AGRICULTURAL, FORESTRY AND FISHERIES' TRADE STRATEGY WITH THE PEOPLES' REPUBLIC OF CHINA

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EXECUTIVE SUMMARY

This paper explores the growing Chinese market in an endeavour to identify opportunities and possible benefits for the South African agricultural, forestry and fisheries' exporters. China consistently registers high levels of economic growth, with a total GDP of US$ 11.4 trillion in 2011 and its real GDP growth rate of 9.2**%.** The per capita GDP rose from US$ 7 800 in 2010 to US$ 8 500 2011.China is the fourth largest recipient of Foreign Direct Investment (FDI) in the world at US$ 92.3 billion in 2008 and the largest among the developing countries. The two decades of steady trade expansion has contributed to the increased openness[1] of the economy, which was further intensified by China's accession to the WTO in 1999.

China is an aggressive trade liberalizer. Trade plays a pivotal role in China's economy in 2006; its total merchandise trade (imports and exports) was about 67% of GDP, and over 13% of world merchandise trade. Manufactured goods account for 92.4% of China's merchandise exports. China's competitiveness[2] that has improved markedly is believed to be a result of controlled exchange rate and low wages.

The booming economy has resulted in poverty reduction, high rate of urbanization with a relatively low urban unemployment of 6.5% in 2011. Urbanization, accompanied by rising incomes has resulted in an increase in demand for food and agricultural products. China has a population of just above 1.3 billion. Thus, the rapidly growing Chinese market presents a great trade potential for the South African agricultural, forestry and fisheries' exports. The export opportunity may be utilized to expand and diversify the market for South African products in the category of value added and high value food items. The export capacity of South Africa is such that while access to the Chinese market provides an avenue for growth in production, the supply is not large enough to pose any threat to the local food and agricultural

[1] The concept of degree of openness refers to the proportion of total trade relative to a country's GDP. It is the sum of the country's exports & imports multiplied by 10 and divided by its GDP. Higher values indicate higher degree of openness. The world average degree of openness is 4.0 (2007) on a maximum score of 7. China's is 6.69 while it is 5.08 for South Africa (in 2007).

[2] According to the World Economic Report's latest Global Competitiveness Report Index, China ranked 34th (out of 131 countries and economies) in 2007/2008, up from 54th (out of 125 countries and economies) in 2006. South Africa was ranked 44th, down from 36th in 2006/ 2007.

producers in China. Of the forestry products, China imports wood pulp for further processing in paper and cardboard industry. Fish is exported frozen straight after it is caught from the sea.

There are numerous challenges that South Africa faces in the Chinese market. These market access barriers involve above average tariff protection, restrictive non-tariff barriers (agricultural market controls), business costs and constraints such as the distance, distribution networks, logistics and others. Above that, China has concluded FTAs with a number of South Africa's competitors in the international market, whose preferential market access further erodes South Africa's competitiveness as a supplier of products to China. After analyzing the impact of China's agricultural trade policy, the paper finally proposes the use of trade diplomacy in conjunction with the agricultural and rural development cooperation under the PGD. It also suggests specific targeted assistance to the exporters at the initial phase of promoting SA products in the Chinese market.

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ACRONYMS AND ABBREVIATIONS

AQSIQ	General Administration of Quality Supervision, Inspection and Quarantine
ASEAN	Association of South East Asian Nations
BNC	Bi-National Commission
BoP	Balance of Payments
BUSA	Business Unity South Africa
CACF	China-Africa Cooperation Forum
COFCO	Cereals, Oils, Foodstuffs Corporation
CSP	Comprehensive Strategic Partnership
DAFF	Department of Agriculture, Fisheries and Forestry
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GDP	Gross Domestic Product
IRPS	International Relations, Peace and Security
IT	Information technology
LDCs	Least Developed Countries
MFN	Most Favoured Nation
MOFCOM	Ministry of Commerce, PRC
MOU	Memorandum of Understanding
NDRC	National Development and Reform Commission
NGO	Non-Government Organization
NTBs	Non-Tariff Barriers
PRC	Peoples' Republic of China
PSI	Pre-shipment Inspection
PTA	Preferential Trade Agreement
RSA	Republic of South Africa
SACU	Southern African Customs Union
SPS	Sanitary and Phyto-sanitary
STE	State Trading Enterprises
SOE	State Owned Enterprises
TRQ	Tariff Rate Quotas
VAT	Value Added Tax

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1. INTRODUCTION

Trade is an essential part of South Africa's agricultural economy and is indispensable to South Africa's prosperity. Since 1990s, South Africa has undergone considerable trade liberalisation as the country put the troubled years of Apartheid behind and began to strive for international competitiveness. Pursuant to the vision of the trade strategy of the Department of Agriculture, Forestry and Fisheries (DAFF) that is, an informed and globally competitive sector, with a wide exporter base, backed by supply chains of especially high value goods, to utilize high growth global opportunities.[3], this paper seeks to explore and identify opportunities to tap into the growing market of the Peoples' Republic of China (PRC). With a population of just above 1.3 billion, China is the most populous country in the world, and presents lucrative opportunities for South Africa's exports. This trade potential is manifested by an upward growth trend in South Africa's agricultural and forestry exports to China.

The primary purpose of this paper is to formulate South Africa's agricultural, forestry and fisheries trade strategy with respect to China, whether in the presence or absence of formal discussions on preferential market access for South Africa. To accomplish this, we need to better understand China's medium to long-term economic plans and prospects. The paper elaborates on China's engagement with Africa and South Africa's trade as well as diplomatic and economic relations with China[4]. Finally, a conclusion is drawn and recommendations are made detailing potential trade benefits and opportunities for South Africa's agricultural, forestry and fisheries sectors.

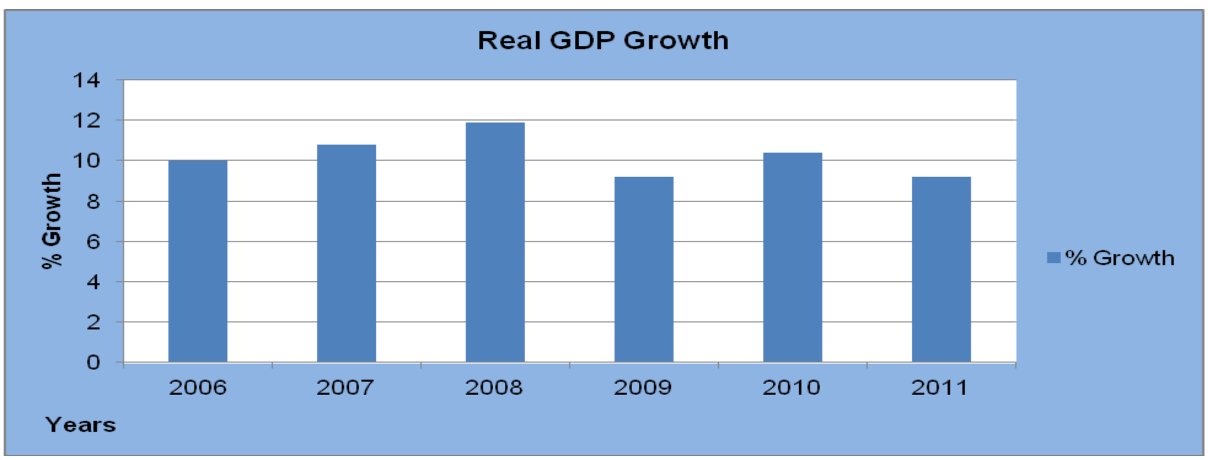
2. ECONOMIC ENVIRONMENT IN CHINA

2.1 General background on the economy

At the end of the twentieth century, China emerged as the world economic giant challenging the United States and Western Europe. Continued trade liberalisation

[3] This is the vision and objective of the agricultural trade strategy of the DAFF-2012.
[4] A reference to China is deemed to mean the Peoples' Republic of China.

has remained an integral part of China's structural reform strategy for the past decade. This strategy is aimed at establishing an outward-oriented "socialist market economy" that can deliver sustainable economic growth and facilitate poverty reduction. The real Gross Domestic Product (GDP) growth was 9% in 2008 and in 2009 the global economic down turn reduced foreign demand for exports from China for the first time in many years. But China rebounded quickly, outperforming all other major economies in 2010 with GDP growth of around 10%.The per-capita GDP rose by 9% from US$ 7 800 in 2010 to US$ 8 500 in 2011. China ranks the world's second-largest economy (behind the United States and Japan) as purchasers of raw material for processing and manufacturing, and the world's second largest trader (behind the United States). Trade plays an important role in China's economy; in 2006, its total merchandise trade (imports and exports) was about 65% of GDP, and over 13% of the world merchandise trade.



