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REPUBLIC OF SOUTH AFRICA

National Agricultural Marketing Council
Promoting market access for South African agriculture

INTERNATIONAL *TradeProbe*

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The ***TradeProbe*** is a joint initiative by the NAMC and the Department of Agriculture, Forestry and Fisheries, Directorate International Trade. The aim of this initiative is to create knowledge of trade-related topics by discussing and reporting on trade statistics, to invite perspectives from people working in related sectors, to report on trade-related research and to stimulate debate.

This issue of *TradeProbe* covers the following topics:

- Trade profile of Salmon and Trout in South Africa
- Agricultural trade negotiations and their association with Africa
- Market study of the East African Community (EAC)
- The South African Meat Industry: Trade
- South Africa's trade in agriculture, forestry and fisheries products with ASEAN countries

1. TRADE PROFILE OF SALMON AND TROUT IN SOUTH AFRICA[1]

Trade in Trout (HS 030211)

Trout farming is the oldest and largest aquaculture sub-sector in South Africa. The first trout ova were imported in 1896, and the first dry pelleted feeds produced in 1956 (Hecht and Britz, 1990). Most of the production is split between the Western Cape and Mpumalanga. In 2006, the Western Cape farmers produced approximately 500 tons of trout destined for human consumption.

By contrast, approximately half of the 600 tons of trout produced in Mpumalanga are sold as fingerlings to the recreational fly-fishing industry. In addition to the production of fish for the table and fly-fishing markets, there is also a small market to export disease free ova to European producers – this is a relatively small, but high value seasonal market that ships ova into Europe during the European summer months when some farmers are unable to produce ova.

Figure 1 presents the trade balance for South African trout over the past eleven years. The trend shows an unstable trade in trout. The value of trout exports decreased from R350 thousand in 2008 to the lowest point of R136 thousand in 2011. Since 2008, South Africa has not been importing trout from other countries.

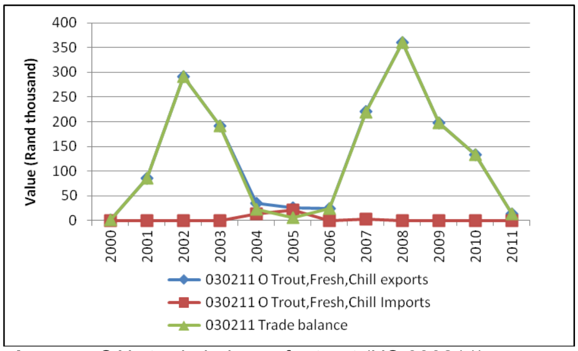

Figure 1: SA's trade balance for trout (HS 030211)
Source: World Trade Atlas, 2012

Figure 2 indicates the top three countries that import trout from South Africa. In 2011 Zambia, the Congo and Mozambique were the main destinations of South Africa's exports of trout, respectively representing 93 %, 5.8 % and 0.8 % of the value of the country's total exports.

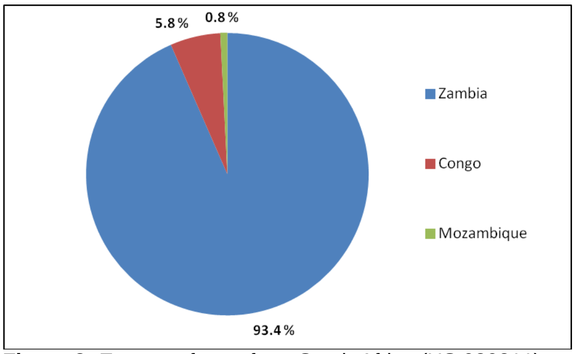

Figure 2: Exports of trout from South Africa (HS 030211)
Source: World Trade Atlas, 2012

Trade in Salmon (HS 030212)

The global salmon industry is a mature industry, dominated by the Norwegian, Chilean and Scottish producers. Historical data suggests that price fluctuations as a response to supply and demand issues are significant.

Figure 3 presents the trade balance of South Africa's salmon for the past 11 years. South Africa's imports

[1] This article was compiled by Ms Heidi Phahlane from NAMC.

of salmon grew over the period, while exports remained stagnant.

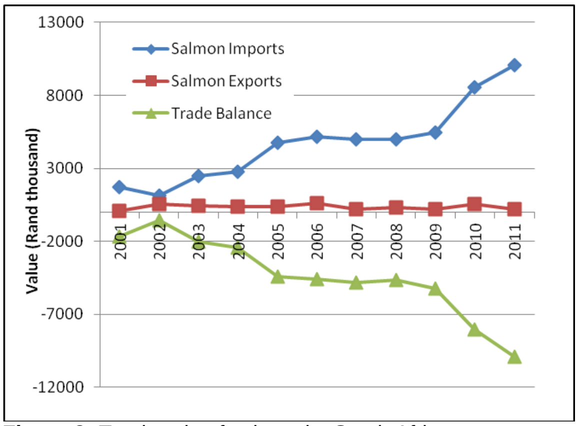

Figure 3: Total trade of salmon by South Africa
Source: ITC, 2012

Figure 4 presents the top three salmon products South Africa imported in 2011. The three leading countries of origin for South Africa's salmon imports were Norway, the United Kingdom and the USA, accounting for 79 %, 9 % and 9 % respectively of the total value of this product imported by South Africa.

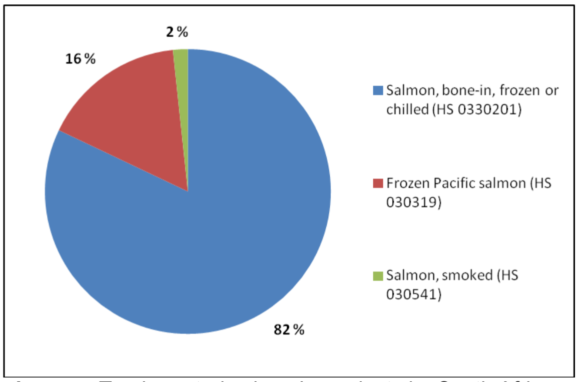

Figure 4: Top imported salmon's products by South Africa
Source: ITC, 2012

Figure 5 shows the four leading salmon products that South Africa exported in 2011. The top three markets for South Africa's salmon exports were Zimbabwe, Zambia and the DRC, representing 40 %, 13 % and 11 % of the value of South Africa's exports respectively.

