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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:

- Trade profile of peaches and nectarines (HS-080930)
- Trade policy commitments and contingency measures
- The European Union: the origin and evolution of trade relations with South Africa
- South Africa's red meat trade in the SADC region
- Fruits, fresh and dried (excluding nuts) – market overview trade potential: United States

1. TRADE PROFILE OF PEACHES AND NECTARINES (HS – 080930)[1]

South Africa (SA) is a small player in world exports of peaches and nectarines. In 2007, SA accounted for 0.62 % share of the value of world exports and was ranked as the 15th largest exporter (see Table 1). World exports of this product are dominated by Spain and Italy. These two countries accounted for 61.51 % of the value of world exports in 2007. They were followed distantly by the USA and France that together represented 15.47 % of the value of world exports.

Chile was the only southern hemisphere country that was under the top 5 exporters in 2007. Other southern hemisphere countries that had a bigger share of the value of exports than SA in 2007 were Australia and Argentina. Australia was ranked number thirteen, with a 0.67 % share, and Argentina at number fourteen, with a 0.65 % share of world exports.

Figure 1 shows trends in SA's peach and nectarine exports over the past ten years, i.e. the value, quantity and average price of exports. In 2008, SA experienced a large increase in the value of exports. It increased by 91 %, reaching a high of R43.94 million. It is evident from Figure 1 that the increase in the value of exports in 2008 was mainly due to higher prices received on the international market.

Table 1: Leading exporters of Peaches and Nectarines in 2007 (HS – 080930)

Exporters	Value exported in 2007, in USD thousands	Share in world exports, %
World exports	1 734 819	100
Spain	629 677	36.30
Italy	437 356	25.21
USA	150 237	8.66
France	118 141	6.81
Chile	81 286	4.69
Greece	70 757	4.08
Belgium	36 730	2.12
Netherlands	32 072	1.85
Poland	23 027	1.33
Turkey	15 935	0.92
Germany	14 345	0.83
Jordan	13 020	0.75
Australia	11 561	0.67
Argentina	11 349	0.65
South Africa	10 687	0.62

Source: ITC Trade Map

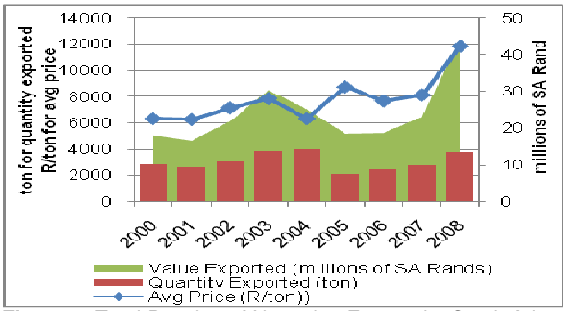

Figure 1: Total Peach and Nectarine Exports by South Arica
Source: World Trade Atlas

Table 2 shows a list of the top ten world importers of peaches and nectarines in 2007, expressed in value terms. Germany was by far the largest importer of peaches and nectarines. The value of imports by Germany (19 %), in 2007, was more than double the

[1] This article was contributed by Ms. Louise Kotze, an Intern of the NAMC

value of imports of France (8 %), the second largest importer. The United Kingdom came third with an 8 % share of the value of world imports.

Table 2: Leading importers of Peaches and Nectarines in 2007 (HS – 080930)

	Importers	Value imported in 2007, in USD thousands	Share in world imports, %
	World	1 782 141	100
1	Germany	344 883	19.35
2	France	146 888	8.24
3	United Kingdom	145 324	8.15
4	Russian Fed	105 368	5.91
5	Poland	99 523	5.58
6	USA	91 294	5.12
7	Italy	83 534	4.69
8	Belgium	83 217	4.67
9	Canada	75 894	4.26
10	Netherlands	68 139	3.82

Source: ITC Trade Map

Table 3 shows the leading export destinations for peaches and nectarines exported by SA in 2007. The top ten export destinations accounted for 92 % of the value of South Africa's exports. However, the top three export destinations accounted for 77 % of the value of SA's exports.

These were the United Kingdom with a 43 % share, the Netherlands with an 18 % share and the United Arab Emirates with a 17 % share of the value of South Africa's exports.

