91/414/EEC.

<sup>18</sup> Regulation EC/466/2001.

<sup>19</sup> Regulation EC/396/2005.

## ***Sugar***

Sugar has traditionally been one of the most protected of all agricultural products within the EU, leading to complaints by various countries to the WTO Dispute Settlement Body, and a subsequent finding that the EU sugar policy contravened WTO rules. This finding coupled with internal pressures arising from structural oversupply led to recent reform of EU sugar policy, which has gone a limited way towards enhancing the market orientation and competitiveness of the sugar sector. Such reforms have included the suspension of export subsidies for sugar (which accounted for one-third of total agricultural export subsidies in 2006/07) and the reduction of institutional prices (used as a benchmark for price support) and production quotas. The loss of these benefits has been partially compensated for by the introduction of decoupled direct payments. Nevertheless, the sugar sector continues to be highly supported, and in recent years sugar prices in the EU have been around three times higher than world prices.

The main trade policy instruments applicable to sugar include a tariff quota for sugar imports, the levying of price-based special safeguards on out-of-quota imports, supply management through the use of production quotas, subsidies for sugar and processed foods and the use of institutional prices and a price intervention system. The significant product-specific support provided to EU producers of sugar is largely in the form of market price support. A minimum price is guaranteed to producers of sugar beet<sup>20</sup>, while producers of raw and white sugar receive an intervention price set at 80 percent of the following year's reference price<sup>21</sup>. The EU also grants preferential access to sugar imports from least-developed countries under the Everything but Arms Initiative.

## ***Maize***

Maize production has been covered by the EU's market intervention system, which aims at removing excess production from the market when prices decline below the intervention price. This price support makes up the majority of direct (coupled) payments linked specifically to the production of maize. In 2006/07 the EU held over 2 million tonnes of public intervention stocks of maize, but from 2009/10 intervention purchases of maize have been suspended. Maize producers also receive decoupled

<sup>20</sup> The minimum price for sugar beet in 2009/10 was €26,29 per tonne.

<sup>21</sup> The reference prices for raw and white sugar in 2009/10 were €335.20 per tonne and €404.40 per tonne respectively

income support under the EU's Single Payment Scheme. The EU applies TRQs for imports of maize, with an in-quota tariff of 0 percent, and an out-of-quota tariff of 71.5 percent (Cotton Economics Research Institute 2009). The out-of quota tariffs for maize and other cereals have been suspended in the past when prices were high. Some EU countries apply bans or marketing restrictions on certain types of genetically modified maize (US Trade Representative 2010).

### ***Wheat***

Financial support tied to the production of wheat is close to zero for common wheat, but payment based on output or current acreage is provided to EU producers of durum wheat. Farmers producing durum wheat in Italy, Greece, Spain, France, Portugal and Austria are eligible for crop specific aid of €40 per hectare, subject to certain seed requirements. Durum wheat farmers in Italy and Greece also receive support of up to €180 per hectare and €120 per hectare respectively. Wheat producers in the EU benefit from decoupled income support under the Single Payment Scheme.

As with maize, wheat production in the EU is covered by a market intervention system to remove excess production from the market when prices decline below the intervention price of €101.31 per tonne (Cotton Economics Research Institute 2009). This applies to common and durum wheat. Imports of 'low-to-medium quality' wheat are subject to a TRQ. The in-quota tariff is €12 per tonne, while the out-of-quota tariff is €95 per tonne. The EU also has strict regulations in place on the maximum amount of certain contaminants permissible in cereal imports. Wheat and wheat flour are eligible for export subsidies so as to ensure competitiveness on world markets.

### **India<sup>22</sup>**

#### **Agricultural market conditions in India**

The contribution of agriculture to the Indian economy has declined in recent years, from around 24 percent of GDP in 2000 to approximately 17.5 percent in 2009 (CIA 2010). The sector accounts for over half of employment in the country, but is characterised by low labour productivity due to fragmented landholdings, low levels of mechanisation and reliance in many areas on rainfall for irrigation. The latter factor also results in yields varying considerably from year to year. Although India achieved

<sup>22</sup> Unless otherwise specified, the information on India in this section is derived from: WTO (2007).

impressive growth in food production over the last four decades, recent years have witnessed a general decline in crop yields due to poor seed quality and inadequate public investment in infrastructure and research.

Horticulture, fisheries and animal husbandry account for over half of agricultural output, while rice, wheat, sugarcane, cotton and oilseeds are key crops. India is the world's largest producer and consumer of tea, and is among the largest producers of dairy and fruit and vegetables in the world. The country is largely self-sufficient in food (especially grains) and fibre production, and significant import and export volumes tend to occur only in years of shortages or surpluses. Domestic consumption of cereals has declined in recent years in favour of vegetables, dairy products and meat.

Agricultural imports supply only around 3 percent of domestic demand for agricultural goods, and tend to be limited to staples such as vegetable oils (soybean and palm oil) and pulses (peas, beans and lentils), products which are undersupplied domestically. In 2008, vegetable oils, pulses and nuts accounted for 60 percent of India's agricultural imports. India is largely self-sufficient in a number of products including grains, oilseeds, meat, dairy products and processed foods, and imports of these products have been negligible in recent years. India's main sources of agricultural imports are Indonesia, the EU, Canada and the US.<sup>23</sup> WTO statistics show that India's simple average applied tariff for agricultural goods is 32.2 percent (the simple average bound tariff is a massive 114.2 percent), while the figure for non-agricultural goods is 10.1 percent (WTO 2010). Tariff peaks are found in almost all agricultural product groups, with the highest being applied in the cereals and preparations, and beverages and tobacco product groups.

India's agricultural exports increased threefold between 2003 and 2008, but are concentrated in rice, soybean meal and cotton, which together account for 50 percent of agricultural exports. Sugar and frozen beef account for another 20 percent (ITC *TradeMap*). India exports its agricultural products to a wide range of trading partners, the most significant of which in recent years have been the EU, the US, Bangladesh, the United Arab Emirates and China (Ibid.).

<sup>23</sup> See the ITC. *TradeMap Database*. (Undated).

Agricultural policy in India is driven by the goals of food security, food self-sufficiency, income support for farmers and stable prices for consumers. To these ends, India's agricultural sector is subject to significant government intervention, mostly in the form of price support, input subsidies and restrictive marketing practices. Other measures used include direct subsidies and price controls. Although efforts have been made in recent years to reduce marketing restrictions, the government continues to exert influence in the trade of certain commodities so as to ensure sufficient domestic supply and stable prices. For example, a public body, the Food Corporation of India, is responsible for procuring and maintaining buffer stocks of food grains, and for distributing these through the public distribution system

### **NTMs facing agricultural imports**

Import duties are undoubtedly the main instrument of Indian agricultural trade policy, with high tariffs applied to the imports of a number of agricultural products so as to encourage domestic production. Tariffs on specific goods are also adjusted from time to time to ensure a sufficient supply of key products on the domestic market. Nevertheless, a number of NTMs also have a significant effect on the Indian agricultural sector. These include domestic support in the form of price support and input subsidies, restrictions on imports and exports of certain goods, strict or inconsistent SPS requirements and burdensome customs procedures. There is some indication that, as with tariffs, some of these NTMs are relaxed or suspended when larger import volumes are required for domestic policy reasons.

Domestic support for India's farmers is largely provided through the use of price support and input subsidies. Under India's Price Support Scheme (PSS) and Market Intervention Scheme (MIS), reference prices are issued for major crops. When the price of these crops falls below this price, designated public agencies intervene by procuring the crop at the reference price. Input subsidies, meanwhile, are provided mainly for fertiliser (the price of which is also controlled by the government), water and power, although seeds and pesticides are also often provided at a subsidised rate. Other forms of domestic support to Indian farmers include the facilitation of access to credit and insurance policies, and export subsidies (which are provided when government buffer stocks are too large).



The Indian government prohibits or restricts imports and exports of certain products. In recent years, temporary export restrictions in the form of bans or minimum export prices (prices below which firms are not permitted to export) have been used to ensure a sufficient domestic supply of a number of goods including wheat, rice, maize, vegetable oils, pulses and certain dairy products. India also applies a ban on imports of beef (for religious reasons), swine and fats of animal origin. While quantitative restrictions were used in the past, these have been replaced by a monitoring mechanism for 'sensitive' imports including edible oils, cotton, milk and milk products, grains, fruit and vegetables, nuts, spices, tea, coffee, and alcoholic beverages. When imports of these products are deemed to be disrupting the domestic market, their applied tariff rates are adjusted so as to maintain a stable supply and price.

State trading is an important instrument of Indian agricultural trade policy. Indian STEs, which are either government owned, or granted special privileges by the government, manage the supply and price of certain important agricultural imports. In particular, bulk grains such as wheat and corn are imported primarily through STEs. Other imports which are subject to state trading include edible oils, sugar, fatty acids, soybean meal, pulses and rice.

Restrictive SPS regulations also affect Indian agricultural imports. For example, Indian SPS standards for imports of poultry, swine, dairy products and certain processed foods exceed internationally accepted standards, while the country's contamination standards for wheat and barley are inconsistent with international practice (US Trade Representative 2010). In addition, Indian rules effectively ban imports of products containing genetically modified organisms (GMOs). The non-transparent process for issuing SPS standards and the lack of expertise on the part of those issuing the standards have also reportedly led to unintended consequences, such as overly broad restrictions, unclear benchmarks or unequal enforcement of SPS standards between domestic and imported goods (Ibid.). It has also been noted that Indian SPS measures sometimes become less restrictive when policymakers determine that there is a need to increase imports of a specific product, suggesting that SPS measures are used as an instrument to restrict imports.



Finally, India's cumbersome customs procedures reportedly create uncertainty regarding paperwork and customs valuation. In addition, irregular notice and comment procedures hamper the dissemination of information about the rules relating to imports and import procedures. These factors, allied with corruption (which is reported to be fairly commonplace) at Indian ports of entry create additional costs for Indian importers, and therefore make imports less competitive against domestic products.

### ***Onions and potatoes***

India is one of the world's leading producers of onions and potatoes, and, as the country is largely self-sufficient in these products, it does not import them in any significant quantity. India does import potato starch for use in noodles and other value added items, but these imports generally come from India's neighbouring countries. As with many other agricultural products, onion and potato farmers receive domestic support in the form of price support. The National Agricultural Cooperative Marketing Federation of India (NAFED) is responsible for procuring onions and potatoes (and many other agricultural products) under the Market Intervention Scheme (MIS). It does so when the price of these products drops below the established reference price. NAFED also provides seeds and other inputs to farmers, and has also previously undertaken plant protection operations to guard crops against pests and disease.

Imports of all fruits and vegetables require a phytosanitary certificate issued by an approved authority. Fruit and vegetables must be disinfected by an authorised person prior to shipment and are subject to inspections on arrival at the port of entry. Tubers and other planting material of the potato family can only be imported when the phytosanitary certificate contains various additional declarations showing that the product is free of various pests. The imports are then subject to a post-entry quarantine of a period of two growth seasons. The imports are also subject to supervision, monitoring and testing by the Central Potato Research Institute of India. Seeds or bulbs for sowing or planting of onions imported from any country require additional declarations on the phytosanitary certificate indicating that the consignment is free of pests and soil. Imports of onion bulbs for consumption also require additional declarations on the certificate and must be fumigated with Methyl

Bromide in the country of origin prior to shipment. The fumigations must also be endorsed on the certificate at the country of origin.

### ***Sugar***

Despite some recent liberalisation, the Indian government plays a significant role in the country's sugar sector. The government establishes a minimum support price for sugarcane, and runs a procurement scheme designed to ensure the supply of sugar to certain vulnerable families and communities. Under this scheme, sugar producers must set aside 10 percent of their output at a fixed price. Although remaining output can be sold on the open market, it is still subject to monthly sales quotas determined by the government in order to ensure price stability. A 2003 amendment to the Essential Commodities Act also means that the government directs all trade in sugar, and this has resulted in a partial prohibition on sugar exports in recent years, which was implemented in order to ensure domestic supply at 'reasonable prices'.

A countervailing duty of US\$19.15 per tonne is generally added to the ad valorem duties applied to imported sugar (Ibid.). Under an advance licence scheme (ALS), local sugar mills are allowed to import raw sugar at zero duty against a future export commitment<sup>24</sup>. Despite receiving this preference, prices are kept high because both imported sugar under ALS or otherwise are also subject to various measures such as the obligation to set aside 10 percent of production, and the market quota release system. Forced by severe domestic shortages and abnormally high sugar prices since the beginning of 2009, the Indian government has taken several measures to relax import restrictions in order to augment domestic supplies (US Department of Agriculture 2010a). Through a series of notifications the Indian government has extended duty-free imports of raw sugar and white sugar up to 31 December 2010. It has also exempted imported sugar, both raw sugar and white sugar, from the 10 percent obligation and the market quota release system, applicable to domestic sugar (Ibid.).