Source: World Trade Atlas **Figure 1**

The Figure 1 above depicts China's real GDP growth from 2006 to 2011. With the financial crisis and negative growth in most parts of the developed countries, China's growth declined to about 9% from 11.9% between 2008 and 2009. After a decline in that period there was an increase between 2009 and 2010 to 10.4%. After an increase in 2010 there was a decline from 10.4% to 9.2% in 2011caused by recession in Europe and global slow down.

Inflation measured by the consumer price index has been rising, reaching an eleven-year high of 7.1%, largely due to rising food prices and urbanization. China is the fourth largest recipient of Foreign Direct Investment (FDI) in the world and the largest among the developing countries. The inflow of FDI, together with the associated transfer of technology and expertise, is largely channeled to the manufacturing sector. However, the United States, Australia and New Zealand rank the highest for agro-processing investments. Multinationals such as Kellogg, Cadbury, Mc Donald's and Coca Cola have already established themselves in China.

Economic growth has been driven largely by manufacturing, especially for export purposes (92.4% of total exports) and investment, which outpaced domestic consumption. This steady increase in merchandise exports is reflected in the current account[5] surplus. The low domestic consumption has been singled out as one of the critical imbalances in China's growth; however, the domestic consumption shows a growth of about 8.7% per annum that is expected to continue for the next four years.

2.2 Agricultural sector in China

China has evolved into an industrialized economy in which the contribution of agriculture to the GDP continues to decline; it fell from 13.4% in 2004 to 11.7% in 2006. It continued to decline in 2010 to 9.6%, then it increased to 10.1% in 2011 following China's recent attention to agriculture for food security and rural development. Employment in the sector dropped slightly, from 42.7% of total labor force in 2004 to 39.9% in 2006 and continued to decline to 39.5% in 2008. In 2011 the agricultural sector contributed 36.7% of the total labour force. Having concentrated much of their efforts on manufacturing for over a decade, only recently the policy makers have turned their attention to services and to a lesser extent, to agriculture for more job creation. The agricultural policy in China has traditionally been aimed at ensuring adequate supply of food at affordable prices for the masses. To meet this goal, procurement, distribution, and marketing restrictions are used in addition to measures such as price control and import and export restrictions.

[5] This refers to the current account of the balance of payment (BoP). This is the broadest measure of trade.

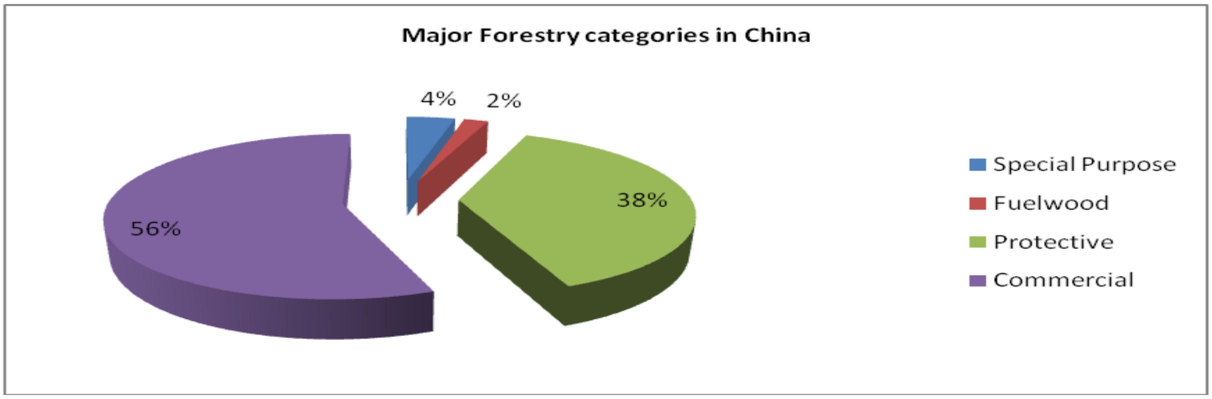
China currently has 950 million registered farmers, with 720 million living in the countryside. Labour productivity in agriculture is barely one fifth of the level in the rest of the economy, with the result that average rural incomes have fallen further behind the urban average, thus contributing to the widening gap between rural and urban living standards. Low labour productivity in agriculture reflects, inter alia, its high labour intensity and the lack of mechanization. In 2007, the income of urban citizens was more than three times that of farmers, the biggest gap historically under communist system. On the back of lower farm incomes and productivity in rural areas, there is a pronounced movement of people to the cities attracted by higher urban incomes in the manufacturing and service sectors.

Exports of agricultural products grew by 13% and imports by 24% annually between 2005 and 2010. However, the contribution of agriculture to total trade continued to decline, reflecting an increase in trade in manufacturing at a higher rate. China is a net-importer of agricultural products. Traditionally China has been an importer of oil seeds, fats and oils, cotton and wool. The production patterns and imports in China have shifted from traditional staple products (rice and wheat) to corn and other more profitable crops such as fruits and vegetables. This enables farmers to produce freely in response to increasing demand for food as incomes rise in China. The focus has shifted from food to feed in line with changes in the food consumption patterns, with the demand shifting from staple grain food to meat and other animal products such as dairy.

There has been an increase in the imports of agricultural raw materials such as cotton by 21.5% in 2006.Imports of cotton began to decrease each year between 2007 and 2009 and by 2009 it had a decrease of 56%. The sharpest decrease was from 2008 to 2009 when the global economic crisis caused a decrease in orders of China's apparel products. In 2010 cotton regained its rank as the second most agricultural imported product. Fish and horticultural products are China's major agricultural export products. In 2004, China entered a new era in its approach to agricultural policy, as it began to subsidize rather than tax agriculture as it did previously. China introduced direct subsidies to farmers, began to phase out agricultural taxes, started subsidizing seed and machinery purchases, and increased spending on rural infrastructure.

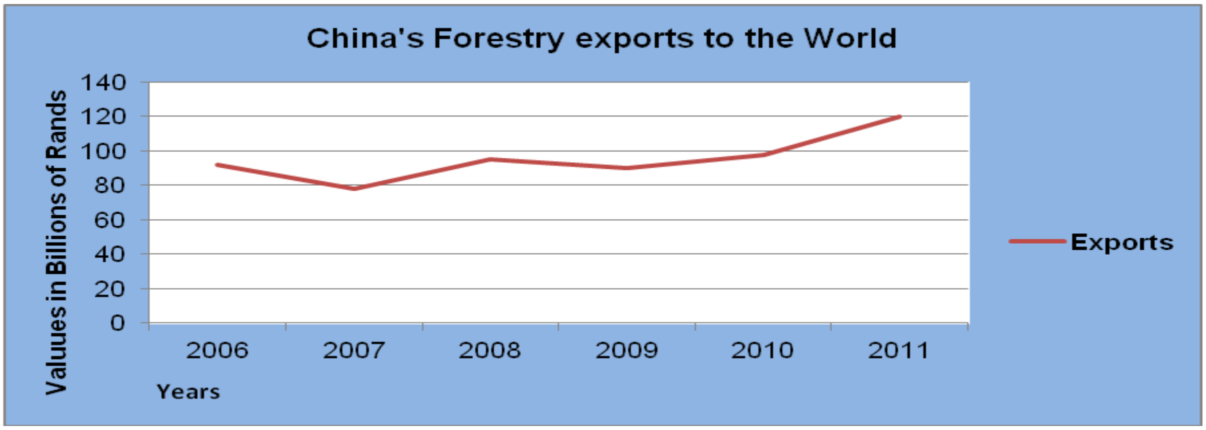
2.3 Forestry sector in China

China currently has 303.78 million hectares of forest land, representing 31.6% of the country's total land. According to the Sixth National Forestry Resources Inventory 42.5% of china's forests are state owned while 57.6% are collectively owned, in terms of the land in which the forests grow.



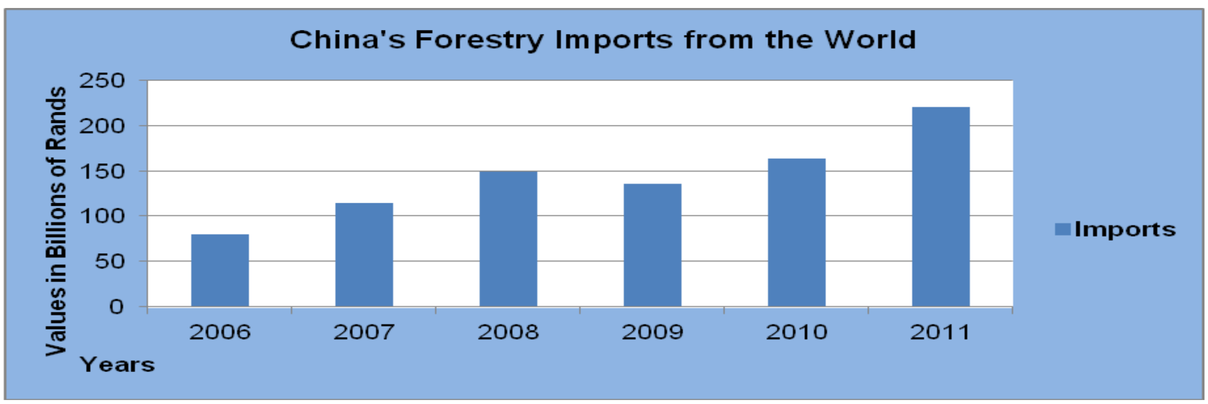
Source: State Forestry Administration, PR.China 2009 Figure 2

China is the largest producer of forest products in the world. It has accelerated into the third greatest consumer and producer of wood, paper and paper products. Major products produced in China are plywood, paper, fiber board and sawn wood. China has become the largest exporter of forest products in the world. For raw material supplies such as round wood, sawn wood and wood pulp, however, China has to rely on imports. China is making efforts to meet its demand by increasing domestic supply and adopting new technologies. China's consumption of forest products has increased in line with the growth of its GDP.