It can be noted that five of the world top ten importers in 2007 were also among the top ten export destinations for this product from South Africa. These countries are the United Kingdom, the Netherlands, Belgium, France and Germany.

Table 3: Leading export destinations for Peaches and Nectarines exported by South Africa in 2007

Importers	Exported value 2007, USD thousands	Share in South Africa's exports, %	Share of partner countries in world imports, %
World	10 687	100	100
UK	4 553	42.6	8.2
Netherlands	1 886	17.6	3.8
United Arab Emirates	1 766	16.5	0.3
Saudi Arabia	637	6.0	0.3
Belgium	359	3.4	4.7
Mauritius	259	2.4	-
Spain	115	1.1	0.7
France	90	0.8	8.2
Oman	89	0.8	-
Germany	82	0.8	19.4

Source: ITC Trade Map

2. TRADE POLICY COMMITMENTS AND CONTINGENCY MEASURES[2]

From the World Trade Organisation's (WTO) report of 2009, the World Trade Report, it appears that trade agreements are, by nature, flexible or allow for flexibility. If that is the case, is there an economic justification for the inclusion of flexibilities in trade agreements? According to economic theory the answer should be ***yes*** *since economic theory argues for non intervention in a perfectly competitive environment. However, when markets are not functioning well and/or do not exist, measures of protection can be justified in terms of a "second-best" argument. Hence, the question: Is the world trade environment a perfectly competitive environment? The answer is* ***no*** *and, therefore, in instances of an imperfect environment, an interventionist approach might be required.*

Introduction

The **World Trade Report** of 2009 by the WTO looks at trade policy commitments and contingency measures. This is more related to trade in goods than it is to trade in services. These contingency measures include safeguard measures, antidumping, and countervailing duties.

The report also highlights a number of alternative policy instruments available to governments to address difficulties such as the current economic situation. These policy instruments include the renegotiation of tariff commitments, export taxes, and increases in tariffs up to the bound rate.

However, while too much flexibility may undermine the value of commitments, too little flexibility may render rules that are unsustainable. This has, in most cases, resulted in tension between commitments and flexibility during trade negotiations. These kinds of flexibilities are generally labelled as escape clauses, contingency measures and/or trade remedies.

These flexibilities are granted to governments in order to manage circumstances that cannot be anticipated prior to their occurrence.

Flexibilities in trade agreements

Firstly, it is the responsibility of governments to sign trade agreements. Therefore, it is important for governments to find a balance between flexibilities and commitments in trade agreements. Economic theory gives two justifications as to why governments sign trade agreements:

- To reduce instances where trade restrictions may be used, in order to influence the prices of imports/exports in favour of a country.
- To allow governments to give greater credibility to their trade policies.

[2] This article was compiled by Mr. Bonani Nyhodo, Senior Economist of the NAMC. This was compiled from the WTO world trade report of 2009

Why are contingency measures introduced in the multilateral trading system?

There are two complementary arguments put forward to justify flexibilities in trade agreements:

- **The "benefit" approach** – argues that the cost of flexibilities must be compared with the benefits of allowing a certain level of discretion to countries in creating their trade policies and adjustment policy tools.
- **The "incomplete contract" approach** – argues that trade agreements are contracts that do not specify the rights and duties of all parties involved – trade agreements are incomplete by nature. It is the choice of governments to develop an incomplete trade agreement.

Economic arguments in favour of contingency measures

- **The terms of trade argument** – states that contingency measures are desirable to reduce the effects of market failure, such as imperfect competition and externalities.

- **The political economy argument** – explains a willingness to consider an agreement that allows for the delay of commitments.

Conclusion

Contingency measures in trade agreements are logical and consistent with economy theory. If not well monitored, countries can justify their actions in terms of these measures, although they are not intended to address a market failure.

3. THE EUROPEAN UNION: THE ORIGIN AND THE EVOLUTION OF TRADE RELATIONS WITH SOUTH AFRICA[3]

The European Union (EU) was formed in March 1957, by six countries, namely Belgium, France, Germany, Italy, Luxembourg and the Netherlands. Since then, the EU has expanded over time (see Table 4).