### ***Maize***

Maize farmers in India benefit from the country's PSS. In 2008/09, the minimum support price (MSP) for maize was Rs8,400 per metric tonne (US\$4.68 per bushel)

<sup>24</sup> Typically, the mills are permitted to sell the raw sugar imported under ALS after refining in the domestic market, subject to the condition that they will re-export 1 tonne of refined sugar for every 1.05 tonnes of raw sugar imported subject to actual user condition within two years.

(Cotton Economics Research Institute 2009). The Indian government has provided small export subsidies for maize in recent years, but has also restricted exports of maize when concerns over domestic supply have arisen. Imports of maize are subject to state trading and to quotas. The quota in 2008/09 was 500,000 metric tonnes per year (19.7 million bushels), with an in-quota tariff of 15 percent and an out-of-quota tariff of 50 percent (Ibid.). Very little maize is imported within the quota, however, as the process for obtaining a licence to import under the TRQ is considered too onerous.

### ***Wheat***

Wheat farmers in India benefit from a high minimum support price under the PSS. In 2009/10 the MSP for wheat was Rs10,800 per metric tonne (US\$5.57 per bushel) (Cotton Economics Research Institute 2009). This high MSP has resulted in large buffer stocks of wheat in recent years. India has eliminated its subsidies for wheat exports that previously ensured the country was a major wheat exporter, and has periodically applied restrictions on wheat exports (such as a ban in 2007) to ensure sufficient domestic supply and stable prices. Wheat is normally imported by STEs, but imports by private importers have also been permitted in recent years. India's wheat contamination standards are reportedly inconsistent with international practice, and have served to prohibit imports from certain countries (US Trade Representative 2010).

### **Japan<sup>25</sup>**

#### **Agricultural market conditions in Japan**

Agriculture accounts for a very small share of GDP in Japan, contributing around 1.5 percent of economic output. The sector nevertheless benefits from significant domestic support and border protection. In 2006, government support for agriculture in Japan accounted for more than 1 percent of GDP, well above the Organisation for Economic and Cooperation Development (OECD) average. With only around 12 percent of land suitable for cultivation, Japan is not a particularly large agricultural producer. The main crop is rice, a product in which the country is generally self-sufficient. Although crop yields are very high by international standards, the agricultural sector in Japan is characterised by low labour productivity relative to

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<sup>25</sup> Unless otherwise specified, the information on Japan in this section is derived from: WTO (2009d).

other sectors in the Japanese economy. This is at least partly due to small farm sizes and the support and protection provided to the sector.

The simple average applied tariff for agricultural imports is 23.6 percent, with significantly higher tariffs applied to goods such as oilseeds, dairy products, edible vegetables, sugar and sugar products, and cereals (WTO 2010c). The simple average applied tariff for non-agricultural products, meanwhile, is only 2.6 percent. In 2009, agricultural imports were valued at US\$44.5 billion, while agricultural exports were worth only US\$2.7 billion (ITC TradeMap). Japan's most significant agricultural imports are pork, maize, tobacco, soybeans, wheat, alcoholic beverages and coffee, and its main sources for agricultural imports are the US, the EU, China, Australia and Canada. Japan's agricultural exports are accounted for mainly by food preparations. These are largely exported to Japan's East Asian neighbours (Taiwan, Hong Kong, China and South Korea) and the US (Ibid.).

Historically Japan has pursued the goal of food self-sufficiency through the use of a number of measures including producer quotas, income stabilisation policies, hazard insurance subsidies and stockholding policies (Cotton Economics research Institute 2009). In addition, imports have often been restricted through tariffs and NTMs so as to protect domestic production. Current government objectives include improving food self-sufficiency, ensuring food safety, facilitating the entry of corporations into agriculture throughout the country, developing collectivised farm management, consolidating farmland use and shifting government assistance from price support to income support.

In 2005 the Ministry of Agriculture, Forestry and Fisheries (MAFF) announced a new farm programme which aims to move agricultural policy away from price support in favour of income support. Under the new programme, direct payments are made to 'core farmers' (i.e. certified farmers and village-based farming collectives of a certain scale) based on historical reference amounts (Ibid.). This system covers, *inter alia*, rice, wheat, soya and beet farming. The core farmers are also eligible for other measures such as low interest loans and accelerated depreciation.

## **NTMs facing agricultural imports**

TRQs apply to imports of a number of agricultural products including rice, dairy products, dried leguminous vegetables, wheat, barley and groundnuts, and the extent to which the quotas are filled varies by product. Eligibility for quota allocation may require the approval of MAFF and can be difficult to obtain. Allocations may require, for example, various end-use restrictions, or the submission of numerous documents such as accounts and business plans. In-quota imports of rice, wheat, barley and certain milk products are generally allocated to STEs, but, with the exception of wheat, some in-quota imports of these products by private firms are permitted.

Japan's Agriculture and Livestock Industries Corporation undertakes measures to ensure the stability of beef, veal and pork prices. When wholesale prices rise above an upper benchmark, the corporation releases its stock of domestic meat, and when prices fall below a lower benchmark it purchases stock. In 2007, similar price support schemes for wheat, potatoes, sweet potatoes, sugar beets and sugar cane were replaced by the direct payment scheme for core farmers. One of the most important aims of these direct payments is to compensate farmers for loss of income when prices are low. Rice, wheat, soybeans, sugar beet and starch potatoes are among the most heavily supported commodities under this scheme. Direct payments are also made to producers of milk destined for further processing.

In recent years, Japan has made use of special safeguards (SSGs) for numerous agricultural products including rice, wheat flour, milk, butter, yoghurt, certain food preparations, beans and peas. Price and volume based SSGs have been imposed, but the remedies have only been applicable to out-of-quota imports. Japan also imposes a prohibition on beef and poultry imports from various countries in order to prevent the spread of bovine spongiform encephalopathy (BSE) and avian flu, and restricts or prohibits fruit imports from many countries due to concerns over pests.

### ***Cut flowers***

Under Japan's Plant Quarantine Law, importers must request an inspection of imported plants (Get Faming Australia 2010). The plants also require a quarantine (phytosanitary) certificate issued in the exporting country. Although inspection is free, if pests are found, fumigation is required. Fumigation is for the account of the importer, and the costs are usually passed on to the exporter. Fumigated flowers are,

however, not well regarded in the market place, and they have to be treated and distributed separately. Flowers with soil still attached are simply destroyed or returned.

### ***Onions and potatoes***

Starch potato production is eligible for direct payments under Japan's commodity flexibility policy. These payments are based on historical production and aim at improving the quality of the produce and at compensating farmers for loss of income that may occur when prices and yields fluctuate. Both onions and potatoes are subject to MAFF's annual production targets for major vegetable products. Producers of these vegetables are eligible for direct payments under the Vegetable Supply Stabilisation Fund (VSSF), which aims to ensure that farmers are compensated for loss of income when prices or yields are low. Strict SPS regulations also reportedly serve to limit imports of fruit and vegetables. Onion and potato imports, for example, are subject to a variety of maximum pesticide levels, at least some of which are considered more stringent than those recommended by the Codex.

### ***Sugar***

Historically, Japan's producers of sugarcane and sugar beet have benefitted from a system of guaranteed minimum prices. In 2007, this price support system was replaced by a system of direct payments to sugarcane and sugar beet producers (Cotton Economics Research Institute 2009). Since 2007, mandatory labelling applies to genetically modified (GM) sugar beet, as well as certain processed foods containing GM sugar beet as a main ingredient.

### ***Wheat***

In 2007, the price support scheme for wheat was replaced by a direct payment scheme for 'core' wheat farmers based on historical production. Farmers who cultivate more than a specified acreage of wheat receive a subsidy of approximately US\$1,377 per acre (Ibid.). Wheat imports meanwhile are subject to a TRQ and to state trading. The quota for wheat is 5.74 million metric tonnes (211 million bushels), with an in-quota tariff rate of 9.5 percent, and an out-of-quota rate of 488.3 percent (Ibid.). In addition, in-quota imports of wheat are handled exclusively by MAFF's Food Department, which acts as a single desk state trader for wheat. The Department reportedly resells its imported wheat to Japanese flour miller at prices

much higher than the import price in order to discourage wheat consumption. (In recent years this regime has been revised to ensure that the resale price more closely reflects international price movements). Japan also imposed price-based SSGs on out-of-quota wheat imports in 2006 and 2007.

## **Mozambique<sup>26</sup>**

### **Agricultural market conditions in Mozambique**

The agricultural sector is vital to the economy of Mozambique, contributing (along with fishing and forestry) around a quarter of GDP, and employing roughly three-quarters of the labour force. Mozambique's major agricultural products are sugar, cotton, tobacco and cashew nuts. These four products are also important agricultural exports, and are subject to separate regulatory regimes. Most farmers in Mozambique are subsistence farmers, and around 95 percent of the country's arable land is occupied by smallholders producing basic food crops (beans, cassava, maize, groundnuts and rice) or cash crops such as cotton and tobacco. Natural disasters, such as droughts and flooding, disrupt production in certain parts of the country from time to time.

Agriculture is the most protected sector of the Mozambique economy, with a simple average applied tariff of 13.8 percent for agricultural goods. The equivalent figure for non-agricultural goods is 9.5 percent. As Mozambique has developed, domestic demand has increased for cereals, dairy products and horticultural crops, products which are largely imported. Rice and wheat are Mozambique's two most significant agricultural imports, while the most important sources for agricultural imports are South Africa, Thailand and the US. Mozambique's largest agricultural exports by value are sugar, cotton, tobacco and cashew nuts. India, South Africa and China are the most important destinations for Mozambique's agricultural exports.

Government policy in agriculture is to raise productivity by commercialising agriculture, shifting production away from mainly subsistence activities and promoting access to international markets. This in turn should help contribute to poverty alleviation and the attainment of food security. One measure used by the government to help achieve these goals is to provide services and inputs on credit to cereal and

<sup>26</sup> Unless otherwise specified, the information on Mozambique in this section is derived from WTO (2009b).

groundnut farmers in high-potential areas. The government also aims to foster a 'green revolution' by, *inter alia*, ensuring the proper management of natural resources, the expansion of land under cultivation, the adoption of more productive farming techniques, the development of new markets and credit facilitation. This strategy is to be complemented with a policy to develop road transport infrastructure so as to improve the integration of production zones and markets.

### **NTMs facing agricultural imports**

The Cotton Institute of Mozambique (IAM) and the Ministry of Agriculture set minimum purchasing prices for growers of cotton and tobacco, respectively, while the National Institute of Sugar (INA) sets a monthly minimum domestic price for sugar. The National Cashew Institute (INCAJU), meanwhile, sets an 'indicative' export price for raw cashew nuts. For other agricultural products, the main measures affecting prices are border tariffs or Value Added Tax (VAT) exemptions to local producers.

The most prevalent non-tariff barriers affecting agricultural imports are inefficient, time-consuming and bureaucratic customs procedures, licensing and other regulatory requirements and the cost of clearance, import licences and registration procedures. Customs procedures can be lengthy because of the paperwork involved, and the time taken to clear customs also depends on the particular border post in question. According to World Bank indicators, Mozambique ranks 136th in the world (out of 178 countries) for ease of trading across borders (World Bank 2010). All importers must be registered and licensed by the National Directorate of Trade. Pre-shipment inspections are currently required for all imports. The importation of foodstuffs and plants and plant material is restricted through various sanitary and phytosanitary requirements, with imports requiring a health certificate from the country of origin stating that the goods are free from disease. If this requirement is not met the importer can face sanctions.

### ***Sugar***

Sugar is one of the four major agricultural products of Mozambique, and the sugar industry in the country is subject to significant protection under a separate policy regime. While the protection granted to the sugar industry has been subject to debate for a while, the government decided in 2004 not to amend the country's sugar sector policy. Under this policy the National Institute of Sugar sets a monthly minimum



domestic price for sugar, and sugar imports are subject to surtaxes. In February 2008, the minimum prices were US\$385 per tonne for raw sugar, and US\$450 per tonne for processed sugar. The import surtax, meanwhile, is set on a monthly basis, and is levied on the cost, insurance, and freight (CIF) price, plus the 7.5% percent tariff on imports of processed sugar. In addition, investors in the sugar industry receive benefits, such as exemption from border taxes on imported equipment, sugar is exempt from VAT and the National Distributor of Sugar controls the commercialisation of sugar throughout the country as well as exports.

Sugar imports are subject to mandatory pre-shipment inspection (PSI). This requires that the exporter of a product subject to PSI contact the appropriate office in Mozambique, which will send a request-for-information (RFI) letter, containing the information required for the Pre-Advice Form (PAF), which must be supplied to Mozambican Customs for all imports subject to inspection. Upon satisfactory inspection, which takes place in the country of origin, a Certified Simple Document (Documento Unico Certificado – DUC) is issued to the importer. Once a DU is officially lodged, customs may inspect some or all of the goods declared (using risk-based methods of assessment).

