# South Africa and Chile:
# Agricultural Trade Relationships

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# South Africa and Chile: Agricultural Trade Relationships

*By*

*Bonani Nyhodo, Elvis Nakana, Heidi Phahlane and Louise Kotze*[1]

***Abstract***

*This article considers Chile and South Africa's agricultural policy evolutions in terms of trade. It also looks at Chile and South Africa's trade with the rest of the world, particularly with regards to agricultural trade. From an agricultural trade perspective, Chile's position as a direct competitor of South Africa for the EU and USA markets is clearly apparent, primarily due to their joint location in the southern hemisphere. Furthermore, the movement of agricultural products between these nations from a South African export perspective is discussed. This article explores the potential for South Africa to increase its exports to Chile by deepening existing trading and investigating the expansion of trade lines. Two policy observations can be identified from this study with a view to improving South Africa's current agricultural sector and increasing its exports trade to Chile. The first observation is the manner in which the agricultural budget is allocated (following Chile's successful budget allocation as a guide). The second observation is, should South Africa negotiate a Free Trade Agreement (FTA) with Chile, the opportunities for agricultural export expansion from the products listed in the annexe shown on the final page.*

## 1. Introduction

[1] The authors' respective occupations are Senior Researcher (NAMC), Senior Economist (DAFF), and economists (NAMC). The authors would like to acknowledge contributions made by Tralac, especially by Mr Taku Findura.

The evolution of Chilean agricultural policy since the mid-1960s is categorised into five eras (Ibanez, 2009). The most recent policy change came into effect in 1996 and is known as the internationalisation of agriculture and free trade agreements, international promotions and sanitary and phytosanitary negotiations. As such, the OECD (2008) describes Chile's agricultural policy as liberal. The Chilean government has actively adopted policies aimed at boosting agricultural competitiveness, and thereby assisting poorer and less competitive producers.

Similarly, the agricultural policy of South Africa, Africa's largest economy, has also evolved over time. It is important to note that South Africa's per capita Gross Domestic Product (GDP) is more than four times the African average (OECD, 2006). South Africa's political landscape changed dramatically with the landmark general elections in 1994 and the introduction of democracy. This brought about a change of priorities, and since then, the underlying principle of virtually all government policies has been characterised by an attempt to bring previously disadvantaged individuals into the mainstream economy. The OECD regards South Africa's trade policy as liberal.

An important objective of this paper is to look closely at Chile and South Africa's agricultural exports with a view to considering what South Africa can export to Chile either than the product lines already traded. To achieve the objective of this study, two methods, namely trade reconciliation and trade chilling, are employed. Furthermore, following a literature review on the countries' policies and export profiles, it emerges that Chile is a direct competitor of South Africa for the EU and USA markets, with increasing prominence in these markets.

## 2. Literature review

### *2.1 Background information on policy evolutions*

As mentioned, the evolution of Chilean agricultural policy since the mid-1960s can be categorised into five eras, with the most recent policy change being the internationalisation of agriculture and free trade agreements, international promotions and sanitary and phytosanitary negotiations, which came into effect in 1996 (Ibanez, 2009).

These policy changes coincide with the political landscape in South Africa. Chilean agricultural policy has centred around three main objectives since 1990. These are increasing competitiveness; achieving a more balanced agricultural development through the integration of poorer and less competitive farmers into commercial supply chains; and reconciling these two objectives with goals related to conservation of the environment and the sustainable use of resources (OECD, 2008).

Chile has accomplished much since the 1990s, with a decline in poverty from 39 % to 13 % and an average GDP growth rate of 5.6 %. Agro-food exports grew faster than agro-food imports, achieving a net surplus of approximately US$ 7.8 billion in 2007. Tariffs were reduced from approximately 11 % to a 6 % uniform tariff in 2008 for all agricultural products. Chile diversified its total exports from 2,300 products, destined for about 122 markets, to 5,264 products in 2007, destined for 194 markets (Ibanez, 2009).

The OECD (2008) describes Chile's agricultural policy as liberal and characterised by low levels of government support to agriculture. The Chilean government has actively adopted policies aimed at boosting agricultural competitiveness, and thereby assisting poorer and less competitive producers. It is therefore important to note the following: (1) Government subsidises 75 % of the total cost of forestry plantations in Chile (Ibanez, 2009) on capable lands, and (2), the OECD (2008) shows that support to agricultural producers as measured by the Percentage Producer Support Estimate (% PSE) has declined from 8 % in 1995-97 to 4 % in 2005/07. Subsidies directed at certain commodity output through Market Price Support (MPS) are still provided.

