

Horticulture imports must be accompanied by phytosanitary certification issued by an appropriate authority in the country of origin. Consignments are subject to plant and quarantine inspection upon arrival (Austrade, 1998e).

## 5.7 A PROFILE OF AGRICULTURAL EXPORT OPPORTUNITIES TO CHINA

### 5.7.1 Overview and outlook of the Chinese economy

China is emerging as the world's largest economy in the future. If the size of China's economy is measured using United Nations estimates of purchasing power parities, China is already the second-largest economy in the world (The Economist, 1993). By 2020, China's economy will probably be larger than that of the United States. Austrade (1998b) argues that as China accounts for a fifth (1,2 billion) of the world's population (the largest nation in the world) and a growing proportion of global trade, the Chinese food market is expected to grow strongly once current economic difficulties are overcome (Austrade, 1998b).

The opening of the Chinese economy in the late 1970s has brought an economic upsurge of historic proportions. China's GDP grew by an annual rate of about 10% in the second half of the 1990s (EC, 1999b). Growth in the gross domestic product (GDP) came to 8,8% in 1997 and economic growth for 1998 reached 7,8% (SSB, 1999). For 1999, the growth forecasts predict an expansion rate of 6% to 8% (EC, 1999b). Personal incomes are growing rapidly. Annual per capita disposable income has increased substantially, from 169 yuan (\$98) in 1978 to 2 249 yuan (\$272) in 1995 (Promar International, 1997). Consumer demands are expanding and evolving.

Food imports in China have been rising rapidly as incomes improve. However, in the short- term, as a result of the Asian financial crisis, the Chinese economy faces the prospect of reduced growth rates as exports to Asia slow down and the economy adjusts.

Over the medium term domestic food production is unlikely to keep up with demand and China will lose its comparative advantage in agriculture. The growth rate of agriculture in relation to that of industry is 1: 2.23 (Cheng, 1999). The growth of industry and cities is diverting resources away from agriculture (Promar International, 1997).

As China gradually relaxes its trade policies over the next decade and continue its “open-door policy”, major export opportunities are expected to emerge in agriculture. The economy is modernising. Access to foreign technology and management methods was a major objective of China when it developed its “open door policy” in the late 1970s (OECD, 1996a). Technology change has been the force behind China’s agricultural economy (Stone, 1988). This is the one reason why China could, to a large extent maintain its self-sufficiency. The explosive rate of structural change in the Northeast Asian NIEs (Hong Kong, Chinese Taipei and Korea) was the most powerful external trigger for the Chinese economy’s upsurge in the first half of the 1990s. Chinese real output expanded by 58% in four years from 1991 to 1995, exports by 107% in United States dollars and imports by 107% (OECD, 1996a). China became the recipient of by far the largest flow of direct investment ever recorded to a developing economy. Fifty percent of the world’s fixed-asset investments of foreigners goes to China (The Farmer, 1997). Britz (1996) mentioned that China draws four times as much investments compared to India, which is the country with the second largest population in the world.

In the face of the Asian financial crisis, Chinese authorities have indicated that they intend to speed up economic- and financial reforms in line with the World Trade Organisation (WTO) and International Monetary Fund (IMF) commitments (Austrade, 1998b). These reforms will continue to provide export opportunities for agrifood producers. In 1998, China launched an ambitious three-year infrastructure development plan to coincide with planned reforms to state-owned enterprises, the financial sector and government institutions (Austrade, 1998b). The rise in investment is expected to generate a significant expansion in employment and consumer demand.

While China is in the process of gradually reforming its trade regime, major export opportunities exist. Continued strong economic growth is being forecast for China, along with rapid population growth, rising disposable incomes and an increasing reliance on imported food sources. China's food imports are expected to grow substantially. More specifically, the factors for growth in China include the following (Austrade, 1998b):

- Population growth of approximately 1% per annum, coupled with a current population of 1,25 billion, representing an increase of 12,5 million people per annum.
- Continued strong economic growth projected at 8% per annum between 1996 and 2000.
- Increasing disposable incomes leading to greater purchasing power.
- Increasing reliance on certain food imports. This is the result of China's agricultural sector being unable to match the rapidly increasing demand.
- Changing diets, with greater diversity and acceptance of different ethnic foods and a greater demand for convenience and or/processed foods.
- Proliferation of foreign supermarkets and fast-food restaurants.
- Increasing refrigeration in homes and supermarkets, leading to a greater demand for fresh, chilled and frozen foods in certain provinces.
- Rapid increase in the number of households with microwaves, resulting in an increasing demand for convenience-food products.
- Further lowering of import tariffs, effective from 1 October 1997.

### **5.7.2 Agricultural Trade Environment**

Only specified Chinese companies are able to act as trading companies, making use of quotas, or applying for import licences. Foreign trading rights are reserved for state-owned Foreign Trade Corporations (or for foreign-funded firms, but only regarding inputs necessary for their production, most of which is later exported). Until recently, individuals did not have the right to engage in direct import/export trade and foreign companies could



not establish branches in China to sell their range of products (EC, 1999b). This is a violation of Article XI, GATT. In October 1998, China announced the opening of export trade to the private sector by January 1999. Import Balancing Requirements are endemic in China. Nearly all foreign firms producing in China are held responsible, through the contract by which a joint venture is established, or through legal requirements, to export a fixed and major part of their production (EC, 1999b).

It is important to keep in mind that Chinese in foreign countries have a strong business influence and presence in many Asian countries. Hoffmann (1997) argues that China should be seen in the context of Natural Economic Territories (NETs). Various international NETs exist in Asia. One is the Bohai Belt NET: Beijing/Tianjin - South Korea - Japan. Another is the lesser China NET: S. Guangdong - Hong Kong/Macau - Taiwan as well as the greater China NET: Guangdong/Hainan/Fujian - Hong Kong/Macau - Taiwan. Also the South Korea-Philippines-Malaysia-Indonesia-Singapore-Thailand (Chinese in foreign countries). It is beyond the scope of this study to go into depth concerning the complexities of the greater China networks. Many imports to China also came to China through neighbouring ports such as Hong Kong and Macau. It is difficult to determine the true quantities of Hong Kong's re-exports to China: as low as 10% and as high as 70% or 80% of some agricultural products are re-exported (Promar International, 1997). This is of considerable value to exporters, as Hong Kong provides certain access to some of China's markets without having to actually deal with Chinese import restrictions. Macau also acts as a port of entry to China. Imports from any source may enter Macau (a Portuguese colony, but the majority of them are Chinese) on a duty-free basis and minimum controls (Dijk & Konstant, 1997).

