UNIVERSITY of the
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AN ASSESSMENT OF THE IMPLICATIONS OF AGOA ON THE SOUTH AFRICAN POULTRY INDUSTRY

BY

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ABSTRACT

As a signatory to the African Growth and Opportunity Act (AGOA) agreement, a preferential trade agreement (PTA) with the United States, South Africa derives several benefits. PTAs grant access to certain products from developing countries and, while the tariffs are sometimes not completely removed, the tariffs charged are far less than those imposed on countries that are not included in the trade agreement. There is strong evidence that PTAs increase trade and investment between member countries. South African exports of goods and services to the US under AGOA have increased by 104% since 2000. While PTAs seem to benefit developing countries at the aggregate level, not much is known about the winners and losers from preferential trade liberalisation at the level of the firm. This study assessed the PTA benefits of AGOA at the firm level within the South African poultry sector. A theoretical framing to assess AGOA was developed using different economic trade theories. Data was collected using closed-ended questionnaires and by conducting open-ended interviews with senior managers of the main poultry firms that were members of the South African Poultry Association (SAPA). A purposive sampling method was used for this study, which covered 70% of the South African poultry market. The study found that the poultry sector gained no benefits from AGOA for a variety of reasons, including being unable to use the duty-free access to export chicken to the US, the excessive quota demanded by the US to export 65 000 tons of chicken portions annually to South Africa, the lethargic role of the government in the implementation of the AGOA agreement and export constraints that included lack of access to capital, technical expertise, skills and other supply-side constraints. This study highlights the negative impact of the application of AGOA to the poultry sector, which included chicken firms reducing their production capacity, closure of farms, job losses and the loss of foreign exchange earnings through poultry exports.

PTAs such as AGOA need an enabling environment for firms to benefit. The study found that this was missing in the case of the poultry sector. Although AGOA was intended to increase capacity in the beneficiary countries, this has not happened in South Africa, although other SSA countries have seen AGOA-related investment in capacity. Further, there has been under-utilisation of the benefits of the AGOA agreement in the poultry sector. Not all these problems can be blamed on AGOA as the South African poultry sector has not racially transformed in terms of BBBEE and black farmers have largely not benefitted. The industry remains dominated by a few firms who control the whole value chain making it difficult for black farmers particularly to benefit directly from AGOA. Although the government assigned a large part of the US import quota to black-owned businesses, it did not support them adequately and many quota holders simply sold their quotas to established businesses and were unable to stay in the sector. The study concludes that the South African government does not have the policy framework and institutional capacity to ensure that the AGOA agreement benefits the poultry industry. While AGOA is meant to be renewed in 2025, the state should explore not only how to extend AGOA's benefits to the poultry sector, but how the sector could be assisted to transform and grow to supply other export markets, most notably Africa and the Middle East.

Keywords: AGOA, Poultry, Poultry Industry, Poultry Sector, Preferential Trade Agreement (PTA), Sub-Saharan Africa (SSA), Trade Agreements

DECLARATION

I declare that "**An assessment of the implications of AGOA on the South African poultry industry**" is my own work, that it has not been submitted for any degree or examination in any university, and that all the sources that I have used or quoted have been indicated and acknowledged by complete references.

Zuko April

Signature:

Date:

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LIST OF ABBREVIATIONS

AfCFTA	African Continental Free Trade Agreement
AGOA	African Growth and Opportunity Act
APAP	Agriculture Policy Action Plan
BRICS	Brazil, Russia, India, China and South Africa
CNL	Competitive Need Limitation
DAFF	Department of Agriculture, Forestry and Fisheries
DALRRD	Department of Agriculture, Land Reform and Rural Development
DTI	Department of Trade and Industry
DTIC	Department of Trade, Industry and Competition
EMFs	Emerging Market Firms
EPA	Economic Partnership Agreement
EU	European Union
FTA	Free Trade Agreement
GATT	General Agreement on Trade and Tariffs
GDP	Gross Domestic Product
GSP	Generalised System of Preferences
IDC	Industrial Development Corporation
IGDP	Integrated Growth and Development Policy for Agriculture, Forestry and Fisheries
INES	Integrated National Export Strategy
IPPC	International Plant Protection Convention
ISPMs	International Standards for Phytosanitary Measures
ITAC	International Trade Administration Commission
LDCs	Least Developed Countries
MFN	Most-Favoured Nation
NAFTA	North American Free Trade Agreement
NAMC	National Agricultural Marketing Council
NRPTA	Non-Reciprocal Preferential Trade Agreement
NEDP	National Exporter Development Plan

NEF	National Empowerment Fund
PTA	Preferential Trade Agreement
SACU	Southern African Customs Union
SAPA	South African Poultry Association
SAPSMP	South African Poultry Sector Master Plan
SPS	Sanitary and Phytosanitary measures
SSA	Sub-Saharan Africa
TRIPs	Trade-Related Aspects of Intellectual Property Rights
UNCTAD	United Nations Conference on Trade and Development
USDA	United States Department of Agriculture
WTO	World Trade Organisation

CHAPTER ONE

INTRODUCTION TO THE STUDY

This study assesses the implications of the implementation of the United States of America's African Growth and Opportunity Act of 2000 agreement (hereafter 'AGOA') on the South African poultry industry[1]. AGOA was meant to provide duty-free and quota-free access to the US market for qualifying products from eligible countries in Sub-Saharan Africa (Williams, 2015). The arrangement is similar for all African countries considered eligible for AGOA, including South Africa (Gibbon, 2003). The objective of AGOA is to cultivate trade and economic cooperation between the USA and qualifying Sub-Saharan Africa (SSA) countries (MTI, 2015), stimulate export-led growth (Obembe, 2011) and economic development in SSA and expand the USA's economic relations with the region (Williams, 2015).

This study's focus is the poultry market and related trade between the US and South African markets and excludes other sectors of the agreement.

1.1 Background to the study

Preferential Trade Agreements (PTAs) grant access to certain products from developing countries, and while the tariffs are sometimes not completely removed, the tariffs charged are far less than those imposed on countries that are not included in the trade agreement (UNCTAD, 2006: 78). PTAs in the World Trade Organisation (WTO) are independent trade preferences established through a trade pact between two or more countries (WTO, 2015). They incorporate Generalised System of Preferences (GSP) arrangements under which developed countries allow preferential tariffs on imports of certain products from developing countries (UNCTAD, 2006: 78). PTAs partially remove the tariffs or reduce them to less than those imposed on countries that are excluded from the trade agreement. A preferential trade pact is a trading bloc that gives favourable access to certain products from the participating

[1] The term 'poultry' can include the meat and eggs of all domesticated birds, including chickens, ducks, turkeys and geese. In the discussion throughout this thesis, the term 'poultry' can be assumed to mean chicken only, since chicken meat was the only poultry product added to AGOA in 2015. Therefore, chicken eggs and the meat and other products of other birds are irrelevant to the study.

countries (World Bank, 2015). AGOA was expected to lead to greater production and free trade by giving preferential access for African products to the American market which would ultimately lead to economic growth. Most observers agree that AGOA has led to increased and more diversified exports to the USA from the SSA countries (Williams, 2015).

“Economic conditions in Africa have changed considerably since Congress passed the initial AGOA legislation. Annual gross domestic product (GDP) growth in SSA was a half percentage point lower than global GDP growth (2,7% vs. 3,3%) in the decade leading up to AGOA’s passage (1990—2000). Since AGOA was enacted (2001—2013), however, SSA’s growth averaged 6,3%, more than two points higher than the 3,9% world average” (Williams, 2015: 1).

Ndlovu (2017) claims that trade liberalisation and policies in developed countries still discriminate against developing countries being able to export different products. AGOA was designed to enable poor countries to export their products. However, under the current AGOA agreement, more products were excluded and complicated rules undermined the effort of participating countries to export to the USA. The US president also has the sole right to determine which countries to include in or remove from the AGOA agreement. Changes to AGOA requirements are generally initiated by the US government. For example, in the poultry industry, new measures were added in terms of sanitary and phytosanitary (SPS) measures “and other regulations aimed at protecting human and animal lives from the risks and threats arising from additives, contaminants, toxins or disease-carrying organisms” (Davies, 2015). Despite South Africa making headway in agreeing with the US on several issues, including opening exports to the US bone-in chicken market, there were still thorny issues that prevented the deal from being signed, such as the SPS requirements (TRALAC, 2015a).

1.2 AGOA enables export-led growth and development

The qualification of countries to participate is evaluated every year according to criteria established by the US government. The conditions for qualifying for AGOA include expanding the rule of law, eradicating trade barriers, defending human rights and abolishing child labour practices, while making progress toward the elimination of barriers to USA trade and investment (MTI, 2015).

According to the Department of Trade and Industry (DTI, 2015), total South African exports to the USA in 2014 fell by 13,9% from 2013. Exports under AGOA decreased by 30,8% in 2014 and increased by 40% under the GSP from 2013. Davies (2015) explained that “The decline in AGOA exports may be attributed to the fact that Mercedes Benz ceased exporting its C-Class vehicles from South Africa, as the company relocated its production of these models to the US in 2014”. Table 1 compares the GSP exports from South Africa to the US between 2013 and 2014, before the current AGOA agreement came into effect, with AGOA exports. The South African exports under GSP and AGOA equalled a combined total of USD 2,379 billion in 2018, which was then equivalent to ZAR 34,8 billion (De Wet, 2019). There were no imports or exports of poultry products between the US and South Africa before the current AGOA agreement.

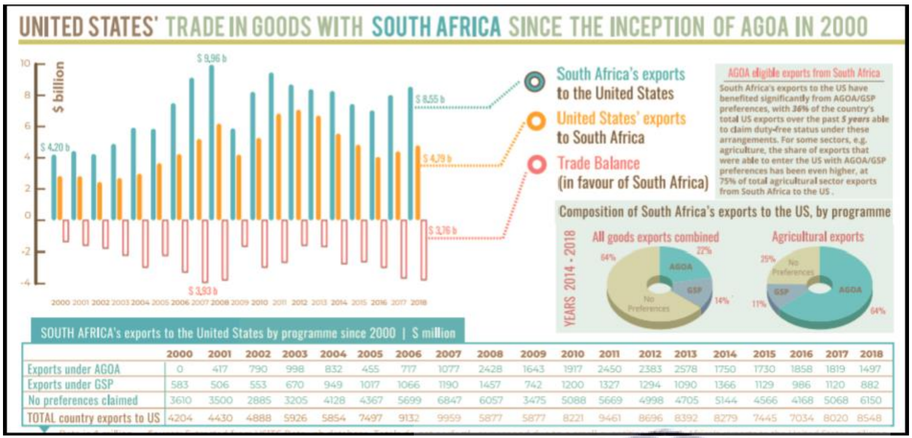
Table 1: South Africa exports to the US, 2013—2014

SA Exports to the US	2013	2014	Increase or decrease
AGOA exports	USD 2,6 billion	USD 1,8 billion	↓30,8%
General System of Preferences (GSP) exports	USD 1 billion	USD 1,4 billion	↑40%
Total US Exports	**USD 3,6 billion**	**USD 3,2 billion**	**↓13,9%**

Source: DTI, 2015.

Figure 1 provides more details about the exports between the two countries since the inception of the AGOA agreement in 2000.

Figure 1: South Africa's exports to the US by programme since 2000



Source: AGOA.info, 2019.

According to the United States Department of Agriculture (USDA, 2020), the US exports of bone-in chicken performed well and utilised all the allocated AGOA quota during 2017/2018 and 2018/2019 (see Table 2). The quota was under-utilised by 72% in 2016/2017, the first year the agreement came into effect, as the US traders needed to adjust to the system. However, the quota was exceeded in 2017/2018 and 2018/2019 by the USA.

Table 2: US bone-in chicken exports to South Africa: Annual allocation and utilisation (in US tons)[2]

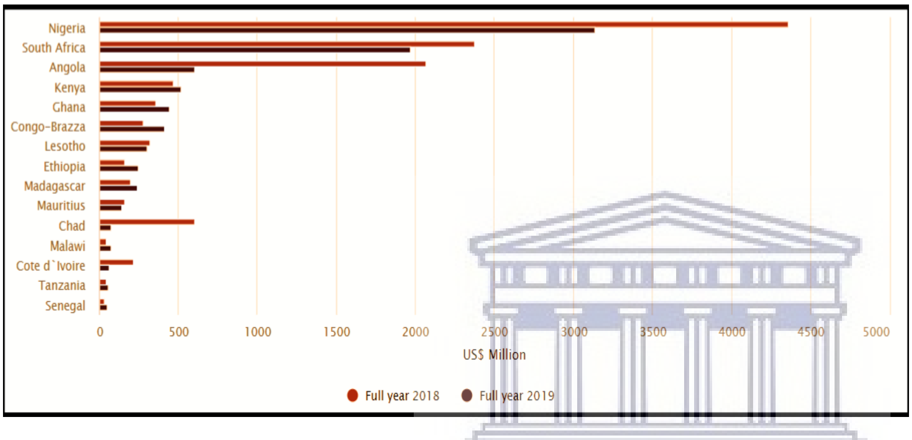
Quota year	Quota allocated	Total imported	% of Quota utilised
2016/2017	65 000	46 623	72%
2017/2018	65 000	69 280	107%
2018/2019	65 417	73 539	112%

Source: USDA, 2020.

[2] Note: Imperial and metric measurements have not been standardised for the study. The US ton is the equivalent of 2 000 pounds, a UK ton is 2 240 pounds and the metric tonne preferred in South Africa is the equivalent of about 2 205 pounds. A metric tonne is almost 93 kilograms more than a US ton. Thus, the AGOA quota of 65 000 US tons equates to 58 967 tonnes in South Africa. For the purpose of this study, the differences were not considered significant enough to warrant converting all measures to one standard. Also, South African sources frequently use 'tonne' and 'ton' to mean the same thing and since it couldn't be verified from the context in each case, the researcher was forced to take the meaning at face value. Therefore, where a source referred to 65 000 *tons*, it was assumed to be intended to indicate the US measure.

According to TRALAC (2020), South Africa and Nigeria are the major exporters of AGOA goods overall. South Africa's exports are reasonably diversified across both extractive and manufacturing sectors. AGOA trade elsewhere mainly consists of oil exports from Angola and Nigeria, and to a lesser extent, Chad and the Republic of Congo.

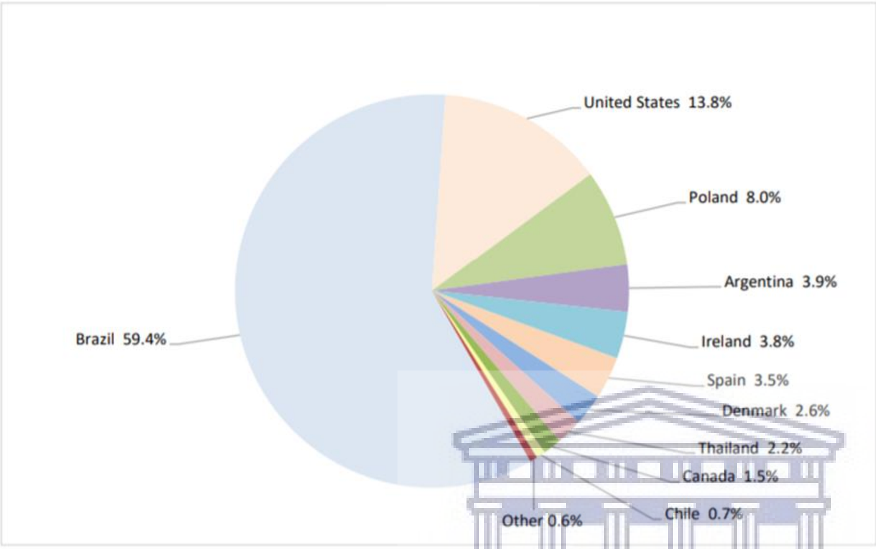
Figure 2: Leading AGOA exporters (year 2018/2019)



Source: TRALAC, 2020.

Moreover, Figure 3 below shows the poultry imports per country of origin into South Africa as at the fourth quarter of 2018 (December). Brazil has the lion's share with the USA being the second-biggest poultry exporter to South Africa.

Figure 3: Country of origin for poultry imports into South Africa, December 2018



Source: SAPA, 2018.

1.3 Problem statement

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Unilateral and multilateral trade agreements are important for socioeconomic growth in developing countries that ensures inclusive development and reduces income inequality. However, due to power disparity, these agreements often fail to achieve the above-mentioned objectives and lead to increased marginalisation of developing countries (Afzal, 2019). However, due to the unequal power between the USA and the SSA countries, the USA exploits the SSA countries using AGOA eligibility criteria to remove all tariff protections to flood African markets with American goods and undermine local industries (Hickel, 2011; SACSIS, 2011). It has also been argued (Obuah, 2007:75) that AGOA is a mechanism to aid US companies in their competition with European competitors on the global market, and to position the US advantageously in its competition with other countries to exploit Africa's expected economic growth.

Furthermore, the poultry firms in emerging economies which are also called emerging market enterprises (EMEs) usually have the potential to grow and to internationalize but need institutional support from their countries. As the result, AGOA should enable

South African poultry firms to internationalize but they are not doing this as it has been found in this study. According to Wu, Wang, Hong, Piperopoulos and Zhuo (2016:251) EMEs are progressively trying their luck into international markets but unlike firms from first world countries, the EMEs from underdeveloped countries face institutions that are also under-developed which restrain their internal development competencies for innovation. Wu et al., (2016:251) concluded that the EMEs from countries with weak institutions looked for foreign expansion prospects with well-organized institutions to enable them to improve their "innovation performance and global competitiveness."

In addition, to provide more insight into the internationalization of EMEs, research suggests that one of the ways for EMEs to achieve internationalization is to invest in research and development. According to Buckley and Tian (2017:976) as the result of being forced to occupy an inferior position in the global manufacturing system and underdeveloped institutions at home, EMEs must invest in research and development in order to benefit from internationalization. EMEs need to engage in research and development to upgrade their knowledge base and best technical expertise within the international business environment which should also be accompanied by the development of home-based enabling institutions.

Vlok (2010: III) contends that AGOA is a step towards the development of the USA and least developed countries (LDCs), and that the general assumption of AGOA and its relationship to economic growth is that, while the agreement is comprehensive, it lacks the proper regulation and execution that would enable it to develop African countries to their full potential.

In the 20 years from 1995 to 2015: "South Africa's annual poultry consumption nearly tripled to more than 2 million tons. Nevertheless, local production has grown at a more sluggish rate than imports, which account for a quarter of consumption. Put differently, South African poultry production has stagnated as imports have risen, with imports having increased fourfold over 20 years. This is despite the fact that the consumption of chicken meat in South Africa has grown significantly, although more slowly after 2008" (Grain SA, 2020).

To protect local farmers, the poultry industry lobbied for protectionist measures and in 2000, the government imposed an anti-dumping tariff on US bone-in poultry. The duty was fixed at ZAR 4,00 (USD 0,64) per kg. The USA was not able to export chicken products to South Africa from 1999 to 2015 due to the tariff increases imposed by South Africa on the US and countries such as Brazil accounted for almost 60% of chicken imports (TRALAC, 2018).

TRALAC (2018) claims that South Africa has battled the US for years over poultry. Whereas the US has barred South African poultry citing health and sanitary reasons, South Africa accuses US farmers of dumping chicken at below-cost prices and for imposed tariffs.

It has been observed that since the US poultry sector caters to Americans' preference for deboned breast meat and US producers can recover their costs through the sale of breast meat, the South African Poultry Association (SAPA) says the thighs and drumsticks favoured by South Africans can be exported from the US at below cost. On the other side, the US producers regard the South African tariff as illegal. James Summer, president of the USA Poultry and Egg Export Council (USAPEEC), has said "The anti-dumping duties imposed on US poultry were based on a flawed legal theory that has twice been held to be inconsistent with international rules" (TRALAC, 2018).