It is interesting to note that government expenditure on agriculture has increased by more than four-fold over the past ten years. Only three areas account for almost 60 % of the total budget allocation to agriculture, namely, irrigation programmes (on-farm investments), productivity and skills development programmes (such as preferential credit), and rural development for the sole benefit of the poor (such as land purchases for indigenous people). The remaining 40 % of the budget allocation is shared among programmes such as the soil recovery programme, research

and development, extension and training, animals and plant health, standards programmes that include both on- and off-farm, and lastly, marketing and trade promotion. Having looked at Chile, it is now important to examine South Africa's agricultural policy evolution.

With a per capita GDP of US$ 3,530 per annum, South Africa is the largest economy on the African continent. It is important to note also that South Africa's per capita GDP is more than four times the African average (OECD, 2006). South Africa's political landscape changed in 1994 which led to a change in priorities. An underlying principle of virtually all government policies has been characterised by an attempt to bring previously disadvantaged individuals into the mainstream economy.

The OECD (2006) views the overall results of the reforms to date as positive, resulting in a stronger and more stable macro economy, improved integration into the global trading system, with some progress made in redressing past injustices. The country, however, still faces a number of significant challenges and has not achieved much when compared to Chile. These challenges include widespread unemployment and poverty, a large unskilled labour force that is excluded from the formal economy, significant levels of crime and a high prevalence of HIV/AIDS.

In the same light, the National Marketing Agricultural Council (NAMC) (2009) argues that agriculture plays an important role in South Africa on economic, social and environmental levels, and may be used as a strategy for poverty alleviation through food security and nutrition. This stems from the fact that South African agriculture is well diversified, with field crops, livestock and horticulture being the three main sectors. Approximately 58 % of the value of agricultural products is delivered to processing plants, and these agribusinesses add significant value to the manufacturing, total fixed capital investment and employment in the economy (NAMC, 2009).

Agricultural exports contribute around 9 % of the country's total exports and the agricultural sector accounts for around 10 % of reported employment (NAMC, 2009). Agricultural policy reform in South Africa continues to strive towards redressing the imbalances of the past. These policies include, among others, land redistribution, agricultural support programmes for

disadvantaged farming groups and broad-based black economic empowerment in the agricultural sectors (AgriBEE).

South Africa's average import tariffs level was lowered by one third between 1994 and 1999 (OECD, 2006). Following the establishment of a number of preferential trade arrangements with different countries, South Africa has improved its market access to foreign markets for farmers. This improvement, however, has also come with the introduction of increased exposure to external competition.

The OECD (2006) argues that, although the deregulation of markets created some uncertainty, it also created opportunities for entrepreneurial farmers and led to a more efficient allocation of resources in agriculture. Today, South Africa is among the world's leading exporters of agro-food products such as wine, fresh fruit and sugar. Europe is its largest destination, importing almost half of South Africa's total agricultural exports. Agricultural imports are also increasing, although at a lesser rate when compared to agricultural exports.

Policy transfers to South African agricultural producers, as measured by the OECD Producer Support Estimate (PSE), have equalled 5 % of gross farm receipts on average from 2000 to 2003 (OECD, 2006).

### *2.2 Chile's overall trade and agricultural trade*

The discussion of the policy changes introduced by Chile and South Africa in the 1990s and the trading between these countries and the rest of the world is worth elaborating on. Chilean agricultural imports from South Africa remained relatively stable between 1997 and 2009, at under US$ 5 million per annum throughout this period.

Chile's **total imports** from the rest of the world amounted to US$ 56.47 billion in 2008. The leading source for Chilean imports in 2008 was the United States, accounting for 19.37 % of overall imports. This was followed by the European Union (EU) and China, accounting for 12.68 % and 12.03% respectively of overall imports. It is interesting to note that, given Chile's geographical location, only four of its top ten import sources are South American countries. This may be due to the nature and structure of Chilean imports.

According to the CIA (2009), Chile's main import products include petroleum and petroleum products, chemicals, electrical and telecommunications equipment, industrial machinery, vehicles, and natural gas. The largest percentage change (an increase) in import values from one of the top ten sources between 1997 and 2008 can be seen in the case of Peru, at 1,560.91 %. South Africa contributed only 0.16 % of overall imports into Chile in 2008, ranking it 31st in Chilean imports by value terms.

Chile's **total exports** to the rest of the world amounted to US$ 69.58 billion in 2008, a 317.07 % increase from 1997. The top four destinations for Chilean exports in 2008 were the EU (24.44 %), China (14.16 %), the United States (11.20 %) and Japan (10.39 %). According to the CIA (2009), Chile's main export products include copper, fruit, fish products, paper and pulp, chemicals, and wine. Between 1997 and 2008, exports from Chile to China increased from a low base of US$ 435.18 million in 1997 to US$ 9.85 billion in 2008. South Africa contributed only 0.22 % of overall exports from Chile in 2008, ranking it the 31st most important export destination for Chile. Having looked at Chile's overall trade, it is important to take a closer look at Chile's agricultural trade.

