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This issue of *TradeProbe* covers the following topics:

- **Product profile: Wool**
- **International Trade and Administration Commission – something can be learned from their investigations**
- **Agricultural export composition of selected developing countries: The case of South Africa, Argentina, Nigeria and Indonesia**
- **Impact of citrus black spot on South African citrus exports**
- **Agricultural trade competitiveness:**
- **Recognition of geographic indicators and scope for a unified sectoral brand**
- **Considering the right to trade in the intra-African context**

1. Product profile: Wool

Product description

Wool is the soft, wavy, usually thick undercoat of various hairy mammals such as sheep, goats and yaks and it is made up of a matrix of keratin fibres and covered with minute scales. This product is the warm coat of these mammals; the most used mammal for wool production is the sheep. Wool has many unique properties that make it well suited for textile production. Wool is used to manufacture a variety of textiles either woven or knitted. Wool has different grades ranging from extremely soft fibres which can be used against the skin and extremely coarse fibres which are used for stuffing and insulating. Furthermore this product is highly flame resistant, and due this characteristic is frequently used for mattresses and rug manufacturing. Besides being flame resistant, it is also highly durable, and able to stretch up to 50 % when wet and 30 % when dry.

Importance of wool

Wool is used for a number of purposes from decorative to other functional purposes, more specifically for garment production. About 80 % of the produced wool globally goes to garment production of products like sweaters, hats, coats and others and the reminder 20 % of globally produced wool goes to other uses. Wool can also be used for manufacturing carpets, sound proofing applications, blankets, and water proofing outer garments. For sound proofing, wool is used mostly in pianos to muffle the impact of hammers, creating a distinctive sound which differentiates pianos from harpsichords. The products made from wool are durable, flexible and water resistant. Products made from wool can keep their appearance for a longer period than other fabrics.

Global wool production

In 2012 the world produced 2.06 million tons of wool (FAO, 2014). The Australian Wool Growers' Association (AWGA) noted that global wool showed a decrease in production by the largest producers, which include Australia, China and New Zealand. China was the leading global producer with 800 thousand million tons, followed by Australia with a total of 362 thousand and New Zealand with a total of 165 thousand tons each (FAO, 2014).

South African wool has been also been noted as a thriving sector in terms of production with large quantities coming from the drier regions of the country. Eastern Cape is the largest producer of wool in the country, constituting 25.1 %, followed by the Free State with 24.1 %, the Western Cape with 19.9 %, the Northern Cape with 12.5 % and Mpumalanga with 7.7 % (DAFF, 2012). Even though globally there was a decrease in wool production, in South Africa it was the opposite.

Trade

Table 1 shows the major wool importing countries in 2013. The major global wool importer was China with a share of 26.3 %, followed by Italy with a share of 11.6 %, Germany with a share of 6.4 %, Hong Kong, China, with a share of 5.7 %, and Japan with a share of 3.9 %.

Table 1: world leading wool importers in 2013

Imported value	Imported value in 2013 R billion	Global share %
World	**134.3**	**100**
China	35.2	26.3
Italy	15.6	11.6
Germany	8.6	6.4
Hong Kong, China	7.6	5.7
Japan	5.1	3.9
United Kingdom	4.4	3.3
India	3.6	2.7
Turkey	3.4	2.5
Czech Republic	3.3	2.5
Romania	3.2	2.4

Source: ITC Trade map 2015

Table 2 shows global wool exports in 2013. Global wool exports amounted to a value of R135.1 billion in 2013. China was the leading global wool exporter in 2013 with a share of 18.6 %, followed by Australia with share of 18 %, Italy with a share of 16.9 % and Germany with a share of 5.3 %.

Table 2: Global wool export and market share in 2013

Exporters	Exported value in 2013 (R' d billion)	Global share (%)
World	**135.10**	**100**
China	25.10	18.6
Australia	24.30	18
Italy	22.80	16.9
Germany	7.10	5.3
New Zealand	5.80	4.4
United Kingdom	5.30	4
Czech Republic	4.00	3
South Africa	3.80	2.8
Uruguay	2.50	1.9
Mongolia	2.40	1.8

Source: ITC Trade map 2015

South African wool trade

DAFF indicated that about 90 % of South African wool is export to various destinations globally in 2012. **Table 3** below shows that China was the largest market destination for South African wool with a share of 53 %. Important to note among the reviewed market, South faced the highest tariff imports of 22.64 % on the Chinese market. This is an indication that this market is an important market for South African exports regardless of the tariff imposed. Italy was our second largest market with a share of 12.7 %, followed by the Czech Republic with a share of 11.9 %, and India with share of 6.3 %.

Table 3: South African wool export destinations in 2013

Importers	Exported value (R' million)	Exports share (%)	MFN (%)	Growth 2012–2013 (%)
World	**3 845**	**100**		**1**
China	2 036	53	22.64	2
Italy	487	12.7	0	3
Czech Republic	456	11.9	0	11
India	240	6.3	15.39	−5
Germany	131	3.4	0	−12
Egypt	98	2.6	6.8	25
United Kingdom	79	2.1	0	16
Japan	52	1.4	2.81	−10
Bulgaria	39	1	0	6
USA	38	1	5.88	−5

Source: ITC Trade map 2015

Potential wool market for South Africa

South Africa is one of the major wool producing countries, placed in the top ten on the global wool production list. More than half of South African wool exports have been to China in recent years. For example, in 2013 these exports were worth was R135.1 billion, as the market growth share for China increased by 2 % in 2013. Countries which have increased their wool imports from South Africa are Italy, the Czech Republic, Germany, Egypt, the United Kingdom, Japan, Bulgaria, and the United States of America. The challenge South Africa exporters face is the high tariff of 22.64 % on the Chinese market, which administers its wool trade by imposing a quota on wool imports (Ministry of Commerce People's Republic of China, 2013). However when South Africa exports to European countries such as the Czech Republic, Italy and others, it faces tariff of 0 %. Given that, South Africa should increase its exports to European countries, especially to Italy, the United Kingdom and the Czech Republic where there was a significant export value change in 2012–2013, as the country has a tariff advantage of 0 %, unlike the Chinese market where the country faces the highest tariff rate. Furthermore, increasing wool exports to the European countries will be advantageous due to FTA agreements between SA and EU. For future prospects, this will also be advantageous due to the Economic Partnership Agreement (EPA) that is in the process of finalization and that is meant to strengthen economic relations between the Southern African Development Community (SADC) and the European Union (EU).

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2. International Trade and Administration Commission – something can be learned from their investigations

Introduction

This article looks at selected applications that ITAC received in the 2013/14 and 2014/15 financial years as they relate to agricultural tariff investigations. A review of what these applications sought to get is outlined, followed by a discussion of what they ought to be interpreted to

mean by actors (stakeholders) within the farm-food business sector.

Short background

The farm-food business community ideally needs to follow the International Trade Administration Commission of South Africa (ITAC) investigations closely. The simple reasons why these stakeholders need to follow ITAC investigations and their respective conclusions is that to some degree they provide an indication of business opportunities. These investigations are informed by applications from stakeholders within the same industry seeking to maximise their business objectives.

Even though ideally stakeholders within one value chain are suppose to be having good business relations (as they normally do), their business objectives (bottom-line) sometimes force them to act in a way contrary to expectation. Therefore, as the applications normally provide an indication of a business opportunity, it can be argued that following them can provide some idea of the demand for such products.

These investigations are conducted by an institution of government that was established in terms of an Act of Parliament. The International Trade and Administration Commission (ITAC) was established in terms of the International Trade Administration Act No 71 of 2002 (Act No. 71 of 2002), which was promulgated in June 2003.

Act No. 71 of 2002 outlines the mandate (aim) of ITAC as follows: 'to foster economic growth and development in order to raise incomes and promote investment and employment in South Africa and within the Common Customs Union Area by establishing an efficient and effective system for the administration of international trade subject to this Act and the Southern African Customs Union (SACU) Agreement'.

ITAC (2015) outlines the core functions of ITAC as: customs tariff investigations, trade remedies and import and export control.

Tariff applications and rebate facility applications

The principle behind tariff adjustments, especially increases, is that the applied rate can be increased as long as it is still below the bound rate. If the required applied rate increase is more than the bound rate, the process becomes complicated and WTO engagements become paramount. In cases where the changes in tariffs may not be desirable considerations of creating temporal rebate facilities have been considered.