### **5.7.3 Self-sufficiency trends (changing comparative advantages)**

Anderson (1990) observed that China's economy has structurally adjusted, moving away from heavy reliance on agriculture. Its comparative advantage has been gradually transformed from primary products towards unskilled labour-intensive manufacturing.

Agriculture's share of China's net material products dropped from two thirds to one third between 1949 and 1978, while the industrial sector almost quadrupled its share from what was only one eighth in 1949. Anderson (1990) concluded that if China is following the example of its Asian neighbours, like Korea, in continuing to grow rapidly and to remain open to foreign trade, capital and technology, it will most likely lose its comparative advantage in agriculture.

A study done based on a general equilibrium model of the Global Trade Analysis Project (GTAP) undertaken by Anderson, Dimaranan, Hertel and Martin (1996) discovered that the opening of textile and clothing markets of members of the Organisation of Economic Cooperation and Development (OECD) countries, because of World Trade Organisation obligations would increase Asia's, but especially China's, comparative advantage on textile and clothing, divert resources away from agriculture and this would lead to increased imports of agricultural goods. Any delay in the removal of obstacles to textile exports from Asia could well come back to haunt countries seeking to export farm products to this region.

Another potential development that is likely to influence Asia-Pacific food markets significantly during the next decade is the Bogor Declaration of November 1994 by Asian Pacific (APEC) Heads of Government. This declaration commits APEC economies to move to Most Favoured Nation (non-discriminatory) free trade by 2010 in the case of developed countries and 2020 in the case of developing countries. Anderson, Dimaranan, Hertel and Martin (1996) discovered that if agriculture is included, this APEC reform would boost world trade in all products by an additional 6% (excluding the 10% boost as a result of the Uruguay Round plus the additional 4% boost as a result of China and Taiwan's WTO accession). Agricultural trade would be only 2% greater by 2005 if farm products are excluded from the APEC reform, but would be 18% greater if included.

All factors taken into account, China is expected to become a net importer of agricultural goods. Yang and Huang (1997) did an analysis using the Global Trade Analysis Project (GTAP) (global equilibrium model) to simulate global trade liberalisation. They came to the conclusion that China's food self-sufficiency is projected to decline and this will put pressure on the Chinese government to reformulate their food-security policy of self-sufficiency, taking into consideration the ever-increasing integration of China into the world economy. According to the World Bank News, China need to continue with market reforms to sustain its current levels of rapid economic growth and low inflation (D&C, 1996).

Promar International (1997) has identified enormous opportunities for increased exports of grain to China - especially maize (corn), other coarse grains, rice and wheat. Opportunities also exist for oil seeds, groundnuts and sugar. They also found that greater worldwide competition can be expected from China in labour-intensive, processed agricultural products and less land-intensive products, especially fresh fruit and vegetables, moderate value-added processed foods - (canned and dried fruits and vegetables), fresh and frozen meats, poultry and fish. Opportunities exist for high-technology exports such as: genetics, embryos, biological pesticides and animal health treatments (Promar International, 1997).

#### 5.7.4 Consumption developments

Consumption in China is still mostly of processed items, or at least food processed at its most basic level. The food manufacturing industry developing today is racing to keep pace with the growing and evolving food demands of an increasingly urban and economically viable population. The proportion of the population that can afford to buy processed and high-value products is increasing fast. Combined with the large population, it creates enormous potential for future trade. In addition, by 2005, a sound nation-wide network of wholesale markets will have taken shape and will be becoming key links in the food distribution process (Promar International, 1997).



According to Promar International (1997) in actuality, Chinese consumers really fall into several categories by income and living standards, described as follows:

- The elite - the wealthiest, incomes of over \$45 000 equivalent per annum - about 15 million (1%) today living in or near China's most wealthy cities. These are the buyers of the most expensive processed-food products. They are the top people in government and private industry.
- The consumers - with incomes of \$9 000 to \$45 000 equivalent per annum, now 72 million (6%) strong. A rapidly increasing group - also concentrated near the major cities. These consumers have good jobs in government and private industry, or are wealthy farmers. These are the big buyers of hamburgers and ice cream.

(The elite and the consumers (87 million of them) are the major forces influencing the growth in processed foods and imports.)

- The preconsumers - a large group, 303 million (25%), 52% urban, earning \$1 000 to \$9 000 annually. Many are state employees or work for a cooperative organisation. They can afford a few processed products today, but their real importance is that they are the consumers of tomorrow. Nearly half are in the rural areas.
- The poor - receiving under \$1 000 equivalent annually. These people are the largest single sector in the population (68%). They represent 39% of urban dwellers and 80% of the rural population. They are only buying basic unprocessed food today; however, as their lifestyle improves, they will begin to afford other products. It therefore comes as no surprise that the government has increasingly started emphasizing the agricultural sector.

Promar International (1997) projected that the number of elite and consumers - the primary targets of processed food consumption - will have expanded from 87- to 195 million by the year 2005 - a 225% increase. This group of the total population, the elite and consumers, will have expanded from 7% to 14% overall, in the urban areas from 16%

to 24% and in the rural areas from 4 to 11%. The urban elites and consumers will have almost doubled - from 57 million to 114 million. The growth of the elites and consumers will have been faster - in the rural sector where they have more than tripled - from 30 million to 101 million.

According to Cheng (1999), great changes have taken place in the food consumption and consumption pattern of urban citizens since the early 1990s to 1997. The per capita consumption in urban areas of grain, meat, vegetables and sugar drops gradually, the consumption of oil has remained steady and that of egg consumption has increased. Since the 1990s, the Engel coefficient of the consumption of urban citizens has been dropping continuously. However, the change as far as urban citizens are concerned takes place under the level of being fairly well-off, while the change as far as rural residents are concerned takes place under the level of having adequate food and clothing. Since 1995, food spending of urban citizens has been accounting for 49,9% of the consumption expenditure. It dropped to 46,4% in 1997 and continued to drop in 1998 (Cheng, 1999). That means urban citizens are becoming better off. According to Cheng (1999) the picture for rural areas looks different. For rural residents at present, the obvious downward trend is only for vegetable consumption. The per capita consumption of other main products such as meat, egg and aquatic products, fruit and edible oil shows a rising trend.

Austrade (1998b) noted that it is government policy to keep cereals and vegetables as the staples, but to appropriately increase meat, poultry, eggs, milk and beans. A national Plan of Action for Nutrition has been developed with rural groups and especially low-income groups, being targeted. In urban areas the emphasis is on maintaining the traditional diet while controlling the excess intake of fat.