Total **agricultural imports** into Chile increased from US$ 14 billion in 2002 to US$ 56 billion in 2008. The agricultural imports as a percentage of the total Chilean imports have remained relatively constant for the period under review, fluctuating between 7 % and 9 % of the total imports. Chilean imports of agricultural products are concentrated in North and South America. Most of these countries are located in the southern hemisphere, which suggests that Chile is an important player or proponent of South-South trade.

The possibility of the impact of FTAs on these trading patterns cannot be ruled out. The largest trading partner in agricultural imports is Argentina, accounting for a 41.79 % share of Chile's overall agricultural imports in 2008. This is followed by the United States, with a 12.20 % market share. Peru has been very successful in penetrating the Chilean market, moving from US$ 12.16 million to over US$ 160.85 million between 1997 and 2008. In 2008, South Africa had a

share of only 0.08 % in Chile's imports of agricultural products. This ranked South Africa 32nd in terms of sources of agricultural imports into Chile.

The leading product imported by Chile in 2008 was meat of bovine animals, which accounted for 9.39 % of total agricultural imports into Chile. This was closely followed by corn (maize) with an 8.95 % share, and edible fats and oil mixtures with an 8.57 % share. Imports of wheat, animal feed, and fish fats and oils increased considerably from 1997 to 2008. The top ten agricultural product imports accounted for 54.74 % of total agricultural imports for 2008.

During the period 2002 to 2008, **agricultural exports** showed significant increases in value terms, as was also shown in the case of imports. Agricultural exports as a percentage of total exports remained steady from 1997 to 2002, declined from 2003 to 2007, and showed a small increase in 2008. In 1998 and 1999, agricultural and fish exports accounted for 29 % of the total exports, and declined to 15 % in 2007. The Chilean top ten export destinations of agricultural products are more diversified than the top ten import sources. The three leading export destinations of Chile's agricultural exports in 2008 were the EU (25.07 %), United States (22.37 %), and Japan (10.86 %). It is important to note that Venezuela's share of Chilean exports grew by nearly 1,000 % during the period 1997 to 2008, from US$ 56.88 million to US$ 620.01 million. It is interesting to note that Chilean agricultural exports to South Africa declined from 1997 to 2008, from US$ 31.95 million to US$ 4.84 million. Chilean agricultural exports to South Africa accounted for only 0.04 % of overall exports in 2008.

The leading agricultural product export from Chile in 2008 was wine, which accounted for 10.04 % of total agricultural product exports. This places Chile as a direct competitor of South Africa in wine exports, given the fact that both countries are net exporters of wine with the European Union and the United States as their main markets. Both countries are members of the new-world wine producing countries and have to compete directly with traditional wine producing countries such as France, Italy, and Portugal in international markets. Fresh grapes are the second leading agricultural product exported by Chile. Exports of frozen fish fillets, fish fillets, fish meat and pacific salmon rose from zero in 1997 to US$ 579.94 million, US$ 556.57 million, US$ 352.33

million and US$ 293.35 million in 2008 respectively. The top ten agricultural exports accounted for 48.12 % of total agricultural exports for 2008.

A closer look at data from the World Trade Atlas (2009) indicates that the leading product South Africa imported from Chile in 1997 was flour meal and pellet of fish (HS code 230120). This product accounted for about 90 % of total agricultural imports from Chile in 1997, with a value of US$ 28.76 million. In 2008, the same product accounted for only 0.79 % of total agricultural imports of South Africa from Chile with a value of only US$ 0.038 million. It follows that South Africa switched its importation of this product from Chile to countries such as Brazil, Spain, Argentina and France. This may have been due to advantages relating to economies of scale. Having looked at Chile's export and import profile, it is important to take a closer look at its trade data with South Africa. This is explored in the following section, which looks at data reconciliation.

### *2.3 South Africa's overall trade and agricultural trade*

In 2008, South Africa's **total imports** from the rest of the world amounted to US$ 90.57 billion. The leading sources of South Africa's imports were Germany (11.2 %), China (11 %), the United States of America (7.8 %), Saudi Arabia (6.2 %), and Japan (5.5 %) (CIA, 2009). It is important to note that most of these countries are developed and all are located in the northern hemisphere. This may be explained by the structure of South Africa's imports, which is looked at in the next paragraph.

A closer look at South Africa's imports reveals that the major import commodities include machinery and equipment, chemicals, petroleum products, scientific instruments, as well as foodstuffs.

South Africa's **total exports** to the world in 2008 amounted to US$ 86.12 billion (CIA, 2009). The major export commodities included gold, diamonds, platinum, other metals and minerals, machinery and equipment. The major export destinations were Japan (11.1 %), the United States of America (11.1 %), China (8 %), Germany (8 %), the UK (6.8 %), and the Netherlands (5.2 %).

