

The Possible Impact of Trade Agreements on South African Agriculture

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The presentation of Ms Callear is published in slide format as received.

CURRENT TRADE AGREEMENTS AFFECTING AGRICULTURE

- **W TO Uruguay Round**
 - 8th GATT Round
 - 1st to tackle agriculture
 - Implementation started 1995
 - Implementation to run for 10 years in developing countries
- **SA-EU Trade Agreement**
 - Implementation started January 1st 2000
 - 12 years for full implementation on sliding scales
 - Our major export sectors will benefit most: wine, fruit, flowers
 - But also dairy and meat, according to analysis by Kirsten and Penzhorn at University of Pretoria



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WTO URUGUAY ROUND - THE FIRST WITH AGRICULTURE

- It put the basic blocks in place:
 - Tariffication, and then tariff reductions
 - Reduced levels of price-distorting agricultural support
 - Reduction in export subsidies
 - Fair market access
 - Special measures for LLDCs
- But it also allowed the EU and USA to continue massive subsidisation and export subsidies
- And then the shocks of the financial crises of 1998 led to increases in protectionism in the last two years
 - 5% increase in subsidisation in OECD countries
 - Very poor trade environment for start of new negotiations



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RE-NEGOTIATION OF SACU STARTED 1994

- Members felt that it no longer met their needs
- BLNS wanted more say in decision making
- C.U.T.T. has many working groups, incl. Agriculture
- Agricultural Policy Elements being negotiated:
 - Food Security
 - Free trade within SACU, and no export subsidies within
 - Common customs tariff policy
 - Effective Competition policy
 - Cooperation on technical measures
 - Harmonisation of bilateral trade agreements
 - Support to agricultural development
 - Exchanges of information, etc
- Strategy papers have been drawn up for red meat, wheat, maize, dairy
- Visions, strategic issues, action steps



STICKING POINTS IN SACU RE-NEGOTIATIONS

- In agriculture:
 - “Free trade” - but infant industry protection
 - Art. 12: domestic marketing arrangements
 - The use of rebates by BLNS, for import of wheat, dairy, maybe maize
 - Maintaining non-tariff barriers
- In the structures:
 - The revenue sharing formula
 - The institutional arrangements e.g.: who will set the tariffs?



SA/EU TRADE, DEVELOPMENT AND CO-OPERATION AGREEMENT

- Significance of agreement
 - EU - South Africa's largest trade partner
 - Cements SA trade relationship with EU
 - Preferential access for agricultural products
- Export refunds - would have preferred phase out
- Agricultural safeguard clause
- Quotas were published, allocated and permits issued
- Important - monitoring of the agreement to ensure maximum benefits



AGREEMENTS WE ARE NEGOTIATING NOW

- WTO mandated negotiations
- Re-negotiation of SACU
- SAFTA
- Brazil and Mercosur
- India



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WTO - THE MANDATED NEGOTIATIONS

- The Uruguay Round mandated the continuation of negotiations to liberalise trade in agriculture and services
- We had hoped that the agenda for a wider round could be secured in Seattle
 - and this may still happen
- For now: mandated negotiations with a 3 year process
- Our approach remains unchanged:
 - Elimination of export subsidies
 - Market access
 - Reduced domestic support
 - Rules and disciplines
 - Special and differential treatment for developing countries as a part of each of these elements.



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WTO AGREEMENT ON AGRICULTURE (1994), ARTICLE 20: CONTINUATION OF THE REFORM PROCESS

“Recognising that the long term objective of substantial progressive reductions in support and protection resulting in fundamental reform is an ongoing process. Members agree that negotiations for continuing the process will be initiated one year before the end of the implementation period, taking into account:

- the experience to that date from implementing the reduction commitments,
- the effects of the reduction commitments on world trade in agriculture;
- non-trade concerns, special and differential treatment to developing country Members, and the objective to establish a fair and market-oriented agricultural trading system, and the other objectives and concerns mentioned in the preamble to this agreement; and
- what further commitments are necessary to achieve the above mentioned long-term objectives.”



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SADC "FREE TRADE AREA"

- SA needs markets for its industrial products
- Also needs to stem the tide of immigration
- Cannot develop alone in a sea of poverty
- The plan is to play up the strengths of its neighbours
 - which means importing their agricultural products
- Then developing our value-adding, and exporting to the world eg: cotton from Malawi, textiles and designs from SA
- Negotiations have been slow - they want immediate access for their goods, but blocked access for SACU goods