In 2015, the US pushed the South African government under the threat of a withdrawal of South Africa's AGOA benefits, to concede a quota exempt from tariffs. The South African poultry sector was persuaded to agree, despite its exports being blocked from entering the US market on the grounds of SPS measure. South Africa's poultry sector agreed to allow the US to export 65 000 tons of bone-in chicken tariff-free to South Africa in return for being allowed to export breast meat to the US.

SAPA calculates the quota has cost about 6 500 South African jobs (Reuters, 2018). Marthinus Stander, the CEO of Country Bird Holdings Ltd, one of South Africa's poultry producers, said: "It was for the good of the other sectors. So we kind of put on a 'Team South Africa' hat in terms of making the rest of the AGOA benefits possible" (Reuters, 2018).

In 2017, according to South African Revenue Services (SARS) data compiled by SAPA, the US exported more than 87 000 tons of poultry to South Africa, up more than 200% and second only to Brazil's 337 476 tonnes" (TRALAC, 2018). It is clear from the SARS data that the US exceeded the allocated quota of 65 000 tons per annum. Furthermore, it appears that the US continues to use health and sanitary measures to block the South African poultry imported to the US.

Baccini (2019) claims that there is now strong evidence that PTAs increase trade and investment between member countries. However, while PTAs seem to benefit at the aggregate level, less is known about the winners and losers of preferential trade liberalisation at the level of the firm. Using different economic theories and unilateral trade agreements, the study will examine the evolution and application of PTAs and the AGOA agreement in light of the problems stated above, to identify the relevant aspects hindering the success of the current AGOA in the poultry sector. It will investigate the different perspectives of the players in the poultry industry and examine, where possible, the power relations embedded in the AGOA agreement.

Lastly, after showing that there are distinguishing aspects of the AGOA poultry deal between South Africa and the USA that are hindering its success and impacting the poultry sector in South Africa, the study will provide policy suggestions that could lead to the improved implementation of the AGOA poultry agreement between the USA and South Africa.

1.4 Research question and objectives

1.4.1 The research question

The main research question posed by this study is: What are the aspects hindering the success of the AGOA poultry deal between the South African government and the USA, and what measures should be put in place to manage and eliminate these hindering aspects?

1.4.2 Research objectives

The following research objectives have been set to answer the research question:

a. Investigate the implications for South Africa's access to the USA under the AGOA poultry agreement.
b. Identify the relevant aspects hindering the success of the current AGOA deal.
c. Address the aspects identified as hindering the success of the current AGOA deal to suggest changes that will be beneficial to both South Africa and the USA.
d. Suggest policy amendments that would manage and eliminate barriers to the AGOA poultry deal between South Africa and the USA.

1.5 Relevance of the research

This study will share insight into the trade liberalisation of the AGOA poultry agreement at the firm level, which is currently lacking. Secondly, the study will assess the implications of AGOA on the South African poultry industry between South African and the US. Lastly, the study makes policy recommendations that can be used to manage and eliminate the hindering aspects in the current AGOA agreement that are affecting the South African poultry market.

1.6 Thesis outline

Chapter 1 introduces the study and discusses the following: AGOA as a Preferential Trade Agreement, how AGOA enables export-led growth and development, the problem statement, research question and objectives, the relevance of the study, conclusion, and the outline of the study. Chapter 2 provides a theoretical literature review and looks at definitions of trade, and discusses the Classical and Neoclassical trade theories. Chapter 3 outlines the empirical literature review, the arguments for and against AGOA and the AGOA eligibility criteria. Chapter 4 discusses the empirical literature on the global meat trade, the poultry sector in emerging markets in general and the South African poultry market. The reason and rationale for AGOA are explained and, lastly, the transformation of the South African poultry sector. Chapter 5 discusses research methods, Chapter 6 discusses the findings of the study and Chapter 7 provides the conclusions and recommendations.

CHAPTER TWO

THEORETICAL LITERATURE

2.1 Introduction to theoretical literature

Theories are formulated to explain, predict and understand phenomena and, in many cases, to challenge and extend existing knowledge within the limits of critical bounding assumptions. Therefore, this chapter introduces and describes the theory that explains why the research problem under study exists (Abend, 2008). That is, the trade theories will be used to explain and historically contextualise the AGOA agreement, the trade agreement governing trade in poultry between South Africa and the USA that is the focus of the study. This chapter also reviews the theoretical background to trade agreements to understand how the classical theories figured in the development of current trade theories.

The chapter first discusses classical trade theories in detail, including looking at their contributions to trade theory and their limitations. In terms of the revisionists or new trade theories, the discussion for this study will be limited to Paul Krugman, Dani Rodrik, Joseph Stiglitz, the World Systems Trade theory and the International Political Economy (IPE), and Michael Porter, due to their differing views and the relevance of these trade theories to this study. Various trade agreements are -discussed next, along with the researcher's perspectives on trade theories and trade agreements.

2.2 The trade theories utilised in this study

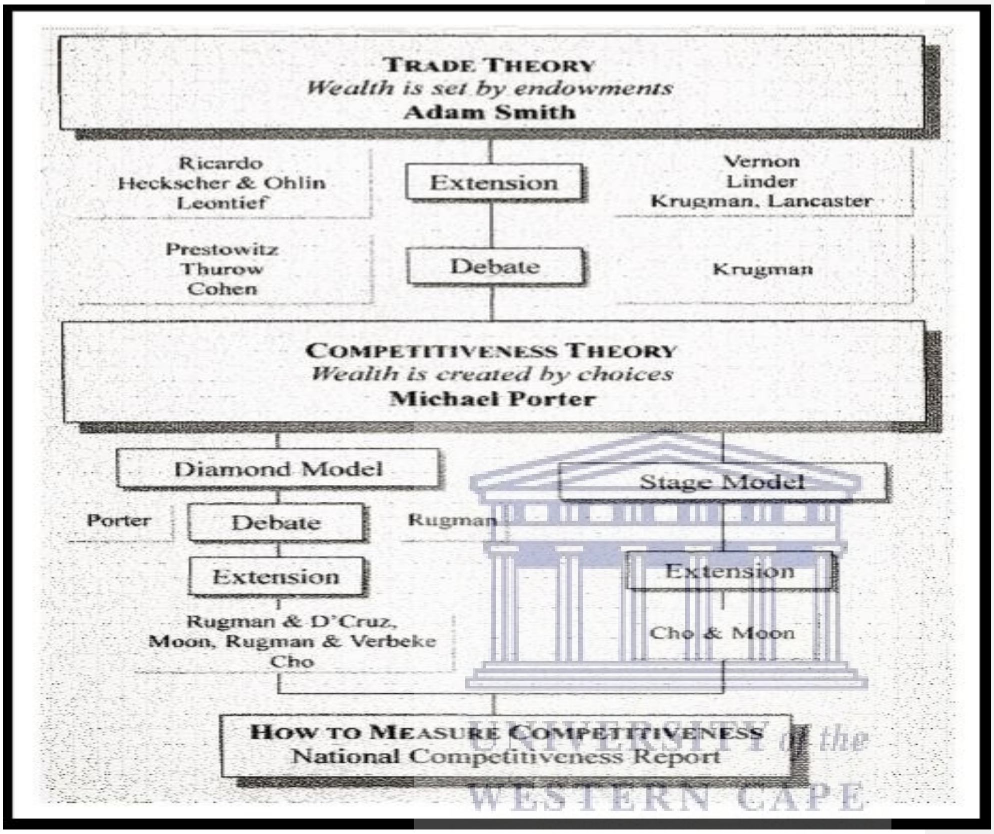
The trade theories relevant to this study may be classified into classical and revisionist or new trade theories. Cho and Moon (2013) state that classical trade theory can be traced to the 16th-century development of the Mercantilism trade theory that promoted the idea of encouraging exports and discouraging imports. A fundamental work by Scottish classical economist Adam Smith (1776—1790), *An Inquiry into the Nature and Causes of the Wealth of Nations*, promoted the idea of unrestricted free trade (Harris, 2007). Adam Smith's theory was further refined and extended by Thomas Malthus (1766—1834), John Stuart Mill (1806—1873) and David Ricardo (1772—1823), who must be regarded as the main pioneers of modern economic theory. Eli Heckscher and Bertil Ohlin further refined the work of Ricardo and developed the Heckscher-Ohlin (H-O) model in the early 20th century. Other notable classical economics contributions were made by Wassily Leontief, Clyde Prestowitz, Carl Thurow, Daniel Cohen, Vernon Smith, Staffan Linder and Paul Krugman (Cho & Moon, 2013).

The revisionist theorists responsible for the new trade theory, were Raymond Vernon (1966), Staffan Linder (1961), Paul Krugman (1971) and Kevin Lancaster (1980). Michael Porter (1947) produced a new trade theory of competitive advantage critiquing and building on the notions of absolute advantage theorised by Smith, and Ricardo's idea of comparative advantage (both discussed in detail below). Other contributors to the new trade theory are Alan Rugman, Joseph D'Cruz, Dani Rodrik and Joseph Stiglitz.

The revision of classical trade theories was a shift away from the inflexible framework of classical trade theories to accommodate modifications such as the introduction of increasing returns to scale and mutual benefits from international trade (Sen, 2010). The new trade theories emphasised economies of scale, imperfect competition and product differentiation, notions that were not covered by the old economic theories (Sen, 2010). The advancement of the new trade theories has influenced policy at two levels. The first, driven by the IMF and WTO, identifies with the ongoing support of the free trade principle to determine policy for developing countries. The second "identifies with policies followed by the developed countries, which depend significantly on the new trade theory principles of strategic trade" (Sen, 2010: 19).

The evolution of trade theory, from the classical notions of economies freely trading from points of inherent or natural advantage to trade driven by advantages derived from competitive choices, is graphically depicted in Figure 4 below.

Figure 4: Evolution from trade theory to competitiveness theory



Source: Cho and Moon, 2013.

2.3 The nature of international trade

Countries must compete efficiently in foreign markets to achieve success in the global economy, instead of merely competing in the domestic market. This is true irrespective of how large the home market is. International trade is the exchange of goods and services across national boundaries (Seyoum, 2013). According to Seyoum, trade encompasses several variables, which include the transformation of goods, services and technology, and an extension of the market beyond national borders through a process of imports and exports. By definition, there must be an exchange of goods and services between two countries. Trade is essentially "an international transformation of commodities, inputs and technology which promotes welfare in two ways. It extends the market of a country's output beyond national frontiers and may ensure better prices through exports" (Vijayasri, 2013: 112). Importing makes available commodities, inputs and technology that are either inaccessible within a country or are accessible only at higher prices. Thus imports take consumers to a higher level of satisfaction (Vijayasri, 2013). The most important principle of foreign trade, the law of comparative costs, holds that what a country exports and imports is determined not by its character in isolation but only in relation to those of its trading partners. In addition, Vijayasri (2013) contends that there is always a need for international trade because countries have different capabilities and they specialise in producing different things. To compensate for what they do not or cannot produce, they have to trade with other countries, because in the modern world no country is completely self-sufficient. Consequently, international trade is required by all countries. It allows manufacturers and distributors to access products, services and components produced in foreign countries. Furthermore, countries enter into trade for several reasons, and the possibility of trade incentivises them to produce goods and services that they have an advantage in manufacturing. Likewise, countries import goods and services from countries that are better at manufacturing them. Trade also leads to lower prices and greater product options for the benefit of the consumers, due to the flow of technology, innovation and productivity growth (Cernat, 2019).

Lastly, the challenges of globalisation, specifically in global trade, have had a greater impact on developing countries than developed countries. For example, high import tariffs affect domestic industries who are unable to meet production costs while on the other hand, developed countries offer subsidisation inputs or finance to produce or distribute goods cheaper and the developing countries fail to compete with such subsidised goods due to a lack of financial resources (Runi, 2018).

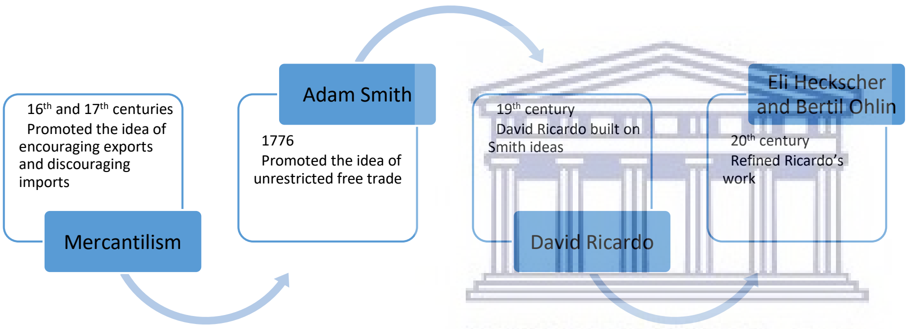
Economic and international trade literature overwhelmingly acknowledges the role of free trade in enhancing economic welfare among countries. However, free trade is only possible through trade agreements, which are an outcome of trade negotiations, and both trade negotiations and agreements fall within the broader context of trade policy (Mhonyera, 2020). The consensus among trade theories is that free trade is the best policy for an economy provided that compensatory policies can be implemented and market failures can be addressed through corresponding policies. A developed country may be able to manipulate the terms of trade to its advantage at the expense of its trading partners. This motivates countries to enter into trade agreements that prevent mutual harmful effects (Rodrik, 2018).

Trade also empowers companies in a country to obtain resources that are not available at home. Besides providing consumers with a variety of goods and services, international trade increases incomes and employment (Seyoum, 2013). According to UNCTAD (2006), access to foreign markets is a basic determinant of export performance. Foreign market access or foreign market capability correlates to the attributes of the trading partner countries, such as the size of their market and transport facilities. It also depends on the size of the export basket and the number of goods and services and their prices that, in turn, are influenced by market entry conditions. Cross-border costs, which include tariff and non-tariff barriers, are expected to have a negative impact on foreign market access. Furthermore, in addition to inherent foreign market conditions that apply to each exporter, a company should also consider which market entry strategy to use. The market strategy is the method of planning and distribution of goods and services to a new market in the target market of a foreign country (Akande & Khadka, 2018). A company's export market strategy should reflect consideration of factors or stages that must be negotiated to trade in the target market, including the condition of the target market, the current competition in the target market, applicable policies and the market entry conditions related to cross-border costs. In addition, the company must always take into account the high risk introduced by the factors of production required to export (Akande & Khadka, 2018). Lastly, international trade depends on the trade policies of each country. According to Mhonyera (2020) Trade policy refers to all the government measures that directly or indirectly influence the development and expansion of international trade, such as trade agreements, import duties and tax incentives. A discussion of the evolution of international trade theories follows.

2.3.1 The evolution of international trade theories

Charles Hill (2009) states that international trade theories have developed and evolved over centuries. The mercantile trade policy born in the 16th and 17th centuries encouraging exports and discouraging imports to maintain a positive balance of trade favouring the exporting economy. By 1776, Adam Smith was advocating free and unrestricted trade between countries. Both mercantilism, which was overtly protectionist, and free trade, which assumed an advantage for the stronger economy in the trade, favoured larger economies and monopolies. In the 19th century, David Ricardo developed the Ricardian Model built on Smith's ideas of free trade. Lastly, in the 20th century, Eli Heckscher and Bertil Ohlin refined Ricardo's work. New trade theories that developed in the 1980s emphasised economies of scale and market failures as driving forces behind international trade (Vagle & De Medina-Rosales, 2006). In contrast to the earlier trade theories like the Ricardian Model that assumed perfect competition, the new trade theory provided a rationale for industrial policy. Figure 5 summarises the evolution of the classical international trade theories.

Figure 5: The evolution of trade theories



Source: Hill, 2009.

2.4 The classical theories of trade

The term classical economics is often used to refer to the period in economic history from about 1750 to the earlier 1900s (Boyes & Melvin, 2013). As stated in section 2.2 above, the classical trade theories discussed here are the mercantile trade theory, Smith's Competitive Advantage, Ricardo's Comparative Advantage, and the Heckscher – Ohlin (H-O) model.

2.4.1 The Mercantile trade theory

Although this theory is not directly relevant in this study, since both the US and South Africa practice free trade market policies, it is important to understanding the historical evolution of trade theory as well as the persistence of mercantilist measures in trade agreements. Mercantilism views trade as a zero-sum game in which a trade surplus of one country is offset by a trade deficit of another country. If one country wins in trade, another country loses (Cho & Moon, 2013). Mercantilism evolved over time and was the leading economic theory until the 18th century. Primitive mercantilists thought of wealth as the accumulation of precious metals or 'bullion'. The initial bullionist view transformed into regulating international trade to achieve a positive balance of trade. The basis of this trading strategy was to emphasise the need for a country to acquire large quantities of precious metals. To achieve this objective, "the country had to export the maximum of its own goods and to import the minimum from other countries. And therefore, the excess of exports over imports would be paid for in gold and silver." " (Cho & Moon, 2013: 3). A country then strived to accumulate wealth in the form of precious metals by importing bullion exchanged for exported goods. If the country produced more goods for exports, it could achieve a positive balance of trade, "thus a bullion inflow" (Cho & Moon, 2013: 3). However, the positive trade balance was not sustainable in the long run (Cho & Moon, 2013). David Hume theorised a 'price-specie flow' mechanism that "explains how trade imbalances can be automatically adjusted under the gold standard. In its original form, the model assumes that only gold coins are circulated and the role of a central bank is negligible" (University of California, Berkeley, 2019: 1). Hume theorised a constant cycle of equilibrium in the money supply that would follow fluctuations between a positive and negative balance of trade. Thus, if a country had lower prices, the cheaper goods would attract money into the country. The inflow of money would cause an increase in spending, prices would rise and the original cheap prices that attracted capital inflows would be wiped out, thereby reducing the inflow of capital.

Furthermore, mercantilism was not solely driven by individual merchants. The government also had a role in restricting imports and subsidising exports. The key to achieving the mercantilist objectives was tax policy, which involved lower taxes for exports and imposing high tariffs on imports. Tax policy was not always effective as i) the tax policy was generally imposed on the goods, which were not directly related to exports, and ii) the high tariffs on imported items led to the flourishing of illegal imports. Another policy strategy was to grant monopolies in priority sectors. However, this policy was abused frequently and became less helpful to the industrial structure (Cho & Moon, 2013). Mercantilists were also criticised for their passive understanding of the world economy. "To them, the world's wealth was fixed. This meant that one country's benefits from trade came at the expense of its trading partners and not all countries could benefit from international trade at the same time" The mercantilist were obsessed with increasing the country's stock of money by using import restrictions and tarrifs to achieve a trade surplus was unsuccessful, unless there was a demand to hold the money, the money would flow out of the country again ((Dimand, 2013:3).

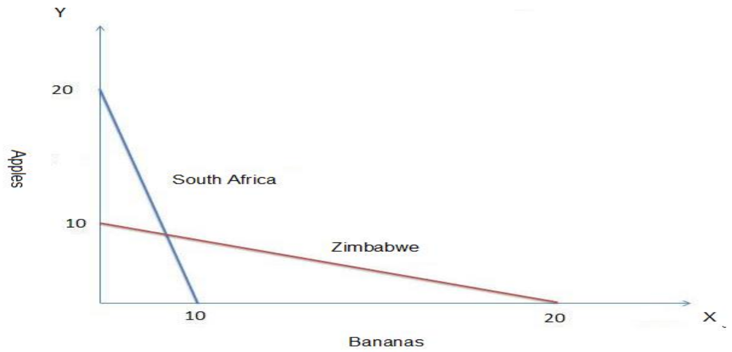
According to the 2019 Global Mercantilist Index, although countries such as China, Brazil, Indonesia and Argentina still practice forms of mercantilism (Foote & Ezell, 2019), mercantilism had fallen out of favour as other theories emerged in the 18th century.