South African **agricultural exports** experienced growth from 1998 to 2009, increasing by 2 % from 2008 to 2009. Since 2007, growth in exports has exceeded growth in imports in value terms (see **Figure 1**). However, in 2007, **agricultural imports** grew at a faster rate than exports, resulting a near equalling of their financial values. As a direct consequence of this drastic growth in imports, the domestic agricultural sector was placed under pressure and concerns arose in some circles of our economy about its future prospects. In 2009, agricultural exports amounted to approximately R 49 billion while imports stood at R 37 billion, indicating a R 12 billion agricultural trade surplus. This is a consequence of a slight increase in the value of exports and a drop in the value of imports in 2009.

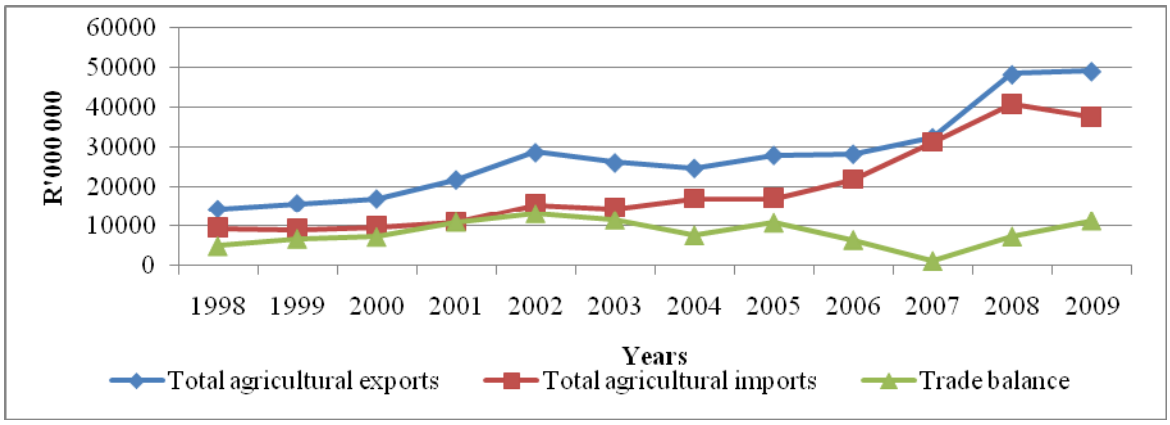


**Figure 1:** Total agricultural exports, total agricultural imports and trade balance from 1998 – 2009

## 3. Descriptions of the methodologies used

### *3.1 Trade reconciliation*

This section, data reconciliation, is based on the work of Sandrey and Fundira (2008) and Fundira, Nyhodo and Sandrey (2009). These studies clearly indicate the importance of data reconciliation. In short, data reconciliation is conducted to double-check trade flows in an effort to reconcile data between trading partners, in this instance, between Chile and South Africa. Fundira et al. (2009) argue that the double-checking is based on the comparisons between the reported exports from the exporter (South Africa) and the recorded imports from the importer

(Chile). Even though reporting and recording is for the same products, in value terms, the data rarely reconcile due to a number of reasons, such as:

- Exchange rate variations (currency fluctuations)
- Time differences – for example, data reported in 2004 in the exporting country while recorded in 2005 in the importing country (December to January)
- Different valuation method (Free on Board (FOB) vs. Cost, Insurance and Freight (CIF))

Sandrey and Fundira (2008) indicate that although it is fairly simple to uncover the differences in data, it can be more difficult to explain these differences. However, they argue that, regardless of the differences, import data are generally more reliable than export data. This is based on the fact that import data are scrutinized more than export data. Moreover, the inclusion of transport and insurance costs in differing valuation methods result in differing data. When considering South African exports and Chilean imports or vice versa, it is expected that one of the following outcomes will be obtained:

- Recorded imports greater than reported exports
- Imports are equalling exports (rarely the case)
- Recorded imports are less than reported exports (in this case, an explanation is required)

### *3.2 Trade chilling*[2]

According to Fundira et al. (2009), the benefits of an FTA include both 'trade deepening', whereby trade in the same products is expanded, and 'trade widening', whereby new trade lines, or products, are introduced into the trade flows. The authors argue that it is not always easy to see where opportunities for trade widening may lie. Quantitative and qualitative analyses and projections of the welfare effects of tariff liberalisation traditionally focus on current flows of trade. Sandrey and Fundira (2008:10) and Fundira et al. (2009:27) argue that such approaches are unable to determine where new opportunities might lie.

[2] This discussion draws heavily from the work of Sandrey and Fundira (2008) and Fundira, Nyhodo and Sandrey (2009). Full references to these works are provided in the references section.