## 5.7.5 Opportunities for food exports

### 5.7.5.1 Grain, oilseeds and processed grain and oilseed products

Several studies suggested that future increases in the imports of grain were inevitable if China's rapid economic growth continued and trade barriers were not tightened (Yang & Tyers, 1989; Anderson, 1990; Garnaut & Ma, 1992, Rae, 1995 and Promar International, 1997). Growing meat consumption, particularly of pork, is the main force behind increased grain production and higher grain imports (OECD, 1999). The Chinese now have more pigs than the rest of the world combined and the total per capita meat consumption is still increasing at more than 2 kg per year (Promar International, 1997). Other products such as dairy products, as well as an increase in the consumption of distilled spirits, are also placing huge demands on China's grain supply (Austrade, 1998b). South Africa principally exported processed grain products such as bread, pastry, cakes and biscuits to China) from a very low base (Annex. 6, Table 5). South Africa exported some starches (inulin) to Hong Kong and Taiwan (Annex. 6, Tables 6 and 8).

China is the second-largest consumer of oilseeds (approximately 13% of the world's total). Austrade (1998b) observed that over the last 10 years, China has become a net importer of soy-bean and canola. China will continue to be a significant importer of oilseed meal and feed grains to cater for its expanding animal herd, which is a result of the increased domestic consumption of meat. The OECD (1999) has observed that the growing self-sufficiency in grains (as a result of government policy eg the "governor's grain responsibility system"), has come - at least partly - at the expense of lower oilseed production. Coupled with a robust demand for vegetable oils and oil meals, the drop in oilseed production resulted in new record levels for oilseed, oil and meal imports. It is interesting to note that the political priority given to grain production is largely ignoring the preference of the market for oilseeds and oilseed demand. Higher incomes have spurred demand for vegetable oils and meat (demand for oil meals reflects derived demand for meat and livestock products) and stimulated imports of oilseeds and oil meals to new

record highs (OECD, 1999). South Africa stated to export certain nuts and essential oils in 1998 from a zero or low base (Annex. 6, Table 5).

China's arable-land space is expected to shrink as urbanisation increases. Increased livestock production will place further demands on domestic grain production. The demand for imported grain is expected to grow strongly (Austrade, 1998b). Shipments of cereals fluctuate because China's harvests are prone to considerable seasonal variation, but the general outlook is for sustained growth.

#### *5.7.5.2 Meat*

The per capita demand for red meat is forecast to increase sharply. Rae (1995) projected that a higher trend in per person consumption of animal products was evident in Asian countries, especially Korea and China. China's consumers will more than double their meat consumption by 2020, from 17- to 43 kg per capita (OECD, 1996b). The Chinese government is trying to encourage an increase in consumption of red meat products to 25 kg per capita per annum, up from 20.1 kg in 1990 (Austrade, 1998b; Promar International, 1997). Although domestic production is growing, it cannot keep pace with the growth in demand. New opportunities are expected as the demand for meat products in China increases and as the retail market is opening up.

Austrade (1998b) reported a growing import trend for meat products; between 1992 and 1996, total meat imports grew 2,5 fold to reach over US\$166 million in 1996. They further estimated that in order to meet growing demand, the Chinese government estimates China will require an additional 1.96 million tonnes of beef and mutton by 2000. Most of the beef and mutton-offal products are imported via Hong Kong and are brought in across the border through special channels. For example, Austrade (1998b) reported that less than 1% of Australian meat exports go directly to China and access to the market remains heavily restricted. There is a 50% tariff on beef and exporters must contend with import licensing

requirements, import charges, adequate cold-storage facilities and problematic customs- and quarantine procedures. Currently meat is primarily imported by hotels to cater for the tourist trade and the expatriate population as it is still too expensive for the majority of consumers. However, the situation is changing rapidly.

China is the world's largest producer of pork, mutton, eggs and fish (USDA, 1998). Pork is the staple meat in the Chinese diet and only relatively small quantities of beef and lamb are consumed. The most significant growth in the consumption of meat has been in beef and mutton (Austrade, 1998b). Rae (1995) observed that mutton consumption per person is by far the lowest in all Asian countries, although it shows a high growth rate relative to other types. Beef has an excellent reputation among Chinese consumers, many of whom view it as a luxury item (Promar International, 1997). Consumption for meat products including poultry, is estimated as follows:

**Table 5.3 Meat and poultry consumption in China (kg/ca)**

	kg/ca			Share of consumption (%)	
	1985	1995	2005 (predicted)	1995	2005 (predicted)
Pork	15.9	30.2	35.1	70	55
Beef	0.4	3.4	7.9	8	12
Mutton	0.6	1.6	2.9	4	5
Poultry	1.5	7.7	18.1	18	28
Total meat and poultry	18.4	42.9	64.0	100	100

Source: Promar International, 1997

Morgan (1997) confirms the trend in China towards the imports of chicken meat instead of imports of only chicken feed. The rapid growth of the fast-food sector and the development of a food-processing sector will accelerate the increase in poultry consumption, which has been increasing by 14% annually over the past decades. The majority of poultry imports to China go through Hong Kong, a phenomenon likely to



continue with unification. China not only imports but also exports poultry and poultry meat.

#### 5.7.5.3 Dairy

Higher incomes and -living standards in eastern China have increased the demand for dairy products. There is bigger awareness of the health benefits of dairy products. The government is encouraging increased consumption. Strong growth is projected in the consumption of dairy products in the medium term; as incomes rise there is greater and exposure to western-style foods. Rae (1995) projected that the total consumption of dairy products is to increase by over 45% in China between 1992 and 2002. Austrade (1998b) calculated that dairy consumption is growing at 15% per annum (ice cream and frozen desserts are growing at a rate of 20%) and they projected that per capita consumption will reach 25 kg per annum by the year 2003.

The most popular imported dairy product is milk powder, because of the lack of local processing facilities for this product. Austrade (1998b) proposed that the best prospects are in food ingredients such as full-milk powder, whey powder, cheese powder, yoghurt powder and other sorts of milk powders. This is the result of the shortage of these ingredients in China. Demand for milk powder is increasing as a result of the expanding local ice-cream and chocolate industry, where there has been substantial investment from multinational companies such as Nestlé. The government plans to establish Shanghai as a base for the dairy industry over the next few years to cater for growing demand. Foreign investment is being encouraged to increase the range of products available to consumers.

