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National Agricultural Marketing Council
Strategic positioning of South African Agriculture in dynamic global markets

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/reporting trade statistics, inviting perspectives from people working in related sectors, reporting on trade-related research, and stimulating debate.

THIS ISSUE OF TRADEPROBE COVERS THE FOLLOWING TOPICS:

- Citrus fruit – market overview and trade potential of France
- Preserved and dried fruits – market overview of Germany
- South Africa and Saudi Arabia trade relations
- Review of South Africa's agricultural trade with the East African Community (EAC): Gearing up for SACU-EAC trade relations
- SACU-EFTA export promotion seminars in Pretoria and Cape Town (15 -18 July 2009)

1. CITRUS FRUIT – MARKET OVERVIEW AND TRADE POTENTIAL OF FRANCE[1]

France's citrus fruit market

France's total sales of fresh fruit increased by only 2 % in terms of volume during 2008 mainly due to cold weather conditions and the economic climate, with growth expected to slow even further due to the current economic crisis (EuroMonitor, 2008). Oranges, tangerines and mandarins were the most popular citrus fruits consumed by the French in 2008, with a 22.5 % sector volume share.

Over the five-year period from 2003 to 2007 the total volume growth of citrus fruit achieved a 1.9 % annual growth rate. Sales growth of this category is expected to reach 2.703 million tons in 2013 with an expected annual growth of 2.2 % from 2008 to 2013.

France's citrus fruit imports

During 2008, France was the world's main importer of citrus fruit at a value of US$ 1.16 billion in 2008, up from US$ 1 billion in 2007. This represents a 17 % growth year-on-year (Figure 1). Germany and the Russian Federation were the next largest importers of citrus fruit in 2008. South Africa was the second largest suppliers of citrus to France behind Spain that occupied the first position.

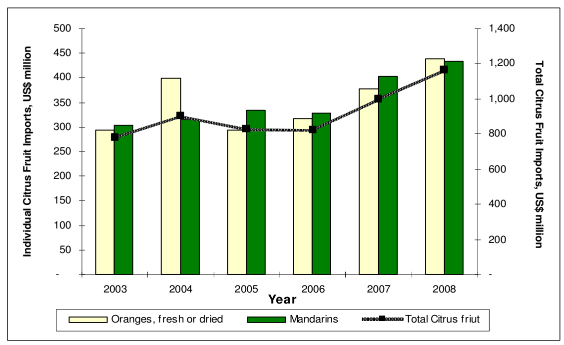

Figure 1: France's imports of citrus fruit (2003-2008)
Source: ITC Trade Map

Figure 1 shows France's imports of citrus since 2003. Oranges (HS 08 05 10) and mandarins (HS 08 05 20) were the two main imported citrus fruits in 2008. Oranges were the chief contributor to French citrus imports from the world with a 38 % market share, followed by mandarins with a 37 % market share. The top two citrus fruits combined dominated the citrus market with a 75 % market share. South Africa occupied second position in the supply of fresh oranges with a 7 % market share, behind Spain with a 75 % share. Spain was the main supplier of mandarins with a 78 % share, followed by Morocco and Israel with 7 % and 3 % shares, respectively. In 2008 South Africa's share in the supply of mandarins was small and insignificant, recording less than a 1 % share.

Preferential market access

The Trade, Development and Cooperation Agreement (TDCA) between South Africa and the EU provides for the liberalisation of 95 % of the EU's imports from South Africa within 10 years and 86 % of South Africa's imports from the EU in 12 years. The agricultural aspects of the TDCA involve various degrees of

[1] This article was compiled by Ms Lehlogonolo Magagane, Economist, Directorate International Trade, Department of Agriculture, Forestry & Fisheries. The article was compiled on the basis of information from the following sources: ITC Trade Map www.trademap.org and Euromonitor www.euromonitor.com.

trade liberalisation, ranging from immediate liberalisation (that was in the year 2000) to transitional liberalisation over longer periods of up to 10 years by the EU and 12 years by South Africa.

The tariff liberalisation schedule of the TDCA is being categorised into 8 lists. List 1 includes products that were fully liberalised in 2003; lists 2, 3 and 4 include products that will be fully liberalised in 2010; list 5 includes agricultural products that are subject to partial liberalisation; list 6 includes products that are subject to quotas; list 7 includes products that are on the reserve list, including those that are excluded from liberalisation; and list 8 includes products that are excluded from liberalisation. Citrus fruits are found in annex IV, lists 1, 3, 4 and 7.

South Africa's exports to France

In 2008, South Africa exported citrus fruit to France to the value of US$ 6.1 million, up from US$ 5.9 million in 2007 or some 4.2 % growth year on year. Over the five-year period (2003-2008) the export of citrus fruit to France grew by 5 %, which is lower than the 14 % export growth for citrus fruit experienced in the same period by South Africa to the rest of the world. During 2008 South Africa exported citrus fruit to the world to the value of US$ 663 million, up from US$ 607 million in 2007, representing a 9.27 % growth year-on-year (07/08).