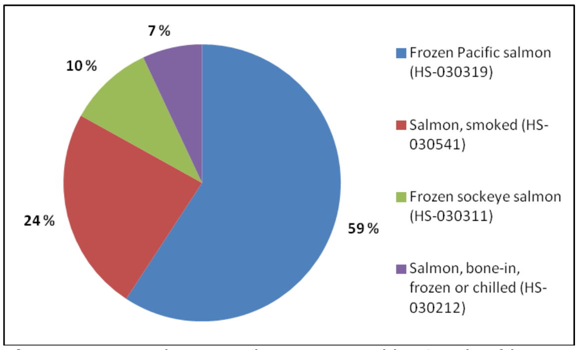

Figure 5: Top salmon products exported by South Africa
Source: ITC, 2012

2. AGRICULTURAL TRADE NEGOTIATIONS AND THEIR ASSOCIATION WITH AFRICA[2]

This section looks at agricultural trade on the African continent with respect to recent developments in the World Trade Organisation (WTO) and the European Union's Economic Partnership Agreements. It is important to note that from the early 1960s to the late 1970s Africa was a net exporter of agricultural commodities. Currently, however, Africa is a net importer, as imports of agricultural commodities have risen rapidly over the past decade, far outpacing exports.

Furthermore, the benefits expected from the Agreement on Agriculture (AoA) under the auspices of the Uruguay Round of the General Agreement of Tariffs and Trade (GATT, now WTO) did not materialise. African countries, especially in Sub-Saharan Africa, did not reap the benefits expected before the completion of the Round. Currently, the Doha Round, which has been tagged the 'Doha Development Agenda (DDA)', is yet to deliver the expected development goals, despite it being referred to as a development round.

Figure 6 shows the value of Africa's imports and exports of agricultural commodities from 1961 to 2009. Both imports and exports of agricultural commodities have been on an increasing trend since 1961. Most notably, this trend increased sharply during the last decade. The continent's trade deficit has also shown an increase since 2003, until the extreme deficit in 2008 of close to US$ 30 billion. The value of imports was therefore twice the value of exports during 2008. Africa became a net importer of agricultural commodities in 1980.

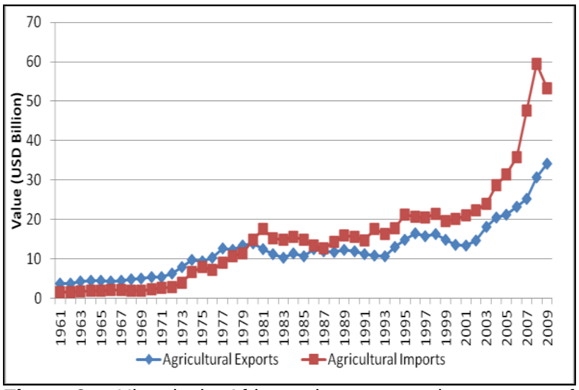

Figure 6: Historical African imports and exports of agricultural commodities
Source: FAO, 2012

Table 1 shows Africa's leading imported agricultural commodities during 2009. Wheat, maize and milled rice are the most imported commodities in terms of

[2] This article was compiled by Mr. Nico Scheltema and Mr. Bonani Nyhodo (both of the NAMC).

the quantity imported, amounting to about 29.1, 10.6 and 4.7 million tons respectively. A similar trend can be observed in the case of the value of imports, except that milled rice is replaced by palm oil. That is, the value of the three leading imported commodities, namely wheat, palm oil and maize imports are valued at US$8.5, US$3.7 and US$2.8 billion respectively.

Table 1: African agricultural imports by commodity (2009)

2009* Rank	Commodity	Quantity (million tonnes)	Value (US$ billions)	Unit value ($/tonne)
1	Wheat	29.1	8.5	294
2	Palm oil	3.8	3.7	966
3	Maize	10.6	2.8	259
4	Milled rice	4.7	2.5	528
5	Refined sugar	3.9	1.8	470
6	Raw sugar	3.8	1.7	457
7	Food preparations	0.7	1.6	2242
8	Soybean oil	1.5	1.4	930
9	Dried milk	0.5	1.4	2884
10	Cake of soybeans	2.3	1.0	445

***=**May include official, semi-official or estimated data
Source: FAO, 2012

Table 2 shows Africa's leading exports of agricultural commodities during 2009. Cocoa beans, oranges and raw sugar were the leading exports in terms of quantity. Close to two million tons of oranges and cocoa beans were traded, whilst 1.9 million tons of raw sugar was exported. Cocoa beans, tobacco and coffee were Africa's leading agricultural exports in value terms during 2009, valued close to US$5.3, US$1.5 and US$1.3 billion respectively.

Table 2: African agricultural exports by commodity (2009)

2009**Rank**	**Commodity**	**Quantity (million tonnes)**	**Value (US$ billions)**	**Unit value ($/tonne)**
1	Cocoa beans	2.0	5.3	2598.7
2	Tobacco	0.4	1.5	3578.0
3	Coffee, green	0.6	1.3	2076.5
4	Tea	0.5	1.2	2386.3
5	Cotton lint	0.9	1.1	1315.4
6	Oranges	2.0	1.0	509.6
7	Raw sugar	1.9	1.0	512.3
8	Sesame seed	0.7	0.8	1123.6
9	Wine	0.4	0.7	1667.3
10	Grapes	0.4	0.7	1489.6

*=May include official, semi-official or estimated data
Source: FAO, 2012

Uruguay Round Agreement on Agriculture and Africa

The Uruguay Round's Agreement on Agriculture (URAA) marked the beginning of a dramatic change in agricultural policy in many countries world-wide. It was the first time in the history of multilateral trade negotiations where a large group of countries agreed on a set of principles and disciplines that were aimed at correcting the trade distortions caused by the agricultural policies of the past.

Even though global trade negotiations existed from 1947 under the auspices of GATT, it was not until after the conclusion of the URAA that countries agreed to apply to agriculture similar trade disciplines to those governing international commerce in manufactured goods. Hence the URAA is noted as a round of negotiation that marked a historical change in agricultural trade.