Table 4: European Union Enlargement

Country	Accession year	Enlarged to
Denmark, Ireland and UK	1973	EU 15
Greece	1981	
Portugal, Spain	1986	
Austria, Finland, Sweden	1995	
Cyprus, Latvia, Poland, Czech Republic, Estonia, Lithuania, Hungary, Slovenia, Slovakia, Malta	2004	EU 25
Bulgaria Romania	2007	EU 27

Overview of the EU

According to the International Monetary Fund (IMF), the EU is the world's largest economy in terms of its Gross Domestic Product (GDP) of US$ 18 trillion in 2008. That means that the EU accounts for 30 % of the world's economy, followed by the USA, Japan and China. Five EU member states, i.e. Germany, France, United Kingdom, Italy and Spain are among the top ten of the world's largest economies measured according to their GDP.

Internally, the EU is attempting to lower trade barriers, adopt a common currency, and move toward convergence of living standards. Internationally, the EU aims to reinforce Europe's trade position, political and economic power. Within the EU members states there is a mix of large and small economies. Because of the great differences in per capita income among member states (from $ 7,000 to $ 69,000) and historic national animosities, the EU faces difficulties in devising and enforcing common policies. For example, since 2003, Germany and France have flouted the member states' treaty obligation to prevent their national budgets from running more than a 3% deficit. Between 2004 and 2007, the EU admitted twelve countries that are, in general, less advanced technologically and economically than the other fifteen. Eleven established members of the EU introduced the euro as their common currency on 1 January 1999 (Greece did so two years later), but the UK, Sweden, and Denmark chose not to participate.

Of the twelve most recent member states, only Slovenia (1 January 2007) and Cyprus and Malta (1 January 2008) have adopted the euro; the remaining nine are legally required to adopt the currency upon meeting the EU's fiscal and monetary convergence criteria.[4] **Table 5** presents economic facts pertaining to the EU.

Table 5: Economic facts

EU-27	Indicator
Population	499 794 855 (2008 est.)
Area (km^2)	4 324 782 (2008 est.)
Gross Domestic Product (GDP)	$14.82 trillion (2008 est.)
GDP per capita	$33 400 (2008 est.)
GDP real growth	1% (2008 est.)
GDP structures by sector	(100%) (2008 est.)
Services	71.1%
Industry	26.8%
Agriculture	2%

Source: CIA world fact book

The origin of EU-South African trade relations[5]

Shortly after South Africa's first democratic elections, the EU invited SA to negotiate a trade and co-operation agreement that would assist in the consolidation of democracy and in promoting reconstruction and development in South and Southern Africa. At the time, SA's exports to the EU faced high levels of discrimination, often much higher than those for wealthier countries.

The South African government then proposed an agreement that would result in qualified membership of the Lomé Convention. The EU, however rejected

[3] This article was compiled by Mr Leeu Aphane, Senior Agricultural Economist, Directorate: International Trade, DAFF

[4] www.imf.org

[5] TDCA information document prepared by the National Department of Agriculture, 2000

this and instead proposed a free-trade agreement that would be fully reciprocal, leading to the removal of duties on each other's imports, with an element of asymmetry in timing that would allow SA to implement its obligations over a slightly longer timeframe than the EU. It is against this backdrop that SA was offered a Free Trade Agreement and a qualified membership of the Lomé Convention **– qualified in the sense that SA would be excluded from the trade aspects of the agreement**. SA then accepted the invitation to start a process leading to an FTA (TDCA), with the understanding that nothing was agreed until everything had been agreed upon.

The SA-EU Trade, Development and Cooperation Agreement (TDCA)

The TDCA negotiations extended over more than three years and comprised 21 official negotiating rounds and many informal technical negotiating sessions. The final official negotiating round was held in Brussels, Belgium, in November 1998.

The outcome was the TDCA, which currently regulates trade and development relations between the two parties. The agreement has been implemented since 2000. SA negotiated as an individual country and the EU, a Union of fifteen countries, as a single entity. Since then, there have been two EU enlargements in 2004 and 2007, respectively, as indicated in **Table 4** above.

SA-EU agricultural trade at a glance

Table 6 presents the EU's top ten agricultural imports from SA (2006–2008). It is worth noting that a large share of EU imports from SA is fresh fruits and grape wines.