The authors referred to above argue that it is not possible to derive from the standard quantitative models or qualitative analyses a sense of where new areas of trade might be opened up as a consequence of tariff liberalisation in markets. It is quite possible, for instance, for South Africa to have relatively concentrated flows of trade in specific product categories, one reason being that the tariff structure outside these specific product lines is relatively high. As a consequence of these tariffs, trade in other product categories may have been 'chilled', and it is this area of enquiry that should be of interest to trade policy makers (Fundira, et al. 2009:28).

The issue of whether South Africa is fully exploiting potential trade export opportunities to Chile or whether, due to an FTA, there is some trade chilling (where Chile imports a product in large values/quantities, but not from South Africa, and South Africa globally exports the same product in large values/quantities, but not to Chile) needs to be determined. The two countries are trading in this product but not with each other. According to Fundira et al. (2009:28), one way to determine whether this is the case or not is to conduct a trade chilling analysis.

The methodology has the following points of departure:

- Market opportunity (importer) is viewed through the value or volume (high) of imports
- Supply potential (exporter) is viewed through the value or volume (high) of exports
- The importer (bullet number 1) imports from other exporters but not the exporter (bullet number 2)
- The exporter (bullet number 2) exports to other importers but not the importer (bullet number 1).

It is important to mention that, while this method of analysis provides useful insights, it does have some limitations. These limitations, as described by Fundira et al. (2009) and Sandrey (2008:10), include possible non-tariff barriers, tastes and preferences and trade classifications in a certain product that may not be strictly comparable at a detailed level. Considering agricultural products, 753 product lines (HS 6) were used to scrutinize the trade chilling effect. The first threshold was set at US$ 500,000, i.e. (a) Chilean imports from the world averaged at least US$ 500,000 over the last five years to denote the demand side and (b) South African exports to the

world averaged at least US$ 500,000 over the last five years to denote the supply side potential from South Africa. In total, this left us with 190 HS 6 lines from the total of 753 product lines.

The second threshold was set at US$ 1,000 to look at the lines individually, where (a) imports into Chile from South Africa and (b) exports from South Africa to Chile were above US$ 1,000 over the last five years to indicate the existence of trade between the two countries. In total, this left us with 145 HS 6 lines.

The third threshold further narrowed this selection by examining the lines where (a) global exports from South Africa over the last five years in total were at least US$ 2 million and (b) global imports into Chile over the last five years were also at least US$ 2 million in order to highlight the product lines where the trade opportunities are significant. This left us with 59 HS 6 lines in agricultural products which could be subject to trade chilling.

## 4. Discussions

### *4.1 Trade data reconciliation for South Africa and Chile*

**Figure 2** shows the yearly series of Chilean exports of agricultural products to South Africa and South African recorded agricultural imports from Chile over a period of eleven years from 1997 to 2008. This figure is consistent with expectations, in that over this period the import data has exceeded the export data of the same products.

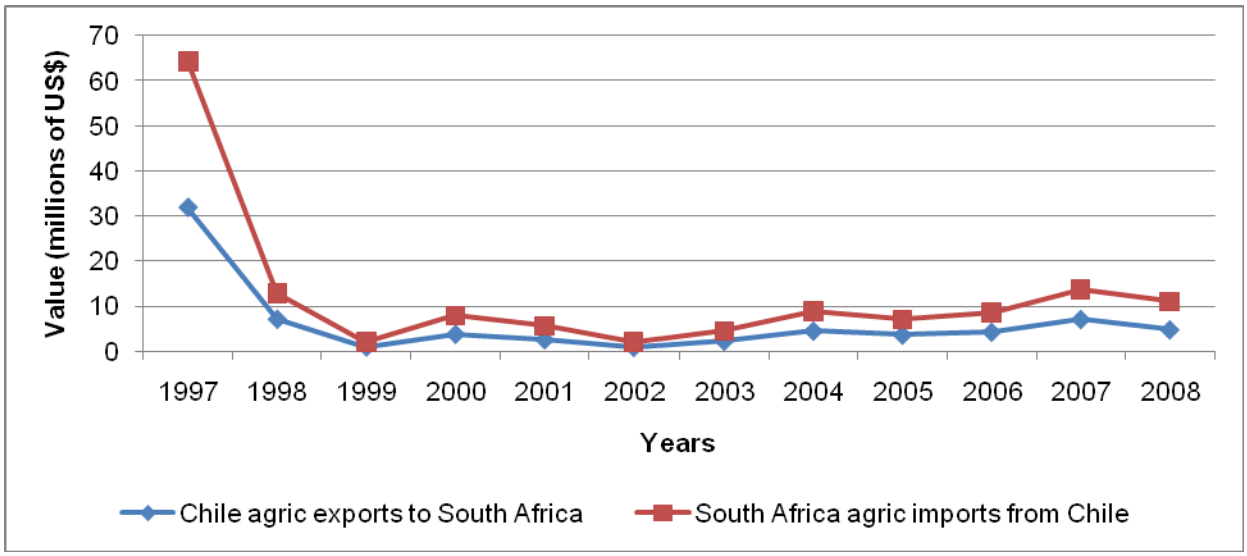


**Figure 2**: Chile exports and South Africa imports of agricultural products

Source: World Trade Atlas (2009)