There are no import restrictions on dairy products but the price of fresh milk is controlled by Government. Import duties on dairy products vary from 7 to 65%. Whey powder attracts an 7 % import duty, cheese 65% and ultra-heat-treated (UHT) milk 30%. A value added tax (VAT) of 17% is imposed on all dairy imports. Currently the Shanghai

Agricultural Industry and Commerce Corporation has a monopoly on the local dairy market (Austrade, 1998b).

#### 5.7.5.4 Horticulture

Rae (1995) observed from trends for the period 1963 to 1992, that amongst East Asian countries vegetable consumption has most noticeably only increased in China. Vegetable consumption was static or declining in both relatively poor and rich countries, with the exception of China. Fruit consumption has been increasing in the relative high-income East Asian countries, but has been declining in the lower-income countries, with the exception of China where fruit consumption has steadily increased.

Chinese consumers still prefer purchasing their fresh fruit at street markets selling fresh and dried foods. Wong & Rutledge (1997) argued that although large retailers now only occupy 5% of the fresh fruit market, the recent proliferation of supermarkets and hypermarkets, which put fresh fruit on their shelves, may make inroads into street market sales. Further, that although imported fruit costs about twice as much as fruit obtained domestically, imports are still within the budget of many urban consumers.

Much of China's imported fruit products enter southern Guangdong Province through the Hong Kong gateway, spreading from there throughout China. Rigid trade restrictions on fresh fruit, imposed by China in the form of phytosanitary barriers and high tariffs, have led to longstanding practices along the southern Chinese border, involving unrecorded shipments, underinvoicing and miscalculations. Some sources estimate that China's unofficial imports total over 95% of the total fresh-fruit imports into the country (Wong & Rutledge, 1997). Since 1998 South Africa has principally exported small quantities of plants used in perfumery or for pharmacy purposes directly to China. Fresh-fruit exports to China are still prohibited because of the lack of phytosanitary agreements. Fruit exports to larger China were mainly via the Hong Kong port. Agricultural exports from South Africa

to Hong Kong comprised of citrus fruit (18%), apples and pears (8%), grapes (6%) and nuts (3%) (Annex. 6, Table 6).

Further increase in demand for horticultural products is expected via Hong Kong. Greater expansion of trade in fresh fruit will depend on the development of relevant protocol agreements between the two countries. Direct trade in fresh horticultural produce between South Africa and China is limited by the absence of bilateral quarantine protocol, as is the case with Australia and the European Union. Currently China has only negotiated protocols with New Zealand and the United States. It is believed the Chinese government will negotiate an appropriate protocol with South Africa at some point in time in pursuit of its accession to the World Trade Organisation and as part of its 'open-door' policies. High tariffs on fruit and vegetables are major impediments. Tariffs on fresh fruit range from 30% for mangoes and avocados to 55% for fresh grapes. Tariffs on vegetables are about 45%.

#### *5.7.5.5 Beverages*

The consumption of imported beverages is projected to show continued strong growth as a result of increasing disposable incomes and as refrigeration facilities become more widespread. Beverage exports from South Africa to China comprised about one third of exports, fruit juices (22%) and wine (7%). More recently small quantities of beer were exported (Annex. 6, Table 5). Concerning South African agricultural exports to broader China, beer was the principal export product to Macau (57%), fruit juices and beer to Hong Kong (5 and 3% respectively) and fruit juices, wine and alcohol to Taiwan (21%, 5% and 7% respectively) (Annex. 6, Tables 6 to 8).

Wine consumption in China is growing rapidly. Corporate- and government entertainment remain the major markets, but there is increasing consumption in clubs and hotels and wine is now being sold in supermarkets and department stores. Red wines tend to be more



popular than white wines. In 1992, China imported less than US\$1 million of wine worldwide. In 1996 the figure had increased to US\$6,7 million (Austrade, 1998b).

Although beer consumption in China is low by world standards (13 litres per person per annum), China is projected to become the world's largest beer market by 2000 as consumption grows rapidly from a low base, with an estimated output of 20 million ton by 2000 and 32 million ton by 2010 (Austrade, 1998b). Domestic and foreign competition in the Chinese market is strong. China has increased its beer imports dramatically from 1992 to 1996, suggesting export opportunities. In 1992 China imported just over US\$1 million of malt beer worldwide and in 1996 the value of beer imports rose to nearly US\$18 million (Austrade, 1998b).

Improved living standards and increasing concern for health have also led to an increased demand for non-alcoholic drinks such as mineral water, natural fruit juices and fruit-juice mixtures. Consumption of mineral water in China is projected to double between 1995 and 2000 (Austrade, 1998b). Hong Kong is a major port for fruit exports to China. More than 60% (US\$ 31 million worth in 1994) of the juice imports into Hong Kong is re-exported to China and 17% to Macau (ITC, 1995). The most important re-export juices from Hong Kong are other single-fruit or vegetable juice, followed by grape juice, then orange juice, mixtures of fruit or vegetable juices, apple juice, tomato juice, pineapple juice, other single citrus fruit juice and grapefruit juice. China accounted for 80% of Hong Kong's re-exports for tomato juice (ITC, 1995). According to Austrade (1998b) the most popular flavours include mango, orange, apple, peach and vegetables.

#### *5.7.5.6 Confectionery*

Austrade (1998b) observed that although the imported confectionery market is currently relatively small (representing approximately US\$43 million in 1996), there are strong

growth signs for both sugar and chocolate confectionery which, in this market, are regarded as snack foods.

#### *5.7.5.7 Other foods and agricultural products*

Chinese consumers generally prefer fresh-food products. However, they will purchase canned products when fresh products are not available. Austrade (1998b) identified popular canned products, including ham, corned beef, tuna, soups, broths, sweetcorn and fruit. Imported canned products are mostly purchased by large hotels and upmarket restaurants. The demand for frozen foods is also expected to increase rapidly in tandem with the spread of refrigeration facilities in retail outlets and households. Other significant processed food imports according to Austrade (1998b) are sugar and chocolate confectionery, bakery products and preserved fruit. They have observed further that there is a strong demand for western-style snack foods. Snack foods are popular import items, because they have a long shelf-life and do not require refrigeration. Imported snack foods are also price competitive in China.

Wool and animal hair is a major export product from South Africa to larger China (mainland China, Taiwan, Macau and Hong Kong). South Africa is also a major world exporter of wool and animal hair. However, this is a declining world market and future opportunities exist in niche markets and in blended products.