The AoA was developed during the time that the URAA brought agricultural policies of member countries under multilateral rules and disciplines. The long-term objective of the AoA was to establish a fair and market-oriented agricultural trading system through significant and progressive reductions in agricultural support and protection[3]. The Agreement includes specific commitments by members to advance market access and to lessen domestic support and export subsidies which distort the production and trade of agricultural products.

The AoA also aimed to reduce surplus production caused by mounting levels of support and protection in a number of developed countries during the 1980s and early 1990s. During this period, some of the main agricultural exporters competed for consumers on international markets on the basis of their governments' capacities to subsidize production and exports while preventing access to their markets by lower-cost suppliers or producers.

By agreeing to limit and reduce these subsidy levels and import barriers, the developed countries wished to bring an end to the 'subsidy wars' that were exhausting their national budgets and driving down world commodity prices[4]. However, most developing countries entered the UR with under-developed agricultural sectors and insufficient resources to raise productivity and output to provide food security and reach production potential. Farmers from developing countries were, and still are, forced to compete with the heavily subsidized farmers from developed countries in export and domestic markets. Even though consumers in developing countries could be said to benefit from the availability of subsidised supplies in the form of lower prices, the situation was and remains unstable and unsustainable[5].

[3] FAO. 2010A. Impact of the Uruguay Round agreements of relevance to the agricultural sector: winners and losers. Accessed Online at http://www.fao.org/trade/docs/TradeBrief_en.htm.
[4] Ibid.
[5] Ibid.

While the URAA addressed the most significant distortions in world agriculture, it did not affect agricultural policy distortions in low income African countries. Many African countries did not subsidise, but taxed agriculture either implicitly by giving higher protection to industries, or more explicitly by taxing exports of many commodities or by maintaining government controlled domestic prices below world prices[6]. These distortions were not part of the URAA agenda, and some of these distortions were not even covered by the GATT, such as export taxes or domestic pricing policies that 'tax' agriculture[7].

The Doha Round and Africa

The AoA in the URAA brought agriculture under the rules of the WTO and established a solid framework for future liberalisation of trade in the agriculture and food sectors. As mandated under Article 20 of the AoA, a review of the Agreement was initiated in 2000. This review process was swept into the Doha Development Agenda, which was launched in 2001.

The progress from the negotiations for the Doha Development Agenda has been very slow due to widespread disagreement among WTO members on how to approach this sector. Developing countries realised that the URAA provided little trade liberalisation and it is estimated that developing countries actually reduced their tariffs substantially more than developed countries as a result of the URAA[8] [9].

The idea that open economies function better than closed economies has led to some confusion that the WTO Doha Development Agenda (DDA), as a route to greater openness, will provide considerable opportunities for improving African trade interests[10] [11]. The current composition of issues being negotiated in Geneva is not a promising entry point for the development of African economies. This is not because more trade would not generate higher growth in Africa, but because African trade is not likely to be significantly stimulated by any likely resolution of the issues remaining on the table as of July 2006[12].

Huff (2010)[8] states that a developmentally friendly agenda could involve (i) improved Special and Differential Treatment on market access and more flexible market access protection, (ii) a binding commitment to increase aid for trade assistance, (iii) additional resources to develop human resource capacity building in areas such as export marketing in developing countries, (iv) an agreement for the termination of trade distorting domestic support over a long adjustment period, and (v) revisions to the SPS Agreement to accommodate the specific concerns of developing countries.

Economic Partnership Agreements (EPA) and Africa

The European Union has an extensive history of cooperation with the countries of the Africa, Caribbean and Pacific (ACP) grouping, including trade relations stimulated by preferential market access to the EU under the Cotonou Agreement or the Everything but Arms (EBA) initiative. Unfortunately, even with preferential treatment, trade between the ACP and EU has not diversified and has steadily decreased over the past thirty years.

Preferential market access on its own has therefore not been able to stimulate export-led growth in the ACP. During this period, non-ACP developing countries have not been granted preferential treatment, which is in violation of the principle of most favoured nation (MFN) treatment set out in Article I of the GATT and of the 'Enabling Clause' covering special treatment of developing countries.

In order to enable the special trade regime for the ACP to continue, the EU was forced to seek a number of waivers from other WTO members. The EPA process aims to promote sustainable development in ACP countries and support the ACP's own regional integration processes. EPAs promote the greater trade and economic integration between the EU and the ACP in order to bring about the integration of the ACP countries into the world economy. These agreements will go beyond agreements reached in the WTO in that they promote ACP development. A key consideration in EPAs is the recognition that goods market access cannot promote growth in isolation. Trade in services and non-trade issues such as investment, public procurement and competition policy are essential for attracting additional local and foreign investment in

[6] Schiff, M., Valdes, A. (1992). The Plundering of Agriculture in Developing Countries, World Bank, Washington D.C.

[7] Ingco, M.D. and Townsend, R. (2000). "Experience from the Implementation of Uruguay Round Commitments: Policy Options and Challenges for African Countries". The World Bank, Paper Presented at the International Workshop on Agricultural Policy of African Countries and Multilateral Trade Negotiations: Challenges and Options, Harare, Zimbabwe, November 23-26, 1998.

[8] Huff H.B. 2010. "Making DOHA more developmentally friendly for agriculture" *Canadian Journal of Agricultural Economics,* 58: pp. 23–35.

[9] Finger, J. M. and L. A. Winters. 2002. Reciprocity in the WTO. In *Development Trade and the WTO: A Handbook*, edited by Hoekman. B, Mattoo. B. and English. P, pp. 50–60.Wasington, DC: The World Bank.

[10] UNECA (2004) 'Trade Facilitation to Integrate Africa into the World Economy', in *Economic Report on Africa: Unlocking Africa's Potential.* Addis Ababa: UNECA

[11] Jensen M.F. and Gibbon P. (2007). "Africa and the WTO Doha Round: An Overview", *Development Policy Review*, 2007, 25 (1):pp.5-24

[12] Ibid.

the ACP and subsequently ensuring that growth and development follow trade policy reform.