**The reconciliation update**

**Table 1** presents the top nine agricultural imports of Chile from South Africa compared with South African exports of the same agricultural products to Chile in 2008. Six products' data shows that the reported exports from South Africa are less than the recorded imports of the same products in Chile, as expected:

- Green Tea
- Pineapple Juice
- Peaches
- Yeasts, Active
- Food Preparations, Nesoi
- Mucilages/Thickeners

Two products show that recorded imports in Chile are less than reported exports in South Africa:

- Liqueurs and Cordials
- Sugar Confection

A rare situation where data (recorded exports and reported imports) reconcile is found in the product line, vegetable saps and extracts.

**Table 1:** Chilean top nine agricultural imports vs. South African exports

| HS | Description | Chile imports | RSA exports | Difference |
|---|---|---|---|---|
| **All** | **All agricultural products** | **3.65** | **3.22** | **-0.42** |
| 090220 | Green Tea | 1.34 | 0.07 | -1.28 |
| 200949 | Pineapple Juice | 0.97 | 0.68 | -0.29 |
| 200870 | Peaches | 0.27 | 0.17 | -0.10 |
| 220870 | Liqueurs and Cordials | 0.24 | 0.92 | 0.68 |
| 210210 | Yeasts, Active | 0.22 | 0.00 | -0.22 |
| 210690 | Food Preparations, Nesoi | 0.20 | 0.00 | -0.20 |
| 170490 | Sugar Confection | 0.13 | 0.21 | 0.09 |
| 130232 | Mucilages/Thickeners | 0.06 | 0.03 | -0.03 |
| 130219 | Vegetable Saps and Extracts | 0.03 | 0.03 | 0.00 |
| **Total of top 9 product lines** | | **3.50** | **2.11** | **-1.39** |

Source: World Trade Atlas (2009)

### *4.2 Trade chilling concept*

**Table 2** provides a summary of products in which the two countries are not currently trading with each other, but which have the potential for trade. With the exception of HS 020714 (Chicken Cuts and Edible Offal) at 19 %, Most Favoured Nation (MFN) tariffs on all other products are 6 %, which implies that the tariff does not seem to be the main factor prohibiting trade. There are, of course, other possible reasons why trade may not be taking place. For example, fresh fruit products barely appear on the list, but this may be due to Chile and South Africa both being southern hemisphere countries and therefore experiencing similar harvest periods and production seasons.

**Table 2:** Summary of the top twenty agricultural products in which Chile and South Africa are not trading with each other

| **All values in US$ million** | | | **5-year average** | **5-year average** | **5-year average** | **5-year average** |
|---|---|---|---|---|---|---|
| **HS** | **Agricultural products** | **Chile MFN tariff** | **Chile-World imports** | **Chile-SA imports** | **SA-World exports** | **SA-Chile exports** |

| | | | | | | |
|---|---|---|---|---|---|---|
| 220421 | Wine | 6% | 2.82 | 0.00 | 478.67 | 0.00 |
| 100590 | Maize | 6% | 253.65 | 0.00 | 184.33 | 0.00 |
| 170199 | Cane/Beet Sugar | 6% | 116.48 | 0.00 | 73.53 | 0.00 |
| 240120 | Tobacco | 6% | 5.53 | 0.00 | 32.64 | 0.00 |
| 100190 | Wheat | 6% | 154.26 | 0.00 | 32.11 | 0.00 |
| 100510 | Maize Seed | 6% | 16.30 | 0.00 | 29.35 | 0.00 |
| 030379 | Fish, Nesoi | 6% | 2.04 | 0.00 | 28.46 | 0.00 |
| 230120 | Flour Meal and Pellets | 6% | 35.59 | 0.00 | 17.86 | 0.00 |
| 220300 | Beer | 6% | 11.65 | 0.00 | 17.64 | 0.00 |
| 200969 | Grape Juice | 6% | 4.43 | 0.00 | 14.15 | 0.00 |
| 151219 | Sunflower Seed/Oil | 6% | 3.87 | 0.00 | 12.50 | 0.00 |
| 060310 | Cut Flowers | 6% | 2.14 | 0.00 | 12.37 | 0.00 |
| 520100 | Cotton | 6% | 17.76 | 0.00 | 11.03 | 0.00 |
| 170191 | Cane/Beet Sugar | 6% | 3.89 | 0.00 | 10.86 | 0.00 |
| 120220 | Peanuts | 6% | 5.04 | 0.00 | 9.70 | 0.00 |
| 110812 | Starch | 6% | 4.17 | 0.00 | 8.36 | 0.00 |
| 220830 | Whiskies | 6% | 16.00 | 0.00 | 8.16 | 0.00 |
| 090240 | Black Tea | 6% | 23.21 | 0.00 | 7.90 | 0.00 |
| 190531 | Cookies | 6% | 7.68 | 0.00 | 7.87 | 0.00 |
| 151710 | Margarine | 6% | 4.30 | 0.00 | 6.98 | 0.00 |