### **5.7.6 Barriers to agricultural trade**

#### *5.7.6.1 Tariff barriers, levies and charges*

China's recent trade reforms have resulted in major tariff reductions. On 1 April 1995, China cut its average import tariffs on some 4 600 items from 36% to 23% and scrapped a third of its import quotas (EC, 1999b). The recent tariff cuts are a clear sign of China's commitment to join the World Trade Organisation (WTO) as quickly as possible. In

addition, the former deputy premier, Zhu Rongji, declared in March China's intention to lower its tariffs further to about 15% by 1997 (EC, 1999b). This commitment has been realised by 1 October 1997. Since then the average tariff of agricultural products in China has been reduced to 21%, 16,5% for raw materials, 24,2% for semi-finished products, 27% for finished products. To be more specific, 20,6% will be the tariff for live animals and animal products, 6,9% for plant products, 22,7% for oils and fats, 28,7% for food, beverages, tobacco and spirits, 10,4% for timber and wood products and 26,6% for textile materials and products (Cheng, 1999). In spite of these tariff reductions, the tariffs of grain, cotton and other essential agricultural products remained the same.

Tariff escalation is a major feature in the policy of China. This will affect processed goods exports. Although the average tariff rate has been reduced, most processed food and beverages attract import tariffs of between 35 and 65% (EC, 1999b). Generally, higher tariffs accord with the value added during manufacturing. Raw products attract duties of between 20% and 55%, with higher-value items taxed at the higher end of the scale, for example, live lobster has a duty of 30% while wine has a duty of 65% (Austrade, 1998b).

The average applied tariffs of China on selected agricultural commodities of general importance for South African exports are 39%. High levels of protection exist on barley (91% tariff), maize (114% tariff), wheat or meslin flour (91%), cereal groats and meal (maize) (91%), sunflower seeds (91%) as well as wine (65%). Tariff peaks on the main commodities exported from South Africa to China exist on:

- fruit juices (22% of exports), 35% tariff;
- wine (7% of exports), 65% tariff;
- beer made from malt (<1% of exports), 50% tariff (Annex. 6, Table 5).

China's accession to the World Trade Organisation (WTO) will bring about further liberalisation of the Chinese market. Agra Europe (1997) reported on the New Zealand - China bilateral market access negotiations concerning Chinese accession to the WTO. In



these negotiations China has agreed to cut tariffs on a range of imported farm products when it joins the World Trade Organisation according to the New Zealand Minister of Agriculture. Tariff cuts are on a most-favoured-nation basis and will therefore apply to imports from all WTO member countries. They could be reduced even further if China agrees during separate bilateral negotiations with the European Union and more than 30 other countries. Tariffs on butter and cheese will be reduced on accession from 65% to 45%, followed by five annual cuts of 5% to 25%. Milk-powder tariffs will be reduced from 35 to 25% within six years of accession and tariffs on liquid milk will decrease from 38% to 28% over the same period. The import tariff on beef will be reduced from 50% to 35% within six years, while that on mutton will decrease from 45% to 20%. Apple imports, currently facing a 40% tariff, will have a tariff of 30% within six years, while kiwifruit tariffs decrease from 55% to 30%. The 22% import tariff on frozen vegetables will be reduced to 20%.

China and the United States have negotiated in April 1999 that tariff levels on United States agricultural goods would be lowered upon entry, with the current levels, compared with those seen in 2004, as shown in the Table 5.4 (AgraFood Asia, 1999a). According to the most-favoured-nation principal China, with its accession to the WTO, will also have to give the same preferential treatment to other WTO members, including South Africa.

**Table 5.4** China WTO tariffs (%) on United States goods

Commodity	2004	Pre-entry
Beef	12	45
Pork	12	20
Poultry	10	20
Citrus	12	40
Grapes	13	40
Apples	10	30
Almonds	10	30
Cheese	12	50
Ice cream	19	45

Source: Reuters in AgraFood Asia (1999)

According to Brick-Turin & Doud (1999), China will have to reduce its average tariff for agricultural products to 17% in terms of the United States - China agreement. The overall average for agricultural products is near 40%. On accession in every area, China would also begin to open its markets from day one and that all tariff cuts will occur within a maximum four-year time frame. Every tariff cut is bound.

#### *5.7.6.2 Non-tariff barriers to trade*

A basic problem consists in the non-transparent character of Chinese regulations in nearly all areas of economic administration. Often a clear lack of written rules exist and where they do exist, these are subject to individual interpretation and frequent change. A lack of transparency in customs valuation is an obstacle to imports into China. The same product may not only be subject to different rates of duty depending on the port of entry, but also to arbitrary determination of the customs value (EC, 1999b). This lack of transparency, predictability and reliability means that business with China remains a high-risk activity which for the moment can only be taken on by major corporations and not yet by small and medium-sized enterprises (EC, 1999b).

An analysis done on UNCTAD (1999) database revealed that non-tariff arrangements to market access to China on selected studied commodities of importance to South African exports are dairy products, bulbs, tubers, barley, maize, sunflower, sugar and ethyl alcohol (Annex. 8). The major non-tariff measurement on agricultural trade in 1998 includes import-export licences, import quota, legal commodity inspection, quarantine of animals and plants, food-hygiene inspection, et cetera. Import quotas are currently used for more than 400 products and are clearly used to close the market (EC, 1999b). In general commodities needed for import quotas are grain, edible vegetable oils, wool, natural rubber, sugar, fertiliser, tobacco and its products, as well as cotton (Cheng, 1999).

Trading companies that claim to supply hotels and restaurants are allowed to import restricted fruit, provided they have a phytosanitary certificate from a China Animal and Plant Quarantine (CAPQ) Bureau. (However, note that hotels, restaurants and other institutional customers buy limited quantities of imported fruit, preferring domestic varieties.) Trading companies tend to apply to the more lenient local CAPQ Bureaus for these certificates. But there is a price to pay for this unhindered passage through customs. AgExporter (1997) calculated that effective tariffs rates can range from 41,3 to 81,4%.

## 5.8 SUMMARY AND CONCLUSION

Because of the dramatic changes occurring in Asian food markets it is timely to review developments in these economies and their implications for South African food exporters. Changing consumption patterns is the major trend that determines shifting market powers in Asia. Simultaneously, trade policies change continually, eventually affecting market access and trade opportunities. These developments, in combination with population growth, changing diets, increasing urbanisation, structural reforms and improved market access, indicated a positive long-term trend for food exports to Asia.