List **of** agriculture-related investigations:

- An application for an increase in the rate of customs duty for roasted chicory (2101.30.10 from the current 9.2 c/kg (12.76 %) to 37 % ad valorem.
- An application for the creation of a rebate facility for palm oil was also received. This application is much different compared to others in that South Africa does not produce (meaningful volumes) palm kernels and therefore palm oil production domestically is minimal or non-existent.
- An application for the creation of a rebate facility for palm oil as specified (refined, bleached and deodorised but not fractioned, classifiable under tariff subheading 1511.90)

Dollar-Based Reference Price applications (increases)

The Dollar-Based Reference Price (DBRP) concept originates from the economic concept of reference price. Monroe (1973) describes a reference price as the standard price against which the purchase price of a given product is judged. In context of the applications ITAC received regarding sugar and wheat, the DBRP is the flow price or the lowest price at which a commodity imported into South Africa would attract a tariff after a continued fall in prices.

In 2013/14 ITAC received an application for an increase in the DBRP for sugar (HS: 1701) from US$358/ton to US$764.64/ton. In April 2014, ITAC announced (through a media release) the implementation of their decision to increase the DBRP for sugar from US$358/ton to US$566/ton. This was lower than the requested amount. During the same financial year ITAC also received an application for an increase in Dollar-Based Reference Price of wheat (HS – 100190) from US$215 to US$326. In April 2014 ITAL also announced the approval of the application.

The increases (to higher prices/ton) mean that decreases of world prices of these products to these levels will trigger a tariff. In short, increased DBRP increases protection of the sector from distortions elsewhere by increasing the levels at which a tariff would have to be used.

Permits under existing rebates

The applications to get import permits under a rebate facility for a number of products have been common, including for paprika and mango juice concentrate. For these two, in the past two or three years, ITAC has had to deal with almost annually – meaning that there is high industrial demand (and/or consumer demand) for these products which far exceed domestic production.

It is clear that paprika production is far less than the demand for the product and that mango juice concentrate (from mango processing) is also less than the demand. These applications are normally done by actors higher up

the value chain, providing a signal to primary producers and secondary processors.

Conclusions

It is clear that there exist a number of rebate facilities, judging by the number of applications for permits (mango juice concentrate and paprika). There were two applications, looked at in this article, for increases in the reference prices. Tariff increase applications have been very few, and an only chicory application was looked at. These applications point to the demand for these products. The agriculture industry needs to interpret the application to be an indication of a business potential (long term) either than a short term thread.

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3. Agricultural export composition of selected developing countries: The case of South Africa, Argentina, Nigeria and Indonesia

This article selects four developing countries based on their economic size, agricultural potential and geographical location. The selected countries are South Africa, Indonesia, Argentina and Nigeria. There is a strong view in economic development literature (see Sandrey, Fundira, Vink, Jensen, Viljoen, and Nyhodo 2013; Wesley and Peterson, 2012; and Bbaale and Mutenyom 2011) which argues that it is not exports per that matter, but that different export components influence growth differently. These authors further argue that as countries' developmental status growth should move from exporting raw material to processed or manufactured products. It should be noted that export composition is not the only factor that influences economic growth but other factors such as infrastructure development, government consumption, inflation rate, political systems, education and others also influence growth. The aim of this article is to assess and compare agricultural export composition of these countries for the past 10 years, and determine whether their export composition is shifting into processed agricultural products as literature suggests for a developing state.

Firstly, the economic sizes and growth of the selected developing countries are compared measured in GDP current prices (see **Figure 1**). It is evident that prior to the economic meltdown in 2008, all the selected countries were more or less of a similar economic size with the exception of Nigeria. Post-recession, Indonesia and Argentina recovered relatively well in comparison to South Africa. The South African economy has shown stagnant growth in the past six years and was outpaced by Nigeria in 2012. One important point in **Figure 1** is that all the selected countries are categorised as developing nations and their economic sizes are more or less similar.

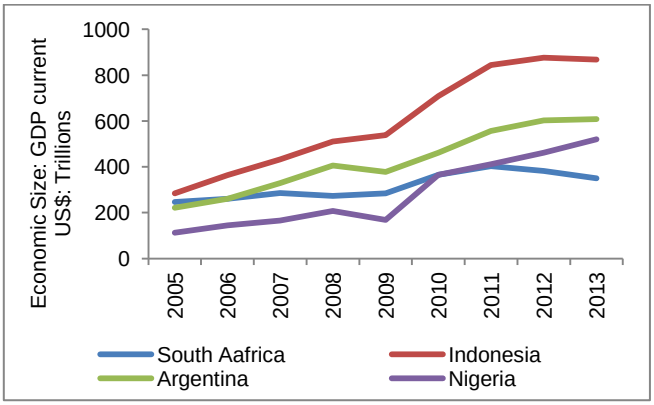

Figure 1: Selected emerging countries' economic sizes
Source: World Bank, 2014

Secondly, the export capacity of the selected developing countries and the leading export products are compared and measured in thousand US Dollars. From **Figure 2**, it is clear that Indonesia has the largest export industry in comparison to the other selected developing countries. Indonesia's exports are driven by mineral fuels and oils, animal and vegetable fats, electrical equipment as well as textile products. It is important to note that agricultural products (i.e. animal and vegetables fats and oil) were ranked as the second largest product group exported from Indonesia in 2013. At second place from the selected developing countries are South Africa and Nigeria, both exporting about 98 trillion US$ in 2013. The former's exports are driven by the mining industry, exporting precious stones, metals, ores, mineral fuels, vehicles and steel. The latter's exports are predominately driven by the

oil industry, accounting for more than 97 % of total exports in 2013. Following the oil industry is agriculture, producing cocoa, oil seeds and animal hides and skins.

Figure 2: Total exports of selected developing countries
Source: ITC TradeMap, 2013

Thirdly, the share of agriculture in total exports is measured and compared between the selected developing countries. **Figure 3** shows that Argentina's agriculture has the highest share of total exports, measured at 54 % in 2013. Indonesia's agricultural share is measured at 17 %, South Africa's share at 10 % and Nigeria's at 1 % in 2013. For both South Africa and Nigeria, agriculture accounts for a small share as exports are dominated by precious stones and oil commodities respectively.

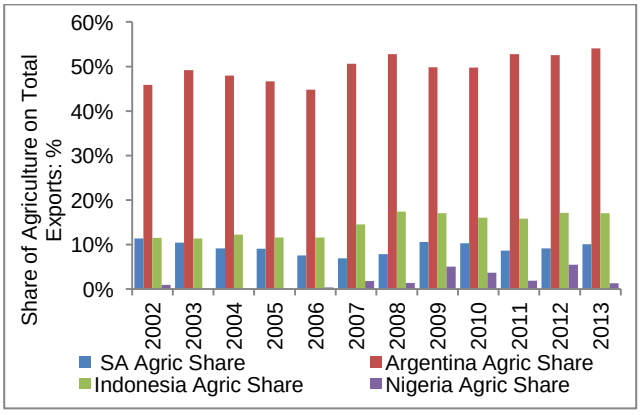

Figure 3: Share of agricultural products on total exports
Source: ITC TradeMap, 2013

In attempting to assess the agricultural composition of the selected developing countries and the shift towards processed agricultural products, **Figure 4 (see Appendix B)** provides the trends of processed and unprocessed agricultural exports from these countries. South Africa has maintained a similar export composition in the last 11 years where unprocessed agriculture gained a slight share from 49 % in 2002 to 52 % in 2013. This is against the views derived from literature which suggest that a developing state needs to adopt policies that promote export of processed or manufacture products. South African agricultural exports are dominated by fruits, grains and animals, while processed products still hold a low share. Argentina's agricultural composition has also remained unchanged in the last 11 years. However, Argentina's agricultural exports are dominated by processed products such as milling starches, beverages, dairy, prepared food and wastes of food industry. Indonesia and Nigeria appear to be following the suggestions of literature as their processed products are increasingly gaining share at the expense of unprocessed products. Indonesia's processed products share grew from 65 % in 2002 to 82 % in 2013. In Nigeria, processed products share grew from 69 % in 2002 to 90 % in 2013.

In conclusion it appears that three of the selected developing countries have shifted their agricultural composition from unprocessed to processed products. South Africa is the only country that has achieved the opposite. South Africa's share of unprocessed products increased from 49 % in 2002 to 52 % in 2013, which indicates that South Africa's agricultural export composition still resembles the composition of a least developed country. It can then be argued that the South African agricultural manufacturing segment is not viable to process agricultural produce within South African borders. Given that South Africa is a developing country, there is significant need to introduce policies that will encourage agricultural manufacturing so that our export composition changes to resemble that of a developing state.

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4. Impact of citrus black spot on South African citrus exports

Introduction

South Africa has been a producer and exporter of citrus products for the past 100 years. The industry produces a total volume of 2 million tons and exports a total volume of 1.7 million tons on a yearly basis. Of the total citrus fruit produced, South Africa exports about 70 % on the global market. The South African citrus industry, as the second largest horticultural sector after wine, contributes an estimated total of value of R8.5 billion to the gross value of agricultural production yearly (Citrus Growers Association, 2014 and Department of Agriculture Forestry and Fisheries, 2012).