Table 6: European Union's top ten agricultural imports from SA (2006 – 2008)

Product code	Product label	European Union (EU 27)'s imports from South Africa			European Union (EU 27)'s imports from world	
		Value (R 000) 2006	Value (R 000) 2007	Value (R 000) 2008	Value (R 000) 2006	Value (R 000) 2007
080610	Grapes	3 321 799	3 487 348	3 712 200	16 969 916	20 933 836
220421	Grape wines in ctnr </=2l	2 451 814	3 017 960	3 678 982	57 963 240	71 366 854
080510	Oranges	1 462 654	3 144 272	2 478 626	12 307 821	16 456 973
080810	Apples, fresh	1 256 425	1 424 821	1 624 279	17 566 595	22 123 601
220429	Grape wines in ctnr > 2l	809 747	1 005 888	1 337 715	9 864 916	12 772 042
060210	Cuttings and slips	37 463	50 196	1 281 929	1 495 291	1 737 882
080820	Pears and quinces	841 961	1 124 529	1 185 088	6 815 195	7 920 064
080550	Lemons "Citrus limon"	276 758	232 162	700 697	4 939 055	6 659 212
080540	Grapefruit	532 539	740 002	645 560	3 177 249	3 835 518
080440	Avocados	463 237	513 600	592 215	3 313 305	3 824 405

Source: ITC Trade map

Table 7 presents the EU's top ten agricultural product exports to SA for the period 2006 to 2008. Unlike the EU's imports from South Africa, the EU's exports to South Africa are made up mostly of processed agricultural products and a few basic agricultural products. In 2006 and 2007, the EU's exports of whiskies to SA constituted 3% of its agricultural exports to the world. In 2007, the largest import market for the EU's whiskies was the United States of America (USA) at 14%. For the same product, SA was ranked ninth.

Table 7: European Union's top ten agricultural exports to SA (2006 – 2008)

Product code	Product label	European Union (EU 27)'s exports to South Africa			European Union (EU 27)'s exports to World	
		Value in 2006 (R 000)	Value in 2007 (R 000)	Value in 2008 (R 000)	Value in 2006 (R 000)	Value in 2007 (R 000)
220830	Whiskies	1 105 840	1 430 145	1 970 986	35 466 869	46 063 971
220300	Beer	47 754	655 632	878 155	39 709 465	46 686 848
100190	Wheat	400 398	101 312	653 664	35 652 583	47 117 055
210690	Food preparations	302 201	395 513	510 049	62 043 226	78 066 820
220210	Waters	201 664	258 622	311 703	28 898 852	34 629 301
230910	Dog and cat food	70 005	155 027	193 000	26 408 549	32 611 027
020329	Swine cuts	160 580	18 1116	156 212	24 982 250	28 967 401
150710	Soya-bean oil, crude	22 238	0	150 753	3 071 744	4 265 936
220840	Rum and tafia	75 329	99 198	144 985	2 086 472	3 010 198
040410	Whey	78 868.91	88 176.79	128 315	9 780 503	16 893 221

Source: ITC Trade map

The EU is SA's main trading partner. The TDCA has brought positive contributions towards the efforts of improving a trading environment for exporters of agricultural products to the EU. The TDCA is currently under review within the framework of SADC-EC Economic Partnership Agreement (EPA) negotiations.[6]

It is envisaged that the outcome of these negotiations will harmonise trading arrangements between Southern Africa and the EU. In addition, it is envisaged that it will support regional integration objectives and initiatives in Southern Africa, especially the Southern African Customs Union (SACU) and the Southern African Development Community (SADC).

4. SOUTH AFRICA'S RED MEAT TRADE IN THE SADC REGION[7]

Background

The red meat industry of South Africa remains one of the most important agricultural sub-sectors. It has evolved from a highly regulated industry to an industry that is totally deregulated. The industry is currently a net importer.

The main beef imports are boneless forequarter cuts and trimmings used in the manufacture of meat products such as sausages, mince and canned meat. The largest three suppliers of meat of bovine animals, fresh or chilled (HS: 0201) to South Africa are Brazil, Paraguay and Namibia. Supplying markets for meat of bovine animals, frozen (HS: 0202) are Uruguay, Brazil and Argentina. The top two supplying markets for meat of sheep or goats, fresh, chilled or frozen (HS 0204) are Australia and New Zealand.