Unprecedented growth rates of certain industrialising countries in Asia is evidence that a huge shift in economic power is under way. Developing Asia sustained average real GDP growth rates of close to 7% for nearly two decades, more than double the average world real GDP growth. Before the economic upheavals, the Asian region accounted for about 65% of growth in the world and about 70% of the increase in the global consumption of commodities. The Asian crisis, which occurred in 1997, decreased Asian imports by 30%. On the medium- to longer term the Asian developing countries with economic problems (Indonesia, Malaysia, Korea) are expected to gradually regain international confidence throughout 1999 and to show, on average, a growth of about 4%. China had maintained high growth during this crisis period. All indications are that Asia is recovering from the crisis and will probably be on pre-crisis growth trends in the early years of the new millennium.



Asia is ideally located to benefit from the results of the Uruguay Round, which will strengthen their rising food consumption trends. Regional free-trade agreements underway such as the ASEAN Free Trade Area (AFTA) are already implemented and a possible Free Trade Area of APEC members by 2020, will noticeably accelerate globalisation of the Pacific Basin. A continuation of globalisation, which has been underway for 50 years, will reinforce the gradual shift in global economic weight towards the Asia-Pacific region. It is especially the East Asian - rather than the Asia Pacific (APEC) economies that have experienced sustained rapid growth over the past half century .

As a result of economic growth, consumption has increased, which has been generated by rapid disposable household income growth. As a result of fast growth and globalisation, more Asian countries will become dependant on the import of agricultural products. The increase in per capita incomes is the primary reason for diversification of diet. People now can afford a wider variety and choice of foods. Westernisation of diets has led to an irreversible consumption trend in Asia. The rapid growth in the number of western-style supermarkets leads to opportunities for exports of frozen and other convenience foods. Generally, consumer demands are roughly the same everywhere: more convenient- and nutritious foods at a lower cost.

According to trade statistics it appears that distance does not play the most important role in the determination of a country's competitiveness for remote markets, but rather economic growth prospects and cultural ties. Results obtained from the analysis done on the share and growth performance (for the period 1992 to 1996) of South African export destinations, identified Far-East Asia to be the most promising export destination for South African agricultural commodities. In conjunction with other factors e.g. the fast rate of globalisation and the integration of Asian economies and demographic characteristics, e.g. large population and high urbanisation rates, East-Asia is one of the priority markets to be studied from the perspective of future potential export opportunities. East-Asian

countries chosen on the basis of historical performance for this study are: Japan, South Korea, Malaysia, Indonesia and China. These countries were identified in Table 3.4 to have shown high growth in the export share of SACU exports for the period 1992 to 1996.

### 5.8.1 Japan

Japan is the world's second-largest economy. It accounts for approximately 10% of world exports and imports. The agriculture sector in Japan is declining, the Japanese Government is committed to further trade liberalisation and the Japanese diet is increasingly becoming westernised and health orientated. The economy is in recession, with major financial adjustments to occur. This creates considerable uncertainty regarding food imports in the immediate future. Large reductions in consumer demand and capital spending and a 30% drop in exports to Asia are regarded as being responsible for the recession. Recovery is expected over the medium term. Economic growth is forecast to be an average 1,6% a year between 1997 and the 2002 fiscal year, with a modest acceleration of growth after that date.

The consumption in Japan and Taiwan appears to have shifted from non-traditional staples to high-value and high-protein foods. Despite their increasing demand for value, consumers are not reducing food expenditure, but instead have become more sophisticated in how they spend their money. Several social trends have made convenience a major factor in Japanese consumers' food purchases that will result in changes in food-consumption patterns. These trends are likely to intensify. The already-strong demand for products that reduce cooking time and effort, such as frozen and prepared foods, semi-processed or pre-cut vegetable products, microwavable foods and those in retort pouches, will continue to grow. Imported frozen vegetables now account for 80% of Japan's domestic requirements. In addition, the Japanese diet currently contains more processed foods, such as pasta, ham, bacon, ketchup and fruit beverages. Finally, presently Japanese are consuming a greater variety of foods and are more adventurous about trying new flavours and cuisines than in the past. However, the Japanese markets are some of the



most demanding in terms of quality. Consumers are greatly concerned about getting value for money and competition is high.

Another major trend that creates new markets, is a trend towards healthy products. In conjunction with the upsurge in health-related products in Japan, there is currently a wine (especially redwine) consumption upsurge because of its health properties. The average juice content in fruit beverages has increased and is expected to increase even further as a result of health-conscious consumers. Although 100% fruit juice is too expensive in general for the Japanese consumer, there is a high demand for health drinks such as pure juice (100% carrot juice or 100% green juice) and mixed juices because of the increase in the number of health-conscious consumers. There is also a strong trend towards healthy, natural and low-calorie confectionery.

Food imports are expected to grow strongly over the medium term. Japan currently imports about 60% of its overall food requirements and in 1996 imports to Japan from the rest of the world accounted for about half the demand for imported food in Asia. Japan's imports of high-value products (HVPs) from all sources have been increasing steadily for more than two decades, but accelerated after 1985. There is significant potential for growth in high-value products if the restrictions regarding non-quarantine organisms are lifted. Over the medium term, as import barriers continue to be lowered and access is gained for currently banned products, South Africa's food exports to Japan can be expected to grow strongly. Many specific domestic laws have the potential to prohibit or restrict the importation of certain products by controlling the standards and certification of products. Japan is in the process of gradually lifting these restrictions. The Japanese approval procedures for imports of fresh fruit are, without exception, very cumbersome (2-3 years), costly and lacking in transparency. Japan also operates a system of zero tolerance for all pests not included on its list of non-quarantine organisms, even though organisms not on their list might be harmless. This also applies to cutflowers, a potentially lucrative export market.



### 5.8.2 Korea

Over the last three decades South Korea experienced the longest and biggest economic growth in world history, averaging 9% per year from 1960 to 1997. The fast growth has pulled resources away from agriculture. South Korea, with a population of 46 million, is becoming more dependant on food imports as domestic production declines. Korea is already 75% dependant on imported foods. Significant increases in food imports in future appear inevitable. The rapid industrialisation of Korea and rising incomes to pre-crisis levels led to significant changes in diets and eating habits. Food retailing and food services grew rapidly in response to consumer demand for better and diverse foods. Per person consumption of staple foods such as rice dropped (by 40% over the last 25 years), while consumption of vegetables, fruit, meat, milk and cheese rose sharply. The consumption of processed food increased 16-fold in the last 25 years. Further deregulation of the South Korean food and beverage market will open up new markets.

During the Asian crisis in 1998 imports in Korea dropped by 35%. The economic crisis has clouded the prospects for food considerably in the short term, with many consumers moving away from luxury-food items to basic food from the traditional street markets. The reduction in consumer purchasing power will continue to constrain growth in the imported-food market in the short term and food imports are expected to remain low until consumer demand recovers. In the short term the South Korean economy is undergoing major economic adjustments in response to the Asian financial crisis.

