



The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

Papers downloaded from AgEcon Search may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

SOUTH AFRICAN AGRICULTURE

P.J.A. Swart

Agricultural Counsellor in Geneva, Switzerland

INTRODUCTION

South African agriculture has in recent years not witnessed a rapidly changing international trade environment, but it has also experienced a dramatic change in the way the marketing of its products is managed. Although the title of this paper could cover a wide range of topics, I will limit my remarks to the most important issues that I believe are shaping the nature and trajectory of South Africa's agricultural trade relationship with the rest of the world. Some of these issues have a local character, whilst others are of international dimension and which have in the past, from a South African perspective - been more or less completely exogenous variables. With a new acceptance in the world community, South Africa has in the last few years been in an excellent position to grasp new market opportunities. This acceptance has also allowed South Africa to participate in the international political environment in which it operates to a greater extent than in the preceding years.

THE GLOBAL ECONOMY

The 1996 Trade and Development Report (UNCTAD, 1996) concludes that growth in world output continued in 1995, but at a reduced rate of 2.4% which is expected to slow even further in 1996. The growth rates in non-industrialised countries in Asia considerably outstripped that of the developed world, with China continuing to be one of the fastest growing economies, expanding at a rate exceeding 10%. In Africa growth at 3% was generally higher than in Latin America where growth, with the exception of Chile, has slowed to 1%. The share in world trade of developing Asian countries now surpasses that of the USA, the European Union (EU) and Japan. Economic recovery in certain Central European countries is well under way with growth at 5%, while output continues to decline in other Central and Eastern European countries.

A general trend is that the economic recovery since 1993 in the developed world has not been as rapid as during the previous two cycles of expansion and is expected by UNCTAD to slow to below 2% in 1996. Within this group the USA continues to outperform the European Union and Japan.

From a development perspective UNCTAD singles out the common and central role that trade and the expansion of exports continues to play in the growth of economies of East Asia. Furthermore, UNCTAD identifies three features that typify the transition to growth in these countries. Firstly, they demonstrate the importance of establishing a dynamic interaction between exports and investment in industrialisation. Secondly, they illustrate the possibility of mobilising natural resources and abundant unskilled labour in their quest for growth and, finally, they highlight the need for upgrading industry and technology in order to raise productivity.

seen the elimination of producer controls over import tariffication of agricultural imports, the removal of most single channel marketing schemes, and a general reduction of the authority of marketing boards. While the number of boards has reduced to 15, their influence on the market has waned to a far greater extent than generally recognised. In many cases the remaining boards now perform mainly non-trade distortionary functions such as generic advertising and market information. The only notable and substantive statutory imposition on markets remaining, is the single channel export of fruits, maize and oilseeds and the local marketing for wheat and dried fruit. These industries are also engaged in debates regarding the way forward.

These changes have de facto propelled South Africa from the "market management" camp it inhabited during the Uruguay Round negotiations into the company of the group of agricultural exporters which championed market liberalisation during the Uruguay Round. This is evidenced by the 1995 Producer Subsidy Equivalents calculated by the OECD (Organisation for Economic Co-operation and Development) and the South African Department of Agriculture.

This development and our new important relationships in Southern Africa are leading South Africa to reassess its stance and positioning in multilateral arenas which deal with agricultural and trade issues such as the WTO (World Trade Organisation), UNCTAD and the FAO (Food and Agriculture Organisation).

Notwithstanding the short-term advantages accruing from exports from the recent moves in the exchange rate, the agricultural sector has not viewed the replacement of the General Export Incentive Scheme (GEIS) with a menu of supply side measures with great enthusiasm. When industries received export incentive benefits under GEIS in the past, the profitability of their exports will come under pressure with its removal. However, the agricultural sector should not only closely investigate the opportunities available in terms of the new supply side measures, but it should also ensure that the subsidisation of agricultural exports by its competitors is under constant surveillance. Furthermore it should work together with the Government in a concerted effort to improve market access. This combined effort should provide long-term benefits and make up for the loss of GEIS in a more sustainable way.

THE TRADING ENVIRONMENT

There are a number of key factors in the international environment which are shaping South Africa's agricultural trading relationship with the rest of the world.

South Africa's political acceptance in the international community has been a primary determinant of new market opportunities and the enhancement of our products in traditional markets. This factor alone has provided the most important stimulus to the development of new government policies and the broadening of private sector trading activity.

The current international trading scene is frequently characterised as globalised, which is a reflection of the shrinking virtual distances through technology and the growing interdependence of the economies of countries.

restrictions and distortions ... so as to reduce the uncertainty, imbalances and instability in world agricultural markets".

This led to an agreement on agriculture and a number of explicit commitments by members regarding domestic support, market access and export subsidies in agriculture.

In the agricultural field the relevant agreement and commitments by members are a first step in a process which is due, according to the so-called built-in agenda of the WTO, to be taken up again in further negotiations in 1999.

Alongside the results of the Uruguay Round a number of new issues relating to trade are being debated in international forums, such as the relationship between trade and the environment, labour standards, investment, bribery and corruption, competition policy and food security. Although no consensus has been reached on these issues, some will move to the centre stage in ensuing deliberations in the WTO and may be addressed at the WTO Ministerial Meeting in Singapore in December 1996.

After almost two years since the WTO's inception, it is evident that there is good progress with the implementation of the commitments negotiated under the Uruguay Round agricultural reform programme. In the first year the Agriculture Committee has principally focused on the implementation by members of their market access commitments, e.g. tariffication and minimum market access quotas, while the Committee's perspective is broadening to the other areas such as export subsidies and domestic support, as compliance to commitments regarding these measures are notified by members to the WTO.

South African import duties of practically all agricultural products have been re-evaluated in the last two years, and minimum market access quotas, where appropriate, have been opened since the beginning of the year. Although a few industries have difficulties with minimum market access, South Africa should otherwise not find it too painful to meet its WTO agricultural commitments.

In view of the programmed next round of WTO negotiations on agricultural trade in 1999, I would recommend that the agricultural sector and notably members of the AEASA should, in the next three years, focus attention on international agricultural trade and work together with the Government to formulate sound and coherent negotiating objectives. In the meantime South Africa should fully participate in the WTO process of ensuring fairness and transparency in agricultural trade. The Department of Agriculture has positioned itself to follow and contribute to the international debate and activities on the above-mentioned issues.

THE PROLIFERATION OF TRADING BLOCS

Practically no major trading nation is presently not a member of some form of preferential trade arrangement or bloc. Furthermore, new associations between partners, entailing liberalisation to a greater extent than their commitments in the WTO context, are regularly being promoted.

a trade protocol which is due to lead to free trade in goods and services in the region, underlines its primary commitment to the region.

The emerging vision of freer trade in Southern Africa will bring with it both opportunity to our North and greater competition in the agricultural market place in South Africa. It can be expected that companies' advantages will result in some shifts in production and trade in the region.

CONCLUSION

Much has changed in South Africa - in its relations with the rest of the world and in the trading environment.