Even though South Africa is a net importer of beef and sheep or goats, it also exports these products to the SADC region. **Figures 2, 3 and 4** show the main importers of South African red meat in the region from 2004 to 2008. It can be noted that Angola is the leading importer of meat of bovine animals, fresh or chilled, meat of bovine animals, frozen and meat of sheep or goats, fresh, chilled or frozen from South Africa, followed by Mozambique, the Democratic Republic of Congo (DRC), and Mauritius. For most countries in the region, red meat is classified under category C products. These are sensitive products for which tariff phase-downs have been delayed to 2012 for the purpose of achieving a full SADC free trade area (FTA). The sector is therefore still protected in the region, i.e. against South African exports.

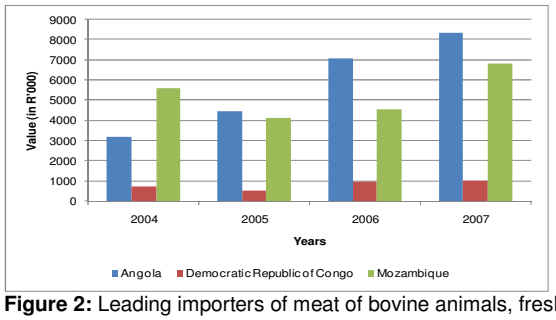

Figure 2: Leading importers of meat of bovine animals, fresh or chilled (HS: 0201)
Source: Trade Map, 2008

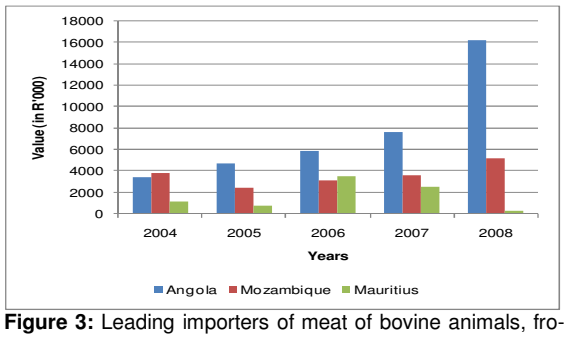

Figure 3: Leading importers of meat of bovine animals, frozen (HS: 0202)
Source: Trade Map, 2008

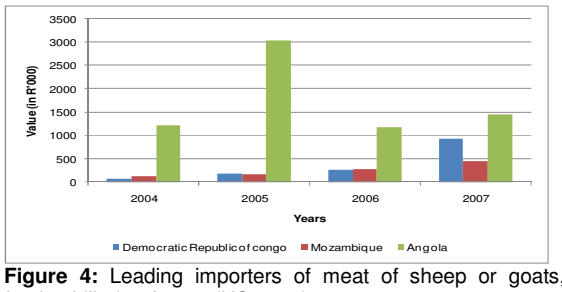

Figure 4: Leading importers of meat of sheep or goats, fresh, chilled or frozen (HS 0204)
Source: Trade Map, 2008

Table 8 gives a summary of tariffs applied by the DRC, Angola, Mozambique and Mauritius on red meat from South Africa. It should be noted that the DRC and Angola have not yet tabled their tariff offers and trade is taking place on an MFN basis. For Mauritius, red meat is not classified as a sensitive product. It falls under category A, which means immediate elimination of tariffs when the protocol was implemented. Mozambique classifies red meat under category C. This means South Africa is exporting meat to Mozambique under an SADC tariff offer of 15 %, which is expected to be zero in 2012, according to the SADC liberalisation schedule.

Table 8: Tariffs applied by the leading importers of SA red meat in SADC

Product	MFN (%)	SADC offers	Countries
0201	10	-	Angola
	10	-	DRC
	0	0	Mauritius
	35	15	Mozambique
0202	10	-	Angola
	10	-	DRC
	0	0	Mauritius
	35	15	Mozambique

[6] SADC EPA configuration comprises of Angola, Botswana, Lesotho, Mozambique, Namibia, SA and Swaziland
[7] This article was compiled by Mr. Shonisani Madzivhe & Ms. Noma-Efese Mxi - both Economists, Directorate International Trade, DAFF

Product	MFN (%)	SADC offers	Countries
0204	10	-	Angola
	10	-	DRC
	0	0	Mauritius
	35	15	Mozambique

Source: SADC Tariff offers & World Trade Atlas

Conclusion

Meat trade in the region is not completely liberalised. This is so mostly because of the classification of beef as a sensitive product. Furthermore, non-tariff barriers (NTBs) are used more extensively in the region to protect the market.