2.4.2 Adam Smith's Absolute Advantage trade theory

Mercantilism viewed trade as a zero-sum game in which a trade surplus of one country is offset by a trade deficit of another country. By contrast, Adam Smith viewed trade as a positive-sum game in which all trading partners can benefit (Cho & Moon, 2013). He argued that countries differ in their ability to produce goods and services efficiently. A country has an absolute advantage in the manufacturing of a good when it is more efficient than any other country in producing it. Furthermore, countries should specialise in the manufacturing of goods for which they have an absolute advantage and then trade these goods for the goods produced by other countries, showing the advantages of specialisation by regions and countries (Hill, 2013: 177).

In condemning mercantilism, Smith promoted the idea of unrestricted trade, where the government does not intervene in the market by influencing quotas and what countries can trade between each. Smith argued that prices in the market should be set by the invisible hand of the market mechanisms, instead of the government policy that dictates what a country should import or export. Simply put, this "laissez-faire stance" was in the best interest of the country (Hill, 2013: 177). This was achieved through the process of 'natural law' or 'the invisible hand'. Therefore, "the role of the government should be minimal. The most important economic policy of the government was rather to eliminate monopolies and preserve competition. However, Smith's theory allowed the possibility of government intervention in necessary projects that were too big for the private sector" (Cho & Moon, 2013: 7). Figure 6 below illustrates Smith's theory of absolute advantage.

Figure 6: The Theory of Absolute Advantage



Source: Adapted from Hill, 2013: 181.

In the figure, South Africa and Zimbabwe both have 200 units of the factors of production that could be used to produce apples and bananas. If South Africa takes 10 units of the factors of production to produce 20 apples and 20 units of the factors of production to produce one banana, but Zimbabwe takes 20 factors of production to produce one apple and 10 factors of production to produce 20 bananas, then South Africa has an absolute advantage in the production of apples and Zimbabwe has the absolute advantage in the production of bananas.

Therefore, each country must produce what it produces more efficiently, and buy what it cannot produce efficiently from another country. In the hypothetical example above, South Africa must produce apples and buy bananas from Zimbabwe and Zimbabwe must produce bananas and buy apples from South Africa. Therefore, both countries benefit from trade or, put differently, trade is a positive sum-game.

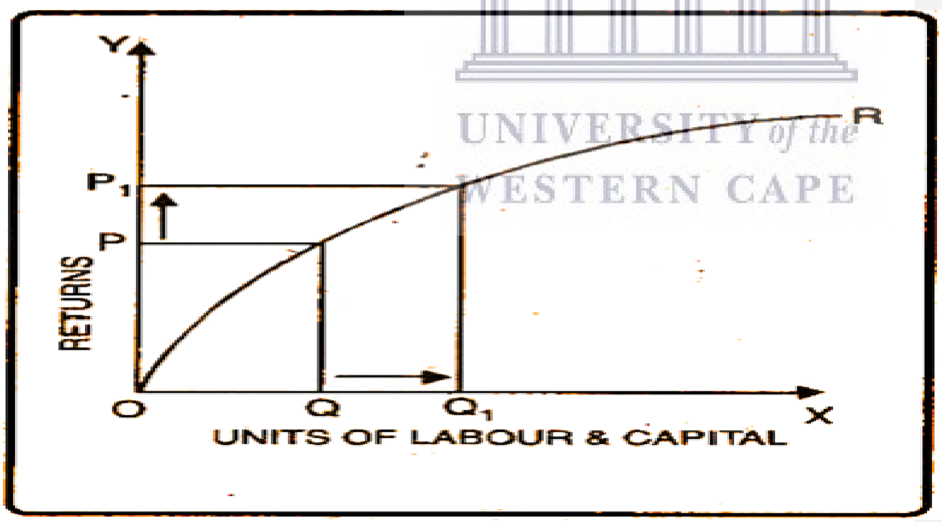
However, there were problems with the theory of absolute advantage. For example, what if one country had an absolute advantage in both goods? According to Smith, such a superior country might have no benefits from trade (Cho & Moon, 2013). Reinert, Rajan, Glass and Davis (2009) identified several shortfalls in the theory of absolute advantage. (1) *Absence of absolute advantage:* absolute advantage is neither necessary nor a condition for exporting a certain good and gaining from international trade. Developing countries may lack the technology or resource to gain an absolute advantage in the production of any good. In Smith's theory, they could not possibly compete on the global market and benefit from free trade. However, Ricardo's model of comparative advantage, which emphasises labour as the primary production factor and attributes the costs and benefits of trade to the differences in opportunity costs among countries, allows that technological disadvantaged countries can compete on the global market by paying lower wages. (2) *More factors of production:* goods are produced simultaneously using several factors of production, such as capital, land, technology and labour. Goods cannot be ranked according to absolute advantage, as their production in one country may require more of one input and simultaneously less of another input than in another country. (3) *Intra vs inter-industry trade*: inter-industry trade is the exchange of one type of good (cars) for another type (food), whereas intra-industry trade is the exchange of similar types of goods (e.g. simultaneously exporting and importing car parts). The intra-industry trade between countries cannot be explained by the theory of absolute advantage, one of several shortcomings in the theory of absolute advantage that led to the theory of comparative advantage emerging. The principles of free trade espoused by Smith are relevant in this study, as both the US and South Africa subscribe to them, but due to their limitations, they will not be used.

2.4.3 David Ricardo's Comparative Advantage trade theory

Ricardo took issue with Smith's theory of absolute advantage, which assumed that bilateral trade would involve countries exchanging goods that each had an absolute advantage to produce. By this reasoning, a country that had an absolute advantage in two commodities would derive no benefits from international trade in both. Further, a country could not trade in a good with another country that could produce that good more efficiently and in greater quantities (i.e. had an absolute advantage in that good). Ricardo argued that even if a country did not have an absolute advantage in any good, it could still benefit from international trade in it (Cho & Moon, 2013) if it had a comparative advantage, i.e. the ability to produce the commodity at a lower opportunity cost.

Ricardo explained the comparative advantage theory by using the returns to scale and the diminishing returns to scale. This theory implies that as factors of production are shifted from one sector to another sector, the opportunity cost of each additional unit of another sector increases. Such increasing costs may arise because factors of production vary in quality and suitability for producing different commodities. Under these circumstances, the theory can predict that a country will specialise up to the point where gains from specialisation become equal to increasing costs of specialisation. The theory can then explain why a country does not specialise in its production completely. The second problem can be solved with the theory of factor endowment, which will be discussed next. Figure 7 below will be used to illustrate the theory. An advantage can derive from achieving economies of scale, which is simply the lowering of production costs through increased productivity. Arnold (2011) uses the example of two inputs, capital and labour, that are used together to produce a good. If inputs are increased by some percentage and if outputs increase by a greater percentage, the unit costs fall and economies of scale have been achieved. In Figure 7 below, if labour was increased from Q to Q1, say by 100%, and then the output increased from P to P1, say by 200%, then economies of scale exist. However, if inputs such as labour increased by 100%, for example, from Q to Q1, and the outputs P increases to P1, but increased by less than 100%, then diminishing returns to scale exist.

Figure 7: Diminishing returns to scale



Source: Kumar, n.d.

The Ricardian model of international trade is more useful than Smith's for explaining the reasons why trade (especially multilateral trade) may happen and how trade increases the benefits of the trading partners. However, the model is not complete. Two major problems have been identified. Firstly, the model predicts an extreme degree of specialisation, but countries produce more than one product, including import-competing products. Secondly, this model explains trade based on differences in productivity levels between countries but does not explain why these differences exist. This theory is useful to this study in as far as explaining the reasons why trade may happen and how trade increases the benefits of the trading partners. However, it will not be used in this study due to the limitations explained above.

2.4.4 Heckscher-Ohlin (H-O) model

In the early 20th century, a significant new theory of international trade, the Heckscher-Ohlin (H-O) model, was developed by two Swedish economists. The mathematical H-O model contends that comparative advantage emerges from dissimilarities in countries' endowments in the factors of production. In the H-O model, countries vary from another according to the factors of production they have. Goods vary from each other according to the factors that are required in their production. The H-O model states that a country will have a comparative advantage in, and therefore will export that good whose production is relatively well-endowed (Cho & Moon, 2013: 28). The rationale is that the more abundant a factor is, the lower its cost. Therefore, differences in the factor endowments of various countries explain differences in factor costs, which result in different comparative advantages (Cho & Moon, 2013: 1).

There are two factors of production, capital and labour, in the H-O model. The H-O model assumes that technology is similar; however, the methods of production vary between countries. Countries export those goods and services which involve in their production relatively intensive use of those manufacturing resources that are found locally in relative abundance (O'Rourke & Williamson, 1999). For instance, assume two countries are involved in free trade with each producing the same goods and services in a purely competitive background, supported by constant returns to scale technology that are common to both countries. Every good and service is produced individually with inputs of two manufacturing resources that, in each country, are supplied perfectly. Even though one country may possess a larger endowment of each factor than another, the apparent absence of returns to scale guarantees that only relative factor endowments are important (Durlauf & Blume 2008). "The home country is said to be relatively labour abundant if the ratio of its endowment of labour to that of capital exceeds the corresponding proportion abroad. This is known as the physical version of relative factor abundance." An alternative involves a comparative relative labour abundance if one country's wage rate (compared with capital rentals) is lower before trade than is the foreign wage rate (relative to foreign capital rentals).

The H-O model described comparative advantage arising from dissimilarities in factor endowments. Thus, a country that had an abundance of labour would produce labour-intensive goods and services for international trade, and a country well-endowed with capital will produce capital-intensive goods and services.

Some economists have developed alternative theories contending that the H-O model did not work well in the real world. Furthermore, the H-O model's assumptions are not satisfactory to guarantee the theorem, even in the simple context of two-country, two-factor and two-commodity trade. One problem is the fact that, even though countries share the same technology, the commodity that is produced by relatively labour-intensive techniques in one country may be produced by relatively capital-intensive techniques abroad. This is the phenomenon known as factor intensity reversal (Ka & Patilb, 2013). Due to its limitations, this theory will not be used in this study.

2.5 The new trade theories

New trade theories emerged in the literature to challenge the inflexible framework of classical trade theories. Among the most influential new theorists on trade (reviewed below) were Paul Krugman, Dani Rodrik, Joseph Stiglitz, the World Systems trade theory, International Political Economy (IPE), Michael Porter and Internationalization trade theory.

2.5.1 Krugman's trade theory

The H-O model assumes constant returns to scale but failed to fully explain the theory of constant returns to scale. "The existence of economies of scale can clarify some trade patterns, which are not explained by the HO model. If there were economies of scale, countries or firms would benefit if they specialise in the production of a limited range of goods" (Cho & Moon, 2013: 13). The challenge of stipulating a market structure consistent with economies of scale internal to firms "delayed for many years the formal modelling of trade based on increasing returns to scale" (Cho & Moon, 2013: 13). Paul Krugman (1979) made a breakthrough by developing a model of differentiated products that explained increasing returns to scale (Cho & Moon, 2013).

Krugman (1979) emphasised the importance of economies of scale and market failures such as imperfect competition and externalities as the driving forces behind trade. The theory provided the rationale for industrial policy. In addition, Hill (2009) claims that Paul Krugman's trade theory suggests that the world market can only support a limited number of firms in some industries, and so trade will be biased towards those countries that have firms able to capture first-mover advantages.

Furthermore, Krugman's trade theory contends that the assertion of the competitive advantage of competition is silly in practical matters, the major countries of the world are not in economic competition with each other (Cho & Moon, 2013). Krugman's argument is based on the following assumptions:

- That trade is not a zero-sum game.
- Trade between the two countries is different to the competition between the two firms, where one firm's gain is another firm's loss because, even though a firm can lose in trade with another firm, both can still be winners through the comparative advantage theory.

Krugman argued that even though this rationale is partially true, comparative advantage theory does not take into account that different kinds of trade take place. If Boeing and Airbus had been from the same country, would the USA gain jobs and income that would have been received by its trading partner, France? This would have been a zero-sum game, which supported Krugman's theory (Cho & Moon, 2013).

Krugman (1979) adapted a Chamberlinian approach to the analysis of trade under conditions of increasing returns to scale. With this analysis, he was able to show that trade need not be a result of international differences in technology or factor endowment. Instead, trade may simply be a way of extending the market and allowing exploitation of scale economies, with the effects of trade being similar to those of labour force growth and regional agglomeration. According to Krugman (1979), the Chamberlinian approach develops a full general equilibrium model[3] of scale economies, monopolistic competition and trade. It also deals with scale economies and product differentiation as causes of trade.

[3] Edward Chamberlin (1899—1967) modelled a market where any number of firms could compete perfectly yet all achieve a maximum or monopolistic profit (which he termed an oligopoly).

Krugman (1994) developed a model of geographical concentration of manufacturing based on the interaction of economies of scale with transportation costs. According to Alexandros and Metaxas (2016), Krugman (1994) described the concept of territorial competitiveness as a "dangerous obsession" by setting three key contrasting points, namely:

a. It is misleading and wrong to parallel a country and a company.
b. Even though firms compete with each other for a greater market share and the success of a business means the failure of another, the success of a country or a region creates more opportunities than it destroys for others; trade among countries is not a game 'without result'.
c. If competitiveness has any meaning, it is just another way to describe productivity. In what may be termed the "consensus view" of macroeconomic competitiveness, there is a general assumption that improving the economic performance of a country needs not be at the expense of another country and that productivity is one of the main problems of competitiveness (Porter, 2000).

Krugman's theory states that competition between firms and countries cannot be compared. Firms can enter and exit the market, depending on their success, but countries cannot abandon their territories regardless of their success. Secondly, firms compete against each other and can improve their position in the market, but countries can improve their positions at the same time, without compromising the position of other countries (Alexandros & Metaxas, 2016). Although this theory is relevant to this study as it provides a model of differentiated products that explain increasing returns to scale, it will not be used in this study as it has no bearing on the trade agreement between South Africa and the US. In the AGOA trade agreement, preferences are given to one country based on the sole discretion of that country, regardless of whether there are returns to scale or not.

2.5.2 Dani Rodrik's trade theory

Economist Dani Rodrik has critiqued the underlying politics and motivations of trade agreements, contending that they are not merely efficiency-enhancing policies that may nevertheless leave some people behind or simply about eradicating barriers on trade such as import tariffs and quotas. Rodrik (2018) argues that economists must be aware that trade agreements, like free trade itself, create winners and losers.

Furthermore, modern-day trade agreements go further than custom trade limitations at the border. Trade agreements can cover regulatory standards, health and safety rules, investment, banking and finance, intellectual property, labour, the environment and many other subjects. They spread further than national borders and strive for profound integration among countries rather than shallow integration. Accordingly, 76% of then-existing preferential trade agreements covered at least some aspect of investment by 2011, 61% covered intellectual property rights protection and 46% covered environmental regulations (Limão, 2016).

Taking these new features into account requires economists to reconsider their default attitudes towards FTAs and the politics behind them (Rodrik, 2018). Rodrik (2018) argues that economists' conflation of free trade with trade agreements is entrenched in an unspoken political economy perspective that views import-rival interests as the most powerful and dominant engineer of trade policy. In this perspective, protectionists on the import side are the main adversary of the story. Furthermore, trade agreements, when successfully sanctioned, function to counter their influence and get us closer to benefit peak by decreasing the protectionism or harmful regulations that these special interests desire. In particular, they present 'beggar-thy-neighbour' and 'beggar thyself' policies that would result in the absence of trade agreements. In achieving these ends, governments may be assisted by other special interests, those with a stake in expanding exports and market access abroad. However, the latter play a useful role as a counterweight to the protectionist lobbies. According to Rodrik (2014), beggar-thy-neighbour policies are domestic economic policies that create benefits by imposing costs on other countries. Examples of such policies include optimum tariffs, global cartels, pure tax havens and mercantilism. Beggar-thyself policies are economic policies whose costs are predominantly confined to the domestic economy though they might affect other countries. Beggar-thyself policies are not the result of a failure of international agreements. Furthermore, Rodrik (2014) argues that beggar-thy-neighbour policies need to be regulated at the international level because a country left to its policies is motivated to follow zero-sum policies at the expense of other countries. Accordingly, these policies reveal either a careful domestic decision at the expense of economic efficiency or a rival economy, or, in the worst case, a failure of domestic politics.

The role of economic policies is to ensure the efficient allocation of resources, supported by relevant institutions. This is achieved by identifying global best practices within the current institutional systems of developed countries and then transferring them to developing countries (UNCTAD, 2006). Institutions such as the WTO play an essential role in a market economy, in terms of supporting the effective functioning of the market mechanism in a way that allows firms to transact in the market without incurring preventable costs or encountering barriers to entry. A barrier to entry is a government-imposed restraint on the movement of international goods and services. The most common barrier to trade is a tariff or tax on imports. Tariffs raise the price of imported goods relative to domestic goods (Parameswaran, 2004). Protectionism limits trade between countries through government interventions and restrictions (such as tariffs) designed to discourage imports and prevent foreign appropriation of local markets and companies (Fouda, 2012). The optimum tariff is that which takes full advantage of the real income and prosperity of the people in the tariff-imposing country. If the tariff rate is too high, the trade will be suppressed, but if the tariff is too low, it does not achieve the desired results (Broda, Greenfield & Weinstein, 2006).

According to Rodrik (2018), there is an alternative political economy perspective that turns around the belief about which set of special interests holds the upper hand in trade policy. In this view, trade agreements are shaped largely by profit-seeking, selfish behaviour on the export side. Instead of controlling protectionism, trade agreements enable special interests and politically well-connected firms such as international banks, pharmaceutical companies and global companies. While such agreements may bring about freer, mutually beneficial trade through exchange of market access, as before the 1980s, when trade agreements were generally about import and quotas, they are as likely to produce benefit-reducing or only redistributive outcomes under the pretext of free trade. Rodrik (2018: 76) contends that trade agreements have progressively centred on domestic rules and regulations.

According to Rodrik (2018), international agreements in such new areas produce economic consequences that are far more uncertain than in the case of lowering border trade barriers. They may well generate increases in the volume of trade and cross-border investment but their benefits and effects are primarily uncertain. Empirical evidence suggests that four areas have become common in modern trade agreements: trade-related intellectual property rights, rules about cross-border capital flows, investor-state dispute settlement procedures and harmonisation of regulatory standards.

Trade-related intellectual property rights

Knowledge-based or hi-tech products are attractive to a greater portion of the entire world trade, it is essential to recognise the relationship between intellectual property rights (IPR) and international trade. Hasan, Khalil and Sun (2017:5) argue that the protection of IPR is a significant instrument to direct and expedite trade, information and knowledge in innovative and creative goods and services. The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) of the WTO requires member countries to protect patents, copyright, trademarks and trade secrets. The IPR provisions in the TRIPs agreement, and IPR protection and enforcement, have become key subjects in international trade. TRIPs was followed by the insertion of intellectual property rights standards and enforcement clauses in many regional, bilateral and multilateral trade agreements, such as the Anti-Counterfeiting Trade Agreement (ACTA) involving almost 40 countries (Curtis, 2012:4). TRIP rules have been expanded with each new trade agreement (Sell, 2011:8). Because of successive trade agreements, intellectual property protection has become broad and robust, and much of the flexibility afforded to individual countries under the original WTO agreement has been eliminated.

Rules about cross-border capital flows

Cross-border capital flows are the amounts of capital that flow between trading countries, which can take various forms such as foreign direct investment, portfolio equity and debt investment which are components of the balance of payments accounts (Kalemli, 2012:4). According to Rodrik (2018: 77), current bilateral trade agreements place restrictive rules on the capacity of countries to manage cross-border capital flows, and the US has tried to conclude agreements that impose open capital accounts as a rule. However, partly due to the effects of globalisation and the emergence of trade based on virtual currency such as Bitcoin, which does not need physical interaction between different parties, it is difficult to regulate cross-border capital flows through trade agreements.

However, capital account liberation has become a standard in trade agreements, even though there has been scepticism among professionals and economists. The rate of recurrence and intensity of financial crises associated with “globalisation has led many experts to believe that direct restrictions on the capital account have a second-best role to complement prudential regulation and possibly to provide temporary breathing space during moments of extreme stress. The IMF also acknowledges the rules on cross-border capital flows as a useful role for them where more direct remedies for underlying macroeconomic and financial imbalances are not available" (Rodrik (2018: 77).