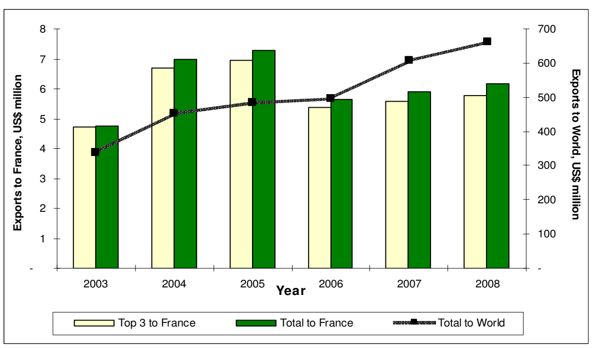

Figure 2: South African exports of citrus fruit to France and to the world (2003-2008)
Source: ITC Trade Map

Figure 2 depicts the fluctuation in the citrus fruit market over the period under review. In 2005, South Africa's total exports of citrus fruit to France reached an all-time high with exports to the value of US$ 7,2 million. In 2008, South Africa's total exports in the same category to the rest of the world showed stellar growth with exports to the value of US$ 663 million, up from US$ 608 million in 2007. Exports to the world registered a 14 % annual growth over the five-year period (2003-2008).

The top three citrus fruits that contributed to the total exports from South Africa to France in 2008 were oranges, fresh or dried (HS 08 05 10), grapefruit, fresh or dried (HS 08 05 40) and lemons, fresh or dried (HS 08 05 50). These three categories of citrus fruits, namely oranges, fresh or dried (63 %), grapefruit, fresh or dried (23 %) and lemons, fresh or dried (8 %), constituted 94 % of total exports of citrus fruit from South Africa to France in 2008. In this category South Africa performed well, registering a 4 % growth over the five-year period (2003-2008).

Trade potential of South Africa in France

A symmetric Export Specialisation Index (ESI) for agricultural products (as covered by the WTO Agreement on Agriculture) between South Africa and France reveals that most South African citrus fruits have a positive specialisation potential (of between 0 and 1). A comparative disadvantage is indicated by a negative figure for mandarins (between 0 and -1) (**Table 1**).

Table 1: Annual growth and symmetric Export Specialisation Index of South African citrus fruits in the markets of France, 2008[2]

HS code	Description	Annual export growth 2003-2008 %	Symmetric ESI score	Theoretical Potential Exports US$'000
080510	Oranges	2%	0,62	429 578
080540	Grapefruit	9%	0,77	80 745
080550	Lemons	9%	0,06	76 598
080520	Mandarins	50%	-0,44	69 621
080590	Citrus Fruits	1%	0,68	640
080530	Lemons and Limes	-	-	-

Source: ITC Trade Map and Directorate International Trade calculations

Isolating total demand and total export capacity provides a rough estimate of the theoretical volume of trade amongst countries. To illustrate this theory: In 2008 South Africa exported citrus fruit to the value of US$ 664 million to the rest of the world. In the same year France's demand for citrus fruit was US$ 1.2 billion. In response to this demand, South Africa supplied only US$ 6.1 million to France. Given this, the theoretical import potential of citrus fruit by France from South Africa in the same year was US$ 658 million if South Africa was to have replaced all other competitors.

Despite the significant decline experienced in the export of citrus fruit to France in 2006, it is evident from the table above that this category improved in 2007 and 2008. The three categories of citrus fruits – mandarins, grapefruit, fresh or dried, and lemons, fresh or dried – recorded a positive growth over the period under review. However, despite the annual growth recorded by these fruits, only two categories (grapefruit, fresh or dried and lemons, fresh or dried) recorded a positive ESI score, which indicates their competitiveness in the French market.

Mandarins recorded a stellar annual growth of 50 % over the five-year period under review, with a nega-

[2] The Export Specialisation Index is a modified RCA index, in which the denominator is usually measured by specific markets or partners. It provides product information on the revealed specialisation in the export sector of a country and is calculated as the ratio of the share of a product in a country's total exports to the share of this product in imports to specific markets or partners rather than its share in world exports.

tive ESI score, which indicates that this product has a comparative disadvantage and that South Africa is losing its share in the French market. Great potential remains for mandarin exports to France, and the South African supply capacity cannot keep up with the rate at which French imports are growing. There is typically much potential for easy-peeling fruit. A trade analysis of these two categories (with an annual growth and a positive ESI score) follows.

Grapefruit made up the second highest volume of citrus fruit exported by South Africa to France in 2008, with a value of US$ 1.5 million. France was the recipient of 2 % of South Africa's grapefruit. Over the five-year period South Africa's exports of grapefruit to France registered a 9 % growth rate, 11 % lower than that experienced in the same period by South African exports to the rest of the world. South Africa was amongst the top five suppliers of this category to France, occupying the third position with a market share of 15 %. In 2008, South Africa was behind the USA, which dominated the market with a 35 % market share, and Israel with a 16 % market share. Theoretically South Africa could have supplied some extra US$ 80.1 million of grapefruit to France in 2008 if all competitors were to have been displaced. In respect of this product, South Africa enjoys a lower tariff charge compared to its competitors. South African exporters are charged 14.11 % whilst the USA and Israel are charged 16.63 % and 15.65 % respectively.