5. FRUITS, FRESH AND DRIED (EXCLUDING NUTS) – MARKET OVERVIEW & TRADE POTENTIAL: UNITED STATES OF AMERICA[8]

USA fruits, fresh or dried market forecast

According to the latest Euromonitor report, fresh fruit sales volumes grew by 1.6 % from 2007 to 2008. Over the 5-year period (2003 to 2008) the same category recorded a 1.3 % growth. The USA's total volume growth of the fresh fruits sector grew by 2 % in 2008.

This growth is slower than anticipated over the period forecasted, due to the weak USA economy. Some fruits like bananas are regarded as recession resistant, whereas other fruits are not. However, the nutritional benefits of fruit are still an important factor for consumers, resulting in their desire for fresh fruit.

The market is still expected to grow, with the total volume increasing from 18.9 thousand tons in 2008 to 20.8 thousand tons in 2013 which represents around 2 % annual growth. Despite the predicted growth, unforeseen weather conditions, crop related diseases and labour (stricter immigration laws in USA) pose a threat to many categories of the fruit sector.

The USA fruits, fresh or dried imports

In 2007, the USA was the world's leading importer of fruits, fresh or dried. In the same year the USA accounted for an 11 % share of world fruits imports, fresh or dried. Behind the USA were Germany (10 %), the UK (9 %), the Russian Federation (7 %) and the Netherlands (5.8 %).

South Africa featured in the 13th position in the supply of fruits to the USA, with only a 1 % share. Chile was the main supplier of fresh or dried fruit to the USA in 2007, with a 26 % share of the USA's total imports. Over the 5-year period, USA import demand grew by 9 % per annum.[9]

Figure 4 shows that fresh or dried bananas, including plantains, (HS 08 03 00) and fresh grapes, (HS 08 06 10) were the most important fruits imported by the USA in 2008. Bananas or plantains (23 %) and grapes (16 %) together constituted 38 % of total imports of fruits, fresh or dried, by the USA.

The third product, other fruits, fresh or dried, was responsible for another 10 %, which means the top three categories dominate the market with a combined share of 48 %. In the same year, Guatemala was the main supplier of bananas and plantains with a 27 % share, followed by Ecuador (23 %) and Costa Rica with a 19 % market share.
Chile and Mexico dominated the total supply of fresh grapes, with a market share of 70 % and 23 % respectively, and a combined share of 93 %. Amongst the supplying countries, South Africa's share was small and insignificant, recording a share of far less than 1 %.[10]

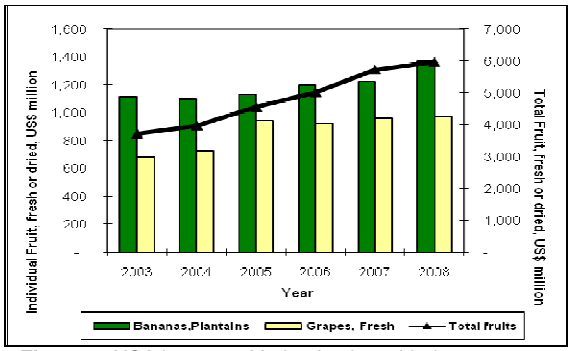

Figure 4: USA imports of fruits, fresh or dried, 2003-2008
Source: World Trade Atlas

Preferential market access

South Africa enjoys preferential market access into the USA under the Africa Growth and Opportunity Act (AGOA) and the USA's Generalised System of Preferences (GSP). AGOA provides reforming African countries with the most liberal access to the USA market available to any country or region with which the USA does not have a free trade agreement.

AGOA was passed as part of the Trade Development Act of 2000 in the USA and in 2008 provided duty free, quota free access to the USA market for almost all the products exported from 41 eligible sub-Sahara African countries, up from 38 countries in 2007. From 2008 AGOA covers around a 1000 agricultural tariff lines. AGOA expands the list of products which eligible sub-Saharan African countries may export to the USA subject to zero import duty under the Generalised System of Preferences (GSP).