Investor-state dispute settlement procedures

Another area of concern has been the investor-state dispute settlement (ISDS) procedures in trade agreements (Rodrik, 2018). These provisions were introduced into trade agreements from bilateral investment contracts and allow foreign investors to sue host governments in special arbitration courts and to seek financial damages for regulatory, tax, and other policy changes that reduce profits. Rodrik asserts that foreign investors and their governments perceive ISDS as protection against expropriation, but arbitration courts of law interpret the protections provided more comprehensively than the host governments. Developing countries signed agreements on ISDS procedures with the expectation that they would compensate for their weak legal regimes and help attract foreign direct investment. Yet ISDS operate outside accepted legal rules, and give "arbitrators too much power, does not follow or set precedents, and allows no appeal" (Rodrik, 2018: 78). Whatever the benefits of ISDS for developing countries, it is increasingly harder to legitimise their addition in trade agreements among developed countries with well-functioning legal systems.

Harmonisation of regulatory standards

The pursuit of the harmonisation of regulatory standards lies at the centre of today's trade agreements (Rodrik, 2018) as removing regulatory differences among countries is understood to reduce the transaction costs, sometimes viewed as non-tariff barriers, associated with doing business across borders. However, unlike tariffs and quotas, there is no benchmark that allows the judgement of whether a regulatory standard is excessive or protectionist. Each country has its own risk assessment of safety, environmental and health risk and will produce different standards than others.

In economics, regulatory standards are public goods over which different countries have different preferences. The best international agreement would trade off the benefits of getting higher market integration by reducing regulatory variety against the costs of too much harmonisation (Rodrik, 2018). Good regulatory practices afford government's tools, methods and strategic tactics that can aid in identifying and evaluating the trade effects of their regulatory actions (Basedow & Kauffmann, 2016). However, moving away from regulations may increase the costs of trade goods and services across borders. Moving away from regulations is frequently the consequence of diverting national public policy, but may be the undesired result of lawmakers disregarding the international regulatory environment and linkages of societies and economies. Rodrik (2018) contends that governments do set up regulations to favour national producers over foreign ones. However, these differences may also reflect different consumer preferences or opposing regulatory styles. Basedow and Kauffmann (2016) state that this does not suggest that trade agreements must always play a key role in regulatory policy. Trade concerns should only play a part as far as substantial trade influences are to be expected and in view of balancing other public policy considerations.

Governments rely on knowledge and expertise from businesses to negotiate difficult regulatory changes. Therefore, business lobbies become partners and collaborators for the trade negotiators and they help define the issues, provide information and expertise, and mobilise support from other business groups internationally (Rodrik, 2018). Blanga-Gubbay, Conconi and Parenti (2021) concur, asserting that lobbying on FTAs has been dominated by a few multinational organisations that stand to benefit substantially from the successful negotiations of these trade agreements. Further, today's trade agreements are negotiated in secret with the main reason for secrecy during trade negotiations being that they often cover complex and sensitive issues. The common practice is that parties to the negotiations enter into a confidential arrangement (Limenta, 2012). The secrecy and the lobbying by businesses are part of the rules of engagement that are aimed at serving the interests of the parties to the negotiations. However, with corporate interests well represented in the negotiations but ordinary citizens and workers left out, this leads to the undermining of the unions' and workers' rights (Stiglitz, 2019a).

In conclusion, Rodrik (2018) notes that despite economists habitually being undivided in their view that trade agreements are a good thing, as they must believe such agreements commonly set the right sense of balance in all areas of uncertainty, the needs of the developing world are better served within a "thin" set of rules for global economic governance as opposed to a "thick" set of rules aimed at maximising trade and investment flows (Rodrik, 2002: 8). Rodrik's views have been used extensively in this study due to their relevance to trade agreements and free trade.

2.5.3 The trade theory of Joseph Stiglitz

According to Joseph Stiglitz (2007), FTAs between developed and developing countries continue inviting discussion, particularly on the benefits and costs for the developing countries. Noting that developing countries do not need an FTA to export to the United States, Stiglitz (2007) asserts: "It is not about trading goods, it's about losing independence. It is about America pushing for a particular agenda. It has not benefitted any country. And they managed to advantage the US at the cost of the developing countries". Stiglitz (2007) flatly describes bilateral agreements as having "been a disaster for the developing countries and for the global trading system". The developing country is often compelled by the FTA to remove its trade barriers, literally opening the gates to a flood in imports from the FTA partner. Developing countries also often have to change pro-development policies, including those that might have led to improving local industries and production.

Stiglitz also examined the appropriate role of government in the economy, particularly the combination of actions required of governments in the areas of "economic effectiveness, social justice, individual responsibility and other liberal values". Stiglitz did not consider himself an enemy of the free market and supported his mentor John Maynard Keynes against similar accusations. He claimed that Keynes was a traditionalist who primarily believed in the market, although with the reservation that the market would be effective only when the government could correct its mistakes (Stiglitz & Charlton, 2003).

Furthermore, Stiglitz's research on ambiguity in economics led him to an understanding based on information "asymmetry" and the general imperfection of information in the market, that the market is not perfect. By contrast, classical and neoclassical economic models operated on the key assumption that the market is perfect and assume that buyers and sellers have equal power and opportunity to reach the equilibrium price. Stiglitz, however, averred that the market was imperfect, as some actors in the market were always privileged by better knowledge of the goods and conditions in the market than others (Stiglitz & Charlton, 2003). Markets with imperfect information are imperfect markets characterised by imperfect competition, including monopolistic competition (Stiglitz & Charlton, 2003).

Given the imbalanced position of actors' characteristic of real markets, it is obvious that the market does not contribute to the best redistribution of the resources available to the market. The standard theoretical hypothesis or theory of supply and demand is an inadequate explanation in reality.

Furthermore, Stiglitz recognised that the classical and neoclassical economic model of the market did not focus on the precondition of access to information and overlooked technological progress. Later in his career, Stiglitz reflected on the key question of whether free markets could accomplish effective development without outside intervention, and whether it was possible to intervene in these markets in ways that would lead to improved outcomes. Stiglitz was profoundly persuaded that the government has to play an important role in the economy. "One of the important questions he was concerned with in this context was the problem of how to achieve the redistribution of income in a way which minimises loss of effectiveness, which cannot be prevented and is connected with tax breakdowns." (Stiglitz, 2019b). A further important point in Stiglitz's research in the area of imperfect information is the organisation of markets. Moreover, Stiglitz (2019b) has rejected both the claim by globalisation's critics that trade agreements have been unfair to the US and Europe and the contention by its advocates that trade agreements played no role in stagnant incomes in many developed countries. According to Stiglitz, the main problem is that trade agreements advance corporate interests at the expense of the workers in both developed and developing countries. Furthermore, he asserts that trade agreements have always been unfair to the benefit of the US and Europe, which are among the main beneficiaries of globalisation, and to the detriment of developing countries (Stiglitz, 2019b). Given that the rules of trade favoured the US and developed countries at the expense of the developing countries, the solution to this problem is fairer international trade rules. As will become clear in later chapters, this view and Stiglitz's theories in general, are extremely relevant to this study.

2.5.4 The World Systems trade theory

The world system may be conceptualised as a relationship of power between a core of wealthy societies and a periphery of weak and poor societies that wealthy societies dominate and exploit. Technology is a central factor in the positioning of a region at the core or the periphery and there is a wide gap between developed (core) and developing (semi-peripheral and peripheral) countries in their capabilities to exploit new and emerging technologies (UNCTAD, 2018).

Semi-peripheral countries include developing countries that are regionally strong like Brazil and South Africa, while the peripheral countries are the least developed economies, including most of those in Africa. The core countries are the main beneficiaries of the world system and have the power to control the system to some extent, while only a small share of the global wealth belongs to peripheral countries. Semi-peripheral countries are in the rather difficult position of having to protect their gains and not return to the periphery while trying to continue developing towards the core. Semi-peripheral countries resort to protectionist measures such as tariffs, quotas, subsidies and changes in exchange rates to protect market share and strengthen their manufacturing processes against competition from the core countries (Franke, 2014). In addition, the semi-peripheral counties tend to trade in capital-intensive products with the periphery countries and labour-intensive products with the core countries. Peripheral countries are exporters of raw materials such as oil, gold, lumber and food crops (sometimes also labour) to the core and semi-periphery. They are also emerging markets in which the core countries attempt to market their manufactured goods. The core countries use trade agreements like PTAs to exploit the developing countries' production and control the trade relationship.

2.5.5 International Political Economy (IPE) trade theory

The theory of international political economy (IPE) is concerned with the relations between the state, which is treated as an independent national unit, and the market, which is a harmonised system where buyers and sellers trade goods and services at prices determined by supply and demand (Cohn, 2016). In this view, "The state is generally associated with the political pursuit for power, and the market with the economic pursuit for wealth" (Cohn, 2016: 3). However, the state also has an interest in accumulating wealth, and the market likewise has an interest in power (Cohn, 2016). IPE is concerned with how political and economic factors work together at the international level (Cohen, 2008). Political economists generally embark on two kinds of investigations: firstly, how politics limit economic choices, be they policy choices by governments, choices by other players or by social groups, and, secondly, how economic forces influence and limit political choices, such as voting behaviour, unions and firms lobbying or governments' internal or external policies. Cohn's (2016) definition of IPE is similar in political-economic perspective to that of Rodrik (2018).

Economic growth is vital to national wealth and national power. The key to economic growth is free trade, or the flow of goods and services and investments across borders. In this liberal view, political leaders should enable trade between countries to expand and deepen while keeping government intervention in that trade to a minimum. In other words, all economic decisions should be made by the marketplace, the free market, and government should only minimally participate in foreign trade and the domestic economy. The market equilibrium decided the winners and losers in the economy, not the government, the 'invisible hand' first described by Adam Smith. The developed countries use political power to conclude trade agreements like PTAs to economically exploit developing countries, seeking to exploit the resources of developing countries while using protectionist policies as barriers to entry. Since these theoretical positions are also held by Rodrik and Stiglitz, the detailed discussion of trade agreements later in the thesis will rather reference Rodrik and Stiglitz.

2.5.6 Michael Porter's Competitive Advantage theory

The theory of competitive advantage was developed by Michael Porter, building on the economic aspects that could no longer be explained through the model of comparative advantages originated by Ricardo (Frăsineanu, 2008). Porter (1985) identified three generic strategies for competitive advantage, namely cost leadership, differentiation and focus[4]. These strategies are applied at the business unit level. The differentiation (e.g. offering unique products) and cost leadership (e.g. gaining market share by lowering prices) strategies seek competitive advantages in a broad range of market or industry segments. By contrast, the focus strategy (e.g. achieving cost leadership or differentiation in a niche market inaccessible to competitors) is adopted in a narrow market or industry. Porter focused on the importance of country factors to explain a country's dominance in the production and export of certain products.

Porter's competitive advantage theory requires an economic analysis method arising from the logical study of successful sectors of countries at the international level

[4] They are called generic strategies because they are not firm or industry dependent.

(Vlados, 2019). The fundamental point for Porter, according to Huggins and Izushi (2015), is why companies established in a specific country can create and sustain a competitive advantage against their global rivals in particular industries or industry segments. Moreover, Porter contends that the important competitive advantage factors in most sectors and particularly those essential to "productivity growth in advanced economies" are not inherited or endowed but created in a country. Moreover, companies achieve a competitive advantage over their rivals in international trade due to pressure and intense competition. The local companies profit from strong domestic competitors, aggressive home-based suppliers and demanding local customers.

A country's competitiveness is influenced by the ability of its industrial sectors to innovate and upgrade factors of production (Porter, 1990). Firms innovate through new technology and new methods of production (processes). Innovation can be demonstrated in a "new product design, a new production process, a new marketing approach, or a new way of conducting training" (Porter, 1990: 75). In traditional economic analysis, the factors of production – labour, land, natural resources and capital – play an important role in trade movements, since a country exports those goods that intensively use the endowed factors of production. Porter introduced four determinants that shape a country's competitiveness, namely factor conditions; demand conditions; firm strategy, structure and rivalry; and related supporting industries (Vlados, 2019).

However, Porter's competitive theory is not without flaws. Economists typically scrutinise Porter's theory with trade theories, while it is a framework that developed from the theory of management (Smit, 2010). According to Porter (2003: 30), competitiveness is one country's stake in global markets for its products, which makes competitiveness a zero-sum game, because one country's gain comes at the expense of others. Porter's theory will not be used in this study, as a South African poultry firm's use of any of Porter's three generic strategies is immaterial to the USA's objectives or application of the AGOA. Lastly we briefly discuss the internationalization theory.

2.6 Trade agreements

The modern multilateral trading system can be viewed as an expansion of the system of reciprocal trade agreements that countries and regions strived for before the signing of the General Agreement on Trade and Tariffs (GATT) by 23 countries in 1947. Securing and strengthening external trade relations through distinct trade agreements have facilitated increasing and deepening of international trade cooperation between countries (Mhonyera, 2020). Johnson (1954, cited in Maggi & Rodriguez-Clare, 2007: 1374) contended that, in the absence of trade agreements, countries tried to misuse their international market power by taxing trade, which would often lead to a trade war (equilibrium) that was inefficient for the countries involved. In that sense, international trade agreements can be viewed as an approach to prevent trade wars. Maggi and Rodriguez-Clare (2007: 1374) contend that governments often only engage in trade agreements to "deal with terms-of-trade externalities". As such, politics is very much at the centre of trade agreements (Maggi & Rodriguez-Clare, 2007).

2.6.1 Types of trade agreements

Trade arrangements and agreements range from informal working groups to customs unions and include content such as safe investment guarantees and environmental agreements. There are several types of trade agreements into which countries can enter, distinguished according to number (multilateral, plurilateral, bilateral and unilateral trade agreements) and nature (regional, preferential trade agreements) of the signatories, each of which can encompass either non-tariff reduction or tariff reduction (Van de Heetkamp & Tusveld, 2011). Trade agreements may be reciprocal (where the agreed benefits are equitably distributed between signatories) or non-reciprocal (usually, where the agreed benefits are mostly enjoyed by a developing country benefitting from accessing the market of a developed country).

Unilateral trade agreements are preferential trade agreements (PTAs) wherein trade incentives are offered to exporting developing countries to encourage them to engage in international economic activities that will improve their economy (DTI, 2015). A PTA is an international treaty with restricted membership and includes articles that (i) apply to its members and (ii) aim to secure or increase their respective market access (Limão, 2016). Many PTAs specifically omit those goods in respect of which the developing countries have a competitive advantage (Bhagwati, 1991: 58).

Limão (2005) asserts that almost all countries of the world are currently participating in PTAs, which can impact multilateral trade through several channels, potentially averting limited negotiation resources, changing the number of negotiating parties and their negotiating power, and affecting a country's multilateral tariff in all categories – or a subcategory – of goods.

PTAs that are non-reciprocal and unilateral are also known as non-reciprocal preferential trade agreements (NRPTAs) (Sorgho & Tharakan, 2019). NRPTAs' main objective is to encourage economic development in developing countries. NRPTAs and the Generalised System of Preferences have had an economically significant effect on exports from developing countries (Gil-Pareja, Llorca-Vivero & Martínez-Serrano, 2014). They incorporate GSP arrangements, under which developed countries allow preferential tariffs on imports from developing countries (UNCTAD, 2006: 78). PTAs grant access to certain products from developing countries, and while the tariffs are not completely removed, the amount charged is far less than in the case of countries that are not included within the trade agreement. A PTA can be established through a trade pact between two or more countries (WTO, 2015), which allows them to reduce the tariffs charged on specific goods during trade with each other. In addition, a preferential trade pact is a trading bloc that gives favourable access to certain products from the participating countries (World Bank, 2015). According to Obembe (2011), the idea behind AGOA was that encouraging exports from developing countries would lead to growth there. Giving African products preferential access to the American market would lead to greater production, free trade and ultimately lead to economic growth.

Bilateral or multilateral agreements are reciprocal treaties where exporters and importers from all parties to the agreement reap the benefits. When governments decide whether to negotiate a bilateral or multilateral agreement or to install trade incentives unilaterally, certain elements are reviewed. These elements include the economic status of the partner country, the natural resources the country has, current import and export volumes and location.

A free trade agreement (FTA) is a regional agreement between governments seeking to liberalise or facilitate trade, sometimes through a free trade area or customs union (WTO, 2016). An example of an FTA is the Southern African Customs Union (SACU), which comprises South Africa, Botswana, Namibia, Lesotho and Swaziland (Eswatini). In an FTA, goods and services are traded in the common area without tariffs or trade barriers in place. FTAs generally focus on strengthening rules and reducing non-tariff barriers through provisions that seek to address "customs administration and trade facilitation, technical barriers to trade, government procurement, investment, electronic commerce and digital trade, intellectual property, labor, environment, regulatory practices, and state-to-state dispute settlement" (USITC, 2021).

While the number of participating countries and the specifics of agreements will differ, all trade agreements are intended to liberalise trade and improve market access (Mhonyera, 2020).

South Africa has signed many trade agreements with its trading partners over the years, and the country has benefitted from NRPTAs, including AGOA and the GSP (DTI, 2015).

2.7 Application and effects of trade agreements around the world

In trade agreements, countries give each other trade privileges in terms of allowances on trade barriers, which include cutbacks on tariffs and quotas as well as the easing of market access and competition requirements (Maluck, Glanemann & Donner, 2018). Over time, trade agreements have increased significantly in number and economic relevance. Bilateral trade agreements have gradually become more important and commonly used policy instruments to establish and strengthen close trading relationships.

Research suggests that the removal of trade barriers increases trade between the involved countries and economic growth. However, this might come at the cost of shifting production away from more efficient suppliers in other countries. As a result, trade agreements can improve some trading relationships and weaken others that are not directly covered by the agreement. This means that trade agreements can change the current configuration of the global trade system that is formed by input-output relations between national economic sectors. The effectiveness of trade agreements has been shown to depend on the affected countries' specific characteristics, such as similar culture, proximity or similar GDP. The success of trade agreements is also due to the scope and level of agreed commitments (Maluck et al., 2018:1). Trade agreements can be very different in content and design, which indicates that they might have been negotiated to serve other strategic or even non-economic purposes, such as supporting politically “motivated partnerships between countries, increasing bargaining power in trade negotiations with third countries or fostering liberal economic policy reforms at the domestic level” (Maluck et al., 2018:1).

Like AGOA and other unilateral and bilateral agreements, most of the large existing trade agreements (e.g. NAFTA) are regularly discussed and sometimes renegotiated. Trade agreements recently negotiated include the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the Regional Comprehensive Economic Partnership (RCEP) between China, Association of Southeast Asian Nations (ASEAN) countries and other regional partners, and the AfCFTA (Laget, Osnago, Rocha & Ruta, 2018).

2.8 The researcher’s perspective on trade theory and trade agreements

The principles championed by the classical theorists were the basis of the modern trade theory. Mercantilism, free trade, comparative advantage and factor endowments are useful theories that were essential in the development of the current trade theories. However, they are no longer relevant as the world economy has evolved and is more complicated than when these theories were developed. In terms of the literature reviewed above, for this study, the researcher accepts the particular relevance of the theories of competitive advantage and generic strategies, economies of scale and market failures, the role of the trade agreements, free trade between the developed and developing countries and the role of the government in the economy, the notions of core and periphery, and the understanding of the relations between countries found in the World Systems theory.

While not all the new trade theories reviewed were considered relevant to this study, this study found Rodrik, Stiglitz, the World Systems theory and the IPE useful.