Another fruit that performed well in 2008 was fresh or dried lemons, registering an annual growth of 9 % over the five-year period. This category constituted South Africa's third largest citrus fruit export to France in 2008, with a value of US$ 466 000. Despite its relatively small size (0.2 % of France's total citrus fruit imports) amongst France's other imports, this fruit registered a 12 % year-on-year growth rate. Fresh or dried lemons also achieved 15 % annual growth on exports from South Africa to the rest of the world. South Africa occupied fourth position in the supply of this market behind Spain, Argentina and Italy in 2008. In theory South Africa could have exported another US$ 76.5 million to France in 2008. For lemons, South African exporters are charged a 14.11 % tariff duty, while Argentina is charged 15.65 % and Spain and Italy enjoy a preferential duty of zero percent.

2. PRESERVED AND DRIED FRUITS – MARKET OVERVIEW AND TRADE POTENTIAL: GERMANY[3],[4]

Germany's market forecast: Preserved fruit

German consumers have generally decreased their consumption of preserved foods (with the exception of the categories canned mixed vegetables and vegetables in sauce), according to Euromonitor reports. Germans perceive fresh food to be superior in taste and nutritional value as opposed to canned food. The canned food market in Germany is slowly but steadily declining. In 2007, Germany sold preserved fruit amounting to a volume of 363 000 tons, down from 373 000 tons in 2006.

This depicts a year-on-year volume decline of 0.37 %. Over the five-year period (2002-2007), preserved fruit consumption declined by 5 % per annum in terms of volume. The market is still expected to decline steadily until 2011, at a compounded rate of 1.12 % per annum, with the volume falling to 327 000 tons.

Germany's preserved fruit imports

Germany was the second largest importer of preserved and dried fruit in 2007, while the USA was the leading importer. Germany imported preserved and dried fruit to the value of US$ 1.5 billion in 2007, which was 12 % higher than the US $1.4 billion in 2006. Germany was responsible for 12 % of the world's preserved and dried fruit imports in 2007. The main supplier to the German market in 2007 was Poland, which had a share of 13 %. South Africa ranked within the top 20 (18th position), with a share of 1.4 %.

Figure 3 depicts the top two preserved fruit categories imported by Germany in 2007, i.e. fruit and edible nuts (HS 08.11.90), and fruit and other edible parts of plants (HS 20.08.99). The value of imports of fruit and edible parts of plants continued to grow over the five-year period (2002-2007). After slowing in 2003 and 2004 the value of imports of fruit and edible nuts started to increase from 2005 until 2007. Combined, the two categories constitute less than 50 % of the market.

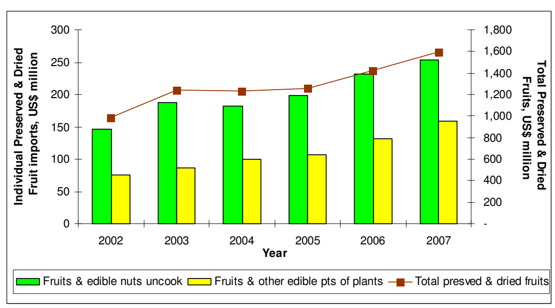

Figure 3: Germany's imports of preserved and dried fruit
Source: ITC Trade Map

During 2007, fruit and edible nuts (16 %) and other edible parts of plants (10 %) accounted for only 26 % of the total import value of preserved fruit. The other product, responsible for 9 %, was raspberries (HS 80.11.20). Combined, these three products accounted for 35 % of the total imports of preserved fruit in terms of value. Poland dominated the fruit and edible nuts market in Germany with a 21 % share, while Italy supplied 17 % of the fruit and other edible parts of plants imported into Germany. South Africa occupied 25th position in the fruit and other edible parts of plants category, and 53rd position in respect of the fruit and edible nuts imported into Germany.

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[3] This article was compiled by Ms Lehlogonolo Magagane, Economist, Directorate International Trade, Department of Agriculture: Forestry & Fisheries.

[4] This article was compiled using the following sources: ITC Trade Map www.trademap.org and Euromonitor www.euromonitor.com.

Preferential market access

South Africa enjoys preferential market access into Germany under the Trade Development and Cooperation Agreement (TDCA) between South Africa and the European Union (EU). Several products were placed on a so-called "reserve list", which is not eligible for tariff reduction. Some of the dried fruits were among the products on the reserve list. For the preferential access tariffs for South African exports to the EU for the top 10 preserved and dried fruits, refer to Table 2 (last column) and further discussions below.

South Africa's exports to Germany

During 2007, South Africa exported preserved and dried fruit to the value of US$ 186.7 million to the rest of the world – lower than the US$ 205 million exported in 2004, but signifying an 11 % annual increase over the five-year period (2002-2007). South Africa also exported preserved and dried fruit to the value of US$ 18.9 million to Germany in 2007, which is slightly up from the US$ 18.3 million in 2006. Germany was the recipient of a 12 % share of South African world exports of this category. The UK (18 %) and Japan (11 %) were the other two main destinations for exports of this category from South Africa.