Looking ahead, as the economy recovers during 1999 and 2000 and incomes recover, the food consumption trends prior to the crisis are likely to resurface - the shift away from traditional foods such as rice, barley and fish to wheat and cereal products, meat, fruits and vegetables. Because self-sufficiency ratio's for the products are low, food imports will actively resume growth. Medium-term prospects remain good because of the demand for

western-style foods, modernisation of the retailing and food-services sectors and the opening up of the economy. The best prospects for higher consumption are for ice cream, cheese, yoghurt, milk powder, frozen vegetables, fruit, vegetable soup, sausages, ham, other prepared meat products, natural fruit and vegetable juices, soft drinks and low-alcohol beverages such as wine and beer. There is a movement towards healthier food.

The Korean market still remains one of the most difficult in the world concerning trade and investment in spite of recent liberalisation. While the agrifood market is in transition from being highly protected to moderately liberalised, many aspects of food import are still subject to government intervention. These include import management regimes involving 83 agricultural commodities, the reinforcement of quarantine regulations, regulations for plant and animal imports, the reinforcement of country-of-origin labelling, import licensing and quotas. Continued commercial and government representation is required to address the discriminatory effects of policies and measures. Quarantine- and tariff arrangements currently restrict access to the beef, fruit and vegetable markets and rice imports are strongly protected. "Luxury" foods such as dairy products, wines and value-added food products have been affected by an import tax, which restricts the demand in the short term.

### 5.8.3 Malaysia

Over the last three decades, the Malaysian economy has been one of the fastest-expanding economies in the world and over the last decade, the fastest-growing economy in ASEAN. The country's dependence on imports of agriculture products is on the increase. Because Malaysia is becoming an industrialised country, agriculture's share of the GDP is expected to be only 8.2% in 2005 (compared to 13,5% in 1997). The domestic agricultural sector in Malaysia is unable to fully meet the growing industrial requirements and consumer demand. Malaysia's food processing industry is limited by a lack of technology, research and development and scarce raw materials. The shortfall must be made up by imports.

In the medium- to long term, growth prospects in the nation of nearly 22 million consumers (and a very urbanised society), remain strong and Malaysia is expected to become an increasingly important export destination. Malaysia is close to entering the next phase in consumption evolution - from non-traditional staples to high-value and high-protein foods. Prior to the crisis, the retailing and food-service sectors had been flourishing. A third of households regularly shop at supermarkets, compared to only one tenth in 1995. Positive developments in Malaysia are the gradual liberalisation of market access, declining domestic production and increasing reliance on food imports, strong growth in the retail and food-service sectors, a strong tourist market and an increasing demand for convenient, western-style and health food. As part of an ASEAN agreement the Malaysian Government is committed to reducing tariffs on food on all items to less than 5% by the year 2003.

The weak currency and poor economic growth prospects will weaken consumer demand in Malaysia and will generally constrain growth in the imported food market in the short term. However, Malaysia is in a better position than the Republic of Korea and much better off than Indonesia, where the economy has very seriously declined. Recovery is expected to start relatively quickly by the year 2000.

Significant growth in imports is projected for pasta, bread, pastry cakes, biscuits, mixes and dough, primarily as a result of the shortage of skilled labour and technology which is limiting domestic production. The demand for breakfast cereals is being spurred by an increasing concern about health. The market for meat has not reached maturity yet and prospects exist for increased consumption. Malaysia will substantially remain reliant on imports of dairy products. Currently there is no commercial production of butter, butterfat, ghee, cheese or spray-dried milk powder. With westernisation the consumption of ice cream, yoghurt and UHT milk will increase. The health-food craze will stimulate the consumption of horticultural products (Malaysia is not self-sufficient). Emerging



opportunities exist in the beverage sector for health and sports drinks and the demand for imported wines is growing.

Currently there no quarantine restrictions exist on imported fresh fruit. The system of import prohibitions and licensing is not fully transparent and is used to protect the industry. Import licensing still effects 17% of tariff lines.

#### **5.8.4 Indonesia**

Over the resent years the economic development of Indonesia has been astounding. Real economic growth averaged 7% a year over a thirty-year period, increasing the average income per person from less than US\$100 in 1972 to over US\$1000 in 1996.

As a result of the Asian financial crisis, the economy is in serious difficulty and this impacts greatly on all sections of the community. The outlook for growth is poor and it is expected to take at least two- to three years, and even as long as seven years, for the economy to recover. The short-term scope for food imports is unfavourable. Since many people are jobless or have much lower incomes and are struggling to feed themselves, the demand for higher-priced import food products has dropped by 30% to 60%. The crisis has led to the opening up of new opportunities. The deregulation of long-protected sectors, including foodstuffs and retail wholesale distribution, has resulted in a more open market. The Government is revising policy on competition in respect of monopolies. According to the free-trade agreement signed with ASEAN in 1995, Indonesia must fully open its retail industry to competition by 2003. Companies becoming involved at an early stage of the recovery, will be the main beneficiaries in the longer term.

A demand for food and agricultural products is spurred by Indonesia's population of 200 million growing at 1,6% per annum and the growing input requirements of its processed exports. Consumption patterns were changing prior to the crisis on the basis of rising

incomes. Prior to the crisis, food purchases had become a small enough proportion of disposable income to afford consumers greater choice than before. Other socio-economic factors promoting sales were amongst others urbanisation, the increasing number of food-service outlets, the increasing demand for convenience, a growing numbers of tourists, more working woman, refrigeration becoming more widespread and increasing exposure to western foods. Consumption levels of traditional staples such as rice, cassava, maize and sweet potatoes were decreasing and consumption of western-style foods such as beef, dairy, bread, noodles, snack foods, soft drinks and processed foods increasingly. Although these trends are expected to re-establish themselves in the longer term, it may be five- to seven years before incomes fully recover to pre-crisis levels.

There is a general lack of predictability and transparency concerning tariffs in Indonesia. Food tariffs were recently deregulated as a result of the crisis and will drop further under various international agreements. Under AFTA these tariffs ended up in the range of 0% to 5% by 2010, but this liberalisation process will be accelerated.