The sector plays an important role in the economic growth and development of the country. Specifically, it plays a different role in broadening the economic and social options of rural people, and consequently, in improving their quality of life. The sector employs an estimated total of 100 000 labourers, equivalent to 15 % of agriculture's total labour force. Barry (2006) argued that the citrus sector presents good employment opportunities, particularly for disadvantaged communities.

With the dawn of democracy in 1994, the South African agricultural sector underwent a series of structural and policy reforms. The main noticeable agricultural policy reform is the shift from regulated single channel marketing systems towards a deregulated multi-channel and open marketing system. Also during this time of policy changes, South Africa liberalised its trade through the removal of import sanctions and tariffs at the border. Trade liberalisation aimed to create an open and export oriented economy that could allow an improvement of agricultural markets and sustainable growth. With trade liberalisation, South African agricultural industries, including citrus, had access to a variety of markets, including the European Union, the United States of America, and African and Asian markets. South Africa reached a bilateral trade agreement (i.e. Trade, Development and Cooperation Agreement – TDCA) with the European Commission in 1999 which stimulated trade between South African and European Union countries (Tsolo, Mogotsi, and Motlaleng, 2010). The South African citrus sector has benefited on the TDCA trade agreements which can be credited for citrus exports increasing from R1.1 billion in 2002 to R9.3 billion 2013.

South African citrus exporters are currently faced with the challenge of a re-occurrence of citrus black spot (CBS). Kotze (1981) defined CBS as a fungal disease that affects the development of citrus fruit. It results in a spotty citrus fruit but does not cause internal decay. The symptoms are mostly spotted in lemons and oranges. Freedom from CBS is an important phytosanitary requirement for citrus import permission on the EU market (Carstens, Le Roux, Van Rooyen, Coetzee, Wentzel, Laubscher, Dawoods, Venter, Schutte, and Fourie, 2012).

This has raised South Africa's concerns because the EU is a traditional market for South African citrus exports and the country has been sending more than half of its citrus exports to the EU (CGA, 2013; ITC, 2013; DAFF, 2011). Between 2010 and 2012, South Africa exceeded allowable CBS interception of five. In this regard the EU requires South Africa's full compliance to maintain market access. This therefore results in additional costs which reduces the exporter's margins and competitiveness. Consequently, this article seeks to evaluate the impact of CBS on South African citrus exports.

South Africa's compliance initiative on CBS

Gebrehiwet (2003) noted that South African citrus exporters have been complying with CBS EU standards, according to HCCP and ICM standards since its introduction. Citrus exporters have been conforming to EUREPGAP requirements so as to maintain the quality and safety of citrus produced in South Africa. Recently, DAFF and CGA have been working together to comply with the EU requirements through spraying programmes, inspection, packhouse audits and pre-inspection to prevent the occurrence of CBS (DAFF, 2013). Due to compliance, South Africa is estimated to have spent between R500 million and R1 billion in 2013 (Agritrade, 2014). As indicated by Agritrade, compliance has raised the cost of production for citrus producing farmers in South Africa.

In substantiating the previous argument, Jooste, Kruger and Kotze, (2003, cited in Gebrehiwet) calculated the cost of complying with EU CBS requirements under EURGAP regulations among three growers. The authors indicated that the cost of complying led to about 10 % loss from their export revenue. This is an indication that CBS compliance adds extra costs of production for South African citrus farmers to prevent the occurrence of CBS on their products.

Research method

The study uses partial equilibrium model to assess the impact of stricter European Commissions' Citrus Black Spot (CBS) measures on South African citrus industry. Partial equilibrium model is very useful in investigation the impact of a specific policy shock at industry level. It determines the direction (e.g. positive or negative) the industry will take due to an imposed policy shock, in this case the CBS measures. The change due to a specific policy shock over and above normal inflationary changes is what the model strive to measure and achieve.

Results and discussion

Table 4 discusses the impacts of the increased tariff equivalence on South African citrus exports to the EU market associated with the cost of compliance in CBS affected regions. Before the introduction of CBS phytosanitary requirements, South Africa exported a total value of $516 million to the EU. As a result of compliance with CBS standards, South African citrus exports have shown a substantial decrease of 19.2 %, resulting in a total loss of $100 million by exporters to the EU market. Mandarins, lemons and soft citrus which are known to be highly susceptible to CBS (Truter, 2012) showed a significant decrease of 52 %, 44 %, and 30 % respectively in 2012. Orange exports showed a significant declined of 10 % and are one the largest exports sourced by the EU from South Africa. However, the EU demand for imports will decrease by $37 thousand which is equivalent to 2.16 % of citrus imports.

Table 4: South African citrus exports to the EU market

Products	Exports in 2012 in 1000 US dollars	% change of exports
Oranges	312 999	−10 %
Mandarins	84 946	−60 %
Grape fruit	70 570	−5 %
Lemons	46 533	−29 %
Citrus fresh	1 004	−52 %
Total	**516055**	**−19 %**

Source: Author's calculations

Table 5 indicates the export change of the main suppliers of exports to the EU market. This change was fuelled by the presence of CBS in Argentina, South Africa, Brazil and China. The EU's citrus imports from South Africa, Argentina, Brazil and China declined by 19.2 %, 1.18 %, 2.74 % and 4.58 % respectively in 2012. As could be seen in the results, South Africa was the most affected in terms of EU market share in 2012. The large effect on South African exports could be attributed to the large dependency of this country on the EU market.

Table 5: Main suppliers of EU imports

Countries	Citrus exports in 2012 $'000	Export change after compliance cost (%)
South Africa	516 055	−19.21
Argentina	268 129	−1.18
Turkey	155 754	5.64
Morocco	131 507	7.87
Israel	128 659	6.36
Egypt,	92 652	4.82
Brazil	81 285	−2.74
China	68 187	−4.58
Mexico	65 029	5.4
Peru	59 308	10.05

Source: Authors calculations

Table 6 indicates that trade creation did not occur for South African citrus exporters due to the increased of tariff equivalence associated with incidence of CBS compliance. This reduced growth of import demand for South African citrus due non compliance with CBS standards. As indicated in the theoretical framework, the EU will reduce their due demand, which will affect domestic prices. As a result of expensive citrus imports from South Africa, EU importers had to look for alternative markets. This left the South African exporters worse off as a result of losses in their potential income. As indicated in Table 3, trade diversion effects amounted to $739 thousand in 2012. Looking at the total effect of trade diversion, South African citrus exports will be displaced by other countries that supply the EU with citrus, such as Spain, Turkey, and Morocco.

Table 6: Impact of CBS on trade diversion and trade creation

Product	Trade total effect in $1000	Trade creation effect in $1000	Trade diversion effect in $1000
Oranges	3 595	−3 786	4 985
			−3
Mandarins	−23 002	−4 251	416
Grape fruit	−1 249	−340	−76
Lemons	−5 987	−1 249	−747
Citrus fresh	−131	−38	−6
Total citrus	−26 774	−9 664	739

Source: Authors calculations

Table 7 (see Appendix A) indicates the welfare impact of CBS compliance on South Africa's foreign exchange earnings and employment. The income will be affected due to increased costs of production so as to comply with EU requirements. **Table 7** indicates that South Africa will lose about R1 billion of its foreign earnings. The South African citrus industry employs about 15 people per exported ton of citrus fruit in the world. Therefore the South African citrus sector will lose about 2 jobs per export ton into the EU market out of 7 people employed per ton. This is an indication of sector dependence on the EU market, and that it could lose significant income earnings, which could affect employment.

Conclusion and recommendations

South African citrus exporters will lose market share in the EU market because of costly compliance to CBS regulations. The total loss is estimated at $100 million which is equivalent to 19 % of their exports. The CBS phytosanitary restriction introduced by EU has added costs

to citrus producers and exporters. Consequently, the failure to comply with CBS standards will affect the image and the competitiveness of the citrus industry.

As a result of the increased price of South African exports, the EU's demand for South African citrus is declining. This resulted in EU looking into alternative cheap imports such as Turkey, Egypt and Morocco. In addition, the welfare of importers was negatively impacted as consumers could not buy the expensive citrus from South Africa. Also South African citrus industry will be affected through income losses and job losses as indicated in **table 7.**

As the CBS- SPS measures negatively impacts on exporters, it is recommended that South African exporters should consider exploring other markets. The South African citrus sector should considered exploring to other market in Middle East, China and Russia. The mentioned markets have shown a significant growth increase in terms of citrus export demand (ITC, 2014).