Both the EU and ACP regions agreed that EPAs will be the most efficient in breaking the current negative trends in EU-ACP trade and to progress relations. This agreement was motivated by the understanding that EPAs are not merely trade agreements, but consist of synchronised packages of measures supported by wide-ranging development assistance. EPAs also provide a structured framework for co-ordinating reform with EU development assistance and supporting the emerging regional economic communities of the ACP.

Some of the elements of EPAs are related to trade and others are not. Non-trade aspects have become more important with the gradual lowering of tariff barriers in recent decades. Due to most of these non-trade aspects being difficult or impossible to quantify, they are often not included in impact studies of EPAs.

Curran *et al*. (2008)[13] discuss the following:

a) Trade facilitation

By reducing or eliminating the physical and institutional barriers between trading partners, both the size of trade and the benefits which economies gain from them can be increased. A number of studies indicate that trade facilitation could double the gains from goods liberalisation, particularly in developing countries[14] [15]. When considering the existing physical and institutional barriers that exist when trading with developing countries, it is easy to understand how the removal or reduction in these barriers can benefit trade. As an example, the United Nations Economic Commission for Africa (UNECA) found that the average wait at sub- Saharan African customs is 12 days, compared with 5.5 days in East Asia (UNECA, 2004). Reducing exporting delays by one day in ACP countries would increase exports on average by 1 %[16].

b) Rules, standards and regional integration

Numerous studies have consistently shown that a constructive regulatory environment is vital in encouraging foreign direct investment[17]. The benefits associated with foreign direct investment (FDI) on economic growth appear to be magnified in a stable regulatory context.[18] The types of regulatory reforms proposed in EPAs are also likely to improve the business environment and make investment more attractive[19].

c) Investment and competition

In the case of investment, the addition of investment provisions in regional integration agreements has been shown to encourage investment.[20] An UNCTAD report noted the positive effect of recent 'business-friendly' African reforms in attracting increased FDI.[21] Anti-competitive practices are a widespread phenomenon in ACP countries. The OECD has estimated that improving competitiveness policy in developing countries to the level established in the OECD would increase per capita GDP by nearly 8 % on average[22].

d) Good governance

Over the past decade, numerous studies have found evidence of the importance of governance in influencing FDI. Asiedu (2006)[23] found that corruption and political instability discourage FDI in Africa, while an efficient legal system and a good investment framework have the opposite effect. Also, Obwona (2001)[24] found that macroeconomic and political stability has been more important than incentive schemes in stimulating FDI in Uganda, and found a positive relationship between FDI and GDP growth. Mlambo (2005)[25] concludes that countries in Southern Africa need to reduce regulation, enforce property rights, improve the bureaucracy and reduce corruption if they are to increase FDI flows.

[13] Curran L., Nilsson L. and Brew D. 2008. The Economic Partnership Agreements: Ratioanle, Misconceptions and Non-trade aspects, *Development Policy Review*, 26(5):pp. 529-553.

[14] Wilson, J., Mann. C. and Otsuki, T. (2004) *Assessing the Potential Benefits of Trade Facilitation: A Global Perspective.* Policy Research Paper No. 3224. Washington, DC: World Bank.

[15] Hertel, T. and Keeney, R. 2006. What's at Stake: The Relative Importance of Import Barriers, Export Subsidies and Domestic Support, in ANDERSON. K. &MARTIN. W. (EDS), *Agricultural Trade Reform and the DDA.* Washington, DC: World Bank.

[16] Persson, M. (2007) 'Trade Facilitation and the EU-ACP Economic Partnership Agreements: Who has the most to gain?' Paper presented at the GTAP conference, Purdue University, US, June.

[17] GÖRG, H., MORRISSEY, O. & MANOP, U. 2007. Investment and Sources of Investment Finance in Developing Countries. *GEP Research Paper No. 2007/16* (http://ssrn.com/abstract=975915).

[18] Busse, M. and Groizard, JL. 2006. Foreign Direct Investment, Regulations and Growth. *Policy Research Working Paper No. 3882*, Washington, DC: World Bank.

[19] Morrissey, O.; Milner, C.; Falvey, R.; Zgovu, E. and Chimia, L. A. (2007) 'The Link between EU-ACP Economic Partnership Agreements and Institutional Reforms'. Report prepared for DG Trade of the European Commission.

[20] Dee, P. and Gali, J. 2003. The Trade and Investment Effects of Preferential Trading Arrangements. *NBER Working Paper No. 10160*. Cambridge, MA: NBER.

[21] UNCTAD (2007) *The World Investment Report 2007: Transnational Corporations, Extractive Industries and Development.* Geneva: UNCTAD.

[22] OECD (2006) 'The Impact of Pro-Competitive Reforms on Trade in Developing Countries'. Trade Directorate TD/TC/WP (2006)31/REV1. Paris: OECD.

[23] ASIEDU, E. 2006. 'Foreign Direct Investment in Africa: The Role of Natural Resources, Market Size, Government Policy, Institutions and Political Stability', *World Economy* 29 (1): 63-77.

[24] Obwona, M. (2001) 'Determinants of FDI and their Impact on Economic Growth in Uganda', *African Development Review* 13(1).

[25] Mlambo, K. (2005) 'Reviving Foreign Direct Investments in Southern Africa: Constraints and Policies', *African Development Review* 17 (3).

e) Services

Even though analysis of services on an ACP basis is limited, UNCTAD (2006)[26] data provide a reasonable proxy, showing that the sector is the largest contributor to GDP in the poorest countries. Given the important role of services as intermediate inputs for most industries, an inefficient services sector is costly for the economy as a whole. Services are key to economic growth and, unlike many other FTAs, EPAs seek to be comprehensive trade agreements that include agreements on trade in services.

f) Development support

EPAs also support development by providing the opportunity to coordinate economic reform with development finance. Among others, support will include capacity-building for sectors that face adjustment problems, customs reform, regional integration, support for fiscal adjustment and monitoring and funds to help offset any observed fiscal losses. The European Development Fund (EDF) will increase regional allocations to the ACP over the period 2008–13 by 50 % to support EPAs and regional integration. EPA-related development support provided by the EDF will be complemented by financial assistance from EU Member States, but specific financial commitments will not form part of the EPA agreements.