While the normal GSP covers approximately 4 600 items, AGOA GSP applies to more than 6 400 items. AGOA-GSP provisions are in effect until September 30, 2015.

[8] This article was compiled by Ms. Lehlogonolo Magagane, Directorate International Trade, DAFF. The article was compiled using information from the ITC Trade Map www.trademap.org, Euromonitor www.euromonitor.com and World Trade Atlas www.gtis.com
[9] ITC Trade Map
[10] World Trade Atlas

South Africa's exports to USA

South Africa exported fruits, fresh or dried, to the USA up to the value of US$ 39.6 million in 2008, up from US$36.4 million in 2007. Over a 5-year period (2003-2008), South Africa's exports of this category to the USA grew by 9 % annually. In 2008, South Africa exported fruit, fresh or dried, to the value of US$ 1.6 billion to the rest of the world, which represent a 13 % growth year on year (2007/2008).

The USA was the recipient of 2.4 % of total South African fruit exports to the world, behind the Netherlands and the United Kingdom with a 24 % and 19 % share respectively.
Figure 5 indicates South African exports of fruits, fresh or dried, to the USA and to the rest of the world from 2003 to 2008. In 2008, the top three categories comprised oranges, fresh or dried (HS 08 05 10), mandarins, fresh or dried (HS 08 05 20) and grapes, dried (HS 08 06 20).

Over the 5-year period, South Africa performed well with two of the three major fresh fruit exports to the USA as follows: oranges, fresh or dried, registered a 22 % growth, and grapes, dried, a 27 % growth while mandarins, fresh or dried, showed 10 % decline, largely due to a 46 % decline of this category year-on-year (2007/2008).

Despite the decline in mandarin exports over this period, these top three categories combined showed a 14 % growth, year-on-year (2007/2008). Even under AGOA, South Africa still struggles to penetrate the USA market fully because of South Africa's high costs and prices compared to its competitors in the USA market. There are also trade barriers such as strict SPS requirements.

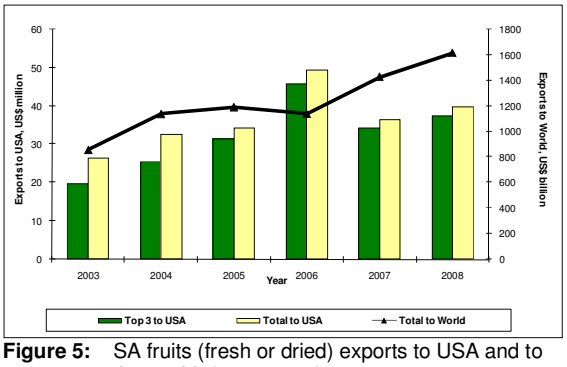

Figure 5: SA fruits (fresh or dried) exports to USA and to the world, (2003-2008)
Source: World Trade Atlas

Trade potential of South Africa in the USA

A symmetric Export Specialisation Index (ESI) for agricultural products, as covered by the WTO Agreement on Agriculture, was constructed between South Africa and the USA. This index reveals that South African fruits, fresh or dried, have a specialisation potential if values are between 0 and 1 and a comparative disadvantage if the values are between 0 and -1 in the USA market (**Table 9**).

Isolating total demand and total export capacity provides a rough estimate of how much countries could theoretically trade between each other. In 2007, to show the theory, South Africa exported fresh pears and quinces to the value of US$ 118 million to the rest of the world.

In the same year, the USA demand for fresh pears and quinces was US$ 146 million. Of this demand, South Africa supplied US$ 691 000 to the USA. Given this, theoretical the potential imports of fresh pears and quinces by the USA from South Africa were US$ 117 million in the same year.