Source: World Trade Atlas Figure 3

Figure 3 above shows that China's forestry export in value fluctuated over the five years period from 2006 to 2010. Forestry export increased between 2009 and 2010, from R90 Billion to R98 Billion. There was a significant increase between 2010 and 2011 from R98 Billion to R120 Billion. The main importers were USA, Hong Kong and Japan.



Source: World Trade Atlas Figure 4

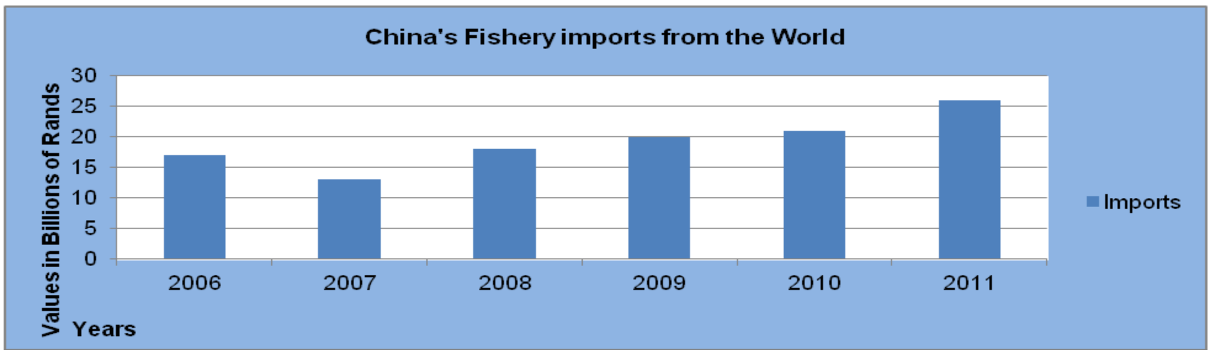
China's forestry imports from the world were R862 billion over the six years from 2006 to 2011. These imports showed an increase from 2006 to 2008. There was a fall in imports in 2009. These imports increased from R136 Billion to R220 Billion between 2009 to 2011. The main exporters were USA, Canada and Russia.

2.4 Fishery sector in China

China is the world's top fishing nation with vast resources available in her own waters. The Bohai Sea, Yellow sea, East China sea and South China sea and span from subtropical to temperate zones. There are about 3000 marine species in the

China seas offering more than 150 commercial species. China's fishing production is made up of small scale fishery and the state owned enterprises. The small scale fisheries are very active in fishery sector, producing an estimated 90% of total seafood supply. However the state owned enterprises are important in large scale operations.

Despite access to large marine resources, China is an importer of fish and shellfish as these constitute a significant portion of food (protein) supply for the Chinese people. Moreover, China has an export sector in fisheries that exports frozen fish and fish products to the world.



Source: World Trade Atlas

Figure 5

China's fishery imports showed a decrease between 2006 and 2007. Fishery imports doubled from 2007 to 2010 from R13 billion to R26 billion. The main fishery exporters to China were Russia, USA and Norway.

Source: World Trade Atlas

Figure 6

China's fishery exports to the world had a fluctuating trend over this period. The exports declined in 2007 and 2009. Exports increased between 2009 and 2011 from

R45 billion to R76 billion. The main importers of fishery exports from China were Japan, USA and Hong Kong.

3. CHINA'S ENGAGEMENT WITH AFRICA

China's engagement with Africa was formalized in October 2000 with the establishment of China-Africa Cooperation Forum (FOCAC). In the first ministerial meeting, in October 2000, Chinese and African ministers agreed to form a new political and economic order and to strengthen trade between China and the African countries. China, through FOCAC, has become one of Africa's most significant strategic partners since 2006 and has committed to increasing support through the new FOCAC Action Plan (2010-2012).

Included in the FOCAC, there is a cooperation component in economic and social development[6]. China reduced and exempted a total of US$ 1 268 billion debt owed by 31 African countries. China also set up trade promotion centres in 11 African countries. As a result, trade between China and Africa increased. In 2003 Africa's exports to China totaled US$ 4.11 billion and imports valued at US $4.48 billion. In 2006, Africa's exports to China had risen to US$ 28.8 billion and imports were US$ 26.7 billion. The balance of total trade is in favour of Africa. However, the quality of trade is such that the bulk of exports are petroleum, iron ore and coal while the bulk of imports from China are clothing and footwear, cars and various manufactured consumables. In addition, some African countries such as South Africa have increased their investments in China mainly in the service sector.

4. SA's DIPLOMATIC AND ECONOMIC ENGAGEMENTS WITH CHINA

South Africa-China relations centre on bilateral economic development cooperation as well as two-way investments in the form of joint ventures/partnerships. This is in the spirit of South-South cooperation.

[6] There is debate that China's primary interest in Africa is to access Africa's resources to sustain their rapidly growing economy. China is thus involved in resource development and infrastructure projects in a number of African countries such Angola, Democratic Republic of Congo, Zimbabwe, Darfur, Togo, Algeria to name but a few.

Diplomatic relations between South Africa and China were established in 1998 after South Africa acceded to the One-China Policy[7]. The Pretoria Declaration signed by the Republic of South Africa and People's Republic of China in April 2000 defined a political and economic framework for the development of relations and provided for the establishment of a Bi-National Commission as an instrument to strengthen political and economic relations in an integrated manner. The Bi-National Commission (BNC) between RSA and China was inaugurated in December 2001 to further enhance this friendship and to promote cooperation between the two countries. Although economic relations between China and South Africa had started in the early 1990's, the current China –South Africa relations flow from the China-Africa Cooperation Forum (FOCAC) of 2000. In the wake of the delays in the Doha round of multilateral trade negotiations in July 2008, South Africa has resolved to strengthen its economic engagement with China on a bilateral basis as well as within the group of BRICS countries.

The value of trade between South Africa and China has increased rapidly over the past five years (at an average growth of 29% per annum), while prior to that, trade had increased at an average annual growth rate of 8% for decade. South Africa is China's largest trading partner in Africa, making up to 20% of trade with Africa. South Africa is considered as a gateway for Chinese products to pass through to the countries further north. China has invested in 98 projects in the fields of agriculture, textiles, electronics, mining, transportation and communication in South Africa. South African enterprises invested in 206 enterprises in China.

4.1 Trade-enhancing Agreements between South Africa and China

To place the existing Bi-National Commission on a more sustainable footing with respect to trade and investment cooperation, the Ex-Heads of States, President Mbeki and Hu Jintao, in their meeting of February 2007 proposed the formation of the South Africa-China partnership for growth and development. At the 2007 cabinet

[7] The One China Policy is the principle that there is one China namely the Peoples Republic of China (PRC), which consists of mainland China, Hong Kong, Macau and Taiwan. The PRC, which governs mainland China, Hong Kong and Macau, requires that all countries seeking diplomatic relations with it acknowledge its version of the policy and refrain from relations with Taiwan as a sovereign nation. RSA also granted market economy status to China.

Lekgotla, the International Relations, Peace and Security (IRPS) Cluster proposed strengthening economic diplomacy with emerging markets, and China was identified as a priority for engagement. This effort resulted in the signing of the Beijing Declaration on the Establishment of a Comprehensive Strategic Partnership (CSP) by the Heads of States in August 2010. From the South African point of view, the CSP would create a structured and predictable economic arrangement with China within the parameters of the SA-PRC bi-national commission, involving DIRCO, DTI and the DAFF.

The CSP is expected to shift the pattern of trade to a more sustainable path by increasing South African exports of value-added products to China, with a particular focus on exports of manufactured goods and processed agricultural, fishery and forestry products. The CSP would also provide for investment and business joint ventures between South Africa and China. It includes the possibility of the memoranda of understanding (MoU) on agriculture, forestry and fisheries' cooperation and capacity building, customs cooperation, sanitary and phytosanitary (SPS) measures etc. There is an existing SPS agreement with China, under which the following achievements were realized, namely, access for citrus, lifting of foot and mouth disease embargo, market access for hides and skins, and access for wool, tobacco, table grapes, cooked ostrich meat and cooked pork.