3. MARKET STUDY OF THE EAST AFRICAN COMMUNITY (EAC)[27]

The East African Community (EAC) is the regional intergovernmental organisation comprising of the Republics of Kenya, Uganda, Rwanda, Burundi and the United Republic of Tanzania. The EAC has a gross domestic product (GDP) of US$80 billion and a population of 138.1 million people.

Kenya, Tanzania and Uganda account for a higher percentage share of the entire regional GDP, comparatively, at 40 %, 30 % and 21 % respectively. Real GDP growth for the EAC region averaged 5.6 % over the past three years (2008–10). EAC is also a customs union with a common external tariff [CET] levied on imports from third parties.

Table 3 illustrates South Africa's total exports of agriculture, forestry and fisheries products to the EAC region. South Africa's total exports to the EAC region averaged about R2.5 billion over the period of three years. Kenya is the main destination for South Africa's exports, with the value of exports amounting to R1.8 billion over the past three years. Kenya accounted for 70.8 % of South Africa's exports to the EAC region. South Africa's major export products to Kenya are maize, refined sugar and fresh apples. South Africa's exports to the region accounted for 3.1 % of South Africa's total agricultural, forestry and fishery exports to the world.

Tanzania accounted for 20 % of South Africa's exports and 9.2 % is shared amongst Uganda, Rwanda and Burundi. **Table 3** also illustrates a fluctuating trend with a rise from 2008 to 2009, followed by a significant decline of about 49 % in 2010.

Table 3: SA's total exports of agriculture, forestry and fisheries to the EAC (2008–10)

EAC members	2008 R million	2009 R million	2010 R million	Average R million	Average share, %
Kenya	1246	2976	1046	1756	70.8
Tanzania	447	481	561	496	20.0
Uganda	222	196	196	205	8.3
Rwanda	17	17	7	11	0.5
Burundi	7	13	11	10	0.4
Total Export	**1940**	**3683**	**1822**	**2481**	**100**

Source: Global Trade Atlas, 2012

Table 4 shows South Africa's total imports of agriculture, forestry and fisheries products from the EAC region between 2008 and 2010. Tanzania accounted for 40 % of South Africa's imports from the EAC, which averaged at R114 million between 2008 and 2010. This could, in large part, be due to the Southern African Development Community (SADC) Free Trade Agreement (FTA), which grants Tanzania preferential market access to South Africa. The SADC FTA allows the duty-free and quota free movement of goods between Member States party to the SADC FTA.

South Africa has no trade agreements with the other EAC members. The average Most Favoured Nation (MFN) rate for the EAC members with regard to agricultural products is 22.14 % relative to South Africa's 9.86 %.

Table 4: SA's imports of agriculture, forestry and fisheries products from the EAC (2008–10)

EAC members	2008 R m	2009 R m	2010 R m	Average R m	Average share, %
Tanzania	130	113	98	114	40.9
Uganda	92	135	58	95	34.2
Kenya	67	56	75	66	23.6
Rwanda	6	1	2	3	1.1
Burundi	0	0	1	0	0.1
Total imports	296	305	234	278	100

Source: Global Trade Atlas 2012

Figure 7 below indicates the trade balance between South Africa and the EAC, with respect to agriculture, forestry and fisheries products over the past five years. From 2007, South Africa's exports increased at a higher rate and peaked slightly above R3.5

[26] Ibid.
[27] The authors are Mr Joshua Magomani and Mr Sphamandla Mazibuko from the Directorate, International Trade, DAFF.

billion in 2009, and most (about 70 %) went to Kenya. But, subsequent to 2009, exports declined substantially and stabilised at around R1.8 billion in 2010.

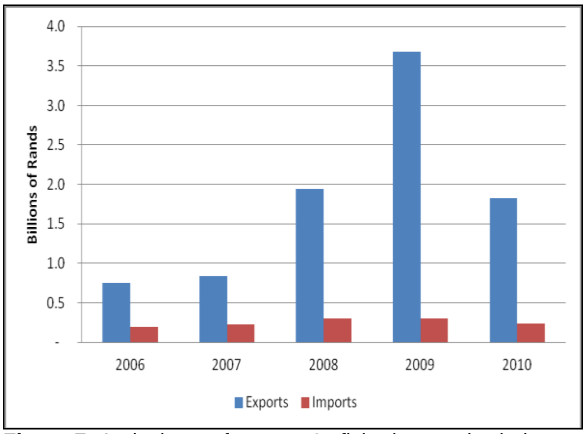

Figure 7: Agriculture, forestry & fisheries trade balance between SA and EAC (2006-2010)
Source: Global Trade Atlas, 2012

South Africa's imports from the EAC have been fluctuating at around R0.2 to R0.3 billion over the period under review. However, the trade balance remains largely in favour of South Africa, despite the fact that South Africa has a Free Trade Agreement (SADC FTA) with only Tanzania and trades with the rest through the MFN regime**.**

Table 5 indicates South Africa's leading exports and imports of agricultural, forestry and fisheries products to the EAC. South Africa's total exports and imports of agriculture, forestry and fisheries products amounted to R2.4 billion and R278 million, respectively, over the past three years. The top three exported products to the EAC are maize, cane sugar and newsprint, whereas the imports are tobacco, black tea and coffee. Maize is South Africa's major export to the EAC, and constituted a share of 40 % and valued at around R1.1 billion over the past three years. South Africa's main competitors for maize were Ukraine, Uganda and Italy.

The development of infrastructure, political conflicts and non-tariff barriers remain the key impediments to expanding intra-Africa trade, particularly SA–EAC trade. However, the currently negotiated SADC–EAC–COMESA Tripartite FTA (TFTA) has the potential to increase South Africa's market share in the EAC region. The elimination of tariff and non-tariff barriers could give South African exporters a competitive edge in the market. The TFTA will also improve the EAC's market share in South Africa, thereby improving SA–EAC trade. The elimination of trade barriers through the TFTA will certainly boost intra-Africa trade and the economies of Africa.