Table 9: Annual growth and symmetric export specialisation index of South African fruits, fresh or dried in the USA market, 2007[11]

HS code	Description	Annual export growth 2002-2007 %	Symmetric ESI score	Theoretical potential exports US$ '000
080510	Oranges	29	0.94	126 098
080520	Mandarins	22	0.82	51 790
080620	Grapes - dried	22	0.95	36 410
080820	Pears & quinces	23	0.12	117 697
080610	Grapes, fresh	-45	-0.83	312 759
080550	Lemons	8	-0.73	54 340
081340	Fruits, dried nes	2	-0.45	4 156
080810	Apples	-65	-0.94	210 508
080590	Citrus fruits	-48	0.48	1 475
080300	Banana	36	-0.99	142

Source: ITC Trade Map and Directorate International Trade calculations

Table 9 indicates among other products the four products that showed a stellar growth over the period under review, which are oranges, fresh or dried (HS 08 05 10), pears and quinces, fresh (HS 08 08 20), mandarins (HS 08 05 20) and grapes, fresh (HS 08 06 20). All these fruits recorded a positive ESI which portrays their respective comparative advantages in the USA market.

The other fruit that recorded good growth over the same period under review was bananas including plantains, fresh or dried (HS 08 03 00). However, this product does not require further analysis as it registered a negative ESI which indicates that in this product SA has a comparative disadvantage in the USA market. SA's export growth for bananas is slower compared to other exporters and we are losing market share. A trade analysis of the other four categories mentioned above follows.

In 2007, oranges, fresh or dried (HS 08 05 10) were the chief contributor to South African fruit exports to the USA. This has been the case for over five years. Over the 5-year period (2002-2007) oranges achieved an annual growth rate of 29 percent (22 % from 2003-2008).

[11] 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.

This annual growth was higher than the average 24 % growth rate of the total South African exports of oranges to the rest of the world for the same period. South Africa was the main supplier of oranges, fresh or dried to the USA market in 2007 with oranges to the value of US$ 18 million. South Africa held the first position, with 30 % share, followed by Australia (29 %) and Spain (19 %).

These three countries dominated the supply of oranges to the USA market, constituting 78 % of the total market. According to Table 9, theoretically South Africa could have exported some US$ 126 million more oranges, fresh or dried, to the USA in 2007. South African exporters of oranges enjoy zero duty under AGOA, while the MFN duty in 2008 was 1.8 %.

Mandarin (HS 08 05 20) exports from South Africa recorded an annual growth rate of 22 % over the 5-year period from 2002-2007, but -10 % from 2003-2008. Mandarins also recorded a positive ESI, indicating their comparative advantage in the USA market. The growth rate in mandarin exports was lower than the 25 % annual growth for the same fruit from South Africa to the rest of the world over the same period under review. In terms of import value, mandarins were the leading category among the four categories to be analysed, with a 6 % share of total USA fruit imports.

South Africa held the 6th position in 2007 with a 4 % share of mandarin imports. South Africa was behind Spain, Morocco and Chile with a share of 66 %, 9 % and 8 %, respectively. Theoretically South Africa could have exported another US$ 51 million to the USA in 2007. The preferential duty that South African exporters faced is 0 % under AGOA whilst the MFN duty in 2008 was 1,9 %.

Grapes, dried, (HS 08 06 20) made up South Africa's 3rd largest fruit exports to the USA in 2007 with a value of US$ 6.7 million. Grape exports from SA to the USA experienced a 22 % growth over the 5-year period. This growth was higher than the 17 % growth rate for grape exports to the rest of the world over the same period. In terms of import value, fresh grapes formed the second leading category among the four categories to be analysed with a 3 % share of total USA fruit imports.

South Africa occupied third position in the USA market for dried grapes, with a share of 22 %, which is behind Chile (42 %) and Argentina (24 %). In theory South Africa could have exported some US$ 36 million extra to the USA in 2007. South African exporters' preferential duty under AGOA was 0 % compared to the 0.3 % and 1.8 % duty faced by Chile and Argentina, respectively.

Other fruit among the high growth fruit exports were fresh pears and quinces (HS 080820). This category achieved a 23 % annual growth over the 5-year period. This growth was lower than the 27 % annual growth experienced by South Africa on exports of fresh pears and quinces to the rest of the world. The USA import demand for the same category grew by 11 % over the period under review.

In 2007, the supply of this category to the USA market was dominated by Argentina (43 %) followed by Chile (18 %) and the Republic of Korea (17 %). South Africa occupied the 6th position with a small share of below 1 %. The top three countries together contributed a 78 % share. South Africa enjoys a zero duty under AGOA, Chile also faces a preferential duty of zero percent, whereas Argentina and the Republic of Korea face an 1.11 % tariff.