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5. Agricultural Trade Competitiveness: Recognition of geographic indicators and scope for a unified sectoral brand

Geographic indicators: background

A product's quality, reputation or other characteristics may be heavily influenced by its place of origin. Geographical indicators refer to place names, or in some instances words associated with a place, used to identify products that have distinctive characteristics and/or linkages to a specific geographical area, e.g. sparkling wine from Champagne or cheese from Gruyere.[1]

Since the mid-1990s, global food systems in particular have experienced a significant move towards market diversification and product propagation.[2] This growing demand for, and attention to the 'qualities' of agriculturally-produced goods is attributed to a range of factors, such as the increased awareness of food safety, the socio-cultural status of consuming certain foods and renewed interest in, and nostalgia for culinary heritage.[3] Origin-labelled products are an important example of this, as trends in the food sector over the past decade indicate that consumers are increasingly placing value on products they can associate with a certain place and/or special means of production.[4]

Simply putting location of production has (potentially) become a commodity in itself.

[1] WTO, Trade Topics, TRIPS Agreement, Geographic Indicators <http://www.wto.org/english/tratop_e/trips_e/gi_background_e.htm> accessed 27 June 2014.

[2] Cerkia Bramley, Estelle Biénabe and Johann Kirsten, 'The economics of geographical indicators: towards a conceptual framework for geographical indication research in developing countries,' in the WIPO publication series, *The economics of intellectual property* <http://www.wipo.int/ip-development/en/economics/> accessed 27 June 2014, 109.

[3] ibid.

[4] ibid.

Most recent developments in the recognition of geographic indicators in South Africa

With the conclusion of the Economic Partnership Agreement (EPA) between African states and the European Union (EU) in July of this year, geographic indicators (GIs) have gained new prevalence within the South African legal order.[5] The EPA between the SADC EPA Group (Botswana, Lesotho, Mozambique, Namibia, Swaziland and South Africa) and the EU was 'initialled' by the chief negotiators on 15 July 2014. The initialling of the EPA signals that the negotiations are concluded, and if signed by all EU member states and the SADC EPA Group then the prohibition of the listed GIs is anticipated to become effective eight months after being signed by all parties. Geographic indicators form an important part of agricultural branding and are closely linked to national branding.

A geographical indicator is a sign used on goods that have a specific geographical origin and possess qualities, reputation or characteristics that are essentially attributable to that place of origin.[6] Most commonly, a geographical indicator includes the name of the place of origin of the goods. Agricultural products typically have qualities that derive from their place of production and are influenced by specific local factors, such as climate and soil.[7] Whether a sign is recognised as a geographical indicator is a matter of national law.[8] Geographical indicators may be used for a wide variety of products, whether natural, agricultural or manufactured.

The South African Department of Trade and Industry (DTI) published statements[9] on their website that the signed EPA preserves the Southern African Customs Union's (SACU) functional coherence mainly by maintaining the common external tariff. Although other members of the SADC EPA Group will continue to have better access to the EU market, South Africa has achieved improved EU market access for 32 agricultural products, mainly for wine (110 million litres duty free), sugar (150 000 tons duty free) and ethanol (80 000 tons duty free), flowers, some dairy products, fruit and fruit products.[10]

The DTI also stated that South Africa agreed to negotiate a protocol on GIs in the interest of protecting the names of South African wines exported to the EU, and specialised South African agricultural products such as rooibos and honeybush. However, South Africa only requested three names of agricultural products/food staffs to be protected (rooibos, honeybush and Karoo lamb), compared to 105 GIs for agricultural products/food staffs requested by the EU. The proposed GIs could also result in the protection of 102 South African wine names and 120 EU wine names.

The government notice (No. 66 of 2014) issued on 4 February 2014 contains the partial 'GI request list' from the EU, and indicates that no decision had been made on the extent of the protection of the requested names. Specifics of the protection will be published once the process of 'legal scrubbing' and ratification is complete. So-called 'prior rights' acquired in respect of the requested names will not be affected, nor will the outcome of the GI negotiations affect the product names currently being used by South African producers. The negotiations had also dealt with the issue of 'genericness' and of allowing co-existence of names subject to the avoidance of any confusion to consumers.[11] A final notice has not been published, indicating that if the GI protection were granted, it would apply to the exact names as listed in the final notice still to be published.

Questions have been raised as to why the South African DTI gave notice of its intention to prohibit the use of certain words through the Merchandise Marks Act. South Africa does not have specific legislation regarding the use of GIs.[12] The protection of GIs is achieved through four main regulations in South Africa, namely, the Trade Marks Act of 1993, the Liquor Products Act 60 of 1989, the Merchandise Marks Act (Act 17 of 1941) and to a lesser extent the Protection of Traditional Knowledge legislation.

The South African Trade Marks Act allows for the registration of both 'Certification Marks' and 'Collective Marks'. The certification mark is used to indicate that the goods are of a certain quality or geographic origin, and a collective mark is used to indicate that the producer belongs to the certifying organisation. The wine industry has applied the Liquor Products Act 60 of 1989 to protect wines based on historical geographic origin. The 'wine of origin' concept is controlled and enforced by the Wines and Spirits Board, which gives certification to producers according to the region from which their product originates. This could explain why liquor product names proposed for GI protection in the EPA were not included in the Merchandise Marks Act notice. The Traditional Knowledge legislation makes reference that GIs can be registered as certification marks or collective marks under the Trade Marks Act.

The overall objective of the Merchandise Marks Act is to make provision concerning the marking of merchandise and of coverings in or with which merchandise is sold and the use of certain words and emblems in connection with business. Section 15 of the Merchandise Marks Act states that the Minister of Trade and Industry can prohibit either absolutely or conditionally, the use of any mark or word in connection with any trade or business. Thus, the use of

[5] Press Statement, DTI, 7 February 2014 <http://www.dti.gov.za/editmedia.jsp?id=2987> accessed 17 September 2014.

[6] n 9.

[7] ibid.

[8] USDA Foreign Agricultural Service Report, 'Proposed Protection of GIs in South Africa,' 25 August 2014 <http://www.idfa.org/docs/default-source/d-news/gain_report_8-26-2014.pdf?sfvrsn=2> accessed 17 September 2014.

[9] Press Statement, DTI, 7 February 2014 <http://www.dti.gov.za/editmedia.jsp?id=2987> accessed 17 September 2014.

[10] South African Government Notice (No. 66 of 2014).

[11] n 17.

[12] ibid.

the Merchandise Marks Act to prohibit the use of GIs is not peculiar in South Africa. Some of the proposed GIs will probably be registered under the Liquor Products Act 60 of 1989, or the Trade Marks Act of 1993, but government would still need to prohibit the use of some of the product names under section 15 of the Merchandise Marks Act. This is an inherently complex nature of South African food laws, where several regulations and Ministries have overlapping responsibilities.[13]

Economic value of public sector branding

Branding may be described as a process of 'perception management.'[14] It is the end product of a process of communication and marketing. The purpose of communication, is to create a message; the purpose of marketing is to 'sell' (i.e. add value to and distribute) the message of a given product or entity, while branding is the process of ensuing consistency in the message being relayed.[15]

Sectoral branding may be regarded as a subdivision of nation branding. Nation branding aims to measure, build and manage the reputation of countries (closely related to place branding), whereas sectoral branding refers to the same process, but as applied in the context of a given economic sector.[16] Some approaches used, such as an increasing importance on the symbolic value of products, have led countries to emphasise their distinctive characteristics.[17] The branding and image of a nation-state and the successful transference of this image to its exports – is just as important as what is being produced and sold.[18] This is also referred to as country-of-origin effect and in this regard, geographic indicators play a significant role.[19]

Nation branding is still a developing field in which scholars continue their search for a unified theoretical framework. Many governments have resources dedicated to nation, and more recently, sectoral branding[20] with the aim of improving their country's standing, as the image and reputation of a nation can dramatically influence its success in attracting tourism receipts, trade and investment capital, as well as in exports, in attracting a talented and creative workforce and in its cultural and political influence in the world.[21]

[13] ibid.

[14] Petrus de Kock, 'Brand South Africa: Research Report' (18 September 2014) <http://www.brandsouthafrica.com/images/pdfs/SA_Inc_reports/SA_Inc_1_Research_Report_18_September_2014.pdf> accessed 28 September 2014.

[15] Paul Temporal, *Branding in the public sector: Creating, building and managing brands people will value* (OUP, 2014) 14.

[16] ibid.

[17] n 5.

[18] 'About geographic indicators,' WIPO <http://www.wipo.int/geo_indications/en/about.html> accessed 12 October 2014.

[19] ibid.

[20] n 6.

[21] ibid.

Key role players in South African agricultural branding

Figure 5 (see Appendix B) depicts a summary of role-players crucial to the establishment and promotion of South Africa's agricultural sector.