Table 5: SA's top 10 exports and imports of agriculture, forestry and fisheries products to the EAC (2008–10)

SA's exports to EAC				SA's imports from EAC			
HS code	**Description**	**R million**	**% Share**	**HS code**	**Description**	**R million**	**% Share**
	Agri/Forest/Fish Products	**2,431**	**100**		**Agri/Forest/Fish Products**	**277**	100
100590	Corn (maize)	1,124	40	240120	Tobacco	95	33
170199	Cane or beet sugar	204	9	090240	Black tea	66	24
480100	Newsprint, in rolls or sheet	96	4	090111	Coffee	20	8
210690	Food preparations	82	4	230610	Cotton seed	12	5
220710	Ethyl alcohol	77	4	060210	Live plant cuttings and slips	12	4
480411	Kraftliner	70	3	080132	Cashew nuts	7	3
170111	Cane sugar, raw	56	3	210390	Sauces and preparation	7	2
120890	Flours and meals of oil	50	2	240130	Tobacco refuse	6	2
220421	Wine of fresh grapes	49	2	080131	Cashew nuts	6	2
200990	Mixtures of juices	49	2	170310	Cane molasses	5	2

Source: World Trade Atlas, 2012

4. SOUTH AFRICA MEAT INDUSTRY: TRADE[28]

Livestock farming contributes 40 % of the global value of agricultural output and supports the livelihoods and food security of almost a billion people. Globally, livestock contributes 15 % of total food energy and 25 % of dietary protein. This section explores South African trade performance in beef, pork and poultry meat during 2011.

Beef

Table 6 indicates the leading suppliers of beef to South Africa. Bovine cuts boneless, frozen (HS-020230), was the leading import product, with Australia supplying 49 % of South Africa's imports of this product during 2011. No African country exported beef to South Africa during 2011. This might be attributed to the fact that other African countries are either net importers of beef or are hindered by the sanitary regulations of South Africa.

[28] This article was written by Mr. Solly Molepo from the Directorate, International Trade, DAFF.

Table 6: South Africa's beef imports during 2011

HS Code	Description	Value, Rand 000	Leading supplier
020130	Bovine cuts boneless, fresh or chilled	1 812	India, 80.9 %
020220	Bovine cuts bone in, frozen	34 752	Australia, 70.3 %
020230	Bovine cuts boneless, frozen	161 464	Australia, 49 %

Sources: ITC calculations based on COMTRADE statistics

Table 7 reflects the markets for beef exported by South Africa, which indicates that Mozambique is an important export market for South Africa. Exports of boneless bovine cuts, fresh or chilled (HS-020130), was the most exported beef product and was valued at R41 million.

Table 7: South Africa's beef exports during 2011

HS Code	Description	Value, Rand 000	Leading market
020110	Bovine carcasses and half carcasses, fresh or chilled	8 211	Zambia, 89.4 %
020120	Bovine cuts bone in, fresh or chilled	34 629	Mozambique, 65 %
020130	Bovine cuts boneless, fresh or chilled	41 029	Mozambique, 40.3 %
020210	Bovine carcasses and half carcasses, frozen	230	Mozambique, 90.4 %
020220	Bovine cuts bone in, frozen	15 236	Mozambique, 46.9 %
020230	Bovine cuts boneless, frozen	35 830	Mozambique, 46.9 %

Pork

Table 8 shows the major suppliers of South African imported pork meat. Frozen swine cuts (HS-020329) was the most imported product, valued at R547 million, and mainly sourced from Germany. According to the trade statistics available, no African country supplies pork to South Africa.

Table 9 reflects the major destinations of South African exported pork meat. Fresh or chilled swine cuts (HS-020319) were the most exported product, valued at R4.7 million, and mainly destined for Mozambique. Mozambique imported 29.5 % of the selected pork meat products during 2011. Zimbabwe and Nigeria were the second and third largest importers, each importing 11.1 % and 10.8 % of South Africa's pork meat exports respectively.

Table 8: South Africa's pork imports during 2011

HS Code	Description	Value, Rand 000	Leading supplier
020312	Hams, shoulders and cuts thereof, of swine bone in, fresh or chilled	409	Canada, 100 %
020319	Swine cuts, fresh or chilled	1 416	Germany, 35.5 %
020321	Swine carcasses and half carcasses, frozen	740	Spain, 100 %
020322	Hams, shoulders and cuts thereof, of swine, bone in, frozen	34 270	Canada, 81.9 %
020329	Swine cuts, frozen, note elsewhere specified	547 238	Germany, 50 %
021012	Bellies, streaky and cuts thereof, swine cured	553	Germany, 71 %
021019	Swine meat cured	10 282	Italy, 84.6 %

Sources: ITC calculations based on COMTRADE statistics

Table 9: South Africa's pork exports during 2011

HS Code	Description	Value, Rand 000	Leading market
020311	Swine carcasses and half carcasses, fresh or chilled	1114	Mozambique, 90.9 %
020312	Hams, shoulders and cuts thereof, of swine bone in, fresh or chilled	1128	Mozambique, 54.1 %
020319	Swine cuts, fresh or chilled	4738	Mozambique, 47.3 %
020321	Swine carcasses and half carcasses, frozen	251	St Helena, 51 %
020322	Hams, shoulders and cuts thereof, of swine, bone in, frozen	884	Mozambique, 54 %
020329	Swine cuts, frozen, note elsewhere specified	11576	Mozambique, 15.8 %
021012	Bellies, streaky and cuts thereof, swine cured	143	Ghana, 39.9 %
021019	Swine meat cured	1783	Zimbabwe, 35 %

Sources: ITC calculations based on COMTRADE statistics

Poultry

Table 10 indicates the leading suppliers of poultry meat to South Africa. Frozen cuts and offal of fowls (HS-020714) was the leading import product, with Brazil supplying 77 % of South Africa's imports of this product during 2011. No African country exported poultry to South Africa during 2011. This might be attributed to the fact that other African countries are either net importers of poultry or are hindered by the sanitary regulations of South Africa.

Brazil is the leading supplier of poultry products to South Africa. This may be due to South Africa and Brazil being signatory member states of SACU–MERCOSUR Preferential Trade Agreement (PTA), IBSA (India, Brazil and South Africa), and BRICS cooperation arrangements.