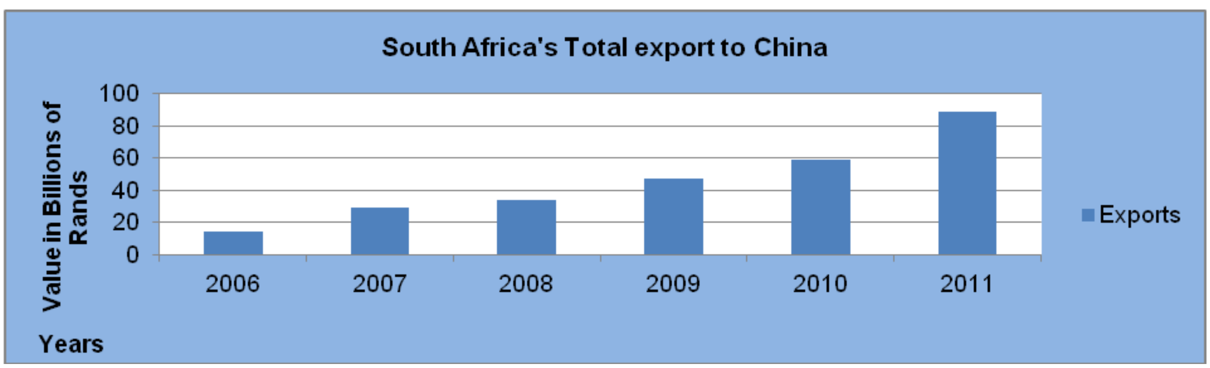
During the initial discussions on economic development in 2007, the parties expressed their willingness to continue with the expansion of bilateral economic and trade cooperation under the principles of equal cooperation and mutual benefit. With this intention, the Joint Economic and Trade Committee (JETC) is established under the BNC. Through this Committee, South Africa seeks to achieve improved market access into the growing Chinese market.

South Africa joined the BRIC group of countries in April 2011 to become the fifth member of the exclusive emerging market group, comprising of Brazil, Russia, India, China and South Africa. Being a member of the BRICS is seen as allowing South

Africa to gain better access to the BRIC market, which comprises more than 40% of the world's population.

4.2 Total Trade between South Africa and China

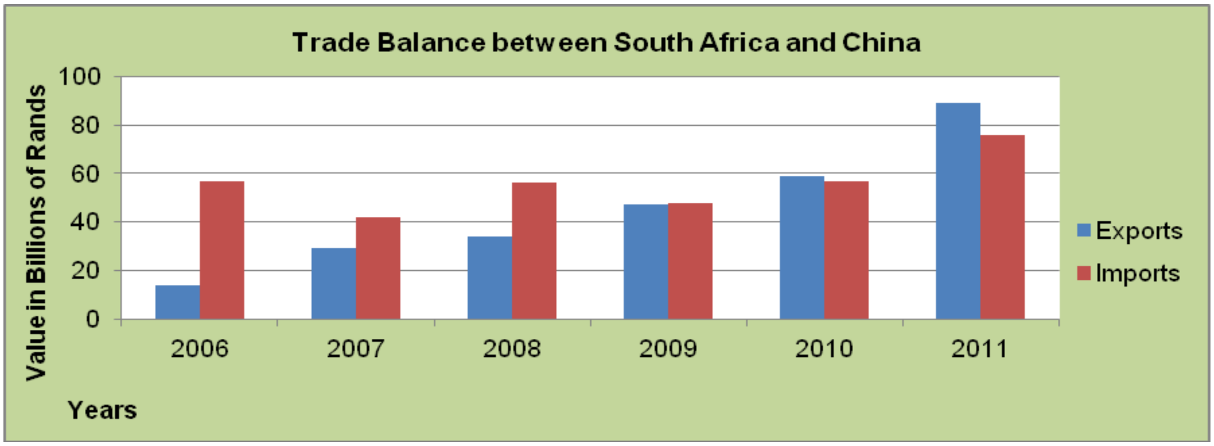
South African imports and exports registered double-digit growth in 2010 and China has been an increasingly important trading partner of South Africa. The share of China in South Africa's imports has increased significantly, reflecting the increasing attractiveness of Chinese products in the country. China has become an increasingly significant trading partner for South Africa. In 2011, South Africa's total exports to China amounted to R89, billion making up to 13.4% of SA exports to the world. China ranked the first biggest market in the world for South Africa's exports followed by USA, Japan, and Germany. Meanwhile, imports from China stood at R102 billion, making China the major importer to South Africa. These constituted 14.2 % of the total SA imports from the world.



Source: Global Trade Atlas

Figure 7

Figure 7 reflects an increase in the volume of trade and the trend of the South African exports to China. South Africa's total exports to China had an annual growth of 53% between 2006 and 2011. This reflects the increasing intensity of the South Africa-China trade relations over a relatively short period of time. Wool (uncarded) is the only agricultural product among the top ten exports of South Africa, the rest are the products of mining sector. No item of agriculture, forestry and fisheries appears in the top ten SA imports from China. The top imports are all products of the manufacturing sector.



Source: World Trade Atlas

Figure 8

Figure 8 shows trade balance between South Africa and China and highlights the stark imbalance in favour of China. The balance of trade in all goods between South Africa and China is negative, largely due to China's high level of competitiveness and strong marketing ability. The combination of import tariffs and non-tariff barriers of China is seen also as a contributing factor to the trade imbalance between the two countries.

4.3. Agricultural, Forestry and Fisheries Trade[8] between SA and China

There is an upward trend in the agric, forest & fish trade between South Africa and China. South Africa's agricultural; forest and fisheries exports to China grew from R661 million in 2008 to R2.064 billion in 2009. There was a slight increase between 2009 and 2010.

Table 1: South Africa's top Agricultural, forest and fisheries exports products to China

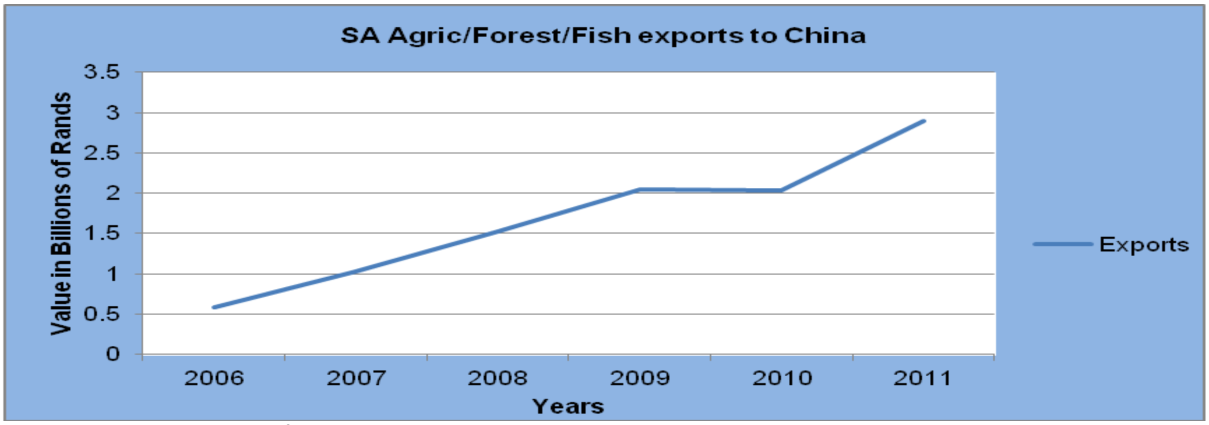
		Billion Rands	Billion Rands	% Share in total Exports to China
HS	**Description**	**2010**	**2011**	**2011**
	Total Agri/Fish/Forest Products	**2,039.907**	**2,901.317**	**100**
510111	Wool, Not Carded Or Combed,	467	832	28.7
470200	Chemical Woodpulp	500	778	26.9

[8] Agricultural trade refers to trade in agricultural products as defined by the WTO.