Establishing a coherent brand for an economic sector as diverse as agriculture requires, first and foremost, a clarification of the message to be marketed and maintained. Sectoral branding is, in essence, a public sector function; however, as the purpose of branding is to promote a country's exports, effective branding cannot be achieved without the inputs of the private sector. For this reason, clear and continuous consultations with the private sector are needed to (1) establish the branding message, and (2) convey and maintain the relevance of the brand.

Understanding the branding process: challenges and examples

As highlighted above, it is crucial to comprehend what the process of branding entails in order to comprehend the steps in the process. Branding is not advertising, marketing, or public relations. As stated by Paul Temporal in his book on the subject, 'branding happens before all of those; first you create the brand then you raise awareness of it.'[22]

A brand is built on two levels: at a mass level, through mechanisms such as advertising, public relations, community involvement etc., and at a personal level, through individual client interactions created through the unique experiences clients have in dealing with the entity (i.e. sector) every day across multiple touch points.[23] Developing effective graphics and visual representations of the brand are insufficient in themselves for creating, representing, and managing a brand.

The reality of the sector/businesses/products and the attitudes and behaviours of people who work in the field have to be commensurate with the brand values that the organisation/sector is projecting with its intended recipients. Therefore, it is important to note that branding starts on the inside and moves outward.[24] Making brand promises and creating brand images and expectations are ultimately of no value without the internal practices and attitudes to deliver the promise. Relationships must be the priority of branding and that approach must permeate an organisation and its culture.[25]

The process of sectoral branding, particularly when viewed from an export-promotion angle, is not dissimilar from the process of nation branding. Over the past 10 years, at least 13 sub-Saharan African countries, among which are South Africa, Botswana, Kenya, Uganda, Ghana, Nigeria, Gabon and Equatorial Guinea, have

[22] n 6.

[23] n 1 and 7.

[24] ibid.

[25] ibid.

attempted to manage their nations' brands.[26] The aim in doing so, as in other parts of the world, is to differentiate themselves and increase their competitiveness. This involves campaigns to promote tourism, investment and national pride. With varying degrees of success, each of these countries have unveiled new symbols and catch-phrases meant to embody a host of positive experiences associated with their nation and its people.[27]

It is important to grasp the concept of sectoral branding within the African context, as well as to draw from the lessons of non-African countries which have embarked on similar processes. South Africa's own experience in the field of national branding is also significant.

The field of nation branding is still in its infancy. What exactly it comprises, how to implement it, and whether or not its results are consistent are hotly contested topics.[28] Currently there is no reliable measurement of how successful governments have been in influencing their countries' brands, and myriad internal and external factors that affect national image are often difficult to track, quantify and directly attribute to proactive nation branding strategies.[29]

The growing number of African countries that are attempting to influence perceptions of their brands suggests that, notwithstanding the lack of consensus on national as well as sectoral branding, African nations see it as a potential boon to their development. It is important to note that the process of nation as well as sectoral brand management may well be as important as the outcome, if it is based on intensive research, consultation, and collaboration among a variety of domestic and international stakeholders.[30] Such a process is in itself an exercise in democratic development and consolidation.

As highlighted by the Benthurst Foundation, the domestic environment will determine the relative success of any public-sector international branding initiative. This includes:[31]

- Commitment from leadership and stakeholders
- Brand longevity and continuity across political cycles
- Consistency between the branding activities and government objectives
- Clear and bold actions from leadership that justify the brand message.

Evidence from around the world suggests that, despite lingering questions over its utility, the field of sectoral and national branding is likely to grow, which ultimately will lead to greater competition among nations. African countries that start now to strengthen their brands will be better positioned to differentiate themselves and escape the 'continent brand effect' which has negatively affected all African countries.[32]

The case of South African citrus

A microcosm of the advantages of successful branding may be found in the experience of the Western Cape Citrus Producer's Forum. The Western Cape Citrus Producers Forum (WCCPF) is a consortium of about 300 South African growers eligible to export summer citrus to the United States. The WCCPF was established in 1999 to facilitate logistical, marketing and sales support coordination of their products.

The success of the 'Summer Citrus Campaign' lies therein that the South African sector was able to curb resistance from local US producers, thus facilitating smoother and more favourable access for South African products. By promoting the quality and reliability of South African supply, and highlighting the advantages to the local industry if South African imports were to be accommodated, the sector has achieved sustained growth in a market where other South African exports have been struggling. Benefits of the campaign may be summarised as follows:[33]

- Annual shipments of South African summer citrus increased from 50 tons in 1999 to more than 40 000 tons in 2013. Products include Navel, Midknight and Cara Cara oranges, clementines and grapefruit.
- Summer citrus from South Africa expands more broadly across the United States each year and is available in virtually all grocery stores in the United States.
- South Africa is the second largest exporter of citrus in the world, producing 60 % of all citrus grown in the Southern Hemisphere.
- Citrus from South Africa complements the US citrus industry because it is available when the domestic product is not.
- The citrus orchards of South Africa have supported generations of farm families that continue to live, work and thrive on these farms. This long heritage of citrus production will continue to play a major role in the economic future and lives of successive generations.
- The vital summer citrus industry has created thousands of jobs in the USA and employs more than 1 500 farmers and 130 000 workers in South Africa.

[26] Ngpzika Amalu, 'Nation branding in a more competitive Africa,' discussion paper 3/2013 Benthurst Foundation <http://www.thebrenthurstfoundation.org/a_sndmsg/news_view.asp?I=134877&PG=288> accessed 1 November 2014.

[27] ibid.

[28] ibid.

[29] ibid.

[30] Ibid.

[31] ibid.

[32] ibid.

[33] Western Cape Citrus Producer's Forum, 'Summer Citrus Campaign,' <http://summercitrus.com/profile/summer-citrus-from-south-africa.php.> accessed 1 September 2014.

The core message of the campaign is displayed in an easily-digestible format on the Forum's website under the concise heading: Why South African citrus? The question is answered as follows:

- From late June through the end of October, US consumers can find South African summer citrus at local supermarkets – a naturally refreshing treat throughout the summer and early fall.
- South African citrus complements the US citrus industry because it is available when domestic product is not.
- South African citrus complements the US citrus industry because it is available when domestic product is not.
- US consumers insist on safe, high quality, natural food sources. Citrus from South Africa consistently exceeds stringent standards for growing, harvesting and shipping to deliver only the best quality citrus to foreign markets around the world.
- Each shipment of summer citrus undergoes rigorous inspection and is approved by the FDA prior to leaving the port of Cape Town, and again upon arrival in the United States. Computerised tracking can trace cartons directly to specific orchards in South Africa, assuring consumers of its reliable goodness.
- Transport can create challenges – South African summer citrus arrives fresh in the United States in refrigerated vessels. Advanced scientific cold sterilisation processes preserve freshness during shipping. The cold temperatures mean the fruit does not have to be chemically fumigated upon arrival in the United States.

Importance of targeted branding and recommendations

A look at FDI inflows to South Africa since 2000 reveals significant volatility with alternating peaks and large drops – the highest being in 2001 when there was an estimated USD7.3 billion in inflows, and the lowest in 2006 when South Africa saw a net disinvestment of about USD200 million.[34] Over the same period, inflows to countries such as Nigeria and Ghana have not shown as much volatility as those to South Africa; rather, they have steadily increased.

By 2011, FDI inflows to South Africa, according to statistics from UNCTAD, represented nearly 14 % of total inflows to Africa, while Nigeria received the largest share of Africa's FDI at about 21 % and Ghana received about 7.5 %. These numbers demonstrate that while South Africa remains a healthy and attractive investment destination in Africa, it is operating within an increasingly competitive environment and must address the risk concerns that are keeping new investors at bay.

The growing number of African countries that are attempting to influence perceptions of their brands suggests that, notwithstanding the lack of consensus on nation branding, African nations see it as a potential boon to their development.[35] There lies a potential promise and danger in this trend – the promise being that the growing awareness of the value in a strong image could spur a healthy competition among nations to surpass each other in the quality of their governance institutions, policies and overall development.[36] The danger lies in the fact that, in their haste to turn around their images, and with limited expertise in brand management, African countries could waste scarce resources on ill-conceived 'branding' campaigns.[37]

Currently, experiences from across the continent reflect both this promise and this danger in nation brand management. For African countries seeking to actively distinguish themselves from the 'continent brand,' there are two fundamental principles that must be clear from the onset: that the process of nation branding – the multiple consultations and the high-level coordination of strategies involved in developing a national vision – enables an environment for democratic dialogue that could be an end in itself; also, that bad branding does more harm to a nation's image than no branding at all, and any attempts to manage the brand after a failed experience will inevitably have to compensate for the confidence lost the first time.[38] With this in mind, serious thought must be given to the domestic and international context within which a nation's brand already exists, and how a country will subsequently frame its brand management strategies to avoid failure.[39]

This requires an honest analysis of the following:

- The country's leadership and its commitment to setting the example for the nation brand in the short- and long-term
- The country's existing relationships with domestic and international stakeholders, the strengths and weaknesses of those relationships and the degree of trust that exist between the nation's leaders and its stakeholders
- The associated costs and how large of a project the nation can financially support – to ensure that resources are well spent, nation brand management strategies will have to mesh seamlessly with, and not detract from the nation's overall development objectives.