Table 10: South Africa's poultry meat imports during 2011

HS Code	Description	Value, Rand thousand	Top supplier
020712	Fowls (gallus domesticus), whole, frozen	640 162	Brazil, 77.5 %
020714	Fowls (gallus domesticus), cuts and offal, frozen	1 774 855	Brazil, 45.1 %
020725	Turkey, whole, frozen	29 244	Brazil, 50.3 %
020727	Turkey, cuts and offal, frozen	255 732	Brazil, 55.6 %

Sources: ITC calculations based on COMTRADE statistics

Table 11 reflects the major destinations of South African exported poultry meat. Frozen cuts and offal of fowls (HS-020714) were the most exported products, valued at R56 million, and mainly destined for Mozambique. Mozambique imported 55.9 % of the selected poultry meat products during 2011. Zimbabwe and Ghana were the second and third largest importers, each importing 32.7 % and 3.1 % of South Africa's poultry meat exports respectively.

Table 11: South Africa's poultry meat exports during 2011

HS Code	Description	Value, Rand thousand	Leading market
020711	Fowls (gallus domesticus), whole, fresh or chilled	5 623	Mozambique, 96.4 %
020712	Fowls (gallus domesticus), whole, frozen	23 937	Mozambique, 62.4 %
020713	Fowls (gallus domesticus), cuts and offal, fresh or chilled	30 308	Zimbabwe, 93 %
020714	Fowls (gallus domesticus), cuts and offal, frozen	56 223	Mozambique, 47.7 %
020724	Turkey, whole. Fresh or chilled	453	Zimbabwe, 34.8 %
020725	Turkey, whole, frozen	1 049	Angola, 43.1 %
020726	Turkey, cuts and offal, fresh or chilled	3 192	Mozambique, 96.3 %
020727	Turkey, cuts and offal, frozen	2 322	Mozambique, 92.8 %

Sources: ITC calculations based on COMTRADE statistics

5. SOUTH AFRICA'S TRADE IN AGRICULTURE, FORESTRY AND FISHERIES PRODUCTS WITH ASEAN COUNTRIES[29]

South-East Asia is a vast, tropical and economic sub-region of Asia. It is situated south of China, east of India and north of Australia. This economic region is powered by Singapore, Malaysia, Thailand, Vietnam, the Philippines, Cambodia, Indonesia, Laos, Brunei and Myanmar.

When combined, the region's population is about 600 million people and would rank as the 9th largest economy in the world. Together, in 2010 they had a GDP of US$2.75 trillion. The ASEAN region comprises of a very diverse group of countries, both economically and politically. Members range from Laos, a landlocked, least developed country to Thailand and Malaysia, who are OECD members. Levels of development are very different across these countries.

Political regimes are also diverse, ranging from relatively smoothly functioning democracies such as Malaysia to more authoritarian-based systems in Singapore to a military dictatorship in Myanmar till recently.

Figure 8 shows that South Africa's agricultural, forestry and fisheries exports to the ASEAN group increased significantly over the past 5 years. It increased from R1.42 billion in 2006 to R4.03 billion in 2010.

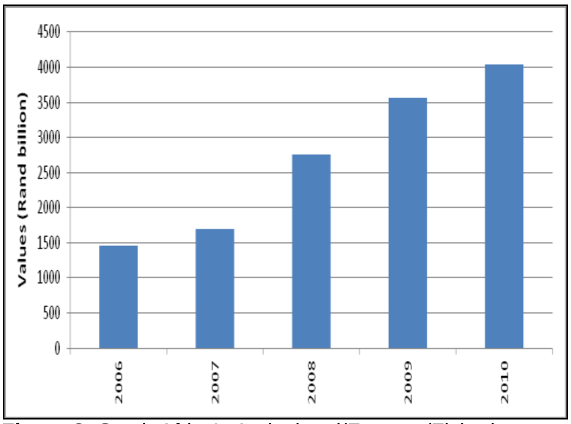

Figure 8: South Africa's Agricultural/Forestry/Fisheries exports to ASEAN countries (2006–10)

Source: Global Trade Atlas

Table 12 shows that chemical wood pulp became the most exported product sectors from South Africa to ASEAN countries from these sub-sectors. Chemical wood pulp had a share of 46.4 % of the total exports from South Africa to ASEAN countries. It gained a greater share of total exports from South Africa between 2009 and 2010.

[29] The author, Sheila Netshiozwi, is an Agricultural Economist at the Directorate, International Trade, DAFF.

Soybeans are the second most exported product, with a share of 10.1 % of the total exports from South Africa to ASEAN countries, followed by apples, chemical wood soda pulp, and fresh grapes.

Table 12: Top 10 SA Agriculture, Forestry and Fisheries (AFF) exports to ASEAN countries (2009–10)

Description	**S A Billion Rand**		**% Share**	
	2009	**2010**	**2009**	**2010**
AFF Products	3.556	4.038	-	-
Chemical Wood Pulp	1.612	2.379	39.7	46.4
Soybeans	0.185	0.373	5.6	10.1
Apples, Fresh	0.286	0.296	8.1	7.3
Chemical Wood Pulp, Soda	0.155	0.278	4.3	5.1
Grapes, Fresh	0.121	0.194	3.4	5.7
Oranges, Fresh	0.144	0.152	4.2	4.6
Corn (Maize) Seed	0.11	0.140	3.1	4.5
Corn (Maize), Other	0.106	0.134	0.1	3.2
Pears and Quinces	0.64	0.103	2.1	3.4
Ethyl Alcohol	0.93	0.65	3.6	2.4

Source: Global Trade Atlas

Figure 9 indicates that **Indonesia** is South Africa's biggest export market for agricultural, forestry and fisheries products in the ASEAN region (2009–10). South Africa exported a total of R2.451 billion to Indonesia. Indonesia imports from South Africa had a share of 51 % of the total exports to ASEAN countries. Chemical wood pulp, Soybeans and fresh grapes were the top three products imported by Indonesia from South Africa.

