
AGOA - Review of South Africa's Eligibility to Receive General System of Preferences Benefits

Submission by the Fresh Produce Exporters' Forum (FPEF) of South Africa

Introduction

The FPEF represents about 93% of all fresh produce exports from South Africa. The fresh fruit export industry contributes \$3,3 bn to the South African economy, is responsible for 35% of all South African agricultural exports and employs one third of the agricultural work force in South Africa.

The FPEF is a voluntary, membership-based non-profit company which is also the official *Fresh Produce Export Council*, registered with the South African Department of Trade, Industry and Competition (dtic).

The FPEF members are export agents, producer (grower) exporters and relevant role-players involved in the export value chain (e.g. shipping lines, cold stores, packaging manufacturers, logistics companies and freight forwarders - to name a few). The FPEF is a member of Fruit South Africa – the umbrella body of the fresh fruit industry, comprising producer associations and the FPEF.

With regards to the USA, the FPEF CEO and Chairman, both serve on the South African Country Council of the PMA (Produce Marketing Association: www.pma.com) which is based in Newark. FPEF members participate annually in the PMA's *Fresh Summit Trade Show and Conference* in the USA as well as in the *Southern African Fresh Connections Trade Show and Conference*.

The overall objective and mandate of the FPEF is to ensure a sustainable, profitable, yet disciplined fresh produce export industry – and is thus very much involved with market access (retaining existing markets, gaining new markets and optimising current markets to which South African fresh produce is being exported). This submission should thus be seen in this context

Submission

This submission by the FPEF is in response to the review process of South Africa's eligibility for continued GSP (General Scheme of Preferences) benefits - as accepted by the US Trade Representative [USTR]. The objective is thus to register our objection to the IIPA Petition against South Africa's continued eligibility to receive GSP benefits.

Motivation for this objection:

- The objective AGOA is to expand U.S. trade and investment with sub-Saharan Africa, to stimulate economic growth, to encourage economic integration, and to facilitate sub-Saharan Africa's integration into the global economy. The core of AGOA are substantial trade preferences that, along with those under the [Generalized System of Preferences](#) (GSP), allow virtually all marketable goods produced in AGOA-eligible countries to enter the U.S. market duty-free.
- It's focus is thus, inter alia, one the elimination of barriers to US investment and trade (including intellectual property protection), commitment to reducing poverty and protection of workers' rights.
- South Africa has worked hard toward these objectives in the years following the 1994 election of the first democratic government. A great deal has been achieved but we do realise that there remains work to be done.
- South Africa is still a key role player in the region and the export of its fresh fruit to the USA (and other markets) has generated great benefit to the fruit industry, its employees and a wide range of associated industries in South Africa. At the same time, it created opportunities for business and labour in the US downstream service providing and trade. This is what AGOA was intended to do.
- There is now legislation pending to which the IIPA takes exception. We cannot comment on the legitimacy of the complaint as we are not experts in the field. However, what we can comment upon is the fact that the legislation has not yet been signed by the SA President or enacted, so in our view, the petition is premature and is being used as a bargaining tool.
- IIPA is holding AGOA ransom for its dispute with the proposed legislation, a dispute that is right now theoretical.
- Rather than using the mechanism to remove RSA's AGOA eligibility, thus rendering its influence against the proposed legislation null and void, the IIPA should rather use its lobbying power to work with the appropriate bodies in RSA to strive for the changes to the legislation that would address IIPA's concerns.
- The more than 300 000 jobs provided by this industry are primarily in rural South Africa (where other job opportunities are very limited and thus workers are entirely dependent on the industry's continued viability). For the industry to remain sustainable, the retention all markets for its products is of crucial importance. The USA market, under AGOA, is one of such important markets.

Perspectives on trading between South Africa and the USA with regards to the export of fresh fruit by South Africa:

One important factor is the counter-seasonality – which means that South African exports to the US, is not a threat to the local (US) growers as the fruit in SA and the US are being produced at different times of the year. This counter-seasonality, in combination with duty free access for South African fruit, in fact, contribute to all-year round availability of fresh fruit for the US consumer.

South Africa exports the following fresh fruit types to the USA:

- **Apples**
- **Pears**
- **Table Grapes**
- Limited volumes of **citrus** because Citrus the US does not allow grant access for citrus from all production areas in South Africa.
- Subtropical fruit such as **litchis** and avocados.

In order to emphasize the importance of the US market for the South African fresh fruit export industry, more detailed information is provided about two examples, namely litchi's and avocado's:

- **Litchis**
 - South African Litchis have been exported to the USA since 2015. The volumes, however, have been small (± 30 t per annum), but are starting to grow. This is largely due to the requirement that fruit irradiation is the required quarantine treatment and is restrictive in terms of volume and cost. However, South Africa has made an application to the USDA to allow an in transit cold treatment as an alternative to irradiation, which will allow far larger volumes to be exported by sea freight. Currently, all exports are via air freight.
 - The USA is viewed by the South African litchi industry as one with great potential, which can be properly developed when larger export volumes via sea freight are possible. The litchi industry, although small compared to many other fruit industries, is an important provider of employment in poor rural areas providing jobs for an estimated 2,400 people (seasonal and permanent). Europe is currently the major export market, but growth is limited by competition from Madagascar. Development of the US market, therefore, is key to allow for growth in the industry which will positively impact employment and development of poor rural economies. Import tariffs will affect the profitability of litchi exports to the USA.

- **Avocados**

- The process of gaining access to the USA for South African **avocados** is at the advanced stages. Once access is gained, the USA will provide South Africa with an additional market. Currently, Europe is South Africa's major export market for avocados (>95%) of exports. The South African avocado industry is expanding rapidly with ±1,500 ha of new orchards being planted annually. This growth brings employment and economic development to poor rural communities. Without access to new markets such as the USA, this growth cannot be sustained. The South African avocado industry currently employs and estimated 11,000 people on farms, packhouses and processing facilities. Import tariffs will affect the profitability of avocado exports to the USA.

Should the AGOA benefits be lost, it will no doubt, harm a very crucial South African industry.

Thank you for considering this submission.

Yours sincerely,



Anton Kruger

CEO - Fresh Produce Exporters' Forum

Date: 16 January 2020