[34] *World Bank data*, 'Foreign direct investment, net inflows (BoP, current USUSD)', <http://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD/countries/ZA?display=graph> accessed 6 September 20134

[35] n 26.

[36] ibid.

[37] ibid.

[38] ibid.

[39] Ibid.

Understanding where the country, as well as the sector's strengths and weaknesses lie in each of these areas could provide insight into where to start, with an effort to enhance the national image – addressing significant weaknesses in any of these areas should be the focus of branding activities.

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6. Considering the right to trade in the intra-African context

Modern agricultural trade in the African context

Africa's share of world agricultural trade has increased in recent years after decades of decline. According to a report released on 8 October 2014 at the annual Regional Strategic Analysis and Knowledge Support System (ReSAKSS) conference in Addis Ababa, Ethiopia, trade among African countries has been on the rise.[40] Africa's agricultural exports accounted for 3.3 % of world agricultural trade in 2009–2013, up from 1.2 % in 1996 to 2000.[41]

While the number may appear small, the jump represents a threefold increase.[42] Moreover, Africa's agricultural exports have quadrupled in value terms and doubled in caloric terms.[43] The share of intra-African trade has doubled: nearly 34 % of agricultural exports originating from African countries now go to other African countries. The findings are made significant by the fact that agricultural trade in general, and intra-African trade in particular, may play a critical role to ensuring that the poor and vulnerable are able to remain resilient in the face of economic shocks and severe weather events.[44]

In the African context, the sheer size of the agricultural sector's contribution to the total economy makes it highly relevant for aggregate welfare creation (i.e. greater earning capacity) which in turn is a critical cornerstone of sustainable development.[45] A second factor highlighting the importance of an agriculture-centred development agenda is that agriculture often has a default comparative advantage in developing economies owing to the fact that emerging manufacturing and service industries tend to make for unappealingly risky investments in the short and even medium term.[46] A third factor is that, with domestic supply strongly influencing domestic food prices, and therefore purchasing power, the competitiveness of all sectors ultimately depends on the affordability of food. The easier it is to procure basic nourishment, the greater the demand becomes for more price-elastic items, thus facilitating structural shifts to higher value-add activities.[47]

These are a few advantages of increased agricultural productivity, yet of even greater importance than the 'whys' of a focus on agricultural growth, are the 'hows' necessary for sustained momentum. Trade earnings within Africa vary from one country to another. A majority of African countries are underdeveloped and therefore, rely heavily on foreign aid as their chief source of revenue. African trade is therefore a representation of extremes. According to a 2012 report by the World Bank, regional trade barriers are blocking African countries from billions of dollars in potential earnings and this is particularly true with regard to agricultural products.[48] According to the report, it is less arduous for African countries to trade with other parts of the world than with each other.[49]

While the 'big picture' remains dominated by trade in traditional primary products targeted at traditional markets plus China, growth in intra-African trade is likely to change the landscape.[50] Commerce between African states remains comparatively low; however it averaged 13.5 % annual growth between 2000 and 2010.[51]

The trade was valued at almost USD 81 billion in 2012 and it is growing faster than Africa's exports to the rest of the world.[52] From 2000 to 2010, exports to the rest of the world grew by only two-thirds of the rate of exports within Africa. However, the share of the continent's imports going to African producers has declined.[53] On the other hand, imports from outside Africa have surged faster than exports (averaging annual growth of 14 % compared to 11 %).[54] Africa was the only region to experience double digit import

[40] IFPRI, 'Recent expansion of Africa's agricultural trade bodes well for food security, resilience' (8 October 2014) Ethiopia <http://www.ifpri.org/publication/promoting-agricultural-trade-enhance-resilience-africa> accessed 22 October 2014.

[41] ibid.

[42] ibid.

[43] ibid.

[44] ibid.

[45] De Janvry & Sadoulet (n 22) 74. Expressed in the most basic and generalised terms, greater earning capacity tends to result in higher investment in the health and education of children. This in turn results in improved decision-making and even greater income opportunities for upcoming generations, creating a virtuous cycle of development.

[46] ibid.

[47] ibid.

[48] Paul Brenton and Gozde Isik, 'De-fragmenting Africa: Deepening regional integration in trade in goods and services' (2012) <http://siteresources.worldbank.org/INTAFRICA/Resources/Defrag_Afr_English_web_version.pdf> accessed 22 October 2014.

[49] ibid.

[50] 'Trade Policies and Regional Integration in Africa'. *African Economic Outlook* 2014 (AfDB, OECD, UNDP 2014) 73.

[51] ibid.

[52] ibid.

[53] ibid.

[54] ibid.

growth at 11 % in 2012. Imports grew nearly twice as fast as exports.[55]

Drivers of intra-African trade

Africa's growing share of world agricultural exports may be attributed to improvements in trade infrastructure, such as telecommunications, success in integrating global and regional markets through preferential trade agreements (PTAs), improved economic growth, and an increase in world prices of some raw materials.[56] Diversity of crops has also helped boost trade. According to the International Food Policy Research Institute (IFPRI), at the end of the 1990s, the top 10 agricultural exports made up 51 % of Africa's total agricultural exports.[57] Since then, African agricultural exports have become more diversified and more competitive, so that by 2010, the top 10 agricultural exports accounted for 40 % of total exports.

Fuelled by both economic growth and population growth, agricultural imports have risen considerably faster than exports. As a result, the agricultural trade deficit rose from less than USD1 billion to nearly USD40 billion.[58] This highlights the tremendous challenge facing African countries and the need to deepen the reforms and scale up the efforts that have accelerated exports over the last 10 years.[59]

On the positive side, African countries have become more competitive in regional markets. Faster growth of demand in these markets has also contributed positively to trade performance by African countries.[60] Research shows that decreasing barriers to regional trade would further boost the recent growth of intra-African trade and allow countries to take advantage of the stabilising effects that often accompany expanded regional trade.[61] Domestic food markets can be stabilised by expanding regional trade to buffer shocks to individual countries.[62] Regional trade can help mitigate the effects of weather shocks in any one country.[63]

Trade policies should be aimed at reducing transport and other transaction costs and increasing agricultural productivity to improve the livelihoods of the poor and vulnerable and enhance their resilience to shocks. Specific recommendations, cited by IFPRI, for improvement of intra-African trade flows are as follows:[64]

- Expand markets with better transport infrastructure to make it easier to move crops from surplus to deficit zones
- Invest in science and technology to raise agricultural productivity and enhance the capacity of domestic agricultural sectors to supply local markets and adjust to shocks
- Eliminate non-tariff cross-border barriers to foster market integration at the domestic, regional, and international levels
- Invest in social safety net programmes and adopt more conducive policies to mitigate the potential destabilising effects of trade while maximising its positive short- and long-term benefits for growth and food security.

Intra-regional market access: initiatives and state of play

In 2003, the Assembly of the African Union (AU) adopted[65] the Comprehensive Africa Agriculture Development Programme (CAADP) as an 'Africa owned'[66] initiative aimed at galvanising agricultural-sector growth in all member states. Viewed from an economic perspective, the impetus behind CAADP is derived from two widely accepted hypotheses: (1) that a localised 'revolution'[67] in agricultural productivity[68] is a prerequisite for successful industrialisation and (2) that regional integration is a rational course for countries striving to overcome challenges posed by limited resources, inadequate infrastructure, common environmental threats and small, often land-locked national economies.[69]

To do this, African governments have agreed to increase public investment in agriculture by a minimum of 10 % of their national budgets and raise agricultural productivity by

[55] ibid.

[56] n 6.

[57] ibid.

[58] ibid.

[59] ibid.

[60] ibid.

[61] ibid.

[62] ibid.

[63] ibid.

[64] ibid.

[65] Assembly/AU/Decl.7 (II).

[66] Monique Calon and Hubert Blom, 'A Donor Perspective on Supporting CAADP to Promote Regional Markets for Food Security' (September 2012) 1(7) ECDPM GREAT Insights <http://www.ecdpm.org/Web_ECDPM/Web/Content/Navigation.nsf/index2?readform&http://www.ecdpm.org/Web_ECDPM/Web/Content/Content.nsf/0/619DE884CE8D4C2BC1257A75004515EE?OpenDocument> accessed 4 October 2013.

[67] Alain de Janvry and Elisabeth Sadoulet, 'Why Agriculture Remains the Key to Sub-Saharan African Development' in Ernest Aryeetey and others (eds), *The Oxford Companion to the Economics of Africa* (OUP 2012) 73.