Source: World Trade Atlas (2009) and authors' own calculations

There are a number of agricultural products that South Africa exports to the rest of the world (excluding Chile) in big values and that Chile imports from the rest of the world (excluding South Africa). Chile in general has an open trade policy, and there is relatively limited use of trade distorting policies because of the use of a uniform MFN tariff of 6 % (although preferential access as a consequence of FTAs results in an average effective tariff of less than 2 %). The agricultural products that Chile imports from the rest of the world (excluding South Africa) in large quantities include maize, cane/beet sugar and wheat. It is possible that Chile imports these products from its neighbours, Argentina and Brazil, as they are leading exporters of these products.

**Policy implications**

- In cases where South Africa may negotiate an FTA with Chile, the products highlighted in **Table 2** should be prioritised. This is to mean an offensive stance for the removal of the 6 % tariff and elimination of any non-tariff barriers.

## 5. Conclusions

In terms of agricultural policy evolution, South Africa and Chile have followed similar paths with both countries having undergone significant liberalisation in their agricultural sectors. The major difference, however, lies in the manner in which the two countries support their agricultural sectors, with South Africa almost taxing its producers in some subsectors. Chilean agricultural imports from South Africa remained relatively stable between 1997 and 2009, while South Africa's agricultural imports from Chile declined. Chile and South Africa are direct competitors, as they both compete in the same markets for the same agricultural products, and they are both located in the southern hemisphere. In the top five exports of these countries at least there are the same.

During this period, reported **imports** of agricultural products to Chile from South Africa and recorded **exports** of agricultural products from South Africa to Chile have followed the conventional wisdom of imports being less than exports. Reported **imports** of agricultural products to South Africa from Chile and recorded **exports** of agricultural products from Chile to South Africa have followed the conventional wisdom of imports being less than exports. Furthermore, the study shows that South Africa can increase the number of export products to Chile (see annexe). There is a small percentage of trade in agricultural products where South Africa is an important source of Chile's imports, except in the case of green tea, where Chile presents an opportunity of increasing exports for South Africa.

**Policy lessons**

- South Africa can emulate the Chilean model of governmental support of agriculture in the allocation of its agricultural budget.
- If South Africa is to negotiate a free trade area with Chile, or MERCOSUR, then products listed in the annexe should be considered for the offensive list.

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**ANNEXE**

List of all products in which Chile and South Africa are trading with the rest of the world but not with each other.