## **The United States of America<sup>27</sup>**

### **Agricultural market conditions in the United States of America**

The United States is one of the world's leading producers, exporters and importers of agricultural products. Although agriculture contributes little over one percent of GDP, agricultural exports account for almost 10 percent of US exports by value. The country's most important agricultural products include milk, maize, soybeans, wheat, cotton, eggs, fruit and vegetables, beef, chicken and pork (FAOSTAT 2010). The value of agricultural production in 2007 was approximately US\$292 billion, with around half of agricultural production accounted for by crop production.

Major US agricultural exports include soybeans, cereals (maize and wheat), meat, nuts and prepared food products (ITC TradeMap). The country's most important destinations for agricultural exports are its North American neighbours Canada and Mexico, as well as China and Japan (Ibid.). Important agricultural imports include

<sup>27</sup> Unless otherwise specified, the information on the United States of America in this section is derived from WTO (2008a).

alcoholic beverages, coffee, and fruit and vegetables. Notable sources of agricultural imports include Canada, Mexico, the EU, China and certain South American countries (Brazil, Chile and Colombia) (Ibid.). The average applied tariff for agricultural imports is 5.3 percent, while the equivalent figure for non-agricultural imports is 3.3 percent (WTO 2010d).

The US government provides significant support to the country's agricultural sector, with financial assistance worth around 7 percent of the value of agricultural production in 2008 (down from over 20 percent at the start of the decade). Although domestic support has declined in recent years, due largely to higher prices, certain products continue to receive high levels of assistance. The Agricultural Adjustment Act of 1938 and the Agricultural Act of 1949 form the 'permanent' legal framework governing commodity price and income support in the United States. The US Congress regularly enacts legislation that amends and suspends provisions of the permanent laws. The most recent such piece of legislation is the Food, Conservation and Energy Act of 2008, commonly referred to as the '2008 Farm Bill'.

### **NTMs facing agricultural imports**

The United States maintains tariff quotas on imports of a number of agricultural products, including beef, particular dairy products, peanuts, olives, tobacco, sugar, cotton and certain prepared foods. For most of the products subject to quotas, parts of the quotas are allocated to specific countries. Access to the quotas is on a first come, first served basis, except for dairy products and sugar. Dairy product import quotas are granted to 'historical' importers, importers designated by the exporting country and on the basis of a lottery. A licensing system is used to administer access to these quotas. Access to the tariff quota for raw sugar, meanwhile, is granted to exporting countries rather than importers, and is administered through certificates of quota eligibility.

The US has reserved the right to levy additional tariffs on out-of-quota imports of products subject to tariff quotas if import prices drop below a specified threshold (price-based safeguards), or if quantities exceed a certain level (volume-based safeguards). While the US has not applied volume-based safeguards in recent years, price-based safeguards are invoked on a 'shipment-by-shipment' basis, and are applied if the out-of-quota import is within a price range which is associated with a

price-based safeguard. These safeguards have been implemented on a number of goods in recent years, including beef, dairy products, peanuts, sugar and certain food preparations.

The current total aggregate measure of support (AMS) for US agriculture in 2007 was US\$6.26 billion, down from US\$16.8 billion in 2000<sup>28</sup>. Direct payments to agricultural producers, meanwhile, totalled around US\$12 billion in 2007. The five crops which have benefitted from the vast majority of these payments are maize, rice, soybeans, cotton and wheat. Under the 2008 Farm Bill, support to agricultural producers is provided through fixed direct payments based on historical acreage, counter-cyclical payments (which are made available when prices fall below a specified target price) or marketing assistance loans and loan deficiency payments. The Federal Government also provides farmers with subsidised insurance against losses from natural disasters and price fluctuations.

The Agricultural Marketing Agreement Act of 1937 authorises the issuing of marketing orders on fruit, vegetables, specialty crops and milk. These orders target specific areas and are binding on 'handlers', i.e. those who receive the good from producers, grade, pack, transport and make it available for sale. As of June 2010, 32 marketing orders were in force for fruit and vegetables<sup>29</sup>. Marketing orders set minimum products requirements relating to grade, size, quality and maturity. Imports of covered products must meet the same or comparable requirements as those established for domestic commodities under the marketing orders.

Other measures which have the potential to limit imports of agricultural products into the US include complex sanitary and phytosanitary regulations, and the pest-risk assessment approvals required from the US Animal Plant and Health Inspection Service. Labelling requirements are also a burden to importers of certain agricultural products. Regulations provided under the Federal Meat Inspection Act and the Poultry Products Inspection Act require the name of the country of origin to appear in English on the containers of all meat and poultry products imported into the US.

<sup>28</sup> See Notification G/AG/N/USA/66 by the United States to the WTO. [Online]. Available: <http://docsonline.wto.org/DDFDocuments/t/G/AG/NUSA66.doc>

<sup>29</sup> For more information see: <http://www.ams.usda.gov/AMSv1.0/ams.fetchTemplateData.do?template=TemplateA&navID=MarketingOrders&leftNav=MarketingOrders&page=MarketingOrders&acct=AMSPW>

Retailers are also obliged to notify their customers of the country of origin of various meat, seafood products, certain nuts and other perishable agricultural commodities.

### ***Cut flowers***

The United States Department of Agriculture's (USDA) Animal and Plant Health Inspection Service (APHIS) inspects all imported agricultural products. Determination of the presence of plant pests or contaminants in a commercial shipment is based on the inspection of a sample. With cut flower inspection, the paperwork provided to the officer is a key determinant of the sample size. The paperwork must include among others the APHIS Plant Protection and Quarantine (PPQ) PPQ368 Notice of Arrival, a packing list and a phytosanitary certificate. This certificate must include the type of plant or plant product, where it was grown, if and where it was treated and what that treatment was and whether it complies with the USDA's phytosanitary requirements. Cut flowers with berries attached are required to have a written permit from APHIS prior to being released from the PPQ area to avoid potential pests and/or fruit flies<sup>30</sup>.

### ***Onions and potatoes***

Imports of onions and certain types of potato are subject to marketing orders in terms of Section 8e of the Agricultural Marketing Agreement Act of 1937. The Agricultural Marketing Service is responsible for determining, *inter alia*, the regulations applicable to imports of onions and potatoes (US Department of Agriculture 2010a & 2010b). These imports must meet very specific minimum grade, size and maturity requirements prior to importation into the US, and must be inspected prior to arrival to ensure that all the requirements are met. The products are also inspected on arrival at the port of entry, and if the importer fails to meet the specific requirements, the products can be sent back to the country of origin or disposed of, with the importer bearing the cost. The Agricultural Marketing Service is responsible for determining all the relevant criteria these imports need to fulfil. As with all other vegetable imports into the US, onion and potato imports need to be free from plant litter or debris, and require an import permit issued by the Health Inspection Services.

### ***Sugar***

The sugar sector is one of the most highly protected agricultural sectors in the US. Specific measures used by the US Government to intervene in the domestic sugar

<sup>30</sup> For more information see: [http://www.aphis.usda.gov/plant\\_health/permits/cutflowers.shtml](http://www.aphis.usda.gov/plant_health/permits/cutflowers.shtml)

market include significant assistance in the form of market price supports<sup>31</sup>, domestic marketing allotments, marketing assistance loans and tariff-rate quotas. The US sugar programme regulates supply in the domestic market, and in so doing, maintains US sugar prices above world prices. Raw cane sugar, refined sugar, sugar syrups, and specialty sugars enter the US under TRQs. Importers pay either no duty or a nominal duty on in-quota imports. Access to the tariff quota for raw sugar is granted to exporting countries, not importers. The quotas are administered through certificates of quota eligibility, which are issued by the Department of Agriculture, based on allocations specified by the US Trade Representative<sup>32</sup>. In-quota imports must be accompanied by a certificate of quota eligibility which has been validated by the certifying authority in the exporting country. The certificates are issued free of charge. The US also reserves the right to apply price and volume-based safeguards on out-of-quota imports of sugar. In recent years the US has applied price-based safeguards (which are triggered when import prices drop below a certain threshold price), which have been invoked automatically on a shipment-by-shipment basis.

### **Maize**

Maize production is the major agricultural beneficiary from domestic support in the US. Between 2002 and 2005 maize producers received almost half of all financial assistance provided to the agricultural sector. Under the 2008 Farm Bill, maize farmers are eligible for direct payments of US\$0.28 per bushel for the years 2008–2012. Maize farmers are also eligible for counter cyclical payments if and when maize prices fall below a target price of US\$2.63 during this period. Other support measures from which US maize producers benefit include marketing assistance and storage facility loans, direct payments to geographically disadvantaged farmers and subsidised insurance against losses from natural disasters and price fluctuations. Tax benefits for ethanol production also result in higher maize prices.

### **Wheat**

Wheat producer also benefit from significant domestic support, receiving around 10 percent of agricultural support between 2002 and 2005. Under the 2008 Farm Bill, wheat producers are eligible for direct payments of US\$0.52 per bushel between 2008 and 2012, and counter-cyclical payments if and when the wheat price falls

<sup>31</sup> Under WTO rules, these price supports fall under the Amber box and are supposed to be eliminated. Despite commitments to reduce them, however, these supports remain relatively high.

<sup>32</sup> For more information on US sugar policy, see: <http://www.ers.usda.gov/Briefing/Sugar/Policy.htm>

below US\$4.17 per bushel during this period. Wheat farmers also benefit from preferential loan rates for marketing and storage, direct payments for geographically disadvantaged farmers and subsidised insurance. In addition, the US government has implemented a hard white wheat development programme, which makes incentive payments to encourage the production of hard white wheat. Durum wheat producers, meanwhile, are eligible for subsidised fungicides.

## **Zambia<sup>33</sup>**

### **Agricultural market conditions in Zambia**

Agriculture accounts for around a fifth of Zambia's GDP, and is the main source of income and employment in the country, absorbing about two-thirds of the labour force. In addition, agri-processing industries make up approximately 60 percent of Zambia's manufacturing sector. Around 45 percent of the country's agricultural output is accounted for by a small number of large commercial farms, while the rest is accounted for by a large number of smallholder farmers who grow various crops including maize, cassava, rice, cotton and tobacco. Labour productivity is low on these farms due to their lack of mechanisation and economies of scale. This results in low incomes and rural poverty.

Zambia's main crop is maize, which in 2008 accounted for around 45 percent of all crop production, and is also the country's staple food. Zambia's reliance on rain-fed maize production leads to volatile output from year to year, and in some years the crop may fail to satisfy domestic consumption requirements, necessitating maize imports. In good harvest years, however, surplus maize is exported. Other traditionally important crops include cotton, cassava, sugar and certain vegetables, while game meat is also an important agricultural product. Zambian authorities report that between 2006 and 2008 the agricultural sector performed poorly due to, *inter alia*, the high costs of agricultural inputs, inadequate infrastructure, limited access to credit and a lack of private-sector investment.

Nevertheless, agricultural exports have registered relatively strong growth in recent years. Since the privatisation and trade reforms of the early 2000s, production of export crops has risen significantly, and prices of exports such as cotton, tobacco, spices and horticultural products have risen significantly. In 2009 Zambia exported

<sup>33</sup> Unless otherwise specified, the information on Zambia in this section derives from WTO (2009a).

US\$350 million worth of agricultural products, with sugar, tobacco and cereals (maize and wheat) the most important exports (ITC TradeMap). Zambia's chief export markets are its neighbours in southern Africa, the Democratic Republic of Congo, Zimbabwe, South Africa and Malawi. Zambia's imports of agricultural products in 2009, meanwhile, were worth US\$249 million, with vegetable oils the most notable import (Ibid.). The country's agricultural imports are sourced mainly from South Africa and Zimbabwe. The simple average applied tariff for agricultural imports is 19.3 percent, compared to an equivalent rate of 13 percent for non-agricultural goods (WTO 2010e).

Zambia's agricultural policy goals include improving food security, increasing the contribution of agriculture to foreign exchange earnings, boosting growth in the agricultural sector, diversifying agricultural production and developing private-led marketing systems. Over half of Zambia's agricultural budget goes towards the country's Fertiliser Subsidy Programme and the procurement of maize from farmers.

### **NTMs facing agricultural imports**

The Zambian government maintains that it is committed to the liberalisation of agricultural markets and that it aims to disengage from providing agricultural services. The government continues, however, to provide significant fertiliser subsidies to small farmers under the Fertiliser Subsidy Programme. In addition, it is heavily involved in the maize market, as it not only procures maize from domestic farmers, but also runs a state trading enterprise which it occasionally supports with import and export quotas.