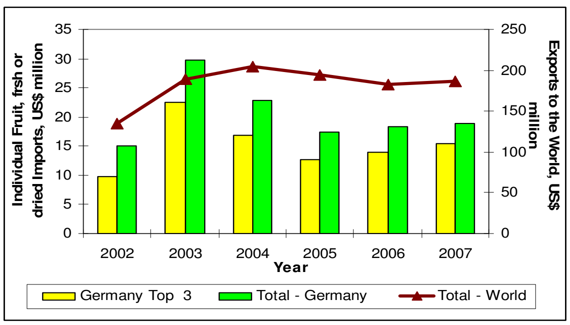

Figure 4: South African preserved and dried fruit exports to Germany and to the world, 2002-2007
Source: ITC Trade Map

Figure 4 indicates South African preserved and dried fruit exports to Germany and the world between 2002 and 2007. Canned apricots (HS 20.08.50), peaches (HS 20.08.70) and pears (HS 20.08.40) were the top three preserved fruits exported to Germany in 2007. These three categories of fruit – apricots (44 %), peaches (20 %) and pears (17 %) – constituted 81 % of the total South African exports of preserved and dried fruit to Germany in 2007. Combined, the exports of these products over the five-year period (2002-2007) grew by 9 %, to both Germany and to the world.

Trade potential of South Africa in Germany

A symmetric Export Specialisation Index (ESI) for agricultural products, as covered by the WTO Agreement on Agriculture, was constructed between South Africa and Germany. This reveals that most South African preserved and dried fruit products have specialisation potential (if between 0 and 1) and comparative disadvantage (if between 0 and -1) in the German market (Table 2).

Isolating total demand and total export capacity provides a rough estimate of how much countries could theoretically trade amongst themselves. South Africa exported preserved and dried products to the value of US$ 186.7 million to the rest of the world in 2007. Germany's import demand for this category in the same year was US$ 1.5 billion. Of this demand, South Africa supplied US$ 18.9 million to the German market. Given this, the theoretical potential imports of this category, by Germany from South Africa in 2007, amounted to US$ 167 million.

Table 2: Annual Growth and Symmetric Export Specialisation Index of South African preserved and dried fruit in the German market, 2007

HS code	Description	Annual Export Growth 2002-2007 %	Symmetric ESI Score	Theoretical Potential Exports US$ '000	Total Ad Valorem Tariff to EU Exported from SA (%)
200850	Apricots	7 %	0.95	16 314	12.89
200870	Peaches	12 %	0.79	53 635	15.20
200840	Pears	-1 %	0.91	21 763	14.15
200892	Fruit mixtures	12 %	0.67	27 640	6.37
200791	Citrus fruit	11 %	0.91	1035	19.37
081340	Fruits, dried	86 %	0.48	3708	0.00
081350	Mixtures of edible nuts	-15 %	0.30	507	0.60
200811	Groundnuts	8 %	-0.03	798	0.86
200830	Citrus fruits	5 %	-0.71	673	6.50
200799	Jams, fruit jellies	9 %	-0.88	1379	23.04

Source: ITC Trade Map and Directorate International Trade calculations

As depicted in **Table 2**, dried fruit recorded a stellar growth of 86 % over the five-year period (2002-2007). Preserved peaches (12 %) and fruit mixtures (12 %) followed, with a lower annual growth rate than dried fruit over the same period. All three of these preserved and dried fruit types had a positive ESI score. This depicts a comparative advantage in the German market. A trade analysis of the highlighted categories follows.

Trade analysis

Among the fruits listed above, the chief 2007 contributor to Germany in terms of the total supply of preserved and dried fruit was apricots (HS 20.08.50). This product achieved an export growth of 7 % over the five-year period, equal to its 7 % growth with regard to world supply in the same period. This category was South Africa's chief contribution to the German market over the five-year period (2002-2007), even with its slow annual growth rate.

Germany was the recipient of 17 % of South African preserved apricots in 2007, leaving South Africa with the potential to still supply more preserved apricots, to the value of US$ 16.3 million. South Africa occupied the second position in the supply of this category, and had a 22 % share in the German market behind Greece, which had a share of 29 %. South Africa faces a 12.9 % tariff, whereas Greece enjoys zero tariff; however, under the TDCA, the tariff faced by South African exporters should be fully liberalised by 2010.

Although preserved apricots were South Africa's chief contribution to total exports of preserved and dried fruit to Germany, dried fruit (HS 08.13.14) grew the fastest over the five-year period and achieved 86 % annual growth. This growth was significantly higher than the 1 % export growth experienced by South Africa when exporting to the rest of the world in the same period. Despite South Africa's low export growth in terms of world exports, the German demand grew by 53 % in the period under review.