Further, for this study, I agree with the international political economy perspective that the government is generally associated with the political pursuit for power, and the market with the economic pursuit for wealth, as well as the ideas that the state also has an interest in accumulating wealth and the market is not removed from issues of power. The view of Stiglitz that the developing countries do not need PTAs at the cost of their independence and the understanding espoused by Wallerstein (2000), who states the most important structure of the current world-system is the power between *core* and *periphery,* in which powerful and wealthy "core" societies dominate and exploit weak and poor peripheral societies, are also endorsed. It is abundantly clear that unilateral trade agreements like AGOA, where the dominant country is player and referee, can and are being used by the core against peripheral countries for political gain that is not purely about trade. That being said, I concur with Afzal (2019) and others that trade agreements are important for socioeconomic growth in less developed countries to ensure inclusive development and income inequality. However, the power disparity underlying these agreements often leads to increased marginalisation of developing countries. Franke (2014) has observed that the core countries constantly develop ways of taking out profit from poorer countries. As will be shown, this view is relevant to AGOA in relation to trade in poultry, where the USA not only forced South Africa to accept imports, but used sanitary and phytosanitary measures to protect its interests against South African chicken being exported to the USA.[5]

The key points raised in the study which will guide the research going forward are mostly from Stiglitz's (2007) and Baccini (2019). Stiglitz (2007) claimed that PTAs are detrimental to developing countries and that developing countries do not need an FTA to export to the United States and risk losing independence. On the other hand, Baccini (2019) claimed that very little is known about the impact of FTAs at the firm level, which we have discovered in this study. The two claims as made above will underpin the framework for this study going forward together with the relevant revisionist trade theories as discussed in chapter two of this study.

[5] The WTO (2021) defines the sanitary and phytosanitary (SPS) measures as "any measures applied (i) to protect human or animal life from risk arising from additives, contaminants, toxins or disease-causing organisms in their food; (ii) to protect human life from plant or animal-carried diseases, (iii) to protect animal or plant life from pests, diseases, or disease-causing organisms, and lastly, (iv) to prevent or limit other damage to country from the entry, establishment or spread of pests. Furthermore, the SPS measures agreement allows countries to set their own standards. But it also says regulations must be based on science. They should be applied only to the extent necessary to protect human, animal, or plant life or health. And they should not arbitrarily or unjustifiably discriminate between countries where identical or similar conditions prevail."

2.9 Internationalization of Emergent market enterprises/firms

In the previous sections I have written about trade agreements now I will speak about some of the factors that influence the internationalisation of firms and the export of their products and services specifically in emerging markets.

Gaur and Kumar (2010) state that research on internationalization of emerging market enterprises (EMEs) has received an increasing attention in the international management field. The main contention in most of these studies is that the internationalization of EMEs between developed and developing economies differs, and the existing internationalization theories are lacking in fully clarifying this new phenomenon. In addition, the differences in internationalization have also shown important differences in the internationalization strategies employed by EMEs from emerging economies and firms from the developed countries during different time periods. This study concluded that, there is a need for new theoretical approaches that will take into account the unique aspects of EMEs and to understand "motivations, paths, processes, and performances" of the EMEs.

Another study shared insight into the mode of internationalization used by EMS that want to go international. It states that, the majority of the EMEs use cross-border mergers and acquisitions rather than the less-risky and more typical modes used in the past by EMEs, such as joint ventures or green-field subsidiaries. The main motivation for this approach is to gain access to resources, skills, markets, and brand names and increase competitiveness (Gaur, Kumar and Singh, 2009). Another study by Buckley and Tian (2017:977) claim that there is an eclectic paradigm on EME internationalization that states that a firm succeeds in internationalization if it possesses (a) the best technology, management expertise and best brands compared to the international competitors or firm specific advantages (2) location and resource endowment and lastly, 3) it gains internationalization costs in imperfect markets. However, there have been scholars that claim that EMEs do not have the kind of knowledge-based advantages that MNEs have, and therefore the profits and success of the EMEs is not sustainable in the long-run. Moreover, the location and endowment advantages such as cheap labour and natural resources are available to all local firms and that advantage will only assist in the short-run.

Therefore, the study concludes that the eclectic paradigm has failed to link internationalization, technical expertise, location and profitability of EMES and to investigate the relationship between them in light of research and development in emerging economies and the constraints to entrepreneurship and innovation of the EMEs where they are based (Buckley and Tian, 2017:978). Furthermore, as stated in the problem statement of this study, research suggests that firms originating from weak institutional backgrounds expand internationally to seek more efficient institutions that may enable them to enhance their innovation performance and global competitiveness (Wu et al., 2016:251). Research suggest that well-developed foreign institutions can help EMEs develop innovation by providing innovation support that reduces transaction costs. In addition, many EMEs are not used to operate in innovative environments and therefore may need to make expensive organizational changes in order to gain benefits from internationalization. To conclude, this theory does not clearly indicate when and how the level of institutional development in the foreign country influences the innovation outcomes of the internationalization of the EME (Wu et al., 2016:251). Therefore, there is a need to develop theory on the internationalization of EMEs from the emerging economies and this is very important for future studies on the AGOA agreement between the US and South Africa especially on the poultry sector. However, this will have no impact on this study as there is not enough research on this topic at the moment and the current trade theories discussed in this chapter are adequate for this study. In the next section we discuss global meat trade, poultry sector in emerging economies and the South African poultry market.

CHAPTER THREE

GLOBAL MEAT TRADE, POULTRY SECTOR IN EMERGING ECONOMIES AND THE SOUTH AFRICAN POULTRY MARKET

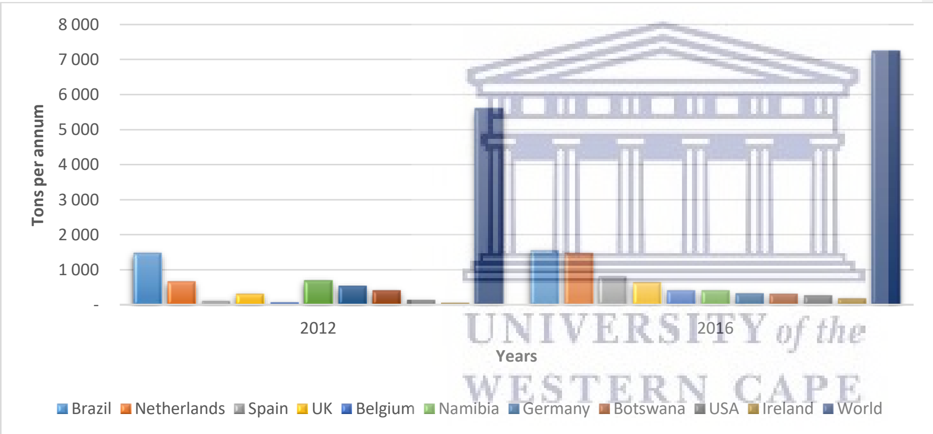
This chapter discusses the global meat market in relation to emerging economies, and the general trends in the international poultry sector and the South Africa poultry market. Next, the South African poultry sector is discussed regarding trade policies and poultry regulation, the South African Poultry Sector Master Plan and export strategies. The remainder of the chapter reviews the purpose and implications of AGOA and its implications for the poultry industry and policy.

3.1 Global meat market and trade agreements in emerging economies

Meat is regarded as a significant product in South Africa and provides a source of protein as well as food security. The most consumed meat is poultry, followed by beef, mutton and pork. The consumption preferences for meat are motivated by an increase in the level of income, sustained trends in urbanisation and improved living standards. The consumption of meat products has been increasing over the years, except for mutton, as it is perceived to be expensive in comparison with other meat products. In total, South Africa produced 3,3 million tons of meat in 2016, consisting of 51,4% poultry, 36% beef, 7,3% pork and 5,7% mutton. There was a deficit of 444 000 tons in total local meat production in relation to local demand, which meant South Africa was a net importer of meat globally. The deficit did not include beef that, thanks to investment among communal and smallholder's farmers in production infrastructure that enabled them to participate in the formal beef value chain, has had a trade surplus since 2014.

South African imports of meat were valued at ZAR 7,2 billion in 2016, an approximate share of 0,5%. Therefore, South Africa's meat imports are fairly small compared to the rest of the world. A large share of the imports, valued at ZAR 5,4 billion or 75%, were for poultry meat. Pork imports were 12% of the total, followed by beef and mutton at 9% and 4% respectively. The increase in the value of meat imports is attributed to a consumption increase and the production deficit in the local market. The major suppliers of meat products to South Africa between 2012 and 2016 were Brazil (21,6%), Netherlands (16,1%), Spain (37,3%) and the UK (13,3%). Imported meat products from these countries had a combined value of USD 175 million for poultry, and USD 124 million for pork. Members of the SADC, Botswana and Namibia, were among the top ten suppliers of meat and supplied beef to the value of ZAR 538 million and mutton to the value of ZAR 201 million in 2016 (DAFF/ NAMC, 2017). Various trade agreements are in place between South Africa and all these countries. As stated before, Brazil is part of the BRICS group and MERCOSUR, while Netherlands is part of the EU. Botswana and Namibia participate in the African Continental Free Trade Area (AfCFTA), SACU and SADC (DTIC, 2021). Figure 8 below compares the meat imports to South Africa from 2012 to 2016.

Figure 8: Meat imports to South Africa (2012—2016)

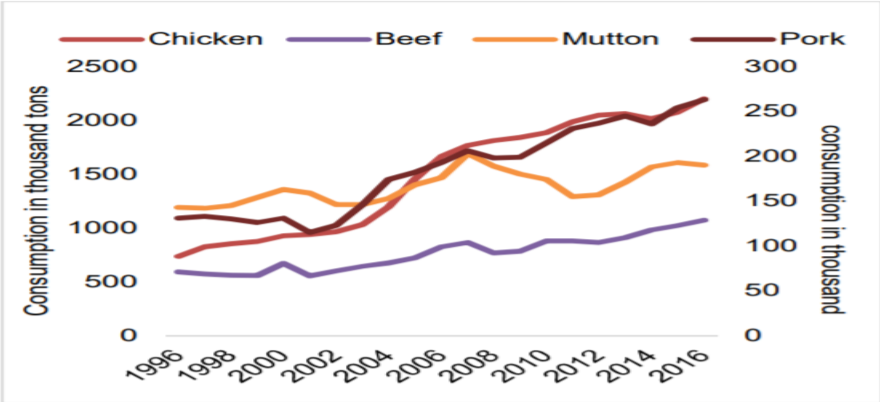


Source: Adapted from DAFF/ NAMC, 2017: 6 (Table 6).

The poultry sector has the largest share among the meat sectors in terms of production, consumption, exports and imports. The beef sector has shown improvement and has performed better in terms of production and exports for the 2012—2016 period, while the poultry, pork and mutton have shown a trade deficit (DAFF/ NAMC, 2017).

South Africa consumes about 2,9 million tons of poultry, beef and pork meat per annum, with poultry meat consumption representing more than 60% of total meat consumption. In 2015, the local production of poultry, beef and pork was approximately 2,4 million tons and production had to be supplemented by imports. The South African consumption trends have been growing over the years.

Figure 9: South African consumption trends, 1996—2016



Source: DAFF/ NAMC, 2017.

The poultry sector has to overcome its instability due to "supply and demand factors such the high input costs, exchange rate volatility, changing consumer income, prices of meat products and the aftermath effects of the drought that affected the economy during 2015/2016 season" (DAFF/ NAMC, 2017: 7). Some of the interventions to deal with the sector problems are outlined and discussed in detail in Chapter 4, in relation to the South African Poultry Master Plan (SAPSMP).

3.1.1 The poultry sector in the emerging markets of BRICS

Emerging market economies are "characterised by significant and rapid economic growth evidenced by rising GDP in an aggregate and per capita basis, increased trade volumes, as well as increased foreign reserves" (Carrasco & Williams, 2012: 86). GDP is not the only factor that determines whether an economy is emerging (instability, volatility and shifting from a closed economy are other characteristics), but GDP growth does indicate where the economy would be in the near future. The BRICS countries – Brazil, Russia, India, China and South Africa – meet these criteria (Techo, 2018). All are both importers and exporters of poultry.

Brazil

Brazil has a strategy in place to ensure that poultry farmers are internationally competitive. Brazil has implemented national policies to develop integrated value chains from the key feed inputs of maize and soybean to enter export markets, where Brazil is a net supplier of soybeans. The strategy includes significant government subsidies to the poultry sector and access to favourable terms of credit from Brazilian private funders (Goga & Bosiu, 2019).

Russia

Russia, like South Africa, has been struggling for years to meet local consumer demand for poultry. Russia is ranked fifth in the world in terms of poultry production in 2018, but the top ten Russian companies produce only 50% of the country's poultry meat. Historically, Russia invested heavily in the development of its poultry sector. To build local production capacity, the Russian government halved all poultry imports into the country and provided financial support to its poultry farmers in 2014. However, Russia stopped financial support to its poultry sector at the beginning of 2019 as it felt it was in a position to compete with the best poultry producers in the world. Currently, there is an import quota of 364 000 tonnes of poultry allowed into Russia which is subjected to a 25% import duty (Poultry World, 2019).

India

India has several financial subsidies to encourage its poultry farmers. Subsidy schemes in India include the Poultry Venture Capital Fund Scheme which is geared towards the development of small and medium enterprises through loans at favourable interest rates to those who want to farm poultry. There are a further 17 incentives that fund different categories of the poultry business, ranging from feed to transportation, that are backed by the government. Lastly, NABARD is the only agricultural bank that provides 25% of the capital outlay as a general category subsidy and 33% for certain identified rural regions (Agri Farming, 2020).

China

According to Gale (2013), China is perhaps the leading example of a developing country that has shifted from taxing to supporting its agriculture. In the early 2000s, the government of China initiated a programme to support agriculture that included tax reductions, direct subsidies, price supports, policy loans, expenditure on infrastructure and intergovernmental transfers. These agricultural programmes are still in operation in China and have seen China emerge as one of the main producers of poultry in the world. To protect its local market, China imposed anti-dumping duties of 38,4% on chicken imports from Brazil in 2019 (Fair Play Movement, 2019).

How BRICS impacts the poultry industry

Lastly, we look at how the trade agreements between South Africa, India, China and Russia were tailored to allow each country to capture the market share for poultry. Brazil is the only country in the BRICS bloc that has significant exports to South Africa and China, with 59,46% of South African poultry imports in 2018. China, Russia and India are not among the top ten poultry suppliers to South Africa. This reflects Brazil's investment in resources to develop its poultry market, especially its focus on inputs costs such as soybean that accounts for more than 70% of the production costs, and access to credit from private financial institutions. These interventions allowed the country to be more competitive globally (Goga & Bosiu, 2019), not just in its poultry industry but as an exporter of soybean (73% of Brazil's export soybean production goes to China – Statista).

This research has established through investigation of trade agreements that have been signed by South Africa and other countries, more specifically, that there are no specific trade agreements for poultry or meat in general, including between the emerging economies such as the countries in the BRICS bloc. For example, AGOA has about 6 500 line trade items across different sectors, some of which are from the agro-processing sector that includes poultry meat. In addition, different trade agreements are negotiated broadly without specific concessions being granted to a country, but all the countries in that agreement are treated the same according to the most-favoured nation (MFN) principle. Countries that benefit the most from trade agreements, like Brazil in the cases of BRICS, MERCOSUR and the EU, do so not because of special preferences that are granted to them, but rather through their governments assisting to make them more competitive through incentives such as subsidies and policy changes that protect and develop their industries.

3.2 General trends in the international poultry sector

Global poultry production has been increasing over the last two decades with poultry meat being the highest-volume animal protein traded globally. For example, in 2000, countries exported over 8 million tons of poultry meat overall. However, the quantity of poultry exported globally had almost doubled (94% increase) by 2014 (Davies, 2015). Shifts in world poultry trade have been influenced by rapid increases in poultry meat exports from Brazil and a sharp decrease in imports from Russia, sporadic outbreaks of avian influenza worldwide, sanitary regulations, exchange rate volatility, changes in population and income and consumer preferences (Davies, 2015). The global poultry trade is highly sensitive to these influences. Epidemic outbreaks of highly pathogenic avian influenza (HPAI) and low pathogenic avian influenza (LPAI) since 2015 have become a challenge in many countries, resulting in trade reductions and/or the elimination of trade for major importing and exporting countries (Davies, 2015).

Furthermore, about 20 years ago, South Africa imposed anti-dumping (AD) import duties on the USA that hindered the flow of chicken meat into South Africa. South Africa also slapped AD import duties on frozen chicken imports and some chicken products from South America, the UK and other European countries (Davies, 2015). South Africa also imposed a temporary ban on US chicken in 2000 due to safety concerns about avian flu, citing sanitary and phytosanitary (SPS) rules. However, on 5 June 2015, an agreement was reached between the US Poultry and Egg Export Council (USAPEEC) and the South African Poultry Association (SAPA) to eliminate South African AD duties and allow the US to export 65 000 tons of bone-in chicken to South Africa annually at an MFN duty of 37%, without AD duties (Davies, 2015). Moreover, the agreement also provided a pathway to resolving the protracted disagreement concerning sanitary and phytosanitary (SPS) measures implemented for US chicken, beef and pork.

The right of governments to introduce SPS measures is necessary to protect human, animal and plant life was included for the first time in the GATT (1947). According to Article XX(b) of the GATT, this right incorporated a general exclusion from other provisions of the GATT provided that such measures taken were not "applied in a manner which would constitute a means of uninformed or unjustifiable discrimination between countries" (Singh, 2016:1). "This refers to circumstances where the same conditions apply internationally or where such measures are taken superficially as SPS measures, but are instead well-disguised constraints on international trade with protectionist interests in mind. However, these standards are not "binding norms", for even though SPS measures must be "based on" international standards and guidelines, they do not necessarily have to conform to them. "There is a big difference between SPS measures and technical barriers to trade (TBTs). SPS measures aim to first and foremost address market failures and are therefore not concerned strictly with the creation of obstacles to trade for foreign producers, while TBTs would intend to create such obstacles. SPS measures merely have the potential to impact trade negatively and are solely motivated by protectionist considerations." However, developing countries like South Africa often have problems complying with SPS standards set by developed countries, which are often used as non-tariff barriers (Singh, 2016).

3.4 The South Africa poultry market

SAPA reports that South Africa's poultry value chain is significant. Poultry production accounted for over 42,8% of animal product gross value in 2015 (SAPA, 2015). The industry employed about 14% of people in agriculture in 2017, and accounted for 19,6% of total agricultural value SAPA (2017), manufacturing about 1,7 million tons of poultry in 2018. As a result of the demand for poultry in both South Africa and the region, "the poultry value chain presents opportunities for domestic and regional industrialisation" (Goga & Bosiu, 2019:1). Not all such opportunities are offered or taken, hence, increasing demand for poultry in South Africa and the region has been met with an increase in imports. In 2017, imports accounted for 24% of domestic demand. Developing the poultry value chain requires the development of different competencies. The mandatory competencies are in "agricultural production, growing adequate maize and soybean competitively, as well as competencies associated with the production of poultry, such as productive breeds for broiler manufacturing; technically efficient broiler production at scale; large-scale investment in manufacturing facilities; and technical and organisational competencies essential in commercial poultry manufacturing. Furthermore, there are also competencies necessary in services such as in logistics" (Goga & Bosiu, 2019:1).

Poultry production is the leading agricultural product sector in South Africa, ahead of all other animal sectors such as beef and milk, as well as all field crop and horticultural sectors (NDA, 2014a). The South African poultry industry is divided into four key categories, namely broilers, eggs, chick producers and developing poultry farmers' organisations (NDA, 2014a). The focus of this study is on broilers, which is the term given to chickens raised for meat (NCC, 2016). Furthermore, AgriSETA (2020) demarcates the poultry sub-sector into three producer types, namely:

- Commercial poultry producers – generally large corporations producing poultry and eggs on a very large scale and controlling the supply chain from production (breeding) to growing, slaughtering (large abattoirs) and packaging;
- Out-growers (also called contract growers) –mainly small to medium-sized operations which enjoy contracts to grow and deliver products (such as broilers and eggs) to the abattoirs/pack stations of mainly commercial poultry producers); and
- Small-scale poultry and egg farmers – frequently family operations normally classified in the SMME category.