SPS regulations relating to the importation of agricultural goods into Zambia are not particularly transparent, and there is an overall lack of available information regarding phytosanitary requirements. There is also little information regarding quarantine pests and regulated pests for importers and potential importers. In the national health and agricultural plans there are no specific policies pertaining to food safety and food safety standards. The Food and Drug Act (2001) and additional acts and regulations provide a foundation for food safety standards to be implemented, but current food laws are not adequately enforced.



The Plant Pest and Disease Act (Cap 233) and The Plant Pest and Diseases (Importation) Regulations govern SPS requirements and import permits for the importation of various agricultural products into Zambia. In general, the importation of fruit and vegetables is restricted due to the requirement of an import permit from the Plant Quarantine and Phytosanitary Service, phytosanitary certificates from the Zambian Department of Agriculture and the exporting country, as well as the inspection of goods prior to entry.

Trade facilitation issues such as inefficient customs administration, border delays, high transport costs, poor physical infrastructure and a lack of knowledge among customs officers, insufficient dissemination of relevant information and corruption are also significant barriers to Zambian importers. According to the World Bank (2010), Zambia ranks 153rd out of 183 countries or territories in terms of ease of trading across borders. This poor performance relates largely to the high number of documents required, long processing times and relatively high per container import and export costs. Zambia is also ranked 99th out of 180 countries on Transparency International's *2009 Corruption Perception Index*,<sup>34</sup> reaffirming a belief within the country that corruption is a major problem for Zambia's business environment.

### **Maize**

The Zambian government plays a significant role in the maize market through its use of direct procurement and restrictions on private cross-border flows of maize. A public body, the Food Reserve Agency (FRA), is responsible for maintaining security stocks. In recent years it has made significant purchases of maize (e.g. 400,000 tonnes in 2006), thereby controlling the majority of domestically traded maize, and becoming the largest actor in the Zambian maize market. The FRA also acts as a state-trader of wheat, exporting in years of surplus and importing when domestic harvests are poor. The FRA's imports are sometimes backed up by government administered quotas for the cross-border trade of maize. Export bans or restrictions are also maintained from time to time in order to ensure sufficient domestic supply.

<sup>34</sup> See [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2009/cpi\\_2009\\_table](http://www.transparency.org/policy_research/surveys_indices/cpi/2009/cpi_2009_table)



## Zimbabwe

### Agricultural market conditions in Zimbabwe

Political and economic mismanagement has decimated Zimbabwe's commercial farming sector, the traditional source of exports and foreign exchange and a significant provider of jobs, and turned a highly fertile country into a net importer of food products (CIA 2010). Agriculture nevertheless continues to contribute around a fifth of the country's GDP and employs about two-thirds of the labour force. Zimbabwe's most important agricultural products in recent years have included tobacco, cotton, maize, milk and sugar (FAOSTAT 2010). In 2009, agricultural exports were worth US\$742 million, with cut flowers, tobacco and sugar the most important agricultural export products, and the EU, Switzerland, Mozambique, South Africa and China the most significant export destinations for the country's agricultural output (ITC TradeMap). In the same year, agricultural imports were worth US\$787 million, with maize, vegetable oils and cereals the most important import products, and South Africa, the US and Zambia the most significant sources of agricultural imports (Ibid.). Zimbabwe's average applied tariff on agricultural products is 25.4 percent, compared with an equivalent figure of 25.5 percent for non-agricultural products (WTO 2010f).

### NTMs facing agricultural imports

The most widely reported non-tariff barrier facing agricultural imports into Zambia is a high level of inefficiency in the country's customs procedures. While recent changes in government policy, such as the removal of price controls and the dollarisation of the economy have made importing agricultural and other goods easier, inefficient customs administration continues to restrict the level of imports (US Department of Agriculture 2010b). Significant delays in the processing of customs documents at Zimbabwean border posts have been reported, as have continuously changing customs regulations, which in turn result in delays.<sup>35</sup> Theft is also reportedly a significant problem at Zimbabwean ports of entry. In addition, inconsistent customs valuation processes and a general lack of information and clarity regarding the necessity of import permits also result in significant costs or delays for cross-border traders (Ibid.). Due to the relatively large number of documents required for importing into and exporting from Zimbabwe, as well as the significant costs and time involved,

<sup>35</sup> See: [http://ntb.africonnect.com/showreport.php?lang=en\\_uk](http://ntb.africonnect.com/showreport.php?lang=en_uk)

the World Bank, in its *Doing Business 2010* publication, ranks Zimbabwe 167th out of 183 countries in terms of trading across borders (World Bank 2010). Corruption also remains a significant problem in Zimbabwe, with the country being ranked 146th out of 180 countries on Transparency International's most recent *Corruption Perception Index*.<sup>36</sup>

### **Maize**

The trade and marketing of maize and other grains in Zimbabwe have recently undergone significant liberalisation, with the removal of price controls and restrictions on imports. In addition, due to domestic shortages, duties on maize imports have also recently been waived. Nevertheless, there have been reports in recent months of certain restrictions being placed on maize imports from neighbouring countries.<sup>37</sup> Maize production in Zimbabwe is not heavily subsidised, but the government has introduced programmes to provide subsidised inputs and loans to small grain farmers.

### **Wheat**

As in the case of maize, the wheat market in Zimbabwe has been significantly liberalised in the last year and a half. Similarly, duties and import restrictions on wheat have recently been waived so as to encourage increased imports. Some restrictions on imports of wheat flour are still being reported, however (Ibid.). Certain wheat farmers are also eligible for government subsidised inputs and loans.

## **Research results**

### **Cut flowers**

Based on the secondary research and initial discussions with Industry experts, three main issues were identified that affect trade in cut flowers. These fall mainly under technical barriers to trade and include SPS measures, standards and labelling requirements. In the survey, the questions were structured to determine the nature and stringency of plant health requirements (PHR) concerning their exports (frequency of random inspections) and their perceived efficiency and trade-restrictiveness. We also attempted to determine exporters' perception of marketing requirements and private standards in the respective markets.

<sup>36</sup> See: [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2009/cpi\\_2009\\_table](http://www.transparency.org/policy_research/surveys_indices/cpi/2009/cpi_2009_table)

<sup>37</sup> See: [http://ntb.africonnect.com/showreport.php?lang=en\\_uk](http://ntb.africonnect.com/showreport.php?lang=en_uk)

### **SPS regulations: plant health control**

Most countries have put in place preventative measures against the introduction of organisms harmful to plants or plant products and against their spread within their territories. These measures are justifiable and are recognised under WTO rules if they are implemented without discriminating amongst member countries.

For the cut flower industry, this is one of the most important NTM that has a significant impact on trade in cut flowers amongst countries. The restrictiveness of SPS regulations to a great extent determines the ease with which exporters have access to a particular market. Of all the exporters interviewed, SPS regulations are mandatory and a phytosanitary certificate is required for every shipment.

The phytosanitary certificate is issued after the products have undergone rigorous inspections by both the Perishable Products Export Control Board (PPECB) and the National Department of Agriculture. The two bodies are responsible for quality control and pest control measures. The maximum pest limit for most markets acceptable for exports and accepted by the PPECB and NDA is 3 live insects per shipment. All exporters declare that they are subject to additional phytosanitary inspections at the destination market. The frequency of these inspections is 100% according to all exporters interviewed.

The majority of participants (80%) consider plant health requirements as routine and of lower concern for regular exporters. Furthermore, all of the exporters regard the domestic export standards and regulations as stipulated under section 4(3)(a)(ii) of the Agricultural Product Standards Act, 1990 (Act No. 119 of 1990) as quite efficient in preventing and controlling the introduction and spread of harmful organisms. However, they all raise concerns regarding additional inspections at the point of destination which they consider necessary, although not discriminatory as the domestic standards and regulations that are in place maintain a high standard. They suggest that the governments of importing countries/trade blocs engage with South Africa, harmonise their systems and give more recognition to local offices in order not to duplicate roles. In this case they argue that the necessity of inspections is not removed, but that these need to be so arranged that they do not affect the cost of doing business.

All exporters note that the risk of rejection at the point of destination is quite low due to the domestic export standards and regulations that are in place, more especially for the EU market, but the US, Japan and the Far East Asian countries can be problematic. For most exporters, the US and Japan<sup>38</sup>, although they provide a lucrative market, the risk of rejection is significantly higher. Furthermore, where re-fumigation is conducted, the costs are borne by the exporter and effectively raise the cost of the product. The costs of re-fumigation can be as high as US\$600 and if one has to add this to the high freight charges to these markets, this greatly erodes competitiveness. In addition, fumigation damages flower quality.

The depreciation of flower quality is of major concern that needs to be minimised by all means if exporters want to fetch high prices for their product. All exporters noted that the duration of the inspections greatly affect their margins. Losses in gross profits for exporters depend much more on the loss in value of the flower due to the inspection duration than on the risk of a consignment not passing the inspection. The depreciation of flower quality and hence the reduction of attainable prices create profit losses. Farmers factor this by incorporating the lower average price in their production decision, and this affects export supplies.

### **Standards and labelling requirements**

In addition to plant health measures, imports have to comply with the marketing standards and labelling requirements for each market. These are usually legislative requirements that relate to quality standards of cut flowers and other plant products. Accordingly, if produce does not conform to the quality standards, it may not get export clearance or may not be allowed access to the destination market. Marketing standards for cut flowers include:

- Minimum quality requirements
- Minimum size and size grading
- Packaging and presentation
- Marking (identification, nature and origin of product, commercial specifications, etc.).

These marketing standards apply to both domestic and imported products, and ideally should be in line with international standards.

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<sup>38</sup> Japan requires fumigation on all cut flowers at the port of entry.

Of all the respondents interviewed, meeting marketing standards did not prove to be an issue or a restrictive measure in accessing the markets under review. Most noted that this was necessary for their products in order to fetch high prices. They noted that the support and information supplied to them by the PPECB and NDA enabled them to ensure that they met the marketing requirements for each market. They also noted that meeting the requirements, especially the labelling requirements which normally differ for different markets, were not a costly exercise as South Africa had a well established printing and packaging industry.

Also addressed was the issue of private standards which are independent from official import requirements, and which may be imposed by retailers, importers, processors and pressure groups. All the respondents indicated that they did not adhere to private standards, because the exercise of getting certification was too costly, and the fact that cut flowers was merely a luxury good, excessive and high flower prices would drastically lower demand. Furthermore, despite the fact that some consumers are discerning, the fact that flowers are not edible reduces the need to comply with private standards.

Also of note was the fact that the bulk of flowers from South Africa still being sold through wholesalers or auctions makes the case for private standards irrelevant. Dedicated supply chains to retailers who may want private standards accreditation have not been established, and as for Cape Flora exporters, they indicated that their product was unique and fetched higher prices due to the emotional value attached to the product. Says one of the respondents: 'Our bouquets are displayed in most prominent hotels here in South Africa, and when tourists arrive, they appreciate the flower displays. The sight of such products on shop shelves in their own countries influences their purchasing decisions as they have sentimental value'.

### **Other barriers**

Some of the issues raised in the interview responses, perhaps not categorised as NTMs, are costs of doing business. But these need to be highlighted as respondents feel that these issues are not receiving enough attention. Below are some of the issues raised.

The exchange rate can have positive implications for some industries, while negatively affecting others. A stronger rand is generally not good for exporters as this makes their export products expensive but is good for imports as they become cheaper. In all the interviews conducted, the exchange rate volatility was highlighted as a limiting factor which greatly affects profitability and hence production. Most exporters called for the depreciation of the rand in order for their product to become more competitive in international markets.

The issue of the availability of air freight greatly constrains exporters to push more volumes onto the international market. About 60 percent of respondents cited a shortage of cargo space for their products and hence were limited in the volumes that they can export at any given time: 'Ideally, we look for direct flights which are normally cheaper and faster, but because of the limited number of airlines and cargo space, we may be forced to use connecting flights which are risky and also costly'. The costs of transporting which are covered under freight charges were also identified as a major issue, especially for small exporters who rely on freight forwarders to move their product. The freight charges were deemed to be very high and according to one respondent accounted for over 55 percent of the total cost.

Issues to do with culture can be very complex especially within the Asian communities where the culture is quite distinct and dissimilar to Western practices. But a better understanding and respect for different customs can be of valuable importance to the exporters. Ultimately, more emphasis needs to be placed on this factor as language barriers were highlighted as a limiting factor that required exporters to either establish a physical presence in the market or have a reliable agent to work with.

Payment issues, corruption and poor infrastructure were highlighted by all exporters as the main barriers of venturing into Africa and added to this is the fact that there is no significant demand to justify trade in the African markets: 'Corruption remains rife at all points of entry and this is a costly process for us exporters;. Respondents also noted that the risk of non-payments was high and the costs of recovering the money owed also deterred most exporters from considering Africa as a potential market. The issue of poor infrastructure – from transportation to cold refrigeration facilities –

increased the risk of supplying poor quality products, which eventually affects the price of the product. Profitability was also raised as another limiting factor.