[68] Productivity increases when the ratio of output per unit of inputs improves – i.e. when more is produced using the same or less resources than before, as opposed to producing more simply by using more resources. When considered in absolute terms, sub-Saharan Africa's agricultural outputs have increased over time, however research findings indicate that this is mainly attributable to an ever-increasing number of smallholders brining more and more land under cultivation, as opposed to improvements in yields per hectare as was experienced in Asia during the Green Revolution (Peter Hazel, 'Is small-farm led development still a relevant strategy for Africa and Asia?' (Oxford-Martin Programme on the Future of Food Seminar, Oxford University, 6 March 2013) 2).

[69] UNECA. Policy Research Report Series. *Assessing Regional Integration in Africa*. USA, 2004, 2006, 2008, 2010, 2012, 2013 (UN sales no. E.04.II.K.3, E.06.II.K.2, E.08.II.K.4, E.10.II.K.2, E.12.II.K.1, 14.II.K.1).

at least 6 % per annum. CAADP proposes four key pillars on which agricultural policies should focus in order to increase agricultural productivity:

- Pillar 1: Extending the area under sustainable land and reliable water control systems
- Pillar 2: Improving rural infrastructure and trade-related capacities for market access
- Pillar 3: Increasing food supply and reducing hunger
- Pillar 4: Agricultural research, technology dissemination and adoption.

The AU 2003 Maputo Declaration, launching CAADP, clearly recognises the crucial role of 'small-scale and traditional farmers in rural areas' and the need to increase their engagement in agricultural policies. However, as the data presented below suggests, the agricultural sector overall remains chronically underfunded. Investments in agriculture should be seen as a long-term project, with smallholder farmers at their centre. The majority of the African population continues to rely on agriculture as an important, if not the main, source of income and livelihoods. Indeed, in most sub-Saharan African countries, agriculture is the primary economic activity for between 50 % and 90 % of the population. Even though there is growing urbanisation, the majority will continue to rely on agriculture for their livelihoods for decades to come. Available evidence indicates that support to smallholder farmers, particularly women, is essential to achieve food security on the continent. Small-scale agriculture, however, is not well suited to the demands of the modern market.

The 2009 Mission of the Special Rapporteur on the Right to Food to the World Trade Organisation, led to a widely debated report on the fragmentation between international trade law and international human rights law, and the necessary measures to reconcile trade with the right to food.[70] In 2011, the Special Rapporteur issued a briefing note calling for the global trade agenda to be reoriented around food security.[71] In March 2012, he presented guidelines on *human rights impact assessments* of bilateral trade and investment agreements to the Human Rights Council.[72]

[70] Report on the Mission to the World Trade Organisation (WTO) presented to the Human Rights Council (March 2009).

[71] 'The World Trade Organization and the Post-Global Food Crisis Agenda: Putting Food Security First in the International Trade System', Briefing note by the Special Rapporteur on the right to food <http://www.srfood.org/images/stories/pdf/otherdocuments/20111116_briefing_note_05_en.pdf> accessed 6 November 2014

[72] 'Guiding Principles on Human Rights Impact Assessments of Trade and Investment Agreements', Report presented at the 19th Session of the United Nations Human Rights Council <http://www.srfood.org/images/stories/pdf/officialreports/20120306_hria_en.pdf > accessed 6 November 2014.

According to the 2013 Economic Development in Africa Report,[73] despite the growth of African economies, barriers to regional trade have been proliferating. The share of intra-African trade in total African trade has been volatile, falling from 22.4 % in 1997 to 11.3 % in 2011. Intra-African trade (both exports and imports) totalled USD130.1 billion in 2011. It is important to note that these statistics may be underestimates, given the prevalence of informal cross-border trade on the continent; however, they are nevertheless low when compared to other parts of the world. For example, over the 2007–2011 period, the average share of intraregional exports in total exports was 11 % in Africa, compared with 50 % in Asia and 70 % in Europe.[74]

It is argued that although the elimination of trade barriers is important, it will not have the desired impact if it is not complemented by efforts by governments to increase the variety and sophistication of the goods that their economies produce – the process that economists call expanding productive capacity.[75] That involves measures such as upgrading infrastructure, improving the skills of domestic workforces, encouraging and enabling entrepreneurship, and increasing the size of existing manufacturing firms.[76]

According to the report, short-term unexploited opportunities for regional trade in Africa are to be found particularly in agriculture. Africa has about 27 % of the world's arable land, and that can be used to expand agricultural production.[77] Yet many countries on the continent import food and agricultural products from countries outside Africa. For the period from 2007 to 2011, 37 African countries were net food importers, and 22 were net importers of agricultural raw materials. Only about 17 % of the continent's world trade in food and live animals took place within Africa. It is argued that a key challenge for African policymakers is how to exploit these opportunities for regional trade, the so-called 'low-hanging fruit', and to ensure that the gains accrue predominantly to Africa.[78]

Right to Trade

Rationale

The concept of 'a right to trade' is the brainchild of Nobel prize-winning economist Professor Joseph Stiglitz. In a report for The Commonwealth on 26 June 2013, Stiglitz called for a 'Right to Trade' to be enshrined in the rules of the World Trade Organisation (WTO) and enforced

[73] UNCTAD, Economic Development in Africa Report 2013 <http://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=604> accessed 12 October 2014.

[74] ibid.

[75] ibid.

[76] ibid.

[77] Ibid.

[78] ibid.

through its dispute settlement system.[79] In the, 'The Right to Trade: Rethinking the Aid for Trade Agenda,' authors Professor Stiglitz and Andrew Charlton propose a 'Right to Trade' mechanism that would enable countries to bring legal action to the WTO against states whose policies restrict their ability to trade.[80]

The report argues that a 'balancing mechanism' must be inserted into the global trading agenda. To achieve this, the report proposes that member states of the WTO should adopt a general 'right to trade' operating within the dispute settlement body. Developing countries should be able to bring an action against any advanced country where three conditions are satisfied:[81]

- A specific group of poor people within a developing country (or the country or group of countries as a whole) can be identified as being significantly and directly affected by a specific trade or trade-relate policy (or policies) of an advanced country
- The effect of the policy acts to materially impede the economic development of those poor people (or the country or group of countries as a whole)
- The impediment operates by restricting the ability of the people (or the country or group of countries as a whole) to trade, or gain the benefits of trade.

This right would enable any developing country to bring an action against an advanced country on the basis that a specific policy materially impedes the development of an identified community in a poor country by restricting their ability to trade. Subject to appropriate safeguards, this right would transcend existing agreements and apply to all trade-related policies of advanced country member states. A developing country (or countries) bringing successful actions under the right to trade could access a range of remedies:[82]

- Elimination or change to the offending policy as a result of mediation between the advanced country and the developing country
- A range of bilateral sanctions including increase in tariffs against the advanced country (a remedy that would be available to all affected developing countries). This right to sanction would be tradable. Rather than merely raise tariffs, sanctions should be able to include suspension of other WTO commitments of interest to advanced countries, including the TRIPs agreement
- Compensation from the offending advanced country or support from a multilateral aid-for-trade fund.

[79] Stiglitz and Charlton, 'The right to trade: Rethinking the aid for trade agenda, 27 June 2013 UNCTAD <http://unctad.org/meetings/en/Miscellaneous%20Documents/Right-to-Trade-Report.pdf> accessed 21 December 2013.

[80] ibid.

[81] ibid.

[82] ibid.

Any dispute between a rich and a poor country is never a fair fight. Existing remedies under the WTO dispute settlement system suffer from a range of asymmetries which weaken the position of poor countries. Where a small developing country has been successful in a case against a large advanced economy, the remedies available to the small country are often ineffective. For example, raising tariffs against the larger country can be counterproductive if the bigger country represents a large share of imports. The effect on the bigger country may be small, while the population of the small country may face higher prices on imported goods. That is why it is important that the sanctions be 'tradable' and that they include the suspension of other WTO commitments.

Application

Poor countries may find themselves subject to coercion as the bigger countries make implied threats to reduce aid or other benefits. This will reduce the likelihood that actions will be brought, eviscerating the force of the 'right to trade'. To address this problem, we propose three alternative mechanisms:[83]

- Developing countries should be able to club together to impose joint sanctions where they are mutually affected by a developed country policy. Also, developing countries should have recourse to funds (described further in the following section) to support themselves in the action and provide compensation for any reduction in aid or other losses resulting from retaliation by the developed country
- Bilateral investment agreements have recognised the right of private parties to initiate actions against states, when they are harmed. The private parties that bring suits under investment agreements are corporations. But the rights of poor people should be equally enshrined under the law. Indeed, the rule of law is supposed to be directed at protecting those who otherwise could not fend for themselves. Any group of poor individuals harmed by a trade policy of another country should therefore have the right to bring a case before the WTO
- There should exist an office ('Defender of the Rights of Trade') located, potentially within UNCTAD, that would have the right to bring a suit against any country seen as violating the Rights to Trade as defined above.