470329	Chemical Woodpulp, Soda	191	464	16
220421	Wine Of Fresh Grapes	68	145	5.01
230120	Flours, Meals& Pellets Of Fish	280	132	4.56
030622	Lobsters Live, Fresh, Chilled,	67	116	4.02
410210	Sheep Or Lamb Skins	90	79	2.73
080510	Oranges, Fresh	31	63	2.19
410150	Whole Hides And Skins	48	62	2.15
520100	Cotton, Not Carded	22	43	1.5
480419	Kraftliner, Uncoated,	21	23	0.81
110220	Corn (Maize) Flour	2	19	0.67
410221	Sheep Or Lamb Skins	12	19	0.66
510121	Wool, Not Carded Or Combed,	10	15	0.52
200870	Peaches, Prepared	13	15	0.52
080260	Macadamia Nuts, Fresh/dried	4	7	0.26
150890	Peanut (Ground-Nut) Oil	7	6	0.22
080540	Grapefruit, Fresh Or Dried	1	5	0.2
240120	Tobacco, Partly Or Wholly	43	5	0.19
220429	Wine Of Fresh Grapes	9	5	0.18

Source: World Trade Atlas

Fifteen of the top 20 agricultural products exported to China are in the condition of minimum or no value addition. They are raw material for the Chinese processing and manufacturing sectors. These products are imported into China at zero or a nominal import duty. China applies 20% duty on wine, 30% on sugar and 10% on canned fruits, three strong export products of South Africa used as examples. The concentration of SA exports in the top three items is 71.6% of total, compared to 28.4% in the case of China's agricultural exports to South Africa. All imports to China are subject to permits and often quotas and other regulations. The fact that exports to China have been growing, albeit from a low base, shows that the SA agricultural products have established a niche in that market. Should the Government decide to support exports through diplomacy and trade assistance, SA exporters are in a position to expand the existing trade and to explore new opportunities particularly for value added products.



Source: World Trade Atlas[9]

Figure 9

Figure 9 above further elaborates that agricultural, forestry and fisheries trade between South Africa and China is increasing. There was an increase in exports of Agric/Forest/Fish products between 2010 and 2011

Table 2 below reflects South Africa's agricultural, forest and fisheries products imported from China.

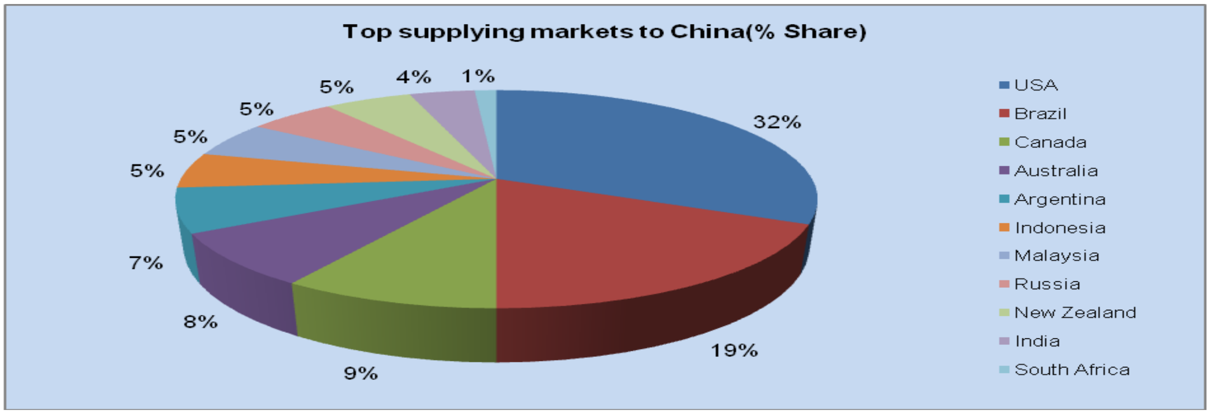
Table 2: South Africa's top agricultural, forest and fisheries imported products

HS	Description	Million Rands 2010	Million Rands 2011	%Share in total imports from China 2011
	Agric/forest/Fish Products	**2,898.159**	**3,258.666**	**100**
071333	Kidney Beans, Including White Pea Beans	402	406	12.48
050400	Animal Guts, Bladders And	315	360	11.05
200979	Apple Juice, Not Fortified	220	281	8.63
350400	Peptones And Derivatives; Other Proteins	174	147	4.54
490199	Printed Books, Brochures, Leaflets	95	124	3.82
481840	Sanitary Napkins And Tampons, Diapers,	101	119	3.67
442190	Articles Of Wood	84	87	2.69
481029	Paper And Paperboard For Writing, Printing	108	80	2.46
230990	Animal Feed Preparations (Mixed Feeds)	32	76	2.36
441299	Plywood, Veneered Panels	56	71	2.19
030749	Cuttle Fish And Squid, Frozen, Dried, Salted	35	63	1.96
200290	Tomatoes, Other Than Whole Or In Pieces	57	62	1.92
071290	Vegetables, Dried And Vegetable Mixtures	58	60	1.86
482010	Registers, Account Books, Notebooks	46	59	1.83
190230	Pasta, Prepared	44	54	1.66
170230	Glucose (Dextrose) And Glucose Syrup	57	51	1.59

[9] World trade atlas database only reflected Agric/Forest/Fish products combined from 2008.

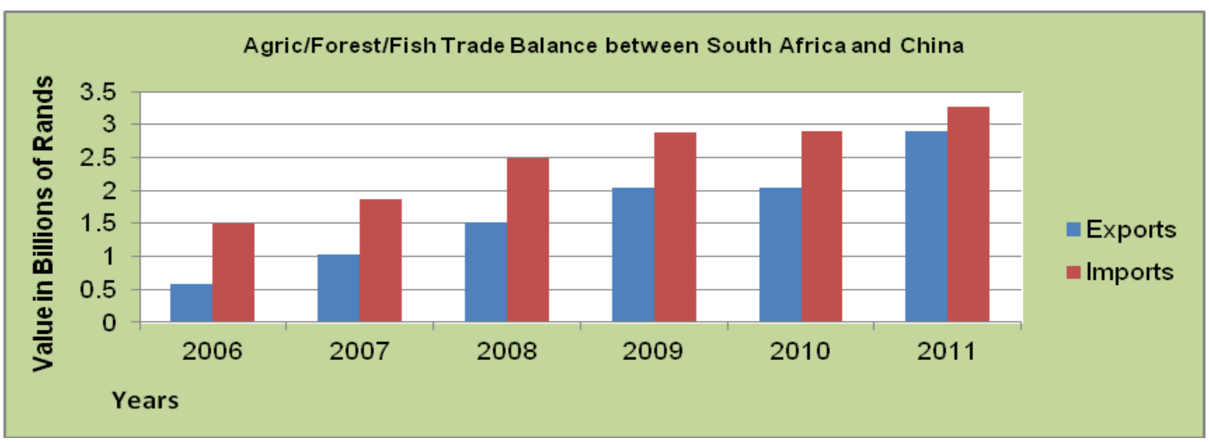
210690	Food Preparations	34	42	1.3
240120	Tobacco, Partly Or Wholly	36	38	1.19
481940	Sacks And Bags, Including Cones Paper,	26	34	1.05
170490	Sugar Confectionary (Including White Chocolate)	23	33	1.02

Source: World Trade Atlas



Source: World Trade Atlas Figure 10

Figure 10 above illustrates the list of top supplying countries of agricultural, forest and fisheries products and percentage shares in the Chinese markets. These countries are South Africa's competitors in the Chinese markets. Out of 206 countries supplying to the Chinese market, South Africa ranked 30th in 2011. The leading suppliers of agricultural products are the USA, Brazil, Canada, and Argentina. This signifies not only the size of the Chinese market, but also South Africa's competitiveness in that market.



Source: Global Trade Atlas Figure 11

Figure 11 above shows South Africa's agricultural, forest and fisheries imports from and exports to China from 2006 to 2011. Both imports and exports have increased between 2006 and 2011. There was a slight decrease in imports between 2009 and 2010. There was a significant increase in exports between 2010/2011.The trade balance has always been in favor of China, although the gap is closing recently.

5. MEASURES DIRECTLY AFFECTING IMPORTS OF AGRICULTURAL PRODUCTS INTO CHINA

5.1 China's Tariff Protection[10]

Agricultural products (WTO definition) are, with the exception of some poultry parts (HS 02), subject to ad valorem applied tariffs. The average MFN tariff on agricultural products is at 21.89%[11]. Grain products continue to benefit from higher than average protection. Imports of agricultural products are subject to VAT while agricultural products produced and sold by small-scale farmers are exempt from VAT.

The tariff rate[12] remains one of China's main trade policy instruments. Access to the Chinese market is restricted by relatively high tariffs. Since there is no preferential trade agreement (e.g. FTA or PTA) currently with SACU, MFN tariff rates are applicable to trade between South Africa and China. China's applied tariff rates for agricultural products average at 21.89%, compared to the overall average of 12.10% (See Table 3).

Grain products, especially rice and wheat are China's most important crops. China applies a maximum tariff of 65% on grain products, 50% tariff on cane and beet sugar, 38% on wool, and 40% on cotton. China is the world's largest producer and importer of cotton. It maintains tariff rate quotas (TRQs) on cereals, sugar, minerals, chemical fertilizers, wool and cotton. Despite liberalisation, direct management of commodity supplies and state control on trade remain the instruments of Chinese trade policy making, principally to maintain stability of supply and prices.

