Bundesforschungsanstalt
für Landwirtschaft

Aus dem Institut für ländliche Räume

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Free trade agreement between South Africa and the EU

Southern African regional concerns and implications for the fruit trade

German ENARPRI Seminar in Braunschweig on March 15, 2004

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The Trade, Development and Co-operation Agreement (TDCA) between South Africa and the EU

- Introduction
- Southern African Regional Concerns
- Implication for the Fruit Trade
- Conclusions and Outlook

Introduction

- Main elements of the TDCA
- South Africa involved in several trade agreements
  - Southern African Customs Union
  - Southern African Development Community
- Fruits most important agricultural export
- A trade simulation model developed at the University of Natal estimates impacts for oranges

TDCA between South Africa and the EU

- Signed in 1999
- The implementation period from 2000 (EU 10 years, South Africa 12 years)
- 95% of all South African exports to the EU 85% of EU exports to South Africa
- Excluded products enter the other market under the Most Favoured Nation (MFN) tariff

TDCA between South Africa and the EU

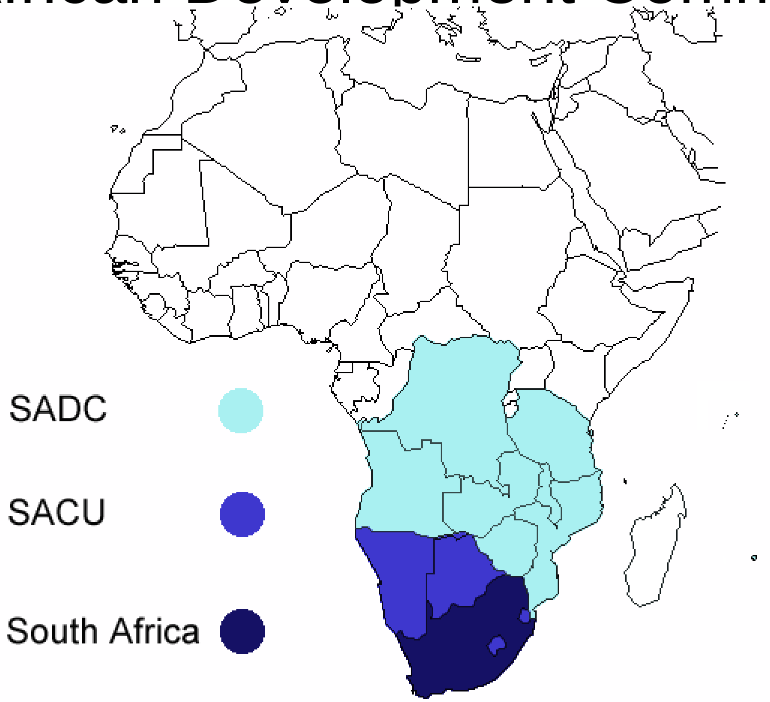
- Agricultural offers less generous
- South Africa excluded red meats, dairy products, sugar, and grains; also important exclusions in the industrial sector
- Other products are grouped according to the applied tariff in 1996

TDCA between South Africa and the EU

- Almost all EU exclusions in agriculture
- Beef, dairy products, maize, oil seeds, sugars, cut flowers, fresh apples, fresh oranges (to a large extent), processed fruits, and wine
- Exclusion account for about 40 % of imports, but tariff quotas

Southern African Regional Concerns

- Major affected regional agreements
  Southern African Custums Union (SACU) and
  Southern African Development Community (SADC)



Southern African Customs Union (SACU)

- Members are South Africa as well as Botswana, Lesotho, Namibia and Swaziland (BLNS)
- Founded in 1910 lastly renegotiated in 2002
- BLNS countries are dependent on tariff earnings (new income sources needed)
- No formal participation
- EU goods can also enter BLNS countries on South African terms (sensitive goods excluded)
- FTA negotiation with USA started in 2003

Southern African Development Community (SADC)

- Trade Protocol in 1999
- Free trade area with an implementation period from 2000 until 2008
- Most members part of the Cotenou Agreement with the EU
- Negotiations for the Economic Partnership Agreement (EPA) with the EU (Oct. 2003)

Implication for the Fruit Trade

- Important South African agricultural exports
- Oranges, apples, table grapes, avocados, soft citrus and others
- South Africa major off-season supplier to the EU
- EU seasonal tariffs favour South Africa
- Excluded from the TDCA by the EU in the European season
- Oranges major commodity and partly included in the TDCA

Trade Simulation Model

- A trade simulation model to analyse the effects on the South African fresh orange industry (University of Natal)
- Each scenario is run 100 times and analysed by mean and standard deviation
- Simulation period from 1997 until 2011
- Production models run annually, trade models monthly (seasonality)
- Seven production models

Trade Simulation Model

- Purchasing power parity → exchange rate between Rand and Euro
- South Africa price taker on the EU market except July until October
- TDCA scenario (EU-tariff eliminated from June to September)

  Base scenario (EU WTO commitments)

Results of the Trade Simulation Model

- Strong seasonality and decline in real local prices
- Increase in real fob prices
- Similar increase in production
- Gross margins two percent higher in the final years (TDCA scenario)
- Area under oranges to increase 10.2 percent in the TDCA scenario and 8.3 percent in the Base scenario

Introduction

Regional Concerns

Fruit Trade

Conclusions

Results of the Trade Simulation Model

- Difference between scenarios small and lacking significance but consistent
- Widening price margin between local and fob price
- Effects on production and gross margins delayed due to perennial nature
- The TDCA seems to be beneficial, strongest indication area under oranges

Conclusions and Outlook

- TDCA can be an example for future FTAs of the EU with third countries
- FTAs will not only affect the negotiation partners but also other countries
- Considerable tariff reductions limited as products either excluded or already facing low MFN-tariffs
- Non-tariff issues like fostering economic co-operation to become more important

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Thank you for your attendance.