In South Africa, an average of 18,38 million broilers was slaughtered per week in 2014, while the weekly average for March 2016 was measured at 19,844 million. Approximately 76% of chickens in the South African poultry industry are used for meat production, with the remaining 24% being used in the egg industry (SAPA, 2016). In the first quarter of 2016, bone-in chicken portions imported into South Africa consisted of 64% leg quarters, 15,3% wings, 14,7% drumsticks, 2,9% thighs and 3,1% other bone-in cuts (SAPA, 2016). Of the 287 071 tons of bone-in portions imported in 2018, 74,6% were leg quarters, 11,4% drumsticks, 7,7% wings, 2,4% thighs and 3,8% other bone-in cuts. Only 139 tons of bone-in breasts were imported in 2018, along with 113 tons of frozen chicken, cut in half (SAPA, 2019). The AGOA agreement on poultry applies only to bone-in chicken portions.

According to Nkukwana (2018:870), South Africa is the largest “commercial poultry-producing country on the African continent, followed by Egypt, Morocco, Nigeria and then Algeria, in that order.” The South African poultry sector is the major chicken meat producer in Southern Africa, accounting for close to 80% of total chicken meat in the region (Lubinga, Joubert, Ngqangweni & Nyhodo, 2018). Locally produced poultry products are the main source of protein in South Africa due to affordability. Chicken is a popular food in South Africa, especially bone-in chicken in the form of drumsticks, thighs and leg quarters, which differs from the USA’s preference for breast meat. This has prompted broiler producers in the USA market to recover most of the cost of growing and slaughtering chickens through the sale of breast meat domestically and in other countries. The unused portions are dumped in offshore markets such as South Africa and, therefore, local producers find the price of the chicken portions preferred by South African consumers to be determined by the oversupply of imports (NDA, 2014a). In 2013, the North West province produced 26% of all broiler meat in South Africa, followed by the Western and Northern Cape with 22%, Mpumalanga with 21%, and Kwazulu-Natal with 16%. Limpopo produced the least, only 2% of South African broiler meat (NDA, 2014a).

Furthermore, the poultry sector provides direct and indirect employment for approximately 108 000 people throughout its value chain and the associated sectors. The sector also offers a means for rural development via the sizable number of small-scale producers who typically supply the informal market. Nevertheless, "most chickens are produced commercially by a few consolidated and fully integrated companies, with RCL Foods and Astral being the country's largest chicken producers" (Nkukwana, 2018:870). Furthermore, the USA poultry sector is the biggest in terms of production and the second-biggest exporter of poultry in the world according to the Economic Research Services (ERS) of the US Department of Agriculture (USDA, 2016). By comparison, South Africa is a very small part of the poultry world market, contributing around 1,75% of world production and accounting for only 2,1 % of global consumption in 2011 (USDA: 2014). As a net importer of chicken, changes in the international broiler market influence the South African broiler industry (De Beer, 2009).

On the global level, the South African poultry industry struggles to remain competitive. This is due to high feed costs, which generally make up to 75% of total production costs. Due to the volatile nature of feed costs and stiff competition, it is not always possible to pass the costs down to the consumer. The local commercial sector has often struggled to match the demand in the market, as South Africa has become the net importer of dark meat, which is sold in the country at prices below the cost of production and imported from Brazil, the US and the European Union (EU) through the BRICS, AGOA and EU trade agreements. "These countries produce loads of cereal grains and oilseeds for poultry farming and are subsidised, whereas South Africa has an insufficient supply of locally grown inputs for feed manufacturing. In effect, high input costs of production have been aggravated by recent drought effects on crop production and the consistent poor performance of the rand against international markets" (Nkukwana, 2018:870). However, researchers claim that South Africa is also technically inefficient. Cochrane, Hansen and Seeley (2015) note that the South African poultry sector's ability to compete globally without tariff protection is a concern. “The current feed costs in South Africa at market prices are 18% higher than the economic cost. These could be reduced through the introduction of drought-resistant maize varieties and a reduction in yield variability. Furthermore, costs could be reduced further through a reduction in transportation costs and a more reliable energy supply.” (Cochrane, Hansen and Seeley, 2015:7). It is nevertheless likely that, if the South African poultry sector could overcome some of the weaknesses impeding productivity growth, the country might be able to reduce imports even without tariff protection.

In 2015, at the negotiations to extend AGOA’s application in South Africa, the South African negotiators came under intense pressure from the USA (Lubinga et al., 2018). At first, the USA demanded an import quota of leg quarters of 145 000 tons without any dumping measurements from South Africa which was rejected. However, under pressure from President Obama, South Africa agreed to the USA exporting 65 000 tons of broiler meat per annum to South Africa from 2016, without any anti-dumping measurement. Hitherto, AGOA had contributed to a mutually beneficial relationship by supporting South Africa in terms of the export of value-added products and the reduction of structural inequality in the trade relationship (DTI, 2015). Furthermore, the AGOA Paris deal created a platform for a positive trade and investment relationship across all segments of the South African economy. In addition, South Africa and other trading partners can use the relationship to strengthen regional value chains across the continent, and for purposes of regional integration (Tshabalala, 2015). AGOA can contribute towards mutually beneficial relationships by supporting SSA countries to export value-added products and reduce the structural inequality in the trade relationship with the USA. However, it has not always been fully acknowledged that the successful implementation of such strategies requires a complementary set of institutional and administrative capabilities (UNCTAD, 2006: 78). It would seem either such capabilities were lacking for the poultry industry in May 2015, or the industry, as has been alleged (see later), was sacrificed for political expediency and the good of the South African economy as a whole.

3.5 Poultry industry development since Paris 2015

According to the USDA (2018), the South Africa poultry sector is recovering from the widespread HPAI (H5N8) outbreaks in 2017 that resulted in the culling of millions of birds. “Approximately, 4,7 million birds were culled in the laying sector and 7 million birds in the broiler sector, which were predominately breeder stock” (USDA, 2018:3). As a result of the HPAI, the South African broiler breeder inventory decreased by 8,5% to 6,49 million broilers and the South African layer flock decreased by 6,6% to 23,2 million birds in 2017. South Africa had to import hatching eggs to rebuild its breeder stock (USDA, 2018:3).

The South African poultry industry’s recovery from the HPAI was enhanced by low-priced feeds (USDA, 2018). South Africa recovered from the drought with a record maize harvest of 1, 7 million tons, which decreased the price of feed. A relatively large carryover inventory from the 2016/17 financial year and a commercial crop of above 13 million tons in the 2017/18 financial year kept the feed prices low. In addition to maize prices, South Africa produced a historical high summer oilseed crop of 2,4 million tons in the 2017/18 financial year with a further increase in oilseed production projected in the 2018/19 financial year to 2,5 million tons. The low price of feed was expected to continue improving the prospects of chicken meat production for the following several years (USDA, 2018:10).

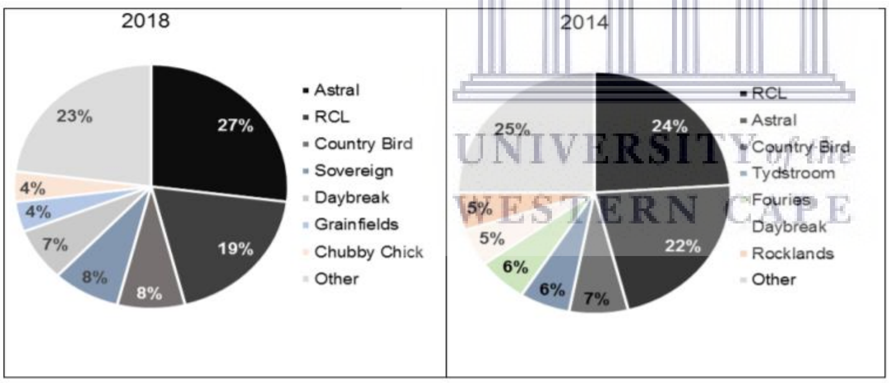
In November 2018, SAPA applied to the International Trade Commission of South Africa (ITAC) to increase the customs duties on frozen chicken meat imports to 82%. The increase in import duties applied to boneless chicken meat and bone-in chicken meat, which had been 12% and 37%, respectively, since 2013. Although the government amended the tariffs on 13 March 2020 to 42% for boneless and 62% for bone-in chicken, the provisions of Paris 2015 still applied. Therefore, the increase affected other exporting countries, e.g. Brazil, but did not affect US-sourced chicken. It also did not affect EU countries, as a free trade agreement was in place.

Before the new tariffs were approved, the Fair Play Movement (2019) organisation used pricing in 2019 to determine the impact of an 82% hike in tariffs. Relying on SARS data, the average landed price of Brazilian chicken leg quarters in January 2019 was determined as ZAR 13,52 per kilogram, (ZAR 18,52 after the existing 37% tariff was added). The average retail price of chicken in South Africa at the time was around twice the landed price (say ZAR 37,00 per kilogram). Had the 82% increase in tariffs been approved and the retail price remained unchanged, the landed price would be ZAR 24,61 and, the mark-up of the store would still have been around 50% on the landed price. If the retailer left the price unchanged, which it could since the profit was still considerable, the hiked tariff would have had zero impact on the retail price of chicken or the consumer.

How the SA market is organised

According to NDA (2014a), the major broiler producers in South Africa in 2014 were Rainbow Chicken (RCL) (24%), Astral (22%) Country Bird (7%), Tydstroom (6%), Daybreak Farms (5%) and Fouries (6%) while the other broiler producers held 25% of the South African poultry market. The poultry market has changed since 2014, with the industry dominated by a few fully integrated large commercial producers, namely RCL, Astral, Supreme Poultry, Quantum Foods, Daybreak and Kuiper's, and a high volume of small-scale contract growers and individual producers supplying the informal market (Nkukwana, 2018). Warrenton Super Chicken was the only 100% black women-owned broiler producer within SAPA in 2018.

Figure 10: Market shares of key poultry producers in South Africa



Source: Goga and Bosiu, 2019.

SAPA members owned about 77% of the poultry sector in South Africa in 2018 (Goga & Bosiu, 2019). RCL and Astral together commanded approximately 46% of the South African poultry sector. The six biggest SAPA poultry firms, with a combined market share of about 66%, are RCL, Astral, Country Bird Holdings (CBH), Daybreak Farms, Sovereign Poultry and Warrenton Super Chicken. RCL Foods is South Africa's largest processor and marketer of chicken by size and sales. It is a fully integrated broiler producer that breeds and rears its own livestock which it feeds from its own feed mills.

It processes, distributes and markets fresh, frozen and value-added chicken (Poultry World, 2020). RCL is followed by Astral, Country Bird, Daybreak and others. Sovereign Chicken, Opti Agri and Crown Chickens, trading as Sovereign Foods, were bought over by CBH in 2019 (The Poultry Site, 2020). Twenty-three percent of the South African poultry market is shared between members of the Association of Meat Importers and Exporters (AMIE), Black Poultry Farmers Association, Emerging Black Importers and Exporters Association (EBieSA), the informal sector and non-commercial poultry growers. The SAPA firms represent the large and medium-sized enterprises operating in the South African poultry sector, across all provinces, as represented in Figure 10.

Ncube and Zengeni (2016) claim that vertical integration is optimal for a broiler company so that its operations include breeding and slaughtering stock and growing its own feeds. The South African broiler poultry sector is dominated by large, vertically integrated firms (Figure 10). The key companies, RCL, Astral, CBH and Quantum, also represent the greater part of production at all levels of the value chain as shown in Figure 11 below. The number of contract growers is increasing, which has caused a shift in production from internal production towards contract growers.

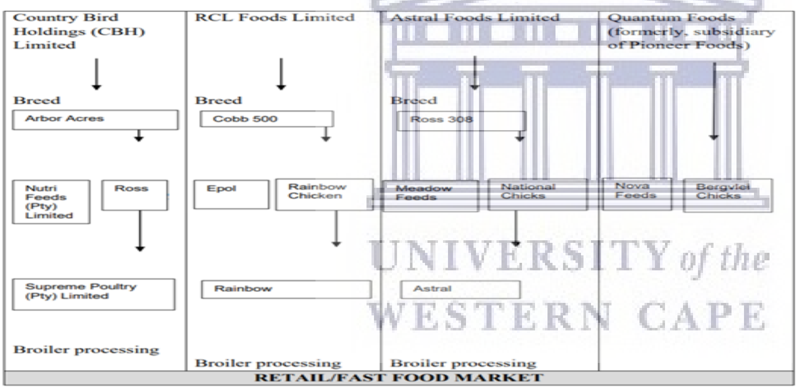
The characteristics discussed below demonstrate the concentrated nature and the advantages of scale in the poultry value chain (Ncube & Zengeni, 2016). The advantages to some poultry firms serve as barriers to potential entrants to the sector. Ncube and Zengeni (2016) have identified four key advantages held by the main broiler firms in South Africa, which are effective barriers to entry for smaller broilers and which allow the main firms to control the market:

- RCL, Astral and CBH are the only holders of exclusive commercial genetic breeding licences in South Africa, while the world market for genetic breeds is dominated by two large multinationals – Aviagen Broiler and Cobb-Vantress Inc. As a result, any producer seeking to participate within the poultry value chain in South Africa has to purchase breeding stock from RCL, Astral and CBH, whether for their own production or commercial sales.
- The main producers represent the bulk of total broiler production (at the farming and processing levels) in South Africa. The bulk of the production allocated to

these producers is carried out by contract growers. Companies that outsource can easily scale production up or down at no cost or risk.

- Thirdly, the main poultry producers account for 50% of animal feed production in South Africa (Louw, Schoeman & Geyser, 2013:4), for internal poultry production and supplied to non-integrated independent poultry producers, who are, theoretically, competitors.
- Finally, the main poultry producers enjoy substantial cost advantages over smaller competitors through economies of scale. For example, in 2014 and 2015, the average feed costs of large commercial farmers were 9 and 12% lower than those faced by small-scale producers (Zotwa, 2014).

Figure 11: Company structure of main integrated poultry firms in South Africa



Source: Ncube and Zengeni, 2016.

3.6 Transformation of the poultry sector

In 1994, South Africa gave its first elected democratic government a mandate to redress the social, political and economic inequalities of the past. In 2003, the South African parliament passed the Broad-Based Black Economic Empowerment (B-BBEE) Act. The main goal of the B-BBEE Act is to advance the economic transformation and economic participation of black people in the South African economy (DTI, 2019a). Furthermore, the B-BBEE Act allows businesses in sectors that have an agreed code of good practice to be evaluated for BBBEE compliance in accordance with that code. Enterprises must report annually on their compliance with BBBEE to the sector council established for that sector (DTI, 2019a). For example, poultry companies report on their BBBEE compliance annually in the AgriBEE sector. The Amended AgriBEE sector codes aim to facilitate B-BBEE in the agricultural sector through initiatives that include black South Africans at all levels by:

a. Promoting equitable access and participation of black people in the entire agricultural value chain,
b. De-racialising land and enterprise ownership, control, skilled occupations and management of existing and new agricultural enterprises,
c. Unlocking the full entrepreneurial skills and potential of black people in the sector,
d. Facilitating structural changes in agricultural support systems and development initiatives to assist black South Africans in owning, establishing, participating in and running agricultural enterprises,
e. Socially uplifting and restoring the dignity of black South Africans within the sector,
f. Increasing the extent to which communities, workers, cooperatives and other collectives enterprises own and manage existing and new agricultural enterprises, including increasing their access to economic activities, infrastructure and skills training,
g. Empowering rural and local communities to have access to agricultural economic activities, land, agricultural infrastructure, ownership and skills,
h. Improving living and working conditions and promoting decent living and working conditions for farmworkers, and
i. Improving protection.

Each sector code sets priority elements (the B-BBEE Act names them as ownership, management control, skills development, enterprise and supplier development, and socio-economic development) and target scores per element must be achieved annually. These scores form part of the scorecard that totals 100. Within these five compulsory elements, each sector chooses three priority elements, which have higher scores than other elements. For the agriculture sector, the priority elements are ownership, skills development and enterprise development. In sum (and oversimplified), the more a company's ownership, skills development and enterprise development reflect (independently verified) black participation, the higher its scorecard will be.

The respondents in this research were reluctant to provide their BBBEE certificates. However, those listed on the Johannesburg Stock Exchange provided their BBBEE information on their websites. Table 3 reflects their results for the 2018/19 financial year:

Table 3: Summary of BBBEE Scores for the Poultry Sector

Company name	BBBEE Element	Target score	Achieved	BBBEE Level
RCL	-Ownership	25	17.82	3
	-Management control	19	5.33	
	-Skills Development	20	12.55	
	-Enterprise and Supplier Development	40	31.42	
	-Socio-economic development	15	15	
Astral	-Ownership	25	20.42	7
	-Management control	19	9.82	
	-Skills Development	20	15.88	
	-Enterprise and Supplier Development	40	18.8	
	-Socio-economic development	15	6.13	
CBH	-Ownership	25	0	8
	-Management control	19	4.28	
	-Skills Development	20	14.55	
	-Enterprise and Supplier Development	40	34.11	
	-Socio-economic development	15	15	
Quantum	-Ownership	25	7.98	Non-compliant
	-Management control	19	6.57	
	-Skills Development	20	5.10	
	-Enterprise and Supplier Development	40	13.66	
	-Socio-economic development	15	9.2	
Daybreak	-Ownership			**No data sourced**
	-Management control			
	-Skills Development			
	-Enterprise and Supplier Development			
	-Socio-economic development			
GFC	-Ownership	25	10.49	8
	-Management control	19	3.45	
	-Skills Development	20	9.75	
	-Enterprise and Supplier Development	40	18.69	
	-Socio-economic development	15	15	
Super Chicken	-Ownership			**No data sourced**
	-Management control			
	-Skills Development			
	-Enterprise and Supplier Development			
	-Socio-economic development			

Source: Poultry company websites.

It is clear from Table 3 that the poultry sector is not transformed and is predominantly white-owned. Only RCL and Astral have made notable progress in terms of the different elements of the scorecard, including the ownership of the company. To address the transformation agenda within the poultry sector, SAPA formed a transformation committee in 2014 to drive transformation within SAPA and among the members, monitor progress and provide reports to the key stakeholders (SAPA, 2017). SAPA (2017) states that the transformation solution is not straightforward and specific markets are needed for smaller new entrants to allow development projects to succeed. This has been hampered by high levels of imports and increased feed costs. As a result, big companies are not able to prioritise transformation over the sustainability of their businesses (SAPA, 2017). While the government is investing a lot of resources to bring small-scale producers into the poultry value chain, it continues to expose the industry to open and often unfair market forces. SAPA is of the view that the government could stimulate greater levels of transformation by ending the unfair competition of dumped imports in the market. It must be noted that there are no penalties for non-compliance with the B-BBEE Act, or incentive to transform, especially if a company is not doing significant business with the government. Warrenton Super Chicken, the only 100% black(women)-owned member company of SAPA, had a turnover of ZAR 3 million in 2016, but following the outbreak of avian influenza in 2017, the company's turnover plummeted to ZAR 300 000 and it shed many jobs in the process. SAPA (2019:80) asserts that a "definite minimum size exists, below which a broiler farm will struggle to sustain its profitability. In addition, the farm must be close to a feed mill, veterinary services, and abattoir and cold chain facilities." SAPA (2017) also merely acts as an industry mouthpiece and does not intervene in the running of individual businesses or transformation issues. While its ability and willingness to influence transformation appears negligible, SAPA (2017) has initiated a trust fund to focus on industry transformation.

Nothing prevents the government from investing directly in the contract growers rather than existing companies. According to Davids (2013), contract-growing is common in broiler production internationally because a broiler producer needs a volume of birds at the same time. "A contractual off-take agreement provides market surety and as a result of this, exposure risk is reduced. The scale requirement in broiler production, at least in South Africa, is because of the price determination process. Large import volumes from Northern Hemisphere countries and Brazil affect local price determination." (Louw, Davids and Scheltema, 2017:3). Further, dumping from these sources can easily impact on the informal market the small-scale producer trades in, or even on their relationship with the large producer, especially if the market is oversupplied with cheap imports.