## **Onions and potatoes**

A number of non-tariff barriers were identified in the research which are regarded by the exporters as prohibitive to the exportation of potatoes and onions. These include domestic export standards and requirements, technical requirements of the importing country, customs procedures and administration practices of the importing country, the risk involved in exporting these products to various markets and the cost of transportation.

### **Domestic export standards and requirements**

In accordance with the Agricultural Product Standards Act, 1990<sup>39</sup> the National Department of Agriculture notified export standards and requirements regarding the control of the export of potatoes and onions. These standards and requirements contain strict prescriptions for the approval of potato and onion exports and cover a wide variety of aspects:

- Quality standards
- Various requirements for packaging itself and the containers it is packed in
- Marking and traceability requirements
- The abstraction of samples for inspection and the process of inspection
- The allowable chemical treatments.

The standards and requirements pertaining to potatoes contain annexes with detailed quality and class standard requirements and the size groups of potatoes according to mass and allowable deviations. An instructions manual for the application of quality standards is also provided; this contains the required standards, and how deviations from the quality standards can occur as well as how they can be avoided. The annex to the standards and requirements for onions has information pertaining to the required quality standards per onion bulb and the allowable deviations.

According to the exporters the two main requirements for the exportation of potatoes and onions are the sanitary and inspection certificates which must be issued by the

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<sup>39</sup> Act Number 119 of 1990 as amended by amendment number 1080 of 2006 (potatoes) and amendment number 1818 of 2005 (onions).

Perishable Products Export Control Board (PPECB), the official inspection authority of the Department of Agriculture, Forestry and Fisheries after inspection of the export produce. In order to obtain these certificates the producer/exporter needs to comply with stringent inspection requirements whether exporting to the African region or to other international markets. The requirements of the PPECB which were identified as being strict are those pertaining to quality and technical standards, especially for potatoes, regular inspections by the PPECB, traceability, and monitoring requirements. Due to these strict requirements the products of various exporters have been rejected for export by the PPECB. The high costs associated with complying with these standards and requirements have been identified by small and medium exporters as a barrier to export their produce to all markets. However, the large exporters have not experienced any difficulty complying with the requirements and inspection process. This is due to their ability to work through a third party agent to ensure that they comply with all the standards and requirements and arrange regular inspections of their produce by the inspection authority.

Although most exporters see the PPECB and Department of Agriculture standards and requirements as being strict, the large and most of the medium exporters do not identify them as being prohibitive to the exportation of onions and potatoes. These exporters see the requirements as necessary for maintaining the high quality standards of the South African potato and onion industry and maintain that these requirements are not as restrictive in comparison to the domestic requirements of other countries.

### **Technical standards and requirements of the importing country**

Small and medium exporters have identified the technical standards and requirements of various export destinations, especially Europe, as a major barrier to export to these markets. Various exporters have stated these standards as one of the reasons why they do not consider these destinations as viable markets for their exports.

Out of all the export destinations, the Global Good Agricultural Practice (GlobalGAP) standards, applicable to imports into Europe, were identified as the most restrictive requirements for small and medium exporters and producers of potatoes and onions. The GlobalGAP standards in terms of sanitary and phytosanitary requirements for



the products and production processes used are very strict and costly to comply with, making it difficult for these exporters and producers to comply with the standards and still be able to compete with other importers in the European market. However, this seems to be a barrier only for the small and medium exporter and producer.

The large exporters indicated that even in the face of strict requirements, they did not encounter any problems in complying with either public or private standards in the European market even though these were accredited with various European standards, including GlobalGAP, Tesco Nature's Choice and LEAF audit. The challenge for these exporters seems to be maintaining their high standards throughout the year to retain their accreditation.

### **Customs procedures and administration practices of the importing country**

The barriers pertaining to customs procedures and administration practices have been raised by the exporters mostly in terms of exporting potatoes and onions to the African region.

In general, difficulties are experienced in terms of the inconsistency of the required paperwork when products are already at the border. Importing countries in Africa have the tendency to change the required paperwork for permitting the entry of products into the market without notice to the industry.

Customs inspections at the border for clearing goods for entry into the country can also take considerable time. Customs officials often inspect all the produce and the pallets and packaging the products are packed in to ensure compliance with all the standards and requirements of the importing country. This causes long delays in the transportation of the products to the market which in turn have an influence on the quality of products.

### **Other barriers**

Various other barriers were also identified. These include the production cost and risk involved with producing and exporting potatoes and onions, high transportation costs, the price of South African onions and potatoes, and the well established domestic industries of various current and potential export destinations.

The production cost of both onions and potatoes is fairly high, but it is especially high in the case of potato production due to this being highly capital intensive. The average production cost of potatoes is between R30 000 to R60 000 per hectare which is high compared to the production of other vegetables. The high production costs coupled with the relative short shelf-life of potatoes makes the exportation of potatoes over long distances and to countries which have long delays at the border very risky for the producer or exporter of the produce.

Although the production and input costs of onions are lower than that of potatoes, onions also tend to have a very short shelf-life. This makes the rail, road and sea transportation of these products over long distances problematic. The exporters or producers of both onions and potatoes thus run the risk of their produce being rejected – due to non-compliance with the importing country's quality standards and requirements – when the shipment finally arrives at its export destination.

In general, the transportation costs of potatoes are high, especially when shipments are sent to international markets via sea or air transport. The high transportation costs have been attributed to the fact that potatoes are very heavy and thus transportation costs according to the weight of the product can lead to high export costs for the exporter or producer.

The West African market has been identified as a market with great potential for South African exporters of both potatoes and onions; however the freight costs for shipments via sea transport to these destinations are expensive. The freight costs for shipments from South Africa are about double that of produce sent from the Netherlands to the same destination. The transportation of produce to other African countries is also made difficult due to the lack of adequate transport infrastructure in most countries in the African region.

Other barriers which were identified include the following: exports to Europe, Asia and West African countries are restricted due to the appreciation of the rand which makes it more expensive to export produce to international markets. Asia and Europe also have their own domestic potato industry which makes it difficult for South African exporters to penetrate these markets. Various countries in Africa have also started to establish their own potato and onions industry, for instance Zambia with potato

production and Botswana with onion industry, while those exporters who send potatoes and onions to Zimbabwe have experienced particular problems with receiving payment for their shipments.

## **Sugar**

Sugar is a basic foodstuff that is consumed in all countries and despite not being considered a dietary staple, it is nonetheless regarded as an essential food commodity by many governments. We note that there are severe distortions in world sugar markets as a result of government policy interventions (in the form of subsidies and other forms of domestic market support, as well as tariff and non-tariff barriers) and preferential trade agreements.

There is no doubt that the sugar sector is heavily protected in the rich countries, that this protection distorted the global trading regime, and that these distortions place a burden on the sugar industry in developing and least developed countries. According to OECD data the average Nominal Assistance Coefficient (NAC) is 1.96 for sugar. This means that rich country producers are receiving nearly double the world market price for their sugar (Sandrey and Vink, 2009).

As a result, the global market prices for raw and refined sugar do not reflect the true cost of production, due to the fact that the numerous subsidies and other forms of support effectively delink the global market price from actual production costs in many producers. The world market price is thus eroded and depressed by subsidy-induced overproduction in some major sugar-producing industries. This means that most countries are forced to maintain higher import tariffs and restrictions, to protect even efficient domestic industries from this under-priced world market sugar. Below we highlight some of the main factors or NTMs that affect South African sugar exports. We note, as highlighted earlier, that some of the NTMs are not only specific for sugar but also affect other products. Furthermore, the information provided here is not limited only to countries under review but to market destinations of export interest to South Africa.

### **Quantitative restrictions and similar limitations: Tariff Rate Quotas:**

Most sugar producing countries maintain quotas on sugar imports to protect their domestic markets. Many of these quotas were previously in the form of quantitative

restrictions. However, under WTO rules countries were mandated to remove all quantitative restrictions on imports. Most of these were converted to TRQs where a lower in-quota rate is applied and exporters of sugar to a particular country are either allocated a certain quota (under bilateral arrangements) or just supply sugar until the quota is allocated, after which high and prohibitive tariffs apply for out-of-quota exports. This has drastically limited sugar exports to major sugar consumers such as the EU, the US, China and India. Recently, the South African Sugar Association called for an interim duty-free export quota deal for sugar to the European Union (EU) as talks for full duty-free and quota-free access into the EU continue. The EU, which has become the world's largest sugar importer after it reformed its sugar policy, is viewed as a lucrative market because of the high prices sugar earns in the EU in comparison to world sugar prices. Export of sugar to the EU outside of preferential access is uneconomical due to the very high MFN tariffs. South Africa does not sell either raw or refined sugar into the EU, as it has not been granted preferential access for sugar. It is the only country in the African, Caribbean and Pacific Group of States (ACP) not to have been granted such access. The ACP currently has 79 developing country members. Within the category of tariff barriers at least, this is an example of a measure that appears discriminatory as it has been applied to the RSA only, at least as far as preferential access for ACP members is concerned. Furthermore, whilst South African exports are denied preferential access, such access has been recently granted to Central American countries under their FTA negotiations with the EU. The discrimination is most visible close to home, where both South Africa and Swaziland are members of the same customs union (SACU), and yet where Swaziland has been granted preferential access to the EU, whilst SA has not even though both parties are part of the same customs territory (part of the list of such customs territories notified at the WTO).

Other examples include the following: Indonesia maintains quotas, and Pakistan holds auctions for their import requirements. South African exports to Indonesia are therefore determined by Indonesia. South Africa does not export to Pakistan due to the auctions. Despite China's WTO tariff rate quota of 1.9 million tonnes for sugar, the Chinese authorities have consistently failed to provide sufficient licences to fulfil the quota pledge. Examples of sugar import licence restrictions can be found in China, Ukraine and Thailand.

## **Non-tariff charges and related policies**

Chile maintains a complex price-band system for wheat, wheat flour, and sugar. Mixtures containing more than 65 percent sugar (e.g., high fructose corn syrup) content are subject to the sugar price-band system. The price-band system was created in 1985 and is intended to guarantee a minimum and maximum import price for the covered commodities. When certain CIF prices (as calculated by Chilean authorities) fall below the set minimum price, a special tax is added to the tariff rate to raise the price to the minimum price. The government sets a minimum import price that is normally higher than both international and Chilean domestic prices (US National Trade Estimate Report 2010).

## **Direct government participation in restrictive trade practices**

### *a) State Trading Enterprises*

State trading is an important instrument of agricultural trade policy used by many countries to control sugar trade. The STEs, which are either government owned or granted special privileges by the government, manage the supply and price of sugar imports such that limited quantities are imported in favour of the more expensive locally produced sugar. Examples of countries where the state maintains a presence in the ownership of mills are Mexico, India, China and Indonesia. In China, consistent with the terms of China's Protocol of Accession to the WTO, the importation of some goods, such as petroleum and sugar, is still reserved for state trading enterprises (US National Trade Estimate Report 2010).

### *b) Input subsidies*

Input subsidies can include provision for equipment, pre-financing, and land use subsidies. Examples include India, Indonesia and Mexico.

### *c) Export subsidies*

A general lack of transparency makes it difficult to identify and quantify possible export subsidies provided by certain governments. For example, China's subsidy programmes are often the result of internal administrative measures and are not publicised. Most countries that still use export subsidies are reluctant to notify them as they are prohibited by the WTO's Agreement on Subsidies and Countervailing Measures.

*d) Support prices*

A support price occurs where the price is guaranteed by a government programme. Typically it requires that the government buy the product at that price. If the market clearing price is lower, this raises the price to that level and causes the government to acquire the resulting excess supply (Deardorff's Glossary of International Economics). The Thai government retains authority to control prices or set de facto price ceilings for 38 goods and one service, including staple agricultural products (sugar, cooking oil, condensed milk, wheat flour, and others), liquefied petroleum gas, medicines, sound recordings, and student uniforms. However, only sugar is currently subject to a retail price ceiling. The Venezuelan government applies fixed farm gate prices for producers of corn, rice, sorghum, sugar, milk, and beef (US National Trade Estimate Report 2010). Support prices are also utilised in China, and Indonesia, for example.

*e) Quotas – domestic*

This occurs where domestic sugar supply is managed by government, for example by quotas to mills. The internal regulations prevent domestic sales and distribution of sugar outside of the system as the government controls an element of the domestic distribution. Examples include Guatemala, Mexico, and Ukraine. In Venezuela, products such as coffee, sugar and other basic food items cannot be exported while domestic demand is not satisfied (US National Trade Estimate Report 2010).