South Africa occupied ninth position in a fairly fragmented market, behind Chile (18 %), China (12 %) and Italy (10 %), with a 3 % share in the German market. Chile, China and Italy respectively face 0 %, 1 % and 0 % tariffs, while South Africa faced a 3.28 % tariff. Nearly 1.4 % of South Africa's preserved and dried fruit was shipped to Germany. In theory, South Africa could have exported some US$ 16 million extra to Germany in 2007. Under the TDCA, the tariff faced by South African exporters should be fully liberalised by 2010.

The other product that contributed to the 2007 total supply of exports to Germany was peaches (HS 20.08.70). This was South Africa's second largest preserved fruit category to be exported to Germany in the same year. In the same period, the export of this category constituted a 4 % share of Germany's world imports. South Africa occupied fourth position in the supply of this product, behind Greece, which dominated the market with its 64 % share; Spain and Italy both had a 12 % share. South Africa's competitors enjoy zero duty as opposed to South Africa, which faces a 15.2 % duty. Under the TDCA, the tariff applicable to South Africa should be fully liberalised by 2010. Table 2 indicates that (in theory) South Africa could have exported US$ 53 million more to the German market. The category registered a 12 % increase in value from 2002 to 2007.

Fruit mixtures (HS 20.08.92) from South Africa also recorded a 12 % annual growth from 2002 to 2007. This was lower than the 16 % growth per annum experienced in exports to the rest of the world over the same period. This category was only responsible for 2 %, or some US$ I.4 million of the total German fruit imports in 2007; however, the import demand grew by 21 % (2002-2007). South Africa held ninth position in the German market for this product, with a share of 2 %. South Africa fell behind Austria, Italy and Greece, which had respective shares of 28 %, 22 %, and 18 %. South Africa faced a 6.37 % tariff versus the zero duty enjoyed by the top three suppliers of the same market. Under the TDCA, the tariff faced by South African exporters should be fully liberalised by 2010.

3. SOUTH AFRICA AND SAUDI ARABIA TRADE RELATIONS[5]

Saudi Arabia has an estimated population of 28.2 million, is an oil-exporting economy, and has a severely dry and hot climate and sandy soils. The petroleum sector accounts for roughly 80 % of the budget revenue, 45 % of GDP and 90 % of export earnings. The agricultural sector contributes 3.1 % to Saudi Arabia's GDP of US$4 677 million, while the industrial sector contributes 61.6 % and the service sector contributes 35.4 % to the GDP.

Saudi Arabia's low rainfall and shortage of arable land means that it does not have a naturally comparative advantage in agricultural production. However, some production of fresh vegetables does take place, with the use of technology to overcome natural obstacles. The country often experiences low reserves in agricultural produce, driven mainly by the following factors:

- Population increase
- Increased GDP per capita, hence improved general standard of living
- Endemic water shortage that adversely affects food production

The following is also noteworthy (Eurominitor, 2009):

- Consumer life style shows an expansions of malls and supermarkets
- Saudi Arabia is a member of the Gulf Cooperation Council (GCC) with a common external tariff of 5 % for most products and a limited number of GCC - approved country specific exceptions.
- The GCC adopted legislation to apply a single entry point.

[5] This article was compiled by Mr Magwa Moses Sibanyoni, Economist, Directorate International Trade, Department of Agriculture, Forestry & Fisheries

The purpose of this section is to briefly examine the trade relations between South Africa and Saudi Arabia in food and agricultural products. During February 2009, trade ministers from South Africa and Saudi Arabia signed a Memorandum of Understanding (MoU) establishing the South African-Saudi Business Council. The MoU is aimed at improving two-way trade and investment relations.

Agricultural trade between South Africa and Saudi Arabia

Although Saudi Arabia only acceded to the WTO in 2005, it has a long history of trade with South Africa. During the period 2003 to 2008, South Africa was ranked 24th amongst the suppliers of agricultural products to Saudi Arabia, with a 13.6 % growth over three years from R386 million in 2005 to R583 million in 2008. South Africa has consistently enjoyed a positive agricultural trade balance with Saudi Arabia, rising from R447 million in 2003 to R496 million in 2008.

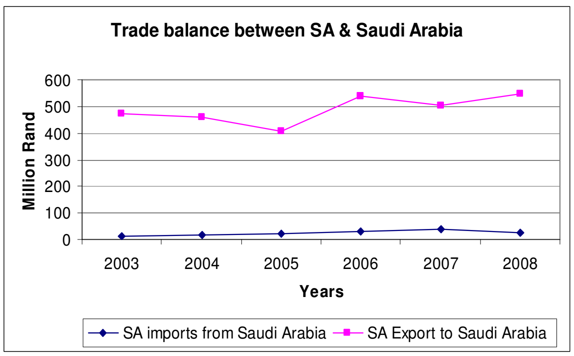

Figure 5: Trade balance for South Africa and Saudi Arabia
Source: World Trade Atlas

Top five South African agricultural exports to Saudi Arabia

Table 3 depicts the top five South African agricultural exports to Saudi Arabia in 2007 and 2008. In 2008 oranges enjoyed the largest share (36 %) of all South African agricultural exports to Saudi Arabia. The top five South African agricultural export products to Saudi Arabia were oranges, cigarettes, lemons & limes, chocolate, and chocolate preparations. Together, these products contributed 76 % of total South African agricultural exports to Saudi Arabia.