PROBLEMS IN THE SAFTA NEGOTIATIONS

- Other SADC countries very fearful of their agriculture and their infant industries
- Civil servants been given very limited mandates
- Many countries have excluded most or all of their agriculture products - as "sensitive"
 - WTO requires 90% of all trade coverage for FTAs
- Rules of Origin (textiles, leather, vehicles)
- Differential treatment (BNLS; Mozambique)
- Time frames for tariff elimination (originally 5 for SACU, 8 for others)
- Elimination of NTBs (no single channel markets!)
- Harmonisation of SPS (agreed but difficult)



IMPLICATIONS OF THE SAFTA NEGOTIATIONS

- VERY problematic for the development of South Africa's small scale farmers
- Cannot gear up agriculture on field crops - most of which we will import more cheaply over time from countries with more favourable agricultural resources
- Have to look immediately at value-adding, niche products
- We must learn all the implications of demand-led agriculture
- And use what we do have - good international networks and trading relations, good research
- And then fight at WTO for more access



BRAZIL AND MERCOSUR - AND INDIA AND ONWARDS

- Huge number of protocols and FTAs now being negotiated internationally
 - eg EU and Mexico, recently agreed
- Part of northern strategy to tie up markets without having to submit themselves to WTO liberalisation
- South Africa can undoubtedly benefit from carefully negotiated protocols
 - all experience shows overall welfare gains
 - but this tends to look dangerous to agriculture
- We need careful analysis by each agriculture sector

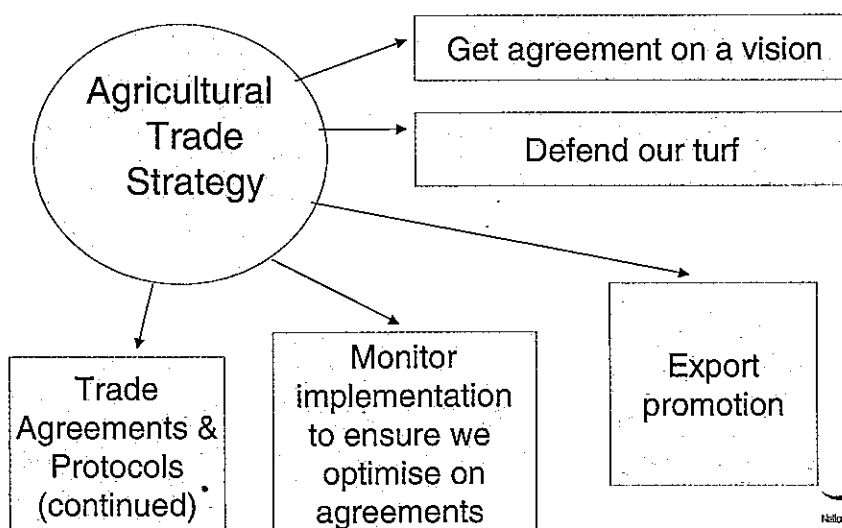


DANGERS AND POSSIBILITIES

- South Africa cannot afford to protect itself from increasing globalisation, and has much to gain, but:
- Will lead to greater specialisation, with gains in some sectors, (fewer) losses in others
- Adjustment times are critical
- We must protect the expansion of the small-scale farm sector
- Information will be key (markets, forecasts, production) to taking advantage of new opportunities
- Must monitor closely, and use safeguards if necessary
- Essential in each agricultural sector to strategise




NDA'S FOCUS IN 2000



EXPORT STRATEGY - GETTING REAL MARKET ACCESS



EXPORT STRATEGY - THE PRACTICAL ASPECTS OF TRADE

- Enabling trade policy environment is a critical element
 - Improved competitive edge of producers and exporters
 - Government's overall export strategy should be taken into account
 - Production for the consumer, within a value chain
 - Competitiveness of the whole food chain
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ELEMENTS OF AN EXPORT STRATEGY

- Creation of an export council for agriculture
 - Encourage creation of sectoral or industry export councils
 - Encourage every agricultural sector to strategise, and to learn from each other
 - Utilisation of DTI's incentive schemes
 - Development of value-adding
 - Development of high value export products
 - Utilisation of development programmes of DTI
 - Analysis of international trade fairs and exhibitions
 - Participation in trade missions
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ELEMENTS OF AN EXPORT STRATEGY (CONTINUED)

- Creation of a database on import requirements of countries
- Creation of a database of producers/exporters
- Analysis of current and potential trade
- Training
- Analysis of policy-induced costs
- Analysis of transport and cold chain issues
- Identifying of export products by Provinces
- Increase knowledge of Provinces on trade agreements



EXPORT PROMOTION - SEIZING OUR CHANCES

- Marketing strategies
- Brand South Africa - high quality
- To understand the fickle, fussy consumers - and provide for their needs
- To understand the needs of the superstore chains: quality, time to sell, certainty of supply
- Secure, well monitored transport networks
- SPS + + +
- Supply the consumer with more info: nutritional, environmental, full disclosure (including labour conditions), labeling
- Due diligence