## **Customs administration and procedures**

*a) Customs valuations:*

Issues have emerged regarding the application of customs valuation criteria to import transactions. Valuation procedures allow customs officials to reject the declared transaction value of an import when a sale is deemed to involve a lower price compared to the ordinary competitive price. In countries such as India, this has proved to be a constraining factor in accessing the market, and the risk of rejection becomes a deterrent.

*b) Pre-shipment inspections and other documentation:*

Pre-shipment inspections and other documentation are required in Mozambique and are viewed by most exporters as unnecessary because of the high standards required and maintained for sugar. Most African countries and countries like India still

require extensive documentation, which inhibits the free flow of trade and leads to frequent and lengthy processing delays.

In the US, apart from the TRQ levels and Central America Free Trade Agreement (CAFTA) trade arrangements, growing requirements for certificates on quality and production standards and sustainability requirements are additional requirements for distribution in this market.

*c) Border tax adjustments:*

Tax adjustment on transit goods is an issue in Africa as a whole. Individual trucks crossing several border gates are faced with the reality of paying more taxes at each border crossing, this despite efforts to ensure that taxes are paid at the final destination of the product. Bribery is prevalent in the region and this adds to the cost of exporting with the result that in some cases exports become unviable.

*d) Notifications and publications:*

Lack of transparency is rife in most developing countries especially in Africa and also in East Asia where China has been accused of failing to notify and publish changes in customs procedures on time. Exporters to African countries complain that this causes unnecessary delays at the border as they try to ensure compliance with the ever changing requirements. Delays at the border can last up to more than a week before a consignment is allowed access into the importing country. The costs associated with these delays are a significant deterrent to export into Africa where bribery is also prevalent.

## **Technical barriers to trade**

Nigeria and Kenya have Vitamin A fortification requirements. South Africa does export sugar to these countries, however, and has processes in place to make allowances for this. Japan and Korea require a certain quality that has to be specifically manufactured or altered. Similarly, South Africa does export sugar to these countries and has processes in place to make allowances for this.

## Other barriers

### a) *Payment issues, corruption and poor infrastructure:*

These issues were highlighted by exporters as the main barriers to venturing into Africa apart from the fact that a significant demand to justify trade in the African markets also exists. Corruption is rife at many points of entry and this is a costly process for exporters. The risk of non-payments is also high and the costs of recovering the money owed also deterred some exporters, although most have taken measures to ensure that this is prevented. Such measures include establishing a physical presence in the importing countries. The issue of poor infrastructure, from transportation to road and rail infrastructure, increased the risk of delays in delivery, which eventually affects the price of the product and competitiveness as the costs are passed on to the consumer.

### b) *Exchange rate fluctuations:*

A stronger rand is generally not good for exporters as this makes their export products expensive. The exchange rate volatility was highlighted as a limiting factor, more in international than in regional markets. This greatly affects profitability and hence the supply of sugar. Calls for the depreciation of the rand in order for exports to become competitive in international markets have been echoed on numerous occasions.

### c) *Risk:*

The credit risk involved in selling to Sri Lankan and Indian buyers often necessitates the use of a trade house as an intermediary. South Africa still exports to these countries, but does so via trade houses.

### d) *Internal distribution constraints:*

The difficulty with internal distribution can act as non-tariff barrier, for example in the Japanese market.

## Maize and wheat

### Export limitation and licensing

Most of the traders exported maize over the last five years in spite of the fact that over the last 2–3 years it has become increasingly difficult to obtain an export permit from the Department of Agriculture. South Africa has signed the Cartagena protocol:



therefore according to the department a letter from the importing country's relevant bio-safety authority is required stating that South African maize has been accepted. However, the listed countries' authorities have a bio-safety website which lists descriptions of the type or code of genetically modified (GM) maize which they accept and therefore do not feel obliged to provide the department with a letter. The department does not accept the website as valid and hence this year (2010) some of traders have not exported any maize.

Another form of limitation is limited quantity of genetically modified organisms (GMOs), free cultivars produced in South Africa, which limit traders from exporting maize to most countries that do not accept GMOs.

A trader exporting maize/wheat in South Africa is required to have the following licences: import permit, customs code and transit permit. In the current years, South Africa has been producing GMO maize. Therefore when exporting from South Africa, various countries request confirmation from government regarding the GMO status of the consignment being exported. Zimbabwe, for example, is not issuing import permits and is pulling away the current import permits from traders.

Genetically Modified Organisms Act, 1997 (Act No. 15 of 1997), on 8 February 2002, determined that any consignment will only be regarded as GMO-free if it contains less than 1.0% total GMO content for the specific consignment being subjected to testing (Registrar: Genetically Modified Organisms 2002). The Limit of GMO Quantification is very low and hence reduces the tonnage exported, and also limits the market and revenue for the company.

### **Voluntary export restraints**

Most countries, for example Zimbabwe and Kenya, require genetically modified (GM) free maize. The proximity of the regional markets and the demand for grains make the region a potential and booming market for South African grains when transport and other logistical costs are taken into consideration. It should be noted that transport costs in Africa are relatively high in some countries but also quite reasonable in others, especially the ones neighbouring South Africa, such as Zambia, Zimbabwe and Mozambique.

## **Exchange and other financial controls**

South Africa still maintains strict exchange control regulations although significant reforms have been implemented to boost trade. In the Southern African Development Community (SADC) region exchange regulations do not impede trade, but exporters are required to keep and maintain records to prevent money laundering. However, a limiting factor is the shortage of hard currency in some countries such as Malawi and Angola, which affect finalisation of trade deals.

## **Prohibition**

Most of the African countries, Europe and Japan prohibit GM maize. The GM corn/maize events which are approved by South Africa for exportation are not accepted by most of the export markets of interest to South Africa except Korea. Therefore Traders generally feel that they do not have the right maize cultivars which are tradable in most countries.

## **Other barriers**

Variable levies are difficult to monitor and the maize tariff book is difficult to understand. Traders find it difficult to correctly apply all the codes under the maize/wheat product, especially in the case of a mixture of the milled maize/wheat product. A misinterpretation of the codes in the tariff book means the product is incorrectly declared before customs, which results in traders paying unnecessary fines.

Currently there are no antidumping or countervailing issues imposed on the export of maize or wheat. But various methods such as quality certificates and standards grading are employed by countries. In other words, a trader from the importing country can claim that maize/wheat does not conform to his country's standards. For example, Egypt has rejected wheat from South Africa for obscure reasons. Another instance is in the form of Halaal certificates and fumigation certificates. Traders/exporters see the above method as a barrier that is meant to discourage trade with certain countries, especially less developed countries.

Border tax adjustments are not officially applied, but most of the traders are faced with border tax adjustments, particularly in the case of individual trucks crossing several border gates. Truck drivers are expected to pay bribes in order to pass

border gates with maize and wheat products. This causes unnecessarily delays in reaching the final destination – something which can be minimised by effective implementation and enforcement of laws.

Government financed research and development through the Agriculture Research Council (ARC), ARC-Grain Crops Institute (ARC-GCI), even though ARC offer basic research on new cultivars (crops that are adaptable to the South African climate) and breeding programmes for commercial purposes. Traders/millers are requesting for an advancement in technology and research that will enhance value adding to the maize/wheat product.

Most traders have local partners in all countries to which they export maize or wheat. The role of a local partner is to assist traders based in South Africa to acquire import licences. Corruption is prohibited but it is happening, especially in Africa. Border officials demand bribes on a large scale, especially from small-scale traders. Implementation of effective foreign policies could minimise these unnecessary costs that traders have to bear while trading maize/wheat.

Some of the customs clearance rules contradict each other, meaning that if a trader breaks a rule, his export licence will be terminated. Traders have to be strategic with the route to avoid crossing multiple border posts. Acquiring transit permits is the most time consuming process at the border post. Most of the procedures are not standardised and traders do not value their purpose.

Technical barriers to trade depend on the nature of the business (retailer or consumers) the trader is exporting to and also on the nature of product (processed or unprocessed). If you're exporting to the retailers or consumers, labelling, safety standard, sanitary measure are the most crucial barrier. Brand issue sometimes cause conflict if the exporting industry has the similar brands or trademarks with another exporter. This has major implication on the reliability of the exporting industry and it has some cost implication in maintaining a good reputation to the importers.

### **Policy options/ interventions: an emerging farmer perspective**

Several non-tariff barriers which limit the exports of South African products to various international markets were identified. These include technical barriers to trade (SPS

and standards regulations), domestic support in the importing countries and other non-tariff charges (mainly for sugar and maize). The extent to which these non-tariff measures affect trade have already been highlighted for the products and markets under review in this study.

From a policy perspective, there are several issues that need to be addressed in order for South African producers to be more competitive in the international market and to increase South Africa's share in world agricultural export trade. These issues are more relevant for new and emerging exporters, especially from previously disadvantaged groups who require support to enter new and existing markets. Some of the issues that are common and relevant to most agricultural products of export interest for South Africa include:

- Identifying market opportunities;
- Transport and infrastructure costs;
- Extension services; and
- Harmonisation of standards and regulations.

### **Identifying market opportunities**

Effective market intelligence is crucial for the success of any business. Availability of detailed and accurate market information on potential and existing markets is a first step to facilitating and assisting South African producers and exporters to penetrate new markets and also increase their exports to existing destinations. Information on current markets, potential markets and the size of these markets becomes important. Consumption patterns and information about competitors should also be taken into account. Such information will ensure that exporters make informed decisions based on reliable and accurate facts.

For many exporters, especially small and medium producers, obtaining this information and monitoring the markets for opportunities are impractical due to the high costs associated with acquiring this information and a lack of knowledge about potential markets. Government should therefore create an enabling environment for the public and private agencies to gather and disseminate information at affordable costs. There is also the need for funding of marketing innovations and supporting programmes to ensure increased trade opportunities for emerging farmers.

### **Transport and infrastructure costs**

A lack of transport infrastructure in South Africa and other African countries is problematic, especially for emerging farmers. Access to all modes of transport can lead to increased returns especially for small and medium producers who are mostly vulnerable and affected by this limitation due to the high costs of establishing and accessing a reliable transport system. In most potential markets, high transportation costs have been cited as the major limitation for accessing these markets. This is one of the biggest barriers to trade in Africa. Government and policymakers will have to evaluate the possible options of providing transport assistance to the exporters.

As with most agricultural products, perishability is of great concern as it affects profitability and viability of farm businesses – hence the need for appropriate infrastructure to minimise spoilage while ensuring that quality and standards are maintained. Investments in packing and cooling facilities are necessary and required to ensure that producers maintain the required levels of quality standards. Such investments are very costly and out of reach to most new and emerging farmers. There is therefore a need to ensure that emerging farmers are linked to existing facilities or assisted with provision of such facilities by government at affordable rates.

### **Extension and research services**

Extension (technical production issues, quality requirements, financial and market knowledge) and research (on a wide range of issues) are of critical importance for the sustainability of emerging farmers.

In international trade, domestic and international standard regulations have been cited as some of the most prevalent and limiting non-tariff measures affecting exports, by both primary and secondary research. Japan, India, and China, evaluated as potential markets for increased trade by South African exporters, are some one of the most protected and demanding agricultural markets in terms of quality and uniformity in shape, size and colour.

This provides an opportunity for government and industry organisations to provide extension services to producers and exporters to provide adequate information and training in the requirements of the domestic industry and various export destinations.

Exporters and producers need to be informed and trained on how to adhere to various quality, safety and technical requirements that are a prerequisite for exports.

### **Harmonisation of standards and regulations**

The African market has the greatest potential for South African exporters, but there are various barriers facing exporters of produce to countries in the region. Most of South Africa's trading partners in the region are members of SADC which aims to eliminate trade barriers and facilitate deeper regional integration. Customs procedures and administration have been highlighted as causing delays, and in most cases adhering to the changing required procedures for imports without prior notification has proved to be costly.

Efforts to speed up and encourage the harmonisation of customs documentation, rules and procedures among member countries are imperative. Quality standards, packaging requirements, and simplification of transit procedures need to be taken into account. Therefore government needs to address these barriers during trade negotiations at regional level to ensure that these do not continue to impede trade. Industry organisations can also assist exporters and producers through obtaining and providing up to date information on the customs procedures and requirements of trading partners.