Finally, a small-scale broiler producer pays more for inputs such as feeds and electricity but also receives a substantial premium on sales of live birds in the informal market. There is, however, a production ceiling associated with small-scale broiler production, due to demand and production considerations. Alternatively expressed, due to the unique production characteristics and investment requirements associated with large-scale broiler production, growth from the small-scale value chain into the commercial value chain appears impossible. The South African trade policies and the poultry regulation is discussed in the next section.

3.7 South African trade policies, legislation and poultry regulation

South Africa has been a WTO member since 1 January 1995 and was a member of GATT from 13 June 1948 (WTO, 2021). South Africa is also a member of trade blocs such as SADC, SACU and BRICS, and has entered into trade agreements with many countries (DTIC, 2020c).

According to Medin (2014), industrial policy is normally considered to be aimed at influencing a country's industrial framework to create the highest possible revenue for the country. Further objectives may be to alleviate unemployment or achieve more equitable income distribution. Many different policy instruments include government subsidies and financial incentives, taxes and public ownership, as well as laws regulating the industrial sector, such as legislation controlling concessions, competition and public procurement. In addition, South Africa has many policies designed to support its economic development including the Preferential Procurement Policy Framework Act (PPPFA) and B-BBEE Act.

Trade policies are essentially government measures that directly or indirectly influence the development and expansion of international trade. International trade negotiations culminate in trade agreements often aimed at liberalising trade (Mhonyera, 2020). The South African trade policy "outlines how trade policy and strategy in South Africa make a contribution to meeting the objectives of upgrading and diversifying the economic base in order to produce and export increasingly sophisticated, value-added products that generate employment" (DTI, 2010). South African trade policy seeks to advance industrial development, upgrading and diversifying products to achieve long-term economic growth while addressing structural constraints in the economy such as employment and poverty. Furthermore, the South Africa trade policy can be viewed as an attempt to economically catch up with developed economies by supporting industrialisation to transform the South African economy (DTI, 2010).

In addition to all generally applicable business and environmental laws in South Africa, the poultry sector is regulated by national food, hygiene and sanitation laws and regulation, such as the Foodstuffs, Cosmetics and Disinfectants Act, Act 54 of 1972, the South African Food Labelling Regulations (R146/2010 and amendment R149/2014), the Meat Safety Act, Act 40 of 2000, as amended, Poultry Regulations (R153/2006), provincial legislation and the applicable by-laws in each municipality. All these laws, regulations, agreements and affiliations are informed by preceding trade policy and influence the shape of developing policy.

3.8 Integrated National Export Strategy (INES) of the Department of Trade, Industry and Competition (DTIC)

The DTIC is mandated to grow the export base and increase exports of South African value-added products and services. The Integrated National Export Strategy (INES) aims to increase South Africa's capacity to export diversified and value-added goods and services to various global markets. It aims to strengthen the country's export performance by improving the trade and business environment as well as the competitiveness of companies and sectors (DTIC, 2020a). The structure of the INES is based on the four main pillars:

- Improving the export enabling environment and international competitiveness.
- Increasing demand for goods and services through market prioritisation, diversification and access.
- Developing exporters, increasing export capacity and strengthening exporter performance through the National Exporter Development Plan (NEDP).
- Strengthening the export promotion mechanism through enhancing South Africa's value proposition.

The NEDP is the export plan of the DTIC, the purpose of which is to "increase exports in general, but particularly of those products and services that add value and contribute to employment and the green economy" (DTI, 2013). While still taking into account the needs of larger potential and established exporters, the NEDP targets small, micro, and medium enterprises (SMMEs), both in general and specifically drawn from the ranks of the previously disadvantaged.

3.9 The South African Poultry Sector Master Plan (SAPSMP)

According to Grain SA (2020), the SAPSMP plan was developed to provide a framework for growing the outputs and jobs in the poultry sector through various measures to be implemented over several years. It followed consultations with stakeholders in the poultry sector, including government departments, poultry producers, processors, exporters, importers and organised labour. The SAPSMP identified five urgent challenges facing the poultry sector (DALRRD, 2019a).

3.9.1 The cost of feed

The cost of feed makes up a large portion of the cost of chicken production. Maize and soybean prices are determined internationally but tend to rise for South African producers in drought years. Many other countries subsidise their primary farming sector, allowing cheaper feed inputs to their poultry sector. A partnership will be formed between SAPA, the Industrial Development Corporation (IDC) and Grain SA to increase the supply of maize and soybean to the poultry sector to reduce input costs.

3.9.2 The scale of production

The relatively small scale of production in South Africa makes the country vulnerable to exporting countries that exploit economies of scale to reduce costs and prices.

3.9.3 Segmentation production

In recent years, several poultry-exporting countries have targeted South Africa's market for brown meat. EU and US demand for breast meat is greater and prices high, allowing exporters to market brown meat at low prices (the so-called 'balancing the carcass' practice).

3.9.4 Inability to export

Despite having tariff-free access to Europe, South Africa cannot export to that market as it cannot meet the stringent sanitary and phytosanitary requirements of the EU.

3.9.5 Transformation

SAPA membership by black businesses grew from 18 to 100 black members. SAPA not only assists contract growers but is actively involved in 60 independent farms or businesses, two hatcheries that are black-owned, and 20 projects in collaboration with DALRRD. At least four companies have black ownership in their integrated businesses. Despite these, transformation has lagged with regard to black ownership throughout the value chain. Steps will be taken to focus on ownership through the value chain, and not just on farming.[6] Approximately 25% of the biggest small-scale farmers will be identified and assisted with business plans.

The SASPMP identifies five "pillars" around which action plans were developed, briefly described below (DALRRD, 2019a).

3.9.6 Pillar 1: Expanding and improving production

This pillar involves strategic partnerships between SAPA, IDC and Grain SA to increase the supply of maize and soybean to the poultry sector to reduce input costs. Programmes would also be provided to support independent farmers, more contract growers, BBBEE and workers' skills development.

3.9.7 Pillar 2: Driving domestic demand and promoting affordability

Pillar Two of the SAPSMP involves four key actions that will ensure domestic demand and promote affordability. These are:

- State procurement: consider designating chicken meat for local supply;
- Monitor chicken prices;
- Promote further research into industry cost drivers and take action where appropriate; and,

[6] It should be noted that Daybreak Farms was formed in 2015 as a BBBEE transaction when AFPO, a black consortium, acquired the majority shareholding (54%) in AFGRI Poultry, funded by the Public Investment Corporation. Due to maladministration by executives, the PIC acquired 100% of the shares and assumed full control of Daybreak in 2017. Daybreak is, therefore, technically a state-owned enterprise and not black-owned (Business Report, 2017).

- Establish a task team to work with retailers to explore mechanisms to enhance offerings of cheaper brown meat to price-sensitive consumers; retailers to promote South African and where possible local suppliers; and partnership between SAPA and Proudly SA to SA poultry.

3.9.8 Pillar 3: Driving exports

As mentioned, Europe is closed to South Africa's chicken products. The SAPSMP includes the action plans detailed in Table 4 to deal with improving exports.

Table 4: Action plans to develop exports

Programme	Requirements	Targets and Commitments	Responsibility
Export cooked meat to various markets	• Requirements to be established urgently per destination and appropriate measures effected	• Begin exporting Q1 2020	• SAPA • AMIE • DTIC • DALRRD
: Expand Halaal meat exports	• Establish requirements for various markets in co-operation with red meat exporters and Halaal certification authorities and ensure that these requirements can be met and certified	• Significant expansion in such exports by 2021	• SAPA • AMIE • DTIC • DOH
: Establish detailed export agreements with various countries including veterinary requirements	• In various countries we have trade access but have not put the detailed systems in place to facilitate trade	• Detailed programme by Q1 of 2020	• DTIC • DALRRD • SAPA • AMIE
: Establish detailed import requirements for selected countries under ACFTA and make appropriate arrangements	• Identify countries that may wish to procure South African poultry, in co-operation with industry, establish contact with the appropriate authorities and drive implementation	• Detailed programme by Q1 of 2020 due to the limited time available before implementation	• DTIC
Sanitary and Phyto Sanitary requirements – See SPS Plan attached	• Further consultation to take place on the SPS plan • AMIE to assist with relevant expertise • Institutional mechanisms to be devised to ensure that SPS plan is funded, implemented and monitored	• Substantial progress on all items by mid 2020	• DALRRD • DTIC • DOH • SAPA • AMIE

Source: DALRRD, 2019a.

3.9.9 Pillar 4: Enhancing the regulatory framework and ensuring compliance

Apart from ending the selling of quotas (on-selling and fronting) and improving communication, the regulatory framework must improve to end unethical practices in four other areas:

- Packaging traceability of imports: Improving this would make dumping more difficult to disguise.
- Thawing of chicken: Preventing importers and local producers from thawing frozen meat and selling it as fresh, or refreezing.
- Acting effectively against incorrect classification and under declassification.
- Addressing round-tripping, especially with the neighbouring countries.

3.9.10 Pillar 5: Trade measures to support the local sector

The government must review the tariff framework for the poultry sector (DALRRD, 2019b), including by:

- Reporting on the combined impact of discrete trade measures operating in the sector such as tariffs, anti-dumping measures and preferential trade agreements.
- Considering the introduction of specific rather than *ad valorem* tariffs.
- Simplifying the trading system by reducing the number of tariff lines to a 6 or 8-digit level.
- Considering specific anti-dumping measures where appropriate and their impact on the level of *ad valorem* tariffs.
- Considering the introduction of import licences to support compliance.
- Considering the introduction of a system of rebates whereby tariff levels on certain imports can be reduced where parties are achieving exports.
- Considering the possibility of other measures such as entry price systems.

To achieve the required objectives and monitor progress, a Poultry Sector Master Plan Council chaired by the DTIC and DALRRD ministers would ensure the following:

- Develop a concrete action plan to underpin each pillar and commitment in the master plan.
- Monitor implementation of the key actions agreed on and identify additional measures required to realise the agreed vision.
- Ensure expeditious implementation of the necessary sanitary and phytosanitary (SPS) measures required to expand into export markets.
- Analyse both the import and export trade in poultry to determine the impact of the master plan and advise on measures to realise the vision and commitments in the plan.
- Identify and set targets for the advancement of ownership by black South Africans and workers across the poultry value chain.
- Consider practices and standards in the industry and their impact on the development of smaller and/or black-owned poultry enterprises, to address unnecessary inhibitors.
- Set up a forum for engagement with the finance sector.

3.10 Import/ Export challenges

There are challenges in South Africa regarding import and export problems, especially relating to the EU and USA. The local commercial poultry sector has not been able to respond to competition from imports. Demand in the market has led to South Africa becoming a net importer of dark meat from Brazil, the US and EU under the BRICS, EU and AGOA trade agreements, which is brought into the country at prices below the local cost of production (Lubinga et al., 2018). According to then DTI Deputy Director-General (DDG) Xolelwa Mlumbi-Peter (Coastweek, 2016), the current ambassador to the WTO, South African firms are under-utilising AGOA benefits due mainly to lack of energy and transport infrastructure, which affects production. She also claimed there was a lack of production capacity to take advantage of all the trade agreements South Africa has signed and suggested that South African firms are not aware of the AGOA benefits. However, Izaak Breitenbach (Poultry World, 2020: unnumbered), the then General Manager of the Broiler Organisation within SAPA, denied this: "Yes absolutely, our industry according to the Bureau for Food and Agricultural Policy at Pretoria University is globally competitive and we have excess capacity at present. We have done a gap analysis with the EU as a precursor to exporting cooked breast meat to the EU."

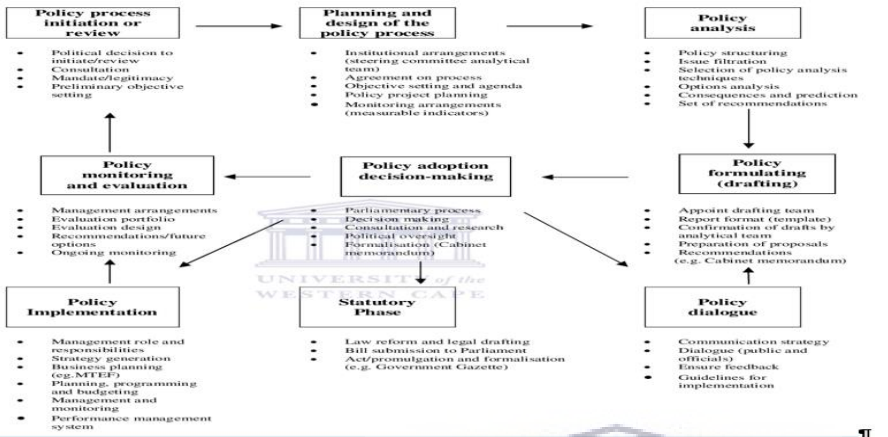
3.11 The SPS problem

As mentioned, the sanitary and phytosanitary (SPS) requirements of the US and EU markets make entry to them difficult for the African countries that can produce the desired goods. Although South Africa has developed frameworks and plans to develop the agricultural sector, including the Agriculture Policy Action Plan (APAP), Agricultural, Forestry and Fisheries Strategic Framework and Integrated Growth and Development Policy for Agriculture, Forestry and Fisheries, it has not produced an effective SPS policy response that would enable opportunities to access these markets.

3.11.1 Policy vs legislation processes

This section discusses trade policy in relation to the legal processes required to get the SPS requirements approved to access the EU market.

Figure 12: South African Parliament Generic Policy/Law Process Model



Source: Desai, 2011

It is important to clarify the differences between policy and law. According to ETU (2020b), a policy outlines what goals a government entity like DALRRD hopes to achieve and the methods and principles it will use to achieve them. A policy document is not a law but it will often identify new laws needed to achieve its goals. Laws then provide a legal framework in which a policy can be implemented. A law sets out standards, procedures and principles that must be followed. If a law is not followed, those responsible for breaking them can be prosecuted in court. Put differently, the policy sets out the goals and planned activities of a government ministry or department but laws enable governments to impose the necessary institutional and legal frameworks to achieve their aims. However, laws tend to follow policies, not vice versa. In the case of the SPS policy for the poultry sector, the relevant laws already exist, being the Animal Disease Act, Act 35 of 1984, and the Meat Safety Act, Act 40 of 2000. This making of these laws followed the process outlined in Figure 12. All government policies are initiated once a need has been identified and consultations with key stakeholders held. In the case of the AGOA deal, the poultry sector organisations like SAPA, AMIE and EBieSA were consulted in the development of policy on trade agreements. For the SPS measures, policy consultation would have also included the then DTI, DAFF and the Department of Health. The drafting process would be accompanied by a relevant steering committee for project planning and to set monitoring measures. The process will then continue to policy formulation, policy adoption decision making, policy monitoring and evaluation, policy dialogue, statutory phase and finally implementation.

In terms of approving the SPS policy within DALRRD, a separate internal process is followed. According to the DALRRD's Director for Animal Health (Dr Maja, at the time of the study), DALRRD is represented in all trade agreements through their veterinary services. To initiate the policy development process, an export request is made to DALRRD by the relevant government department due to an existing trade agreement, like AGOA. DALRRD will provide information about the prevailing diseases in South Africa, and the South African Veterinary Services will confirm the diseases' status in South Africa. If the disease status is favourable to South Africa (i.e. the risk is non-existent or acceptable), DALRRD will receive draft import requirements and South Africa will issue a report that South Africa will comply with the import requirements, and the trade agreement will be reached which will lead to the successful exports. However, if the disease status is not favourable to South Africa, a risk assessment will be carried out and if the risk is too high, exports will not be sanctioned and the trade agreement will be renegotiated. But if the risk is acceptable, the exports will be allowed.

When there is no trade agreement in place, DALRRD will get an export request from another government department, then this request would be submitted to the SA Veterinary Services that will evaluate the request. The relevant stakeholders, like the industry associations and relevant government departments like the Department of Health, will be asked to complete a questionnaire. This will be followed up by an inspection of the relevant affected companies (broiler producers in the case of AGOA). The SA Veterinary Services will perform a risk assessment. If the risk is too high the export agreement will not be signed, but the terms of the agreement renegotiated. If the risk is acceptable, the exports will be allowed.

Although AGOA would not have been signed off by the DTI if DALRRD had not agreed to it, this point is moot since AGOA is not subject to negotiation but is either accepted *in toto* or not. However, DALRRD is developing an SPS policy to export cooked meat to the EU and is in talks with the EU, although this process is not following the normal trade facilitation process. Each country requires that it has to develop its SPS policy requirements within the WTO principles and its assessment of the risk in the other country separate from regional concerns and undertake its own talks with the EU. According to Figure 12 above, DALRRD, the DTIC, the Department of Health and the two poultry organisations, SAPA and AMIE, are all policy stakeholders and share responsibility for developing the SPS policy although DALRRD is the ultimate custodian of the policy. However, there has never been a request from the poultry sector or the DTI for the development of the SPS policy for AGOA, since that agreement was signed in 2015.

The delayed policy process could be because it affects more than one government department that might have competing interests. The DTI only negotiated the trade agreement, but DALRRD was responsible for the development and implementation of the SPS policy in consultation with the Department of Health. Both departments should be working together in the interest of the country and the poultry sector to ensure that the much-needed policy is developed and implemented. Unfortunately, DALRRD is under-resourced, which means that even if an SPS policy was approved, DALRRD might not have the capacity to implement and monitor it. The poultry organisations could put pressure on the ministers of the DTI and DALRRD, the co-chairpersons of the Poultry Sector Master Plan Council, to monitor and drive the implementation of the pillars of the SAPSMP to speed up the process in Parliament.

While it doesn't have a PSP policy for poultry, DALRRD does have a phytosanitary policy for plant health, and lessons could be learned from the processes adopted there. The national phytosanitary system of South Africa is currently administered under the Agricultural Pests Act, 1983 (Act 36 of 1983). However, there have been major changes and developments in South Africa and in the International Plant Protection Convention (IPPC), which has been aligned with the principles of the WTO SPS Agreement since that legislation was promulgated. Phytosanitary compliance in respect of the exportation of regulated articles is controlled in terms of the IPPC and its International Standards for Phytosanitary Measures (ISPMs) as this aspect is not covered in the current legislation. Since the core of the international trade is imports and exports, without providing for exports the above Act is incomplete (DAFF, 2014). It is concerning that these International Standards for Phytosanitary Measures also affect the phytosanitary measures for poultry.

It is instructive to look at the large commitment the resources implementing the Plant Health SPS policy requires of government as the level of commitment would be at least similar for a poultry SPS policy. The resource requirements for policy implementation include:

- Pest Risk Analysis (PRA);
- Policy, norms and standards;
- Early warning systems;
- Plant health promotion and awareness;
- Plant health national contact point responsibilities;
- Plant diagnostic services;
- Plant quarantine services;
- Phytosanitary inspection, implementation and enforcement activities.

Furthermore, the SPS plant policy states requirements for effective and efficient teams of appropriately trained, experienced and equipped personnel for relevant assignees, state-owned enterprises as well as relevant research organisation, adequate and fully functional infrastructure and information systems to accommodate and facilitate the provision of effective phytosanitary service, and appropriate role-player and stakeholder coordination mechanism and forums (DAFF, 2014). The example of the implementation of the plant health sanitary and phytosanitary policy shows a considerable investment of planning and resources would go into supporting a poultry SPS policy, including units for policy, inspection, standards and operations.

Notwithstanding the potential trade benefits of having an SPS policy for poultry, it should be remembered that this policy would apply more to unlocking access to EU markets and does not apply to the AGOA agreement, the subject of the next chapter.

CHAPTER 4

THE AGOA

This chapter discusses what the AGAO is and its rationale, AGOA poultry policy, arguments in support of and against AGOA and the researcher's views on the AGOA agreement.