In addition to the right to trade, the report proposes the creation of a Global Trade Facility:[84] a dedicated fund established at the global level, to which all donors would contribute resources that would be allocated to developing countries based on their needs. This new fund would retain the concept of the Integrated Framework – where international organisations effectively cooperate on aid for trade – but concentrate its management within one

[83] ibid.

[84] ibid.

institution. Dedicated funds for aid for trade should be allocated to a special facility to be administered by UNCTAD, much as the Global Environment Facility is administered by the Bank and supported by a small secretariat operating within but independent from UNCTAD.

This body would have oversight over the aid for trade programme, support the allocation of funds according to an agreed set of principles, create and monitor a common set of performance criteria and report on effectiveness. The aid projects themselves would be carried out by a variety of national and international institutions and organisations. This organisation would not directly manage the assistance programmes, but would allocate resources based on proposals from a wide range of development organisations, which could include multilateral institutions, including the World Bank and regional development banks, NGOs, and countries themselves. It would necessarily also have to have some responsibilities for oversight and evaluation. This would encourage transparency, needs-based allocation and competition among aid recipients and deliverers to develop the most effective and efficient aid-for-trade projects and programs.

The Global Trade Facility would support the right to trade by providing resources to support developing countries' actions and fund genuine aid for trade assisting countries to maximise the benefits of new market access won through the dispute settlement system. The facility could also compensate developing countries for any losses – such as reduced aid or other retaliation – associated with any right to trade dispute. It would also provide some adjustment and ongoing support to third party developing countries that may be negatively impacted by as a result of changes to advanced countries' trade policies, for example, where a developing country was receiving preferences whose value is eroded by liberalisation emanating from a right to trade case.

Implications for intra-African trade

While the proposed right to trade is outlined within the global economic context, it provides a potentially useful indicator for the further development of the CAADP's market access pillar. As the African Free Trade Area progresses, disparities between nations and the ability to compete are recognised as hotly debated issues.

The platform of 'a right to trade' offers the potential for African countries to address long-standing concerns regarding the implementation and enforcement of trade agreements that have been a hallmark of the continent's integration efforts. This will allow weaker nations to gain necessary market access to facilitate development without disregarding the interests of larger competitors.

Ideally, the right to trade may be used to serve as a balancing tool, providing a facts-based basis from which to judge the validity of a country's as applicable to that nations unique circumstance while still operating within the sphere of clearly defined, general principle. The potential of the right to trade is that it creates an opportunity to entrench rule of law in economic governance at the regional level with minimal infringement of national sovereignty.

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Appendix A

Table 7: South Africa welfare effect for citrus industry

	Value exported ($ millions)	Quantity exported (million tons)	Job created per export ton	Export losses in value ($millions)	Export losses in quantity (thousands)	Job losses per ton
World exports	972	1.75	15	1	140	2
EU exports	394	0.7	7	1	140	2

Source: Author's calculations

Appendix B

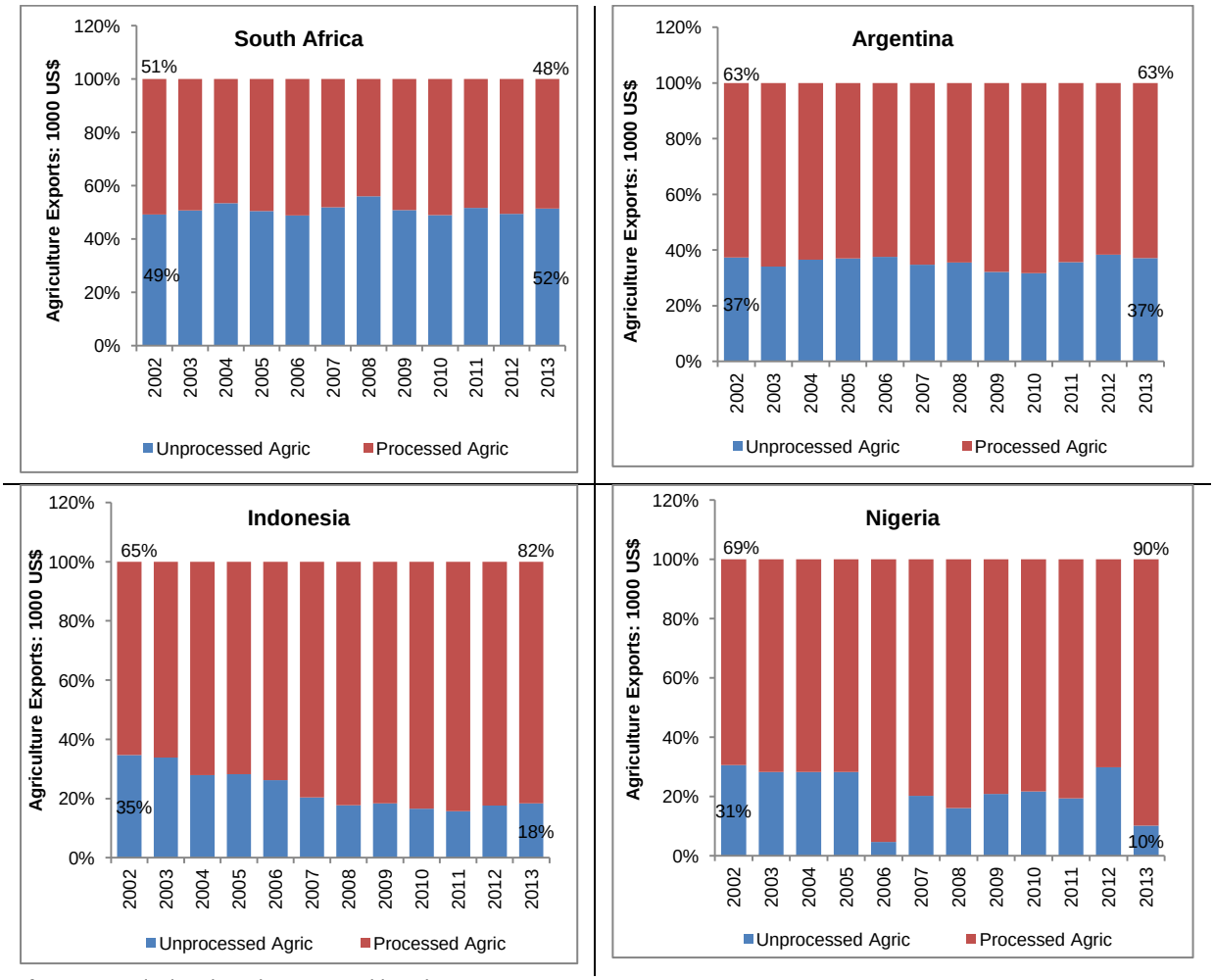

Figure 4: Agricultural product composition change

Source: ITC-TradeMap, 2013

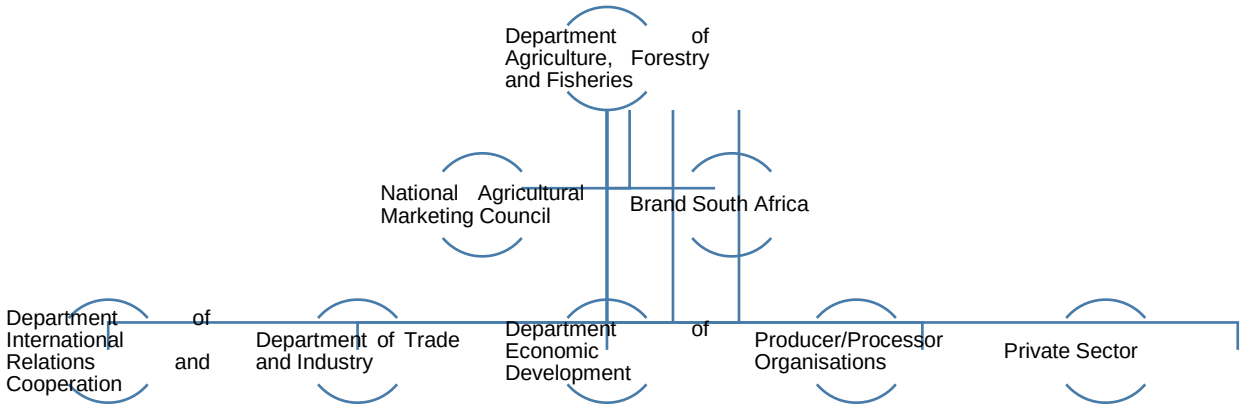

Figure 5: Establishment and promotion of South Africa's agricultural sector

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