[10] This section draws from the Trade Policy Review Report of the WTO Secretariat released in April 2008.
[11] Source: Drawn from Market access database.
[12] The tariff revenue accounted for 3.3% of total tax revenue in 2006.

Table 3: Tariff Comparison between China and South Africa[13]

	China	**South Africa**
Average applied rates for agricultural products	**21.89%**	**9.86%**
Average applied rates for industrial products	11.88%	4.95%
Average applied rates for all products	12.54%	5.40%
Average applied rates for wood & articles of wood	6.27%	7.79%
Average applied rates for wood pulp, paper and paperboard	5.34%	4.43%

Source: Market Access Map

5.2 Non-tariff Barriers Affecting Agricultural Products

These measures involve specific non-tariff barriers on agricultural exports to China. They include application of tariff rate quotas; state trading, import licensing and import prohibitions, sanitary and phytosanitary measures (SPS), standards, testing, certification and labeling, and taxes (value added tax).

Table 4 below presents a summary of the non-tariff barriers that hamper free trade and access to the Chinese market.

Table 4[14] **Non-tariff barriers**

Measures	**Examples of Barriers for Agricultural Products**
Import Licensing & Import Prohibitions	Livestock, Meat, Grains, Vegetable oils, Soybean oil, Poultry
Tariff Rate Quotas	Wool, Sugar, Wheat, Maize, Rice, Cotton,

[13] This is the WTO tariff structure for SACU and PR China as of 2006 according to the Market Access Map. The Applied rates are the MFN tariff rates. In terms of the China's Trade Policy Review dated 16 April 2008, the average MFN tariff rate is 15.3% for agricultural products and 8.8% for non-agricultural products after completion of tariff reductions under its WTO commitments. The tariff comparisons on these table does not include Fisheries products.

[14] Source: Donnelly and Manifold (2005) and the China's Trade Policy Review (2008). Non Tariff Barriers refer to any measure that impedes international trade, other than tariffs.

	Fertilizers (complex procedures for utilizing the TRQs)
Sanitary and Phytosanitary Measures[15]	SPS protocols are required to export Fruits (Apples, Grapes, Peaches, Pears, Barley), Grains and Nuts (Barley, Wheat), Meat, Vegetables (Avocados, Potatoes)
Standards, Testing, Certification and Labeling	Processed Biotechnology products; Grains & Nuts (Corn); Vegetables (Soybeans)
State Trading	Cotton, Grains & nuts; Vegetable oil, Chemical Fertilizers, Sugar, Tobacco
Taxes (13% VAT)	All imported products

Tariff Rate Quotas (TRQs)

Tariff rate quotas are a WTO-sanctioned measure that impedes trade through a tariff that varies with levels of quantities, but offers preferential trade for volumes within the specified quota. This is especially applied for agricultural products and it acts as a non-tariff barrier (NTB), where the import tariff moves to a much higher level once a specified quota threshold is breached. Imports under TRQs, with the exception of sugar and cotton, remain low and quotas are generally unfilled.

TRQs are administered, mainly by state-trading enterprises (STEs), in six categories of agricultural products. In 2007 TRQs were applied to grains (maize, rice, wheat), sugar, wool, cotton and some fertilizers, covering 45 tariff lines at eight digit level (down from 55 lines in 2005). These are the products in which South Africa may have interest in exporting to China. South Africa benefited from the TRQ for wool and wool tops until 2007. The lack of transparency in allocation of quotas and complicated regulations, at the time, excluded South Africa from the Chinese market

[15] South Africa and China have signed three Phytosanitary protocols on citrus, table grapes and tobacco leaves in June 2006 and February 2007.

and cost the industry around 40% of its export market. TRQs remain severe barriers to entry especially for cereals, wool and sugar.

State Trading Enterprises [16](STE)

Government still has influence on imports (and exports) through the state trading system, which remains in place to ensure consistent supply and prices of specific primary products and staple foods, i.e. corn, rice, wheat, sugar, tobacco leaf and cotton. Chemical fertiliser is also subject to state trading. Imports of tobacco remain under state monopoly.

China National Cereals, Oils and Foodstuffs Import and Export Corporation (COFCO) is the main state trading enterprise and serves principally as an agent for state-owned enterprises (SOEs) in the domestic market.

The STEs obtain commodities at world prices and influence the domestic Chinese import market; they can have a monopoly position over prices at which products are resold in the domestic market[17]. On the world market, STEs also exert bargaining power in purchasing commodities because of the size of their orders. The double monopolistic action of the STEs pose restrictions on imports reduces the import demand, and exerting pressure on the global market. However, with increasing trade liberalization and China's accession to the WTO, China is reviewing the role of the STEs and extending rights to non-government entities to become trade operators. Nevertheless, STEs still dominate the agro-food trade.

Import Licensing and import restrictions

Agricultural imports are subject to licenses and import prohibitions. The importation of agricultural products is especially costly as the application period of the import license of such products can take between two weeks and three months. However,

[16] These are the state-owned enterprises that handle the state trading in China. Data provided by the authorities indicate that in 2007, state trading enterprises had the right to import 90% of the wheat quota, 60% of corn, 50% of rice, 70% of sugar and 33% of cotton.

[17] STEs have the monopoly to resell imported agricultural products at higher than the world prices. Their mark-up is often determined by the price elasticity of demand of local consumers.

there is the alternative option of utilizing the services of a foreign trade operator/agent, to facilitate the customs and quarantine processes. This however is done at an additional cost.

Automatic licensing is also applied for monitoring purposes and covers some meat products, edible oils, and tobacco products (33 tariff lines at eight-digit level).

Sanitary and Phytosanitary Measures (SPS)

As part of the WTO SPS agreement China sets technical standards (inspection, quarantine, etc.) on imported agricultural products. China requires product-specific protocol with each trading partner. Although SPS protocols should not be trade-restricting, they can act as NTBs when, SPS measures are applied where there is no scientific justification, or products do not meet certain unspecified conditions.

All agricultural and fishery imports in China are subject to Sanitary and Phyto-sanitary measures. With a number of laws governing SPS measures, implementation of these measures require numerous complex procedures. China's current SPS legislation include: the Law on the Entry and Exit of Animals and Plant Quarantine, the Food Hygiene Law, the Law on Animal Decease Prevention, the Law on Import and Export Commodity Inspection, the Law on Frontier Health and Quarantine, as well as the accompanying implementing regulations and rules. The recent introduction of the new Food Hygiene Law[18], on imported foodstuffs is another impediment to market access for food.

MOFCOM is in charge of submitting notifications regarding the SPS measures to the WTO, and General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) is the enquiry point that administers the Sanitary and Phyto-Sanitary measures in China.

[18] Food and Hygiene Law is a new law that sets further standard to restrict the entry of sub-standard products into China.

Value Added Tax (VAT)

The imports of agricultural products are subject to Value Added Tax (VAT) in China. The normal VAT rate is 17%, but the rate levied on agricultural products is 13%. In addition, importers of certain selected products (including tobacco and liquor) must pay consumption tax. The consumption tax varies from 5 to 40 %. Value Added Tax is the government's major source of tax revenue, while the consumption tax is the second largest contributor to the government revenue. There is a similarity in this regard between South Africa and China.

Agricultural products produced and sold directly by small-scale farmers in China are exempt from VAT. However, the bulk of agricultural production comes from small-scale farming. Rather than neutral and equitable, VAT has acted as a non-tariff barrier for Chinese agricultural imports, as its application to domestic producers is not similar to that of imported goods, with administrative complexity clouding the process. Domestically, smaller taxpayers or wholesalers are awarded different VAT rates for their produce. Generally, VAT can range between 13 and 17%, with rates augmenting as product refinement increases[19]. Smaller enterprises can be levied as little as 4-6% on total sales volumes. As a result, the way VAT is calculated and levied differs, with a protective bias on domestic producers[20].

6. OTHER COSTS AND CONSTRAINTS OF DOING BUSINESS IN CHINA

- Due to distance, South Africa faces high logistical costs, i.e. shipping and cold chain management in exporting to China, relative to competitors like Australia and New Zealand.

- The process and period of SPS accreditation is long. For example, grape producers had to wait three years to be accredited for export into China.
- Although some exporters have found their own distribution channels, new distribution channels in Chinese market are generally difficult to find. There is a lack of local intermediaries in China essential to exporters. Furthermore, there is a lack of

[19] Value added products are taxed more than the primary products.
[20] OECD, 2005: p116 – Box 24 explains how VAT assessment on imported agricultural goods differs from domestic produce.