Table 3: Top five South African agricultural exports to Saudi Arabia (R million - Values)

Product	2007	2008	SA % share in Saudi market	SA competitors in Saudi market
Total	**462**	**523**		
Oranges	146	189	35.2	Egypt, Lebanon
Cigarettes	56	70	3.7	USA, Switzerland
Lemons & Limes	63	54	24.02	Egypt, Turkey
Chocolate & Others	0	44	0.00	Italy, United Arab Emirates
Chocolate Prep	59	37	0.00	Netherlands, Poland

Source: World Trade Atlas

Agricultural trade analysis

There are some opportunities for South Africa in terms of exporting agricultural products to Saudi Arabia. Saudi Arabia cannot produce sufficient quantities for the domestic market, and large quantities of a variety of food and beverages are imported regularly. The country's demand for fruit and vegetables has been on the increase in recent years, which is an opportunity for South Africa to export more of these products. In addition to fruit and fruit juices, there are opportunities for frozen whole chickens, maize, various food preparations, cane sugar, preparations of cereals, flour and starch, boneless frozen bovine cuts, and various dairy products.

As a market with significant buying power, Saudi Arabia is a target for most agricultural exporting countries around the world. The meat and processed food must be "Halaal" and labelled as such, and must be of the highest quality and best taste to compete in that market.

The importation of tomatoes, cucumbers, potatoes, onions and squash is prohibited, as they are produced locally. Furthermore, certain food products are regulated based on sanitary/phytosanitary risks, health risks and quality, risk of deceptive practices, and threat to public morals (including religion).

Saudi Arabia's consumer preferences, habits and expenditure

According to Euromonitor the traditional Saudi Arabian diet consists of red meat (predominantly sheep and goat meat), rice, milk, milk products, fish and dates. However, after the economic boom in the early 1970s and the influx of expatriates from around the world, the Saudi Arabian diet became more diverse to include poultry, a wider variety of dairy products, fresh fruit and vegetables, amongst other items.

As for expatriates, they tend to eat the traditional diet of their respective countries of origin. In Saudi Arabia today, fresh meat, poultry, fish, fruit and vegetables are preferred over canned or frozen products. The common household diet now includes sweets and sugar products, particularly for ceremonies and functions. As a result, from 2000 to 2007, an increase of 20 % in imports of sugar and confectionary products was recorded.

4. REVIEW OF SOUTH AFRICA'S AGRICULTURAL TRADE WITH THE EAST AFRICAN COMMUNITY (EAC) – GEARING UP FOR SACU-EAC TRADE RELATIONS[6]

The Southern African Customs Union (SACU) is investigating the possibility of entering into a formal trade arrangement with the East African Community (EAC)[7]. The form and scope of the arrangement has not yet been decided. Currently the secretariats of the

[6] This article was compiled by Ms MS Malatji Assistant Economist , Directorate International Trade, Department of Agriculture, Forestry & Fisheries
[7] EAC members are Burundi, Kenya, Rwanda, Uganda and Tanzania

two organisations are still courting each other to agree on these aspects. During their first meeting, it became apparent that the EAC prefers the relationship to be pursued within the context of a larger tripartite Free Trade Agreement (FTA) envisaged between the 14 member states of the Common Market of East and Southern Africa (COMESA)[8], the EAC and the Southern African Development Community (SADC)[9]. One of the objectives of the envisaged tripartite FTA is to address the overlapping membership of several countries to the three regional economic groups. The overlapping membership confuses and therefore delays the process of regional integration (see footnote for the overlapping membership).

This section provides an overview of the current agricultural trade between South Africa and the EAC. It is part of the preliminary assessment of the impact of the SACU-EAC relationship on current South African agricultural trade.

Agricultural trade flows

South Africa's agricultural trade profiles with the various EAC member states highlight significant imbalances in agricultural trade flows. The fact that South African agricultural exports to the EAC have grown faster than their total agricultural imports indicates South Africa's dominance in these markets (**Figure 6**). **Figure 6** also indicates a significant increase in South African agricultural exports to the EAC over the six-year period.

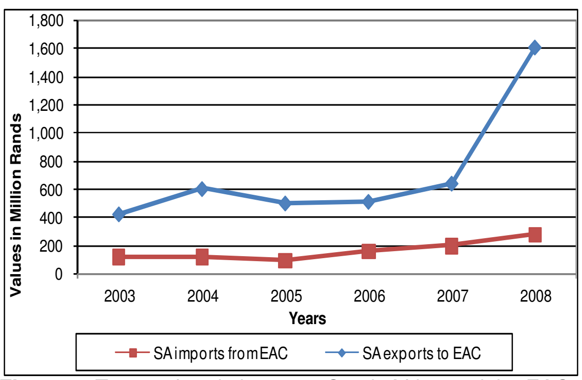

Figure 6: Terms of trade between South Africa and the EAC
Source: Trade Map (2009)

Figure 7 shows that of the EAC countries supplying agricultural products to South Africa, Tanzania is the largest. This is probably due to the fact that both South Africa and Tanzania are both members of SADC. Uganda currently ranks second.