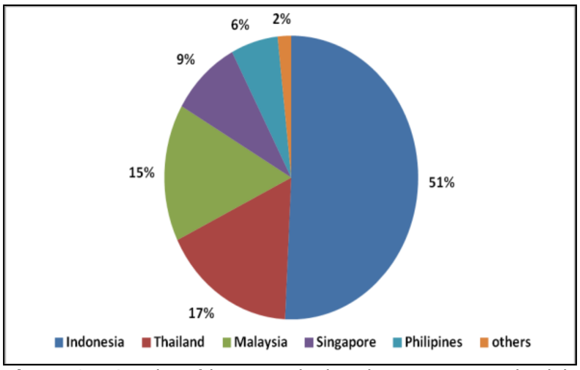

Figure 9: South Africa's Agricultural, Forestry and Fish Export distribution by destination in ASEAN countries
Source: World Trade Atlas

Thailand is South Africa's second largest export market in the ASEAN region. South Africa exported a total of R818 million to Thailand (2009–10). Thailand's imports from South Africa had a share of 17 % of the total exports to ASEAN. Chemical wood pulp, chemical wood pulp soda and raw hides were the top three products exported from South Africa to Thailand.

Malaysia is the third largest export market in the ASEAN region. South Africa exported a total of R754 million to Malaysia. Malaysia's imports from South Africa had a share of 15 % of the total exports. Apples, soybeans and grapes were the top products exported from South Africa to Malaysia.

Singapore imported R429 million and had a share of 9 % of the total agricultural, forestry and fisheries exports. Apples, ethyl alcohol and oranges were the top three products exported from South Africa to Singapore.

The **Philippines'** imports were worth R289 million, with a share of 6 % of the total agricultural, forestry and fisheries products exports. Maize, chemical wood pulp and starch from maize were the top three products exported from South Africa to the Philippines.

Vietnam, Laos, Cambodia, Brunei and Myanmar make up a small market for South Africa in the ASEAN region. South Africa exported a total of R83 million to these countries. They had a share of 2 % of the total agricultural, forestry and fisheries products exported to the region.

Figure 10 indicates that **rice** is the most imported product in these sectors from ASEAN countries. South Africa imported rice to a total value of R2.3 billion in 2010, a decrease from R2.7 billion in 2009.

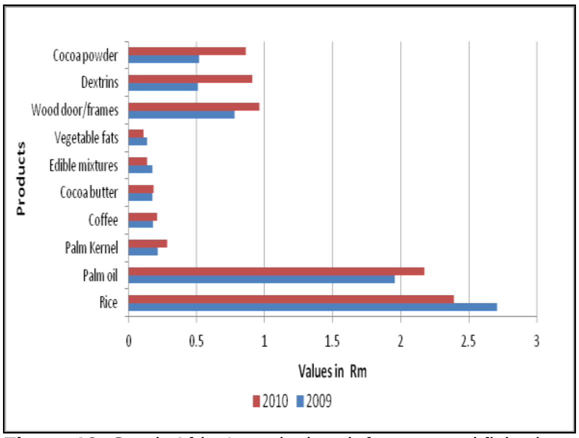

Figure 10: South Africa's agricultural, forestry and fisheries imports from ASEAN countries (2009–2010)
Source: World Trade Atlas

Palm oil was the second most imported product from ASEAN countries between 2009 and 2010. South Africa imported palm oil amounting to a total value of R2.2 billion in 2010 after an increase from R1.9 billion of 2009. **Wood doors and frames** were the major forestry product imported from ASEAN countries in 2010, even though less than a billion rand in value of these products was imported. **Fishery** products are not amongst the major products imported from

ASEAN countries, however, the bulk of SA's canned fish (tuna and sardines) is imported from Thailand.

Table 13 shows the Non-tariff barriers (NTBs) that exist in the ASEAN region. To improve intra-regional trade, senior officials of the ASEAN countries came up with action plans on NTB elimination in the areas of crops, livestock and fisheries. The action plan includes compiling information on technical measures in ASEAN countries, greater transparency, and mutual recognition and harmonisation of Sanitary and Phyto-sanitary (SPS) standards.

Table 13: Most prevalent NTBs in the ASEAN region[30]

Non-tariff Barrier	Number of Tariff Lines Affected
Customs surcharges	2 683
Additional Charges	126
Single Channel for Imports	65
State-trading Administration	10
Technical Measures	568
Product Characteristic Requirements	407
Marketing Requirements	3
Technical Regulations	3

View of South Africa's major export markets in the ASEAN region

Agriculture supports the largest part of the population of Indonesia, mostly those who are poor. Agriculture plays a major role of reducing poverty. Indonesia has removed a number of licensing restrictions affecting agriculture. Sanitary and phytosanitary and food quality regulations have led to import restrictions, particularly on animals and animal products and other food items requiring a Halaal certificate.

Most products can be imported freely into Thailand, in accordance with the government trade policy to liberalise trade and minimise trade distortions. Importation of specific goods are restricted or require prior approval. Goods can be imported after complying with the necessary customs procedures and payment of customs tariffs where applicable.

Since the measures that act as NTBs tend to differ greatly in their nature, it is not easy for a country to eliminate NTBs like technical regulation measures, which mostly apply on agricultural products. In the case of surcharges, this might mean something as simple as doing away with the surcharges or eliminating them. On the other hand, technical regulations cannot be done away with because there are valid reasons for maintaining them, such as public safety, environmental concerns or health reasons.

[30] Taken from ASEAN Secretariat.

Conclusion

South Africa's exports of agriculture, forestry and fisheries products to the ASEAN region showed growth over the past five years. The region presents South Africa with a potential market in excess of 600 million people. South Africa is doing well in exports of some of the agricultural and forestry products like fruits and wood pulp. The growth in exports of these products shows that the country has the infrastructure to produce them and meet the set standards in ASEAN countries. South Africa should increase its exports of fruits, wines and juices to ASEAN countries and gain a greater share in that market. There are no fisheries products in the top ten exports from South Africa, but some fish products such as sardines, tunas and shrimps, all fresh or frozen, are exported from time to time. South Africa's agricultural and forestry exports to Indonesia, Malaysia and Thailand are growing significantly.

South Africa has significant competition in the ASEAN market, particularly for consumer products. The main competitors are China and Japan. These two countries have a distance advantage over South Africa when exporting to the ASEAN region. The ASEAN countries are strong producers of food, pulp and paper, and wood products. They import raw or intermediate products from South Africa to use in their processing industries. South Africa's wood pulp has steadily gained a greater share of total exports to the ASEAN region.