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### Annex 1: List of products of export potential in selected markets

Code	Description	US	Jap	EU	Moz	Zam	Zim
<b>01 -Products of agriculture, horticulture and market gardening</b>							
060314	Fresh cut flowers	Yes	Yes				
070190	Potatoes, fresh or chilled n.e.s.	Yes			Yes		
070310	Onions and shallots, fresh or chilled	Yes	Yes		Yes		
070610	Carrots and turnips, fresh or chilled	Yes	Yes				
070990	Vegetables, fresh or chilled n.e.s.	Yes	Yes				
071310	Peas dried, shelled,						Yes
071331	black/green gram beans dried shelled,						Yes
071339	Beans dried, shelled, n.e.s.						Yes
080410	Dates, fresh or dried	Yes					
080430	Pineapples, fresh or dried		Yes				
080440	Avocados, fresh or dried	Yes	Yes				
080510	Oranges, fresh or dried					Yes	
080930	Peaches, nectarines, fresh	Yes					
080940	Plums and sloes, fresh	Yes					
081090	Fruit Nesoi, fresh		Yes				
090420	Pepper or Paprika, drd/crsh/grnd		Yes				
100110	Durum wheat	Yes		Yes	Yes	Yes	Yes
100190	Wheat n.e.s. and meslin	Yes		Yes	Yes	Yes	Yes
100510	Maize (corn) seed					Yes	Yes
100590	Maize (corn) n.e.s.	Yes			Yes	Yes	
100700	Grain sorghum					Yes	Yes
120100	Soya beans					Yes	
120720	Cotton seeds, whether or not broken						Yes
121020	Hop cones, grnd, pwdrd or pelleted	Yes	Yes				
240110	Tobacco, not stemmed/stripped		Yes	Yes	Yes	Yes	Yes
520100	Cotton, not carded or combed	Yes				Yes	Yes
<b>02 - Live animals and animal products (excluding meat)</b>							
010110	Pure-bred breeding animals				Yes		
010190	Live horses, asses, mules		Yes				
040700	Eggs, bird, in shell, fresh, preserved				Yes	Yes	
510211	Of Kashmir (cashmere) goats	Yes	Yes				
<b>21 - Meat, fish, fruit, vegetables, oils and fats</b>							
020130	Bovine cuts boneless, fresh or chilled	Yes					
020220	Bovine cuts bone in, frozen	Yes					

Code	Description	US	Jap	EU	Moz	Zam	Zim
020230	Bovine cuts boneless, frozen	Yes					
020712	Fowls (domestic), whole, frozen				Yes		
020714	Fowls (domestic), cuts & offal, frozen	Yes	Yes				
050400	Animal (not fish) guts, bladders & parts		Yes				
071080	Vegetables, Nesoi raw/cooked by boiling, frozen		Yes				
081190	Fruits & edible nuts, n.e.s.	Yes					
120810	Soya bean flour and meals					Yes	
120890	Flours and meals of oil seeds, n.e.s.	Yes		Yes			
150300	Lard stearin & oil, oleostearin					Yes	
150710	Soya-bean oil crude				Yes	Yes	Yes
150790	Soya-bean oil and its fractions, refined					Yes	
151110	Palm oil, crude				Yes		
151190	Palm oil, refined				Yes	Yes	Yes
151211	Sunflower seed or safflower oil, crude	Yes					
151219	Sunflower seed/safflower oil, refined	Yes			Yes		Yes
151620	Vegetable fats & oils/fractions hydrogenated, etc.		Yes			Yes	Yes
151710	Margarine, excluding liquid margarine	Yes			Yes	Yes	
160232	Fowl (domestic) meat, preserved	Yes	Yes	Yes			
160250	Preserved bovine meat, etc., Nesoi	Yes	Yes				
160300	Extracts of meat, fish, crustaceans, etc.		Yes	Yes			
200190	Veg /fruit/ nuts, etc. Nesoi preserved		Yes		Yes		
200210	Tomatoes, preserved				Yes		
200520	Potatoes, preserved, not frozen	Yes	Yes				
200820	Pineapples, prepared or preserved Nesoi		Yes				
200990	Mixtures of juices unfermented, spirited				Yes	Yes	
230400	Soya-bean oil-cake & other solid residues	Yes	Yes		Yes		
<b>22 - Dairy products and egg products</b>							
040120	Milk/Cream nt cnctrd/swt, fat content ov 1% Nov-6%			Yes			
040210	Milk powder <1.5% fat	Yes			Yes		
040221	Milk and cream powder unswtnd >1.5% fat	Yes			Yes	Yes	
040299	Milk and cream n.e.s. sweetened	Yes					Yes
040690	Cheese n.e.s.	Yes	Yes				
210500	Ice cream and other edible ice		Yes				
<b>23 - Grain mill products, starches and starch products; other food products</b>							
100630	Rice, semi-milled or wholly milled	Yes			Yes		
100640	Rice, broken	Yes			Yes	Yes	Yes



Code	Description	US	Jap	EU	Moz	Zam	Zim
110100	Wheat or meslin flour	Yes		Yes			Yes
110220	Maize (corn) flour	Yes			Yes		
110313	Maize (corn) groats and meal	Yes					Yes
110812	Maize (corn) starch	Yes					
170111	Raw sugar, cane				Yes		
170191	Refined sugar, containing added flavouring or colouring	Yes					
170199	Refined sugar, n.e.s.	Yes			Yes		Yes
170240	Glucose including syrup					Yes	
170410	Chewing gum	Yes	Yes				
180632	Chocolate		Yes				
190110	Prep of cereals, flour, starch/milk for infant use	Yes				Yes	
190430	Bulgur wheat						Yes
190531	Sweet biscuits				Yes	Yes	
190590	Bread, pastry, cakes, & puddings		Yes				
210410	Soups and broths		Yes				
210690	Food preparations n.e.s.				Yes	Yes	Yes
220900	Vinegar		Yes				
230910	Dog or cat food put up for retail sale	Yes	Yes				
230990	Animal feed preparations n.e.s.						Yes
<b>24 - beverages</b>							
110710	Malt, not roasted				Yes	Yes	
220290	Non-alcoholic beverages n.e.s.					Yes	
220300	Beer made from malt						Yes
220421	Grape wines, n.e.s.				Yes		
220820	Grape brandy		Yes				
220830	Whiskies	Yes					
220860	Vodka		Yes				
220890	Cordials, liqueurs, kirschwasser		Yes				
<b>25 - Tobacco products</b>							
240120	Tobacco, unmanufactured, stemmed or stripped				Yes		Yes
240220	Cigarettes containing tobacco					Yes	Yes
<b>34 - Basic chemicals</b>							
220720	Ethyl alcohol & other spirits, denatured	Yes					
290545	Glycerol					Yes	

## **Annex 2: Respondents list**

### **1. Grains (Maize and Wheat)**

Grain Milling

National Chamber of Milling

Grain Management

Grain SA

Private trader

AFGRI TRADING

ATLAS TRADING & SHIPPING

Noble Resources SA (PTY) LTD

SENWES LTD

CARGILL RSA (PTY) LTD

BONGANI CONSULTING

National Chamber of Milling

### **2. Potatoes and onions**

#### **Industry organisations**

South African Potato Exporters' Forum

Potatoes South Africa (Western Cape)

Potatoes and Onions Committee

#### **Exporters**

##### ***Potatoes***

Potato Exchange

FPD Holdings

Sandveld Potato Export Company

##### ***Onions***

ZZ2

Disselfontein Farm

Laastedrif Farm

Rietfontein Estate

## **Potatoes and onions**

Bronhaar Farms  
 Ceres Potatoes  
 Du Toit Vegetables  
 Langrivier Farm  
 Morester Estate  
 Wildeklaar  
 Freshgold South Africa

## **3. Cut Flowers**

AGRIVER SA  
 BERGFLORA (PTY) LTD (JNB)  
 Elro J. BRAAK t/a Fern & Foliage  
 CAPE MOUNTAIN FLORA  
 FLAMINGO FLOWERS  
 FLORA AGENCY  
 FLORA EXPORT (PTY) LTD  
 FLORA TOWN  
 KAIRALI FLORA  
 LIVING GOLD – Roses  
 OZ FLORA  
 PLANTWISE  
 THE BETTER FLOWER COMPANY  
 UNIFLO MARKETING (PTY) LTD – Roses  
 VALE FLORA  
 SAFIER Export  
 SNYMAN FLORA  
 FOREST FERNS

## **4. Sugar**

SASA

### Annex 3: Survey Guides/ Questionnaires for each product

#### Cut flowers

**Intro** *(All formalities necessary and to introduce NTMs and reasons for survey)*

- 1. Do you export live plants/cut flowers?** *(take note of exporter's products)*
- 2. Which markets do you normally export to?** *(Ask reasons for not exporting to markets of our interest)*
- 3. NTMs that mainly affect cut flowers are:**
  - a) Phytosanitary (plant health) control;
  - b) Breeders' rights and intellectual property;
  - c) Quality, grading standards and labelling requirements;
  - d) The Convention on International Trade in Endangered Species (CITES) and other regulations on such trade;
  - e) Quantitative restrictions and similar limitations.
- 3.1. Which ones from the list directly affect you the most?**
- 3.2. Are there any other measures not listed that affect cut flowers?** *(if yes, then list, then take note)*

#### **Phytosanitary (plant health) control as a barrier to trade:**

- 1. What requirements does your business need to comply with (in export markets)** *(List all requirements mentioned by exporter that fall under this category – these normally, certificates and inspections)*
- 2. If your exports are subject to random phytosanitary inspections when entering (the market), can you give a rough estimate of their frequency?** (%)
- 3. Do you think the frequency of phytosanitary inspections is a major barrier to trade?** *(Ask for reasons based on respondent answer)*
- 4. Do you think the plant health requirements (for market) are effective in addressing the specific concerns?** *(Ask reason for answer here, can elaborate...efficiency of eliminating harmful organisms, etc?)*
- 5. According to your experience, how do you view plant health requirements (for specific market)?** *(Here we trying to establish if they are a significant barrier, routine, necessary or not?)*
- 6. Did you ever give up exporting (to the market) products you export to other destinations, because of plant health requirements?** *(Take note of the respondent answer and any remedies taken. At what cost?)*
- 7. Any other comments on SPS measures?**

#### **Quality, grading standards and labelling requirements (TBT requirements) as a barrier to trade**

- 1. What requirements does your business need to comply with (in export markets)** *(List all requirements mentioned by exporter that fall under this category – these normally, quality issues, marketing and private standards)*
- 2. According to your experience, how do you view these requirements (for specific market)?** *(Here we trying to establish if they are a significant barrier, routine, necessary or not?)*
- 2.1. What about private standards?** *(only ask if not mentioned)*

3. **Did you ever give up exporting to the (market) products you export to other destinations, because of the requirements?** *(Take note of the respondent answer and any remedies taken. At what cost?)*
4. **Any other comments on TBTs?**

**Other barriers**

**Here discuss the other measures affecting cut flowers...** *(E.g. non-tariff charges, quotas, RoO, customs administration)* **if applicable depending on earlier responses?**

**Also discuss which markets from the list are difficult to export to...**

## Potatoes and onions

We are currently gathering information on the non-tariff measures South African onion exporters face when exporting to certain international and regional markets: the European Community, the United States, Japan, Mozambique, Zambia and Zimbabwe. We have divided the various applicable non-tariff measures into five categories:

1. Quantitative restrictions and similar limitations, including rules of origin, quotas and licensing requirements;
2. Non-tariff charges and related policies, including direct and indirect taxes;
3. Direct government participation in restrictive trade practices, including subsidies and government procurement;
4. Customs procedures and administration practices; and
5. Technical barriers to trade, including sanitary and phytosanitary requirements and technical standards.

The study we are undertaking is a qualitative exercise, enquiring whether you can provide us with information regarding your experiences in exporting to the above mentioned international and regional markets in terms of the following:

1. The non-tariff barriers which have been prevalent in exporting to these markets?
2. To what extent has the existence of a non-tariff measure influenced or deterred the exportation of onions to a particular market?

It would be greatly appreciated if you could take part and respond as your views will be taken into account and will form part of the discussions with relevant officials in the selected markets.

## Sugar

### Types of non-tariff measures

In order to examine the various measures that can be termed NTMs it is useful to place these measures into specific categories. Five broad categories are identified:<sup>40</sup>

- **Quantitative restrictions and similar limitations.** These are generally measures designed with the express aim of limiting imports or exports. Examples include import quotas and the various methods used in their administration (including licensing and auctions), limitations or bans on exports, voluntary export restraints, foreign exchange controls, domestic content requirements, embargoes, discriminatory preferential trading arrangements, and rules of origin requirements.
- **Non-tariff charges and related policies.** The most important of these are variable levies which are triggered when prices reach certain threshold levels, antidumping and countervailing duties, safeguard duties and taxes which are levied more heavily on imported goods than on the domestic goods with which they compete.
- **Direct government participation in restrictive trade practices.** This category is quite broad, and covers instruments such as state trading enterprises, state sponsored monopolies, government procurement policies which favour domestic goods and services, and industrial policies which provide subsidies to domestic firms. This category also covers various forms of government policy that in certain contexts can be described as trade distorting, including macroeconomic policy, competition policy, investment policy, taxation and social security policy, and immigration policy.
- **Customs procedures and administration practices.** These include customs valuation methods which do not use the actual value of the imports, the use of classification procedures other than the harmonised system to levy further fees, high freight and transportation costs, toll fees and clearance procedures which create additional costs (such as inspections and documentation).
- **Technical barriers to trade (TBTs).** Examples of TBTs include health and safety regulations for human, animal and plant welfare (including sanitary and phytosanitary standards), environmental regulations, quality standards, labelling requirements and other marketing regulations

Based on the categories highlighted above and in your experience with sugar exports, can you highlight for the respective markets under survey and also other export destinations

- a) The nature of the non-tariff measure
- b) How it affects RSA sugar exports
- c) Is it discriminatory and applicable to RSA only?
- d) How frequently are you subjected to the particular measure you have indicated?
- e) In your opinion, how best can this be addressed?
- f) Other comments.