[8] The 14 members of COMESA participating in the FTA are Burundi, Comoros, Djibouti, Egypt, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Zambia and Zimbabwe.
[9] SADC members are Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.

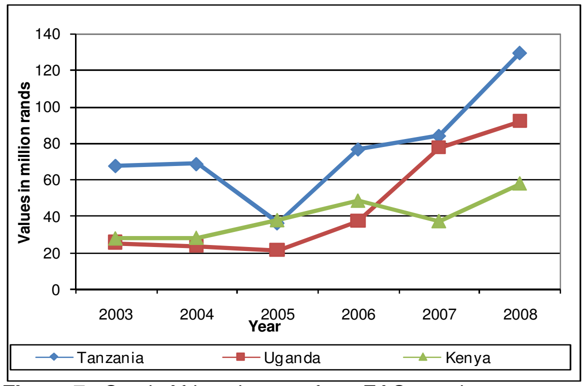

Figure 7: South African imports from EAC member states
Source: Trade Map, (2009)

Figure 8 shows that Kenya is the main destination of South Africa's agricultural exports to the EAC, followed by Tanzania.

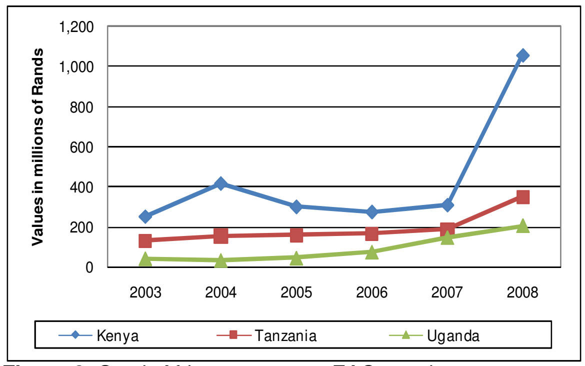

Figure 8: South African exports to EAC member states
Source: Trade Map (2009)

Presented in **Figures 9 and 10** are the agricultural commodities traded between South Africa and the EAC. The top five agricultural products exported to the EAC are sugar, cereals, beverages, and edible fruits and nuts (**Figure 9**). Imports from the EAC are still concentrated in primary products and this is the main reason for the poor trade balance with South Africa (**Figure 10**). The main agricultural imports are spices, tea, coffee, and tobacco.

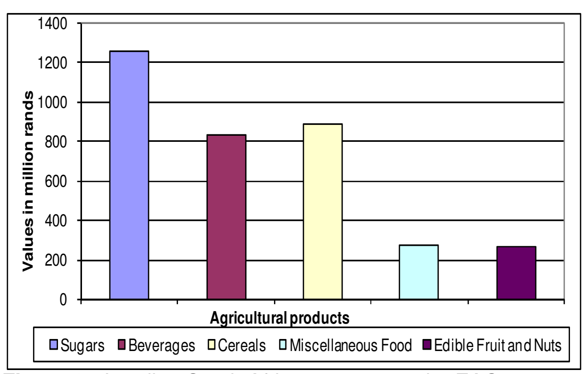

Figure 9: Leading South African exports to the EAC
Source: Trade Map (2009)

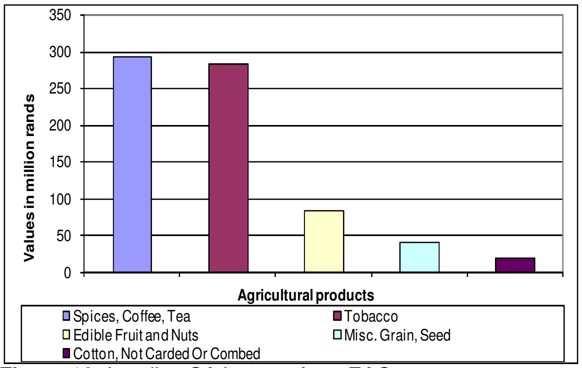

Figure 10: Leading SA imports from EAC
Source: Trade Map (2009)

Existing tariff barriers

Tables 3 and 4 indicate the existing tariffs applied by South Africa and the EAC member states to one another, respectively. Relative to the EAC, with tariffs ranging from 16-32 %, South Africa has low levels of tariffs ranging from zero to a high of 17%. Trade data reveals that imports from the EAC lag behind despite the low level of import tariffs applied by South Africa.