#### **5.8.5 China**

China is emerging to be the world's largest economy in the next two decades. It is the largest populated country in the world, accounting for a fifth of the world's population. The opening of the Chinese economy in the late 1970s has brought an economic upsurge of unprecedented proportions. Personal incomes are growing rapidly and imports have been rising rapidly as a result. As China gradually relaxes its trade policies over the next decade and continue its "open door policy" in respect to foreign trade, capital and technology, major export opportunities are expected to emerge in agriculture. Over the medium-term domestic-food production is unlikely to keep up with demand and China will lose its comparative advantage in agriculture. The growth rate of agriculture compared to that of industry is 1: 2.23. The development of industry (especially textile) and the growth of cities, are two factors pulling resources away from agriculture and this will lead to increased imports of agricultural goods.



China became the recipient of the largest flow of direct investment ever recorded to a developing economy. Bigger investment is expected to generate a significant expansion in employment opportunities and consumer demand. In the face of the Asian financial crisis, Chinese authorities have indicated that they intend to speed up economic and financial reforms. The country needs continued market reforms to sustain its current levels of rapid economic growth and low inflation. China's accession to the World Trade Organisation is expected to take place soon and the implications will be an entire range of most favoured nation tariffs that will apply to South Africa. China will also have to accept the WTO's rules on phytosanitary standards. The Chinese market is expected to grow strongly once the current economic difficulties have faded. Continued strong economic growth is forecast for China, along with rapid population growth, higher disposable incomes and an increasing reliance on imported-food sources.

Great opportunities exist for increased exports of grain to China, especially maize (corn), other coarse grains, rice and wheat. Opportunities also exist for oil seeds, groundnuts and sugar. In the rural areas the per capita consumption of other main products such as meat, eggs, aquatic products, fruit and edible oil shows an upward trend. China's consumers will more than double their meat consumption by 2020 and although domestic production is increasing, it cannot keep pace with the growth in demand. The best prospects in the dairy industry are in food ingredients such as full-milk powder, whey powder, cheese powder, yoghurt powder and other kinds. This is the result of a shortage of these ingredients in China. Greater worldwide competition can be expected from the country in labour-intensive processed agricultural products and lower land-intensive products, especially fresh fruit and vegetables, moderate value-added processed foods (canned and dried fruit and vegetables), fresh- and frozen meats as well as poultry and fish. Opportunities exist for high-technology exports such as genetics, embryo's, biological pesticides and animal-health products. The consumption of imported beverages is projected to show continued strong growth as a result of disposable incomes and as refrigeration facilities become more widespread.



The percentage of the population who can afford to buy imported processed and high-value products is increasing rapidly. The number of consumers who can easily afford processed foods will expand to 225% by the year 2005 (a total of 195 million consumers). Amongst these consumers there is a trend towards buying western-style snack foods, non-alcoholic health drinks, canned foods, convenience foods such frozen food, and processed food such as chocolates and sugar. A sound nationwide network of wholesale markets will have taken shape within the next five years. These markets will become key links in the food-distribution process.

Rigid trade restrictions on fresh fruit imposed by China in the form of phytosanitary barriers and high tariffs, have led to longstanding practices along the southern Chinese border, involving unrecorded shipments, under-invoicing and miscalculations. Some resources estimated that unofficial imports total over 95% of fresh fruit imports into China. Further growth in demand of horticulture products is expected via Hong Kong. Expansion of trade in fruit will depend on the development of relevant protocol agreements with China.

Table 5.5 Summary of the current South African exports to Asian countries and indications of their export potential and market access constraints

Country	Average SACU agriculture exports (Million Rand) (92-96)	Average share in total SACU agricultural exports (92-96)	Average growth in share of SACU agriculture exports (92-96)	Share in SACU agriculture exports to Far East Asia	Major agriculture commodities exported from SACU to Far East-Asia	Potential for exports (Good, average and poor)	Major market access constraints
Japan	631	8,2%	27%	48%	Maize, prepared fruits, nuts and vegetables, citrus fruit, groundnuts, wine, fresh or dried grapes, hides and skins, milk and cream, cut-flowers, ethyl alcohol	Short term: Good Med. Term: Good Long term: Average	High tariffs on processed fruit, peaches, grape- and apple juice, wine, wheat starches, sugar, fruits and nuts, fruit juices, meat. Non-Tariff Measures on alcohol, barley, maize, grapes, bulbs and tubers. Phytosanitary restrictions (e.g. fumigation requirements) on most products, heavy cost of protocols.
Korea	142	1,8%	76%	11%	Bread, pastry, cakes, biscuits, sugar confectionery, prepared fruits and nuts, wool, fresh or dried grapes, animal hair, fruit juices	Short term: Average Medium term: Good Long term: Good	Asian financial crisis. High off-season agricultural tariffs, high tariffs on onions and garlic, cigarettes, milk and cream, beer, wine & alcohol, tea, fruits and nuts, fruit juices meat. Quotas for some products, Non-Tariff Measures on milk and cream, mandarines and meat. Sort self-limits for mineral water.
Malaysia	92	1,2%	>100%	7%	Prepared fruits and nuts, chocolates & cocoa products, sugar confectionery	Short term: Average Medium term: Good Long term: Good	High tariffs on processed pineapples, tobacco, beer, barley, mineral water, ostrich products. Non-Tariff Measures (e.g. import licensing) on groundnuts, cereal flour, grains, oilseeds, sugar, fruit, cereal grouts and meal, cutflowers, State Trading Enterprises sole importer of wheat and meslin.
Indonesia	42	0,5%	>100%	3%	Tobacco, essential oils, pasta	Short term: Poor Medium term: Average Long term: Good	Asian financial crisis. High tariffs on processed fruit and pasta, beer, ostrich products, fruit. State Trading Enterprises control imports (e.g. garlic, cereal flour, beer) and complicated licencing systems on milk and cream. Special fruit fly requirements for fruit imports.
China	21	0,3%	>100%	2%	Animal hair, fruit juices, wine, plant for perfumery & medicine, dried leguminous, fruit & nuts, beer, bread, pastry, cakes, biscuits...	Short term: Good Medium term: Good Long term: Good	High tariffs on processed fruit and juices, onions and garlic, wheat and meslin flour, beer, wine, barley, maize, sunflower, mineral water, ostrich products, fruit and nuts, meat. Import quotas on wool and sugar. Non-Tariff Measures on milk and cream, grains, sunflower, bulbs and tubers.
Greater China (China, Macau, Hong-Kong, Taiwan)	317	4,1%	5%	24%	Fresh and dried fruit and nuts, preparations of fruit and vegetables, fats and oils, cereals, sugars, Beverages, meat preparations	Short term: Average Medium term: Good Long term: Good	High tariffs on some processed fruit, cigarettes, wheat and meslin flour, beer, wine & alcohol, fruits and nuts, fruit juices, flowers, meat. Non-Tariff Measures on cut-flowers.