

HOW THE SOUTH AFRICAN AGRICULTURAL SECTOR IS BENEFITING FROM THE SADC-EU ECONOMIC PARTNERSHIP AGREEMENT

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Introduction

Trade policy and the emergence of trade arrangements such as the SADC-EU EPA are aimed at promoting trade flows between the EU and SADC countries as well as stimulating regional economic integration. The European Union (EU) is the major trading partner for most African countries. Its special relationship with Sub-Saharan Africa, as well as with the countries of the Caribbean and the Pacific, dates back to 1963 when the European Economic Community (EEC) was established. An agreement between a stronger economy and a weaker economy is designed to stimulate economic development in the weaker nation while providing real benefits to the stronger as well. They serve to maintain peace between nations in diverse areas of the world and to increase the standard of living for families in lesser developed nations.

SADC EPA market opportunity as compared to TDCA

The EU's EPA with SADC was signed in June 2016 to foster a comprehensive partnership agreement that will cover trade goods and services, investment, competition, intellectual property and public procurement and other development with the provision that it will boost the economy between the EU and SADC. EU offered duty and quota-free access to Botswana, Eswatini, Lesotho, Mozambique and Namibia, except for arms and ammunition. However, the EU offered South Africa full liberalisation of 95% of tariff lines, partial liberalisation of around 3% of tariff lines (mostly of agricultural products) and excludes from liberalisation about 2% of tariff lines (Tralac, 2018). Furthermore, SACU countries were offered 85% of their tariff lines, partially 13% of their tariff lines and exclude from liberalisation 2%. In return, the EU has been granted tariff quota by SACU on selected tariff lines in the field of pork, offal, butter, cheese, cereals and ice cream and its fish exports. Agriculture is also one of the sectors that benefit from EPA with improved market access and agricultural provisions. Exports from South Africa to the EU have increased between the period 2014 and 2018.

This shows a great market potential for South Africa. Although the EU is the largest market destination for South African agricultural exports, it contributed 0.51% to the EU agricultural imports in 2018. South African agricultural exports to the EU was dominated by table grapes, oranges and wine which amounted to US\$397 million, US\$265 million and US\$253 million respectively.

What are South Africa's export potential to the EU?

South Africa's agricultural imports were largely wheat (US\$152.6 thousand) followed by whiskies (US\$151.7 thousand), respectively. Although imports went down, beer (591%), spirits obtained by distilling grape wine (120%) and coffee (74%) significantly increased between the 2014 and 2018 period. On the other hand, exports to the EU increased by 26.5% between 2014 and 2018. Fresh grapes, fresh oranges and wine of fresh grapes were the main agricultural products to the EU. Germany, the Netherlands and the United Kingdom are the main importers of fresh grapes from South Africa. South Africa exports to the Netherlands and the United Kingdom were valued at US\$ 213.6 million and US\$143.1 million. However, this is not the case in Germany, as South Africa can still tap the German market due to high untapped potential in that market.

Remarks

SADC-EU EPA is the great opportunity for both South African and the European market. This is proved by SADC agricultural exports to the EU have improved since the EPA arrangement was in place. South Africa is a major exporter in that market due to a variety of agricultural produce. Although the trade data shows that South Africa's agricultural exports are improving, there is a need to channel the exported products in the countries where there is a high level of untapped potential such as Germany.