| **All values in US$ million** | | **Chile MFN tariff** | **5-year average Chile-World imports** | **5-year average Chile-SA imports** | **5-year average SA-World exports** | **5-year average SA-Chile exports** |
|---|---|---|---|---|---|---|
| **HS** | **Agricultural products** | | | | | |
| 220421 | Wine | 6 % | 2.82 | 0.00 | 478.67 | 0.00 |
| 100590 | Maize | 6 % | 253.65 | 0.00 | 184.33 | 0.00 |
| 170199 | Cane/Beet Sugar | 6 % | 116.48 | 0.00 | 73.53 | 0.00 |
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| 100510 | Maize Seed | 6 % | 16.30 | 0.00 | 29.35 | 0.00 |
| 030379 | Fish | 6 % | 2.04 | 0.00 | 28.46 | 0.00 |
| 230120 | Flour Meal and Pellets | 6 % | 35.59 | 0.00 | 17.86 | 0.00 |
| 220300 | Beer | 6 % | 11.65 | 0.00 | 17.64 | 0.00 |
| 200969 | Grape Juice | 6 % | 4.43 | 0.00 | 14.15 | 0.00 |
| 151219 | Sunflower Seed/Oil, | 6 % | 3.87 | 0.00 | 12.50 | 0.00 |
| 060310 | Cut Flowers | 6 % | 2.14 | 0.00 | 12.37 | 0.00 |
| 520100 | Cotton | 6 % | 17.76 | 0.00 | 11.03 | 0.00 |
| 170191 | Cane/Beet Sugar, Refined | 6 % | 3.89 | 0.00 | 10.86 | 0.00 |
| 120220 | Peanuts | 6 % | 5.04 | 0.00 | 9.70 | 0.00 |
| 110812 | Starch | 6 % | 4.17 | 0.00 | 8.36 | 0.00 |
| 220830 | Whiskies | 6 % | 16.00 | 0.00 | 8.16 | 0.00 |
| 090240 | Black Tea | 6 % | 23.21 | 0.00 | 7.90 | 0.00 |
| 190531 | Cookies | 6 % | 7.68 | 0.00 | 7.87 | 0.00 |
| 151710 | Margarine | 6 % | 4.30 | 0.00 | 6.98 | 0.00 |
| 160420 | Fish, Prepared/Preserved | 6 % | 11.80 | 0.00 | 6.10 | 0.00 |
| 230910 | Dog and Cat Food | 6 % | 46.79 | 0.00 | 5.84 | 0.00 |
| 200911 | Orange Juice | 6 % | 5.88 | 0.00 | 5.72 | 0.00 |
| 020130 | Meat of Bovine | 6 % | 324.96 | 0.00 | 5.70 | 0.00 |
| 190110 | Food Preparations | 6 % | 9.72 | 0.00 | 5.67 | 0.00 |
| 081190 | Fruit | 6 % | 2.34 | 0.00 | 5.66 | 0.00 |
| 050590 | Skins and Other Parts of Birds | 6 % | 17.41 | 0.00 | 5.55 | 0.00 |
| 151620 | Vegetable Fats/Oils | 6 % | 28.03 | 0.00 | 5.52 | 0.00 |
| 180632 | Chocolate | 6 % | 6.55 | 0.00 | 5.27 | 0.00 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 040310 | Yogurt | 6 % | 2.19 | 0.00 | 5.25 | 0.00 |
| 100630 | Rice | 6 % | 34.80 | 0.00 | 5.19 | 0.00 |
| 170230 | Glucose | 6 % | 3.94 | 0.00 | 4.99 | 0.00 |
| 190410 | Prep Food | 6 % | 8.90 | 0.00 | 4.64 | 0.00 |
| 040210 | Milk | 6 % | 13.43 | 0.00 | 4.64 | 0.00 |
| 210610 | Protein Concentrates | 6 % | 14.05 | 0.00 | 4.52 | 0.00 |
| 240110 | Tobacco, Not Stemmed | 6 % | 3.51 | 0.00 | 4.47 | 0.00 |
| 040221 | Milk/Cream | 6 % | 8.49 | 0.00 | 4.43 | 0.00 |
| 190590 | Bread, Pastry, Cakes | 6 % | 11.29 | 0.00 | 4.39 | 0.00 |
| 160250 | Prepared/Preserved Bovine Meat | 6 % | 3.21 | 0.00 | 3.86 | 0.00 |
| 190190 | Malt Extract | 6 % | 6.27 | 0.00 | 3.75 | 0.00 |
| 080430 | Pineapples | 6 % | 3.79 | 0.00 | 3.49 | 0.00 |
| 050400 | Animal (Not Fish) Guts | 6 % | 4.94 | 0.00 | 3.37 | 0.00 |
| 020230 | Meat of Bovine, Frozen | 6 % | 15.24 | 0.00 | 3.20 | 0.00 |
| 180631 | Chocolate and Other Cocoa Preps, Not Bulk, Filled | 6 % | 3.97 | 0.00 | 3.10 | 0.00 |
| 100640 | Rice, Broken | 6 % | 7.32 | 0.00 | 3.03 | 0.00 |
| 040690 | Cheese | 6 % | 10.86 | 0.00 | 2.99 | 0.00 |
| 090111 | Coffee | 6 % | 22.44 | 0.00 | 2.98 | 0.00 |
| 200811 | Peanuts, Prepared/Preserved, | 6 % | 4.22 | 0.00 | 2.88 | 0.00 |
| 110423 | Grains Worked | 6 % | 2.06 | 0.00 | 2.83 | 0.00 |
| 151590 | Fixed Veg Oil, | 6 % | 2.19 | 0.00 | 2.78 | 0.00 |
| 020714 | Chicken Cuts, Frozen | 19 % | 9.33 | 0.00 | 2.61 | 0.00 |
| 220860 | Vodka | 6 % | 3.21 | 0.00 | 2.42 | 0.00 |
| 200520 | Potatoes | 6 % | 2.98 | 0.00 | 2.37 | 0.00 |
| 030613 | Shrimps and Prawns | 6 % | 5.83 | 0.00 | 2.27 | 0.00 |
| 220290 | Nonalcoholic Beverages | 6 % | 6.36 | 0.00 | 2.21 | 0.00 |
| 230400 | Soybean Oilcake | 6 % | 191.00 | 0.00 | 2.20 | 0.00 |
| 100110 | Durum Wheat | 6 % | 16.62 | 0.00 | 2.13 | 0.00 |
| 040510 | Butter | 6 % | 2.89 | 0.00 | 2.07 | 0.00 |
| 051191 | Products and Dead Fish | 6 % | 13.50 | 0.00 | 2.06 | 0.00 |