Table 3: Tariffs applied to products originating from South Africa

Top five agricultural products	Total ad valorem equivalent tariff (estimated)		
	Kenya	Tanzania	Uganda
Edible fruit and nuts; peel of citrus fruits or melons	23%	23%	25%
Coffee, tea, maté and spices	25%	25%	25%
Cereals		31%	33%
Miscellaneous edible preparations	17%	17%	20%
Tobacco and manufactured tobacco	30%	30%	25%
Cotton	16%	16%	27%

Source: Market Access Map (2009)

Table 4: Tariffs applied by South Africa against EAC member states

Top five agricultural products	Total ad valorem equivalent tariff (estimated)		
	Kenya	Tanzania	Uganda
Edible fruit and nuts	6%	0%	6%
Cereals	1%	0%	0%
Sugars and sugar confectionery	18%	0%	12%
Miscellaneous edible preparations	10%	0%	8%
Beverages, spirits and vinegar"	14%	0%	8%

Source: Market Access Map (2009)

Concluding remarks

The analysis indicates huge trade imbalances in favour of South Africa; this despite the low levels of import tariffs in South Africa versus the relatively high levels in the EAC countries. This imbalance could be attributed to a low production base, which is a challenge to most African countries. South Africa will offensively target high tariffs in the EAC, should negotiations for the relationship be pursued. The EAC needs to pursue measures to address its supply-side constraints in order to stimulate production. The objectives of promoting regional trade through regional integration of the regional markets will not be realised if production challenges are not addressed.

5. SACU-EFTA EXPORT PROMOTION SEMINARS IN PRETORIA AND CAPE TOWN (15 - 18 JULY 2009)[10]

In 2005 the SACU), together with the European Free Trade Association (EFTA), concluded a Free Trade Agreement (FTA) to extend market access to non-EU countries, namely Iceland, Liechtenstein, Norway and Switzerland. The SACU-EFTA FTA came into force on 1 May 2008. The FTA covers commitments to trade in goods, namely industrial products, including fish and other marine products. Basic agricultural products are included in bilateral agricultural agreements between each individual EFTA country and SACU. The FTA brings about a number of benefits. On basic agricultural products, EFTA and SACU exchange limited trade concessions that are captured in separated bilateral agricultural agreements between SACU and EFTA.

The main economic sectors are:

- Iceland: Fisheries, aluminium, pharmaceuticals, services
- Norway: Oil, natural gas, fisheries (incl. fish farming), machinery, ship-building, services (including maritime transport)
- Liechtenstein & Switzerland: Machinery, pharmaceuticals, chemicals, watch-making, services (incl. financial services and tourism)

Trade and Production in Agriculture

The EFTA countries are not self-sufficient in respect of agricultural production. They are large net importers of agricultural products. More than 50% of their consumption must be imported.

The main agricultural products of the EFTA countries are:

- Iceland: Bovine and sheep products, especially tender highland lamb from high-quality Icelandic sheep
- Norway: Meat and dairy, grain and some vegetables
- Switzerland: Meat, dairy, fruit, wine, famous cheeses

[10] This article was compiled by Christo Joubert, Senior Researcher at the NAMC

EFTA states have introduced high tariffs on goods for sensitive agricultural sectors like the meat and dairy sectors. They have active policies to maintain a certain level of agricultural production. The main trading partner is the European Union (ca. 70%). The major product groups are fruits and nuts, beverages, meat, and processed agricultural products.

The DTI & EFTA Trade Seminar

The Department of Trade and Industry (DTI), in conjunction with delegates of EFTA, presented a seminar for South African exporters and potential exporters in Pretoria and Cape Town between 15 and 18 July 2009. The seminar focused on exporting to the AFTA market. The following seminar topics were presented and are available on the websites indicated:

Trade relations between EFTA states and South Africa
Mr Geir Ulle, Senior Officer, Trade Relations Division, EFTA
Discussion Current trade flows; General overview of the EFTA-SACU Free Trade Agreement
Website: http://www.thedti.gov.za/sacu-efta/1_15july.pdf

Standards in the EFTA states and EU and treatment within the EFTA Free Trade Agreement
Mr Willy Tinner, Senior Consultant, Berne
Discussion Technical Barriers to Trade (TBT); Sanitary and Phytosanitary Standards (SPS)
Website: http://www.thedti.gov.za/sacu-efta/2_15july.pdf

Trade in agricultural products in the EFTA states and treatment within EFTA
Mr Willy Tinner, Senior Consultant, Berne
Discussion The bilateral agreements on basic agricultural products;
Processed agricultural products
Website: http://www.thedti.gov.za/sacu-efta/3_15july.pdf

How to export to EFTA countries
Mr Markus Stern, Prom Trade Services, Switzerland/ Liechtenstein
Website: http://www.thedti.gov.za/sacu-efta/4_15july.pdf

Customs issues in the EFTA states and EU, and treatment within the EFTA Free Trade Agreement:
Mr Arthur Müller, Delegate for Free Trade Agreements, Federal Customs Administration, Switzerland
Discussion Trade in goods (industrial goods including fish and other marine products); Tariff dismantling; Rules of origin; Verification / enforcement procedures
Website: http://www.thedti.gov.za/sacu-efta/1_16july.pdf

How to export to EFTA countries: Norway
Havard Figenschou Raaen, Norwegian Ministry of Trade and Industry
Website: http://www.thedti.gov.za/sacu-efta/2_16july.pdf