<sup>40</sup> Many classifications of NTBs group the first three categories highlighted here into one broad category of 'trade policy NTBs'.

**Grains (maize and wheat)****NON TARIFF MEASURES AFFECTING THE TRADE IN MAIZE/MAIZE PRODUCTS AND WHEAT/WHEAT PRODUCTS**

This questionnaire consists of 5 sections pertaining to NTMs. The respondent is expected to respond to all 5 sections. It is imperative that the respondent provide the necessary details when specific NTMs are identified.

**Name:**

**Organisation:**

**Export destination:**

**Product exported:**

**I. Quantitative restrictions and similar specific limitations on the exports of Maize/Maize products and/or Wheat/Wheat products**

**1. Export limitations:** are you currently experiencing, or have you over the past five years experienced any form of restrictions to export maize/maize products and/or wheat/wheat products to any destination in terms of the quantity/value of the mentioned commodities/products exports? Indicate your answer with an X in the table below.

<b>Maize/Maize products</b>		<b>Wheat/Wheat products</b>	
Yes		Yes	
No		No	
Not applicable		Not applicable	

**If yes, explain the nature of the restrictions (if not enough space, attach details separately):**

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**2. Licensing:** Are there any systems of licensing in existence that are currently used to manage/administer the quantity/value of exports in the destination countries you are exporting to or wish to export to?

Maize/Maize products		Wheat/Wheat products	
Yes		Yes	
No		No	
Not applicable		Not applicable	

If yes, provide more details (if not enough space, attach details separately):

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**3. Voluntary export restraints:** Are you aware of any restrictions on the exportation of maize/maize products and/or wheat/wheat products that are imposed by any importing country, but that are administered by South African authorities?

Maize/Maize products		Wheat/Wheat products	
Yes		Yes	
No		No	
Not applicable		Not applicable	

If yes:

i) Provide details of the nature of such restrictions:

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ii) What are the effects of such restrictions typically on the exporter, in your experience?

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**4. Exchange and other financial controls** – Are you experiencing, or have you over the past five years experienced any restrictions on receipts/payments of foreign exchange that are designed to manage/control international trade transactions?

Maize/Maize products		Wheat/Wheat products	
Yes		Yes	
No		No	
Not applicable		Not applicable	

**If yes, provide more details (if not enough space, attach details separately):**

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- 5. Prohibitions:**
- i) Are you aware of, or are you being affected by, specific prohibitions to export certain types of maize/maize products and/or wheat/wheat products, and/or
  - ii) Are you aware of, or are you being affected by, prohibitions to export maize/maize products and/or wheat/wheat products to any country globally?

Maize/Maize products		Wheat/Wheat products	
Yes		Yes	
No		No	
Not applicable		Not applicable	

**If yes on 5i and or 5ii, provide more details (if not enough space, attach details separately):**

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**6. Domestic content and mixing requirements:** (Description: an industry is required to use a certain proportion of domestically produced components or material and labour in producing the final products.)

Do you know of, or are you affected by, any regulations/requirements that mandate that exports of maize/maize products and/or wheat/wheat products should contain a specified proportion of domestically (South African) produced maize/maize products and/or wheat/wheat products or any other inputs?

Maize/Maize products		Wheat/Wheat products	
Yes		Yes	
No		No	
Not applicable		Not applicable	

**If yes, provide more details (if not enough space, attach details separately):**

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**7. Discriminatory bilateral agreements:** Are there any preferential trading/sourcing agreements/arrangements in potential export destinations that are currently affecting, or over the past five years affected/restricted/enhanced your ability to export maize/maize products and/or wheat/wheat products to any global destination, including neighbouring countries?

Maize/Maize products		Wheat/Wheat products	
Yes		Yes	
No		No	
Not applicable		Not applicable	

**If yes, provide more details (if not enough space attach details separately):**

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**8. Countertrade:** (Description: This is a global phenomenon which involves interaction between parties in different countries and links sales with purchasing so that each party to a transaction is both a buyer and seller at same stage.)

Has your company in the past engaged in countertrade or are you regularly involved in countertrade pertaining to maize/maize products and/or wheat/wheat products?

Maize/Maize products		Wheat/Wheat products	
Yes		Yes	
No		No	
Not applicable		Not applicable	

**If yes, explain the nature of the countertrade (if not enough space, attach details separately):**

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## **II. Non-tariff charges and related policies**

**1. Variable levies:** (Description: a variable levy is a tax imposed on the value of the product being exported)

Has any form of variable levy been added to the value of exports by your company?

Maize/Maize products		Wheat/Wheat products	
Yes		Yes	
No		No	
Not applicable		Not applicable	

**If yes, provide more details (if not enough space, attach details separately):**

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**3. Antidumping duties:** (Description: If a country determines that the dumping of a particular good is threatening material injury to a local industry, then it applies to anti-dumping duties)

Are you aware of/or have you been confronted with any antidumping duties/issues when exporting maize/maize products and/or wheat/wheat products?

Maize/Maize products		Wheat/Wheat products	
Yes		Yes	
No		No	
Not applicable		Not applicable	

**If yes, provide more details on the nature of the antidumping duties (if not enough space, attach details separately):**

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**4. Countervailing duties:** (Description: these are duties that a country is allowed to impose on imports if the imported goods in question benefit from specific subsidies)

Are you aware of, or are you being affected by, countervailing duties to export maize/maize products and/or wheat/wheat products?

Maize/Maize products		Wheat/Wheat products	
Yes		Yes	
No		No	
Not applicable		Not applicable	

**If yes, provide more details on the nature of the antidumping duties (if not enough space, attach details separately):**

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**5. Border tax adjustments:** (Description: the application of a domestic tax on imported goods while exempting exported goods from the tax in an effort to make the exported goods' price competitive both nationally and internationally)

Are you aware of, or are you being affected by such adjustments when exporting maize/maize products and/or wheat/wheat products?

Maize/Maize products		Wheat/Wheat products	
Yes		Yes	
No		No	
Not applicable		Not applicable	

**If yes, provide more details (if not enough space, attach details separately):**

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### **III. Government participation in trade, restrictive practices, and more general government policies**

**1. Subsidies and other aids:** Are you aware of direct or indirect subsidies to export maize/maize products and/or wheat/wheat products, including tax benefits, credit concessions, and bilateral tied aid programmes benefitting countries you compete with in your markets?

Maize/Maize products		Wheat/Wheat products	
Yes		Yes	
No		No	
Not applicable		Not applicable	

**If yes, provide more details on the nature of the subsidies/other aids (if not enough space, attach details separately):**

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**2. Government procurement policies:** (Description: contracts, including explicit cost differentials and informal procedures favouring procurement from domestic firms).

Are you aware of any preferences given to domestic over foreign firms in bidding for public-procurement contracts in countries to which you want to or are exporting maize/maize products and/or wheat/wheat products?

Maize/Maize products		Wheat/Wheat products	
Yes		Yes	
No		No	
Not applicable		Not applicable	

**If yes, provide more details on what effect the existing procurement policies have on exports of maize/maize products and/or wheat/wheat products (if not enough space, attach details separately):**

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**3. State trading, government monopolies, and exclusive franchises:** In terms of the aforementioned, are you aware of any government actions or have you been affected by same over the last five years, which may result in trade distortions to trade maize/maize products and/or wheat/wheat products by your company?

Maize/Maize products		Wheat/Wheat products	
Yes		Yes	
No		No	
Not applicable		Not applicable	

If yes, provide more details on such actions

that may results in trade distortions/affect exports by your company (if not enough space, attach details separately):

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**4. Government industrial policy and regional development measures:** Are you aware of any government actions designed to support firms, industrial sectors, and regions to adjust to changes in the export market conditions as applicable to maize/maize product and/or wheat/wheat product exports?

Maize/Maize products		Wheat/Wheat products	
Yes		Yes	
No		No	
Not applicable		Not applicable	

If yes, provide more details (if not enough space, attach details separately):

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**5. Government financed research and development and other technology policies:** (Description: Government actions designed to correct market distortions and aid private firms include policies relating to intellectual property (patents, copyrights, and trademarks and technological spill-over from government programmes, such as defence and public health).

Are you aware of any government actions designed to correct market distortions and support private firms in the export of maize/maize products and/or wheat/wheat products?

Maize/Maize products		Wheat/Wheat products	
Yes		Yes	
No		No	
Not applicable		Not applicable	

If yes, provide more details (if not enough space, attach details separately):

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**6. National systems of taxation and social insurance:** Are you aware of any personal and corporate income taxation, social security and related policies which may have an impact on the exports of maize/maize products and/or wheat/wheat products?

Maize/Maize products		Wheat/Wheat products	
Yes		Yes	
No		No	
Not applicable		Not applicable	

**If yes, provide more details (if not enough space, attach details separately):**

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**7. Macroeconomic policies:** Are you aware of any monetary/fiscal policies, balance of payments, or exchange rate actions which have an impact on the exports of maize/maize products and/or wheat/wheat products by your company?

Maize/Maize products		Wheat/Wheat products	
Yes		Yes	
No		No	
Not applicable		Not applicable	

**If yes, provide more details (if not enough space, attach details separately):**

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**8. Competition policies:** (Description: Antitrust and related policies designed to foster or restrict competition and which may have an impact on foreign trade and investment).

Are you aware of any competition regulations that are designed to foster or restrict competition, and which may have an impact on the exports of maize/maize products and/or wheat/wheat products by your company?

Maize/Maize products		Wheat/Wheat products	
Yes		Yes	
No		No	
Not applicable		Not applicable	

**If yes, provide more details (if not enough space, attach details separately):**

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**9. Foreign investment policies:** (Description: Screening and monitoring of inward and/or outward foreign direct investment, including performance requirements affecting production and trade).

Are you aware of any screening or monitoring of inward/outward foreign direct investment, including performance requirements affecting production and export of maize/maize products and/ or wheat/wheat products?

Maize/Maize products		Wheat/Wheat products	
Yes		Yes	
No		No	
Not applicable		Not applicable	

**If yes, provide more details (if not enough space, attach details separately):**

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**10. Foreign corruption policies:** (Description: Policies designed to prohibit or restrict bribes and related practices in connection with foreign trade and investment).

Are you aware of any policies designed to prohibit or restrict bribes in connection with the export of maize/maize products and/or wheat/wheat products?

Maize/Maize products		Wheat/Wheat products	
Yes		Yes	
No		No	
Not applicable		Not applicable	

**If yes, provide more details (if not enough space, attach details separately):**

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#### **IV. Customs procedures and administrative practices**

**1. Customs valuation procedures:** Are you aware of the use of specially constructed measures of price rather than the invoice for the purpose of levying tariffs?

Maize/Maize products		Wheat/Wheat products	
Yes		Yes	
No		No	
Not applicable		Not applicable	

**If yes, provide more details (if not enough space, attach details separately):**

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**2. Customs classification procedures:** Are you aware of the use of national methods of customs classification rather than an internationally harmonised method for the purpose of levying tariffs?

Maize/Maize products		Wheat/Wheat products	
Yes		Yes	
No		No	
Not applicable		Not applicable	

**If yes, provide more details (if not enough space, attach details separately):**

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**3. Customs clearance procedures:** Are you aware of any documentation, inspection, and related practices which may hinder exports of maize/maize products and/or wheat/wheat products?

Maize/Maize products		Wheat/Wheat products	
Yes		Yes	
No		No	
Not applicable		Not applicable	

**If yes, provide more details (if not enough space, attach details separately):**

### **V. Technical barriers to trade**

Are you aware of technical regulations, which your company must comply with, that are designed to advance maize/maize products and/or wheat/wheat products development in the countries to which you export (want to export), but are acting as barriers to the exports of maize/maize products and/or wheat/wheat products by you company?

	Yes	No	Not applicable
Health standards			
Sanitary measures			
Quality standards			
Safety standards			
Industrial standards			
Packaging regulation			
Labelling regulations			
Trademarks regulations			
Others			

**If yes, how do you view these requirements in terms of exports of maize/maize products and/or wheat/wheat products (if not enough space, attach details separately):**