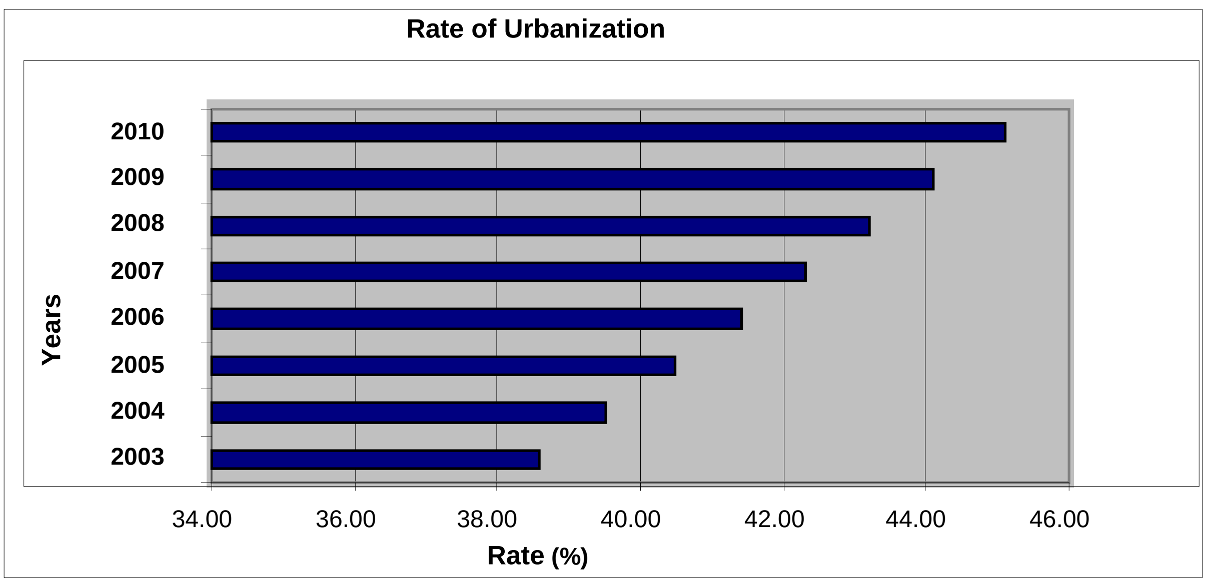
understanding of the Chinese market, cultural differences and difficulty in finding credit-worthy customers; these pose a major challenge for the South African exporters trying to penetrate that market. This is where the expertise of the established SA companies and the assistance from the trade and agriculture representatives in China are critical for the South African exporters to succeed.

- There are experienced competitors for South Africa in the Chinese market. These countries have had long history of presence in that market and either have or are currently negotiating FTAs with China such as Argentina, Chile, United States, Egypt, Morocco, New Zealand and Australia.

7. EXPORT POTENTIAL FOR RSA'S AGRICULTURAL PRODUCTS

7.1 Market Conditions

China has a population of over 1.3 billion[21], 20% of the world's total population. By the late 2011, that population is expected to reach 1.4 billion, and around 2030, it is anticipated to peak and then slowly start dropping.



Source: Economist Intelligence Unit Figure 12

The size and growth of the Chinese urban population presents a potentially significant export market for the South African food, fish and agricultural products.

[21] This may be an underestimation, underreporting of births has become common, since a strict one-child family policy was introduced in 1980.

While the volume of exports will not be large enough to make an alarming impact on the Chinese production and prices, it will stimulate the South African agricultural sector to increase production and diversify its markets.

China's continued economic growth is driving a surge in demand for a variety of imported food and agricultural products. The high rate of urbanization and urban development in China (as reflected in Figure 7 above) is driven by a relatively high urban employment. This has resulted in rising incomes and changing demand and spending patterns. Even though grain continues to be China's most significant crop, there has been a shift in production from the traditional staples (such as rice and wheat) to corn and soya (for feed) and other profitable crops. Rising incomes have stimulated the demand for dairy products, fruits and vegetables, meat and poultry, fish and other seafood, coffee, tea and spices, breakfast cereals, sugar-containing drinks, snacks and other fast food. This changing pattern of spending presents a lucrative opportunity for South African agricultural producers, as is partly reflected in Table 1 (top agricultural exports to China).

China's economic development and industrialization are not balanced among all sectors of the economy. Development is dominated by export-oriented manufacturing and mining investments. Therefore, contribution of agriculture to the economy has declined steadily. It fell from 13.4% in 2005 to 11.7% of the GDP in 2007 and to 9.6%in 2010. Furthermore, agriculture in China is grappling with other challenges[22] such as decreasing cropland, land degradation, comparatively low labour productivity, lack of mechanization, and labour mobility towards manufacturing and services. All these challenges erode the capacity of the sector to meet the increasing domestic demand for agricultural products, to the extent that China is currently a net importer of food and agricultural raw materials.

[22] Environmental challenges present a problem for China's agriculture and the World Bank is involved in assisting China to deal with these challenges.

7.2 Trade Opportunities in Specific Products

More than one hundred export products of South Africa were considered for the study of possible trade with China (see Annex 1). Two categories of products with export potential have been identified. **Category 1** includes the products that are exported to China but not in significant quantities, and **Category 2** lists the products that are exported competitively to the world but have not been introduced to the Chinese market. Among the Category 2 products are those that can be tailored to the Chinese taste and acceptance. In the absence of a market access arrangement, specific targeted efforts have to be made to expand or create the market for these products. The efforts could be in the form of:

1. Assisting the producers in marketing (trade fairs, networking among distributors, and organizing the producers for economies of scale and better bargaining power);
2. Generic "SA products" advertisement and brand marketing; and
3. Trade diplomacy with the view to obtain a share of TRQs or renewable contracts of supply.

Products that fall in the **Category 1** are: live plants, nuts, citrus fruits, canned fruits, sugar and sugar confectionary, sauces, food preparations containing flour, starches, glucose, wine, grapes and raisins, fishmeal, hides and skins, wool and animal hair, vegetable seeds, and feathers. China imports these products worldwide, and South Africa is capable of supplying larger quantities than the current exports. These products have proved to be acceptable in China and are competitive despite the applied import duties.

The **Category 2** products are: Poultry cuts (boneless – frozen), poultry meat (prepared or preserved), pork (heat-treated or preserved), tomato juice, mixture of fruit and vegetable juices, chocolate, cigarettes, essential oils, vegetable mixture (preserved), bulbs and roots of plants, and vegetable saps.

The Department of Agriculture has the policy of empowering the new farmers to participate in exports. The relevant directorates in the Department that may be roped in for assistance in setting up new farmers for producing these products are spread among all five line function programs. The agricultural representative in China needs to be strengthened with more resources to concentrate only on China rather than spreading his/her efforts in the whole of South East Asia.

8. RECOMMENDATIONS FOR STRATEGIC ENGAGEMENT WITH CHINA

South Africa and China have established and maintained close diplomatic and trade relationships. This has set the stage for agricultural trade between the two countries. South Africa's advanced trade relations with China could be enhanced by bringing to fruition the Beijing Declaration of 2010. The Comprehensive Strategic Partnership intends to promote investment in agriculture, forestry and fisheries, market access, infrastructure development, transfer of technology and capacity building.

South Africa should promote and increase trade of those products that are already being exported to China. Therefore, engagement with the Chinese government could help improve market access for these products. For example, this could include the increased allocation of tariff rate quotas for products such as wool, grains, sugar, cotton and some fertilizers. Some of these products are subjected to State trading.

The strong presence of Chinese manufactured products in SACU is seen as a cause of the decline of the South African manufacturing sector. COSATU and Business Unity South Africa (BUSA) have expressed their concern over the prospects of a bilateral trade agreement with China. They see that as a threat to SA manufacturing jobs. However, this position can be debated based on the current trend of substituting Chinese consumer and industrial products for domestic equivalents, even without a FTA. South African import duties are generally low and do not prevent the flow of low-priced Chinese products into SA market.

The reduction of Non Tariff Barriers (NTBs) [23]has been shown to be a significant factor in opening the market to imports. This is visible in transactions of the countries that have concluded FTA[24] with China. The Least Developed Countries (LDCs) also present strong competition for South Africa's agricultural, forestry and fishery products through their duty-free, quota free market access into the Chinese market.

Promoting the policies of poverty alleviation and rural development through agriculture in the context of cooperation under the CSP should be used as the starting point. Once the areas of cooperation are established, easier flow of agricultural products to China can be discussed. Therefore, increased country-to-country discussions can assist South Africa to negotiate stringent market access barriers. This strategic engagement with China should include departmental representative in Beijing, participation in trade missions and trade shows.

The departmental representative in China has been assisting in the SPS negotiations for a number of agricultural products (six protocols have been signed so far). These efforts may be extended to more products of interest to SA and adding market research to the activities by strengthening the capacity of that office.

9. CONCLUSION

With one-fifth of the world's population and one of the world's fastest growing economies, China has the potential to become the world's largest consumer market for food and agricultural products.