4.1 Rationale and purpose of AGOA

The African Growth and Opportunity Act (AGOA) is a preferential trade agreement that has been in place between the United States of America (USA) and countries in Sub-Saharan Africa (SSA) since 18 May 2000, when US President Bill Clinton signed the AGOA into law, to cultivate trade and economic cooperation between the USA and qualifying SSA countries (MTI, 2015; Williams, 2015). Williams (2015) affirms that the AGOA aimed to stimulate export-led growth and economic development in SSA and to expand US economic relations with the region. The qualification of countries is considered annually by the US President and annual membership is subject to meeting criteria set by the US administration. The conditions for qualifying for AGOA include observing the rule of law, eliminating trade barriers, protecting human rights and eliminating child labour practices, while the beneficiary must make progress toward the "elimination" of barriers to US trade and investment (MTI, 2015). The agreement provides for duty-free and quota-free market access for qualifying products of eligible countries (Williams, 2015).

According to the DTI (2015), 38% of the total South African exports to the USA in 2014 fell under AGOA, including trade that fell under the Generalised System of Preferences (GSP). South Africa's AGOA exports, including GSP, amounted to USD 3,1 billion in 2014. GSP exports increased from USD 1 billion in 2013 to USD 1,4 billion in 2014 (DTI, 2015). By contrast, the total South African AGOA exports to the US in 2013 was 44%, valued at USD 3,6 billion. In 2018, the South African exports under GSP and AGOA equalled a combined total of USD 2,4 billion, which was then equivalent to ZAR 34,8 billion (De Wet, 2019).

The benefits of AGOA include job creation and economic growth, market security for exporters and potential USA investors, export diversification through 6 500 qualifying product tariff lines, the encouragement of regional integration and provision for public-private sector dialogue (Williams, 2015). The AGOA product list was compiled so as not to contain 'import-sensitive' goods, and notwithstanding the wide-ranging challenges of transactional costs in African countries, AGOA has had a major influence on agricultural and manufactured products imports into the USA (Manger, 2009). AGOA covers different sectors, such as the agricultural sector (including poultry), textiles, transportation equipment, forestry products, chemicals and related products, energy-related products, minerals, metals and machinery (DAFF/ NAMC, 2016).

According to Williams (2015), regarding the benefits and general suitability criteria, AGOA is comparable to GSP, which is an older US trade preference programme that applies to more than 120 developing countries (USTR, n.d.). AGOA, however, covers more products and has additional qualifying criteria beyond those of the GSP. A rather imperialist 'Eligibility Requirement' clause (section 104.a.1. (F)(2) of the AGOA) allows the President to declare eligible for membership a country that "does not engage in activities that undermine United States national security or foreign policy interests."

Furthermore, AGOA comprises trade and development requirements beyond duty-free provisions. According to Chinembiri (2015: 9), the benefits of the AGOA agreement go beyond access to markets, also removing the administrative challenges generally associated with other trade agreements such as the GSP. AGOA beneficiaries customarily retain their benefits for extended periods, providing stakeholders with a sense of security not enjoyed by countries that only export under the GSP. AGOA also removes the Competitive Need Limitation (CNL) on goods entering the USA under the GSP. The CNL is a maximum amount set for imports from the countries benefitting under the GSP scheme and becomes effective when the imports in a specific category surpass an approved proportion of the total imports in that category in the USA. However, there are cases when exceptions are allowed for CNL through the respective administrative channels. That level of uncertainty influences investors' decisions based on the accessibility of AGOA for SSA countries (Chinembiri, 2015: 9).

At the time of the study, 39 of the 49 SSA countries were beneficiaries of the AGOA agreement (ITA, 2015). AGOA is classified as a Preferential Trade Agreement (PTA), which represents the consensus on specific aspects of market access among participant countries of an economic region. Such agreements are semi-independent from the global structure of the WTO and often regulate areas of social governance, including human rights standards (Hafner-Burton, 2005). However, Mafu (2016) contends that the disadvantages and risks associated with the AGOA agreement outnumber the economic benefits. This was evident at the signing of the current AGOA deal in 2015, when South Africa was forced to remove the anti-dumping duties and sanitary and phytosanitary measures it had imposed on US poultry, in return for retaining its broader AGOA benefits. As stated by the DTI minister (Davies, 2015:1): "After a two-day meeting held in Paris, on 4th and 5th of June 2015, South Africa and the USA made a breakthrough in the longstanding dispute of export in chicken pieces from the USA.[7] The deal secures South Africa's participation in AGOA for the next 10 years." In other words, South Africa extended its AGOA membership by 10 years only by making large concessions on poultry imports. This illustrates that AGOA is a non-reciprocal preferential scheme in practice, and favours the interests of the US economy.

4.2 AGOA poultry policy

The basis of the above-mentioned dispute is related to the US requesting an export quota of 65 000 tons of duty-free chicken to South Africa per annum, without any reciprocal trade offer (Ndlovu, 2017). Once signed, the current AGOA poultry agreement removed all barriers in the previous agreement signed in 1999. While US poultry companies can sell 65 000 tons of bone-chicken in South Africa duty-free every year, the US imposed strict health requirements on trade in South African chicken, effectively making it impossible for South African companies to export their chicken to the US (USDA, 2019).

Lubinga et al. (2018) claim that the local sector came under further pressure with the extension of AGOA in 2015 from the US. At first, the US demanded an import quota of 145 000 tons of leg quarters without any anti-dumping measurements from South Africa, which was denied. However, South Africa and the US reached an agreement

[7] This rather diplomatic statement hides the nature of the negotiation. For example, when the South African government raised legitimate concerns about the existence of salmonella disease on US meat, President Obama threatened to halt all agricultural benefits from AGOA within 60 days if the South African government didn't agree to sign the poultry agreement. South Africa was thus forced to agree to the poultry conditions to save the whole AGOA and the deal's preferential provisions for other agricultural products.

in 2015 to import 65 000 tons of broiler meat per annum to South Africa from 2016, still without any anti-dumping measures.

Furthermore, it appears that the former Minister of Trade and Industry, Rob Davies, admitted sacrificing the poultry sector to retain benefits to other sectors. He was quoted in 2015 (Davies, 2015: unnumbered) as saying: “I considered the 65 000 tons per annum quota tariff carefully with my Department and with my colleague, the Minister of Agriculture, Forestry and Fisheries, Minister Zokwana, and consulted with other stakeholders. While an offer to open the bone-in chicken market would require a significant contribution from an industry that had no objective interest to do so, I had to consider the wider picture and interests of the existing and potential new beneficiaries of AGOA. The loss of AGOA would have threatened the jobs of several other sectors of the South African economy, especially in auto vehicles and parts; chemical products; and manganese products; and agricultural subsectors such as citrus, wine, macadamia nuts.” Clearly, the poultry deal was concluded to secure benefits to more strategic sectors such as manufacturing and minerals as well as high-value agriculture, without the government showing any intention of supporting the sector against the consequences.

Instead, Minister Davies (2015) tried to present the deal as a benefit to the sector, claiming:

- The quota created new opportunities for new and emerging importers of poultry to benefit from the deal. DAFF and the DTI would determine the manner and quantum to be allocated to the historically disadvantaged individuals (HDI) importers after a consultative process.
- For the poultry sector, the resolution of the dispute with the US provided it with more certainty and security for its shareholders.

The AGOA agreement on poultry applies only to bone-in chicken portions. In the first quarter of 2016, bone-in chicken portions imported into South Africa consisted of 64% leg quarters, 15,3% wings, 14,7% drumsticks, 2,9% thighs, and 3,1% other bone-in cuts (SAPA, 2016). Furthermore, of the 12 176 tons of bone-in portions imported in January 2019, 62,3% were leg quarters, 11,4% drumsticks, 7,7% wings, 2,4% thighs, and 5,5% “other” bone-in cuts. No bone-in breasts or frozen chicken cut in half were imported by 2019. Of the 287 071 tons of bone-in portions imported in 2018, 74,6%

were leg quarters, 11,4% drumsticks, 7,7% wings, 2,4% thighs, and 3,8% other bone-in cuts. Only 139 tons of bone-in breasts were imported in 2018, along with 113 tons of frozen chicken cut in half (SAPA, 2019).

4.3 Arguments in support of AGOA

The AGOA agreement encouraged a wide range of exports from South Africa to the US – 22% of the South African exports that entered the US between 2016—2018 (Thopacu, 2020).

Participating African countries could maximise the trading platform provided by AGOA while looking at long-term policies such as regional integration with the African continent. Such integration should focus on diversification of exports and regional industrialisation that can make value chains in the continent, ultimately promoting African countries' integration into global value chains.

AGOA can contribute towards mutually beneficial relationships by supporting SSA countries to export value-added products and reduce the structural inequality in the trade relationship with the USA. Nyhodo, Ntshangase and Ngqangweni (2016) have argued that the erosion of South Africa's access to the USA under the AGOA agreement would lead to financial losses in the South African economy as a reduction in trade in these products cannot be countered with the increased output of other products.

The extension of the AGOA agreement by a further 10 years provides added security and predictability for the South African companies involved and the government. It means there will be a guaranteed market for the South African products (Naumann, 2016: 2), which in turn will lead to the increased production of goods and services, additional employments and tax revenues, economic growth and improved GDP and balance of payments. The new trade agreement comprises a little over 2 000 tariff lines or products.

Prinsloo and Ncube (2016) note that the US is a vital economic partner for South Africa and trade and foreign direct investment between the two countries has doubled since the initial agreement was signed in 2001. AGOA could assist to cushion the impact of economic challenges such as a deadlock in WTO negotiations, a fall in worldwide commodity demand and prices, domestic economic sluggishness and the need to promote export-led growth and earn foreign currency. In 2014 South Africa exported USD 3,1 billion worth of products to the US.

4.4 Arguments against AGOA or similar trade agreements

Mwangi (2019: 87) claims that AGOA has had an insignificant effect on total exports from SSA to the US with evidence of moderate growth in imports to SSA. According to the United States International Trade Commission (USITC, 2021) data, the SSA's agricultural exports to the US have remained low and the benefits of AGOA to SSA have not been great. One possible reason could be that most African countries do not diversify their exports, which are normally concentrated in a few primary commodities. The lack of diversification is due to the lack of investment in services, manufacturing, agricultural productivity and processing. Agricultural trade could also be impacted by the non-tariff barriers related to sanitary issues and other technical barriers to trade, as alluded to in section 3.1 above.

AGOA has played an important role in trade liberalisation between the US and the SSA countries. However, the relationship is heavily weighted in favour of the US and African countries should be careful not to be over-reliant on AGOA. For example, if these countries sold all or most of the output of a product to the US, they may become complacent and neglect to diversify their markets. A sudden drop in US demand or competition from another country could have devastating consequences as was experienced by Madagascar and Swaziland. Further, allowing the US market a monopoly over a product amounts to an exclusive right to purchase, which shifts the negotiating power over price and other factors too much in the US's favour.

Trade under AGOA is politicised in two ways that ensure the primacy of US political and strategic interests. First, participation is reviewed annually and entirely at the invitation of the US government. Second, the clause forbidding AGOA beneficiaries from participating in activities that weaken the US national security or foreign policy interests forces beneficiaries to weigh up their political or ethical views on US policy against the benefits of trade with the US.

Obuah (2007: 66) argues that AGOA is a mechanism intended to divert SSA's international trade from Europe to the US, and therefore aid US companies competing against European competitors in a globalised market. To the extent that AGOA would not lead to any growth in US importing of poultry from South Africa, there has been no trade creation through AGOA, since trade creation occurs when domestic production in the preference-granting country is replaced by more efficient imports (Obembe, 2011). Instead, trade diversion has occurred as AGOA has caused a negative effect by inhibiting potential poultry imports from other countries to South Africa as well as by denying South Africa tariff revenues on the duty-free US poultry quota.

US interest in building 'genuine partnerships' with Africa through AGOA may have more to do with its competition with China, Europe, India and Japan to increase their stakes in Africa, which is widely perceived to be poised for massive economic growth in the coming years (Tadesse, 2008), than based in a genuine commitment to African development.

Indeed, Obuah (2007: 81) observes that US investment remains low in SSA, contrary to the US's promises on infrastructure development. AGOA lacks the organisations to provide capital for the infrastructure needed for the creation and expansion of SSA businesses. The US government committed to providing USD 7 billion in new financing to promote trade and investment in SSA countries. However, US finance provides almost no relief to a continent that is looking for instant results in job creation, poverty eradication, markets for its produce and direct contributions to the economy (Mwangi, 2019: 15). When renegotiated, AGOA could include the establishment of a strong manufacturing sector in SSA countries. In a fast-growing global economy, "SSA requires a long-term trading arrangement which would create the necessary infrastructure needed for a strong manufacturing and industrial base that could compete with other regions" (Obuah, 2007: 83).

Not only is the AGOA trade relationship between the US and SSA countries uneven, but US trade with Africa has been declining since 2011 (Mwangi, 2019).

The institutions of AGOA are not democratic but are controlled by the US (Obembe, 2011). For example, the United States Trade Representative (USTR) that is in charge of AGOA is only accountable to the US President and not to the AGOA Forum. The SSA countries are compelled to take whatever preferences they are given under AGOA. None of the countries has recourse to independent arbitration or a dispute settlement mechanism, which is usually standard in trade agreements. The US government controls the administration and execution of all functions, decides who gets to participate or exit and monopolises the monitoring and evaluation of the agreement.

Mafu (2016: 6) argues that the preferences granted under the GSP have inherent weaknesses, including limited “product eligibility, termination of preferences when exports from developing countries are successful and reverse preferences are almost always built into these trade agreements”. He further argues that both the EU and the US have used these preferential schemes to extract not just preferential trade concessions but also unrelated concessions. A close examination of AGOA reveals that it bears the characteristics ascribed by Bhagwati to the GSP (Mafu, 2016: 6).

According to Ndlovu (2017), unilateral trade arrangements originated from the Haberler Report, GATT and the GSP were not the creations of developing countries. Whenever the US does not see AGOA as being beneficial to the US, instead of using the AGOA Forum as an avenue to address this, it has resorted to resolve its trade disputes by way of heavy-handed tactics, including threats of AGOA expulsion.

Unlike other preferential trade agreements such as from the EU, which are governed by international law (Akiko, 2017), AGOA is part of a federal US law. This means the US can easily revise the terms of AGOA through its legislative process, without consulting countries affected.

The latest AGOA agreement faces new challenges such as the out-of-cycle review. According to TRALAC (2015b), the out-of-cycle review is the new section in the AGOA agreement that deals with the monitoring and review of the eligibility of SSA countries. The envisaged review can be initiated anytime to determine the eligibility of a country according to Section 104 (a) (1). Mafu (2016) adds that SSA countries are subjected to constant surveillance and monitoring through the out-of-cycle review process. The AGOA requirements, the out-of-cycle review process as well as the unilateral nature of AGOA deny it basic stability, certainty and predictability. As a result, the out-of-cycle review process has an unsettling effect on the trade policies of eligible SSA countries. Obuah (2007: 74) claims this shows double standards wherein the USA obliges SSA countries to limit government intervention in the economy through measures such as price control, subsidies and government ownership of economic assets, while it provides subsidies to its farmers and restricts and regulates the importation of certain commodities such as poultry, steel and textiles.

Furthermore, the South African Civil Society Information Service (SACSIS) (2011) claims that AGOA eligibility requires not just mild economic deregulation, but the outright destruction of all tariff protections, thus opening up African markets to a flood of American goods that would inevitably undermine local industries. Vlok (2010: III) states that while AGOA is a step towards the development of the USA and the LDCs as a whole, the general assumption of AGOA and its relationship to economic growth are that while the agreement is comprehensive in theory, it lacks the proper regulation and execution that would enable it to develop African countries to their full potential. These countries consequently remain stuck in the poverty trap, while developed countries reap the benefits. Some solutions have been suggested for LDCs and the AGOA agreement to ensure sustainable growth, including a change in legislature, the opening of dialogue, the establishment of strong institutions to control the implementation process, and the creation of a monitoring and review system (Vlok, 2010: III).

AGOA is being misused by the US government to dump US products (Ndlovu, 2017). International trade literature shows that product dumping has a negative economic effect on domestic markets and sectors.

While the Association of Meat Importers and Exporters (AMIE) has argued that the poultry industry is ineffective and strives for economic protection, and that imported chicken would feed the poor due to low prices and therefore the government should not impose anti-dumping tariffs (Lubinga et al., 2018), the retail price of imported chicken sold in South Africa has not reflected low prices.

Naidoo (2017) recounts that the poultry sector has had negative developments since the conclusion of the 2015 AGOA agreement with regard to alleged consequences of dumping by the USA, EU and Brazil. In January 2017 Astral, one of the biggest South African chicken producers, which owns 22% of the South African poultry market, decided to sell 15 of its 25 broiler farms. Furthermore, RCL retrenched 1 350 employees at the end of January 2017 in addition to the 1 500 jobs shed by Astral Foods (Naidoo, 2017). The Managing Director of RCL, Scott Pitman (Food Business Africa, 2016), complained that the government had done nothing to tighten import controls in the form of tariffs on US chicken. This was in response to the introduction of a 13,5% import tariff on chicken from Brazil and the EU (SAPA had applied for 37%

safeguard duty on European bone-in chicken imports in 2015). Pitman stated that countries like Russia, China, Nigeria and Kenya had put measures in place to protect their poultry sectors (Food Business Africa, 2016), whereas the poultry sector in Ghana collapsed following poultry import dumping by the EU and US (Naidoo, 2017). It should be noted that while the product substitution in the local industry (DAFF/ NAMC, 2019) was related to AGOA it was also due to disease outbreaks, increased feed costs and persistent drought, which negatively affected the competitiveness of the local sector.

Furthermore, imports to South African poultry markets from the US and Europe continue to dominate the sector, collectively supplying 98% of the imports in the country in 2018. In addition, Brazil, which is part of BRICS, was the single-largest supplier with 68% of imports, compared to the USA's 16% and Denmark and Ireland's 5% share of total imported poultry products in 2018 (SAPA, 2018: 6).

According to Kevin Lovell, the former CEO of SAPA, South Africa was Africa's biggest chicken producer and also ranked among the world's top ten importers (Sunday Tribune, 2017). Furthermore, the EU and Brazil are the biggest exporters of chicken to South Africa, with a smaller percentage of chicken coming from the US. Lovell states that the sector lost 1 800 jobs in 2016 and was projected to lose further jobs if the government did not act to stop the decline (Sunday Tribune, 2017). Alan Mukoki, CEO of the South African Chamber of Commerce, compared the influx of chicken imports to South Africa to the effect of Chinese textile imports in South Africa. Mukoki asserts that the Chinese exported cheaper textiles but of inferior quality (Naidoo, 2017).

Economist Dawie Roodt offers a different perspective. He contends that South Africa raises tariffs when it cannot compete with other countries. According to Roodt, "What the government should be doing is helping local producers by providing labour at lower rates, safe and reliable infrastructure, cheaper electricity and better roads. In that way, costs will be lowered" (Sunday Tribune, 2017).

According to Obuah (2007: 73), after qualifying for inclusion in the AGOA agreement, product line items from the SSA countries are subjected to additional standards and conditions, including the unit price, weight and quantity. These forced conditions and standards make it clear that AGOA is an unequal trading arrangement between countries. In criticising AGOA's incompatibility with the WTO, the EU pointed out that “the eligibility to AGOA is not only dependent on objective criteria related to the development status of individual countries” (Akiko, 2017: 3). Furthermore, political and non-objective criteria are used to determine the AGOA benefits. As a non-reciprocal and geographically based preferential trade agreement, AGOA is incompatible with the WTO rules (Akiko, 2017).

At the inception of the AGOA agreement, the USA applied for a waiver of its obligation under Article 1 of the GATT that was not approved, as it would constitute an MFN violation. Moreover, the Enabling Clause and Part IV of the GATT, whose sole purpose is to promote the economic development of all developing countries, did not just include geographically limited preferences such as AGOA. In addition, the AGOA agreement contains FTA wording that is more appropriate to an FTA. Since the US claimed to want more meaningful trade