This study has explored the Chinese agricultural, forestry and fisheries' market in an attempt to identify potential benefits and opportunities for the South African producers and exporters. In the main, it has scanned the Chinese agricultural trade environment as well as trade in forest and fish products. The study reveals that Chinese agricultural market is a protected market, sheltered by non-tariff barriers, high import duties, and competition from countries that have concluded FTA with

[23] As reflected in Table 4 above.
[24] Countries that have concluded FTAs with China include Chile, Pakistan, Australia and New Zealand.

China. The study further reveals that South Africa might lose out if concerted efforts are not made to unlock these blockages in the booming Chinese market. The study also reveals that there are a number of non-tariff barriers to trade that need to be understood and dealt with to gain better access to the Chinese market.

In the absence of a forum for trade negotiation with China, the recommendation takes two approaches:

a. As has been the case with the signing of SPS protocols for certain specific products, SA should seek a similar platform to address other market access issues with China to improve the current situation of imbalanced trade.

b. The Department is in the position to assist the agriculture industry particularly the producers of products with potential in the Chinese market to access that market. The assistance may be in the form of market research, brand advertising, participation in the trade fairs, and arranging visits for exposure/learning.

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11. USEFUL WEBSITES

www.tralac.org

www.oecd.org

www.worldbank.org

www.portal.euromonitor.com

www.ccs.org.za

Annexure 1

The Trade Potential Index (TPI)

Product code	Product label	South Africa's exports to China	China's imports from the world	South Africa's exports to the world	Final TPI Score
		USD$'000	**USD$'000**	**USD$'000**	
	Agricultural products				
'220421	Grape wines	9 432	655 206	549 316	4
'230120	Flour, meal & pellet of fish	38 393	1 668 554	71 906	4
'080510	Oranges, fresh or dried	4 272	76 742	600 008	4
'200870	Peaches prep, preserved whether or not sugared, sweetened or spirited	1 827	7 285	76 707	4
'080260	Macadamia nuts, fresh or dried, whether or not shelled or peeled	626	17 147	69 312	4
'150890	Ground-nut oil and its fractions refined but not chemically modified	1 072	119	1 113	4
'240120	Tobacco, unmanufactured, partly or wholly stemmed or stripped	6 014	693 142	54 126	4
'220429	Grape wines unfermented by adding alcohol,	1 292	113 912	202 637	4
'090240	Black tea (fermented) & partly fermented tea in packages exceed 3	978	26 097	12 028	4
'060290	Plants live	263	29 259	6 909	4
'121220	Seaweeds and other algae, fresh or dried whether or not ground	183	151 099	1 382	4
'050590	Feathers & down, disinfected preserved, feathered & waste	271	6 386	8 017	4
'100590	Maize (corn)	0	362 264	265 992	4
'010619	Live mammals (excl. primates, whales, dolphins and porpoises "mammals	5	7 293	2 706	4
'121299	Vegetable products used primarily for human consumption	72	37 057	20 615	4
'210390	Sauces and preparations and mixed condiments and mixed seasonings	162	84 511	49 365	4
'200969	Grape juice, including grape unfermented	119	29 273	21 312	4
'120991	Seeds, vegetable, for sowing	193	106 285	17 657	4
'200990	Mixtures of juices unfermented t	36	8 224	39 424	4
'051199	Animal products, dead animals of Chapter I unfit for human consumption	0	5 933	2 211	4
'121291	Sugar beet, fresh or dried	0	5	1	4
'060319	Fresh cut flowers and buds	52	318	17 79	4

'220430	Grape unfermented, other than that of heading No 20.09	0	89	95	4
'080550	Fresh or dried lemons "Citrus limon, Citrus limonum" and limes "Citrus	15	9 928	109 571	4
'121190	Plants &pts of plants(incl seed &fruit) used in pharm,perf,insect etc	27	54 779	6 832	4
'200971	Apple juice, unfermented,	47	0 569	7 251	4
'081340	Fruits, dried	21	73 057	7 134	4
'190420	Prepared foods of unroasted cereal flakes, mixtures	2	9 666	3 696	4
'210690	Food preparations	12	476 152	110 299	4
'220820	Spirits obtained by distilling grape wine or grape marc	413	534 93	7 747	4
'120999	Seeds, fruit and spores for sowing,	138	18 163	6 093	4
'230240	Cereal bran, sharps and other residues pelleted or not	1	188	29	4
'060410	Mosses and lichens suitable for bouquets or for ornamental purposes	1	0	927	4
'060210	Cuttings and slips, unrooted	2	0	6 464	4
	Forestry products				
'470200	Chemical wood pulp, dissolving grades	76 047	1 355 307	597 677	4
'470329	Chemical wood pulp, soda/ sulphate, non-coniferous	16 685	3 109 874	147 458	4
'480419	Paper, Kraftliner, in rolls, unbleached, uncoated	1 625	15 923	165 69	4
'480449	Paper, kraft, rolls or sheets, >150g/m2, <225 g/m2, uncoated,	683	3 668	82	4
'482110	Paper labels of all kinds, printed	74	277 625	10 627	4
'440690	Ties, railway/tramway, wood	2	376	184	4
'482040	Manifold business forms and interleaved carbon sets, of paper	1	966	1 606	4
	Fishery Products				
'030621	Rock lobster & other sea crawfish not frozen, in shell/not,incl boiled in shell	13 491	62 364	34 391	4
'030379	Fish, frozen, excluding heading No 03.04, livers and roes	881	1496 158	40 276	4
'030791	Molluscs, shelled/not, and aquatic invertebrates ,live, frozen/chilled	115	66 428	15 657	4
'030371	Sardines, sardinella, brislg or sprats, frozen	0	12 321	16 089	4
'030710	Oysters, shelled or not, live, fresh,	0	5 082	2 083	4
'030799	Molluscs ,shelled or not & aquatic	0	21 588	17 473	4

Annex 2[25]

Trade Potential Index (TPI) [26]

The Trade Potential Index uses a scoring system based on data obtained from the Trade Map database. This allows the analysis to focus on trade potential whilst taking cognizance of import demand, import trends, growth rates and unit values rather than focusing solely on trade potential values. A score of either 1 or 0 is assigned to four of the trade indicators contained in the database. This score is then aggregated to give a total score, which is measured against a final score of 4. A score of 0 would therefore represent the lowest end of the scale and the least trade potential whilst a score of 4 would indicate the greatest trade potential.

The criteria for scoring are as follows:

• The value of imports from a country: If current trade in the form of imports does exist, a score of 1 is allocated. The absence of trade is allocated a score of 0. The existence of a trade relationship is deemed a significant factor in furthering trade.
• Growth in import demand: If imports from the partner country have registered positive growth measured over the six year period from 2006 to 2011, a score of 1 is allocated. No growth or negative growth rates are awarded a score of 0. In the absence of trade or import data between countries, import growth from the rest of the world is used as an indication of general import demand, with positive growth allocated a score of 1 and no or negative growth a score of 0. The inclusion of this value in the table is also intended to indicate general import demand for the product as well as providing a basis for comparing demand for specific country products relative to demand for the same product from global sources.
• The value of exports from a country: if current trade in the form of exports does exist, a score of 1 is allocated. The absence of trade is allocated a score of 0.
• Export growth: Growth of exports from the exporting countries to the rest of the world is indicative of supply capacity, and increased demand for locally produced goods. A positive growth rate in the value of exports over a five year period from 2006 to 2011 is awarded a score of 1, whilst no or negative growth is awarded a score of 0.

25 As adapted. Trade Potential between South Africa and Nigeria. Directorate International Trade: Trade Research Desk, Department of Agriculture, Pretoria. 1 November 2005. Yusuf Daya, Editor: Ezra Steenkamp

26 Includes Forestry and Fisheries products

TPI Conclusion

South Africa has many agricultural products with trade potential with China. Products such as wheat flour, grape wines, tobacco and grape juice are amongst the agricultural products with greatest trade potential. SA is already exporting most of these products to China. South Africa has a trade potential in products such as maize (corn), animal products, sugar and unfermented grapes, which is not yet exporting to China on a regular basis, but it is exporting to the rest of the world. China is importing these products from the world. AS most of these products require special permits or arrangements (with State-trading agencies) for importation by China, trade diplomacy may be required to secure market access for these products.

South Africa's forestry products with highest trade potential are paper, paper kraft, ties and manifold business forms. All these products we are exporting to China already. Waste and scrap of paper, logs, paper filter and uncoated paper have trade potential and South Africa already is exporting these products to China but in small quantities. These exports can be expanded through increased investment in processing.

Fisheries products that have a high potential index are few. Products like rock lobster, fish and molluscs are the fishery products with highest trade potential. Some of these products are exported already to China and the rest of the world from South Africa. South Africa has trade potential for certain fish products that are not exported to China but are exported to the rest of the world. China is importing those products, e.g. rock lobster, and hake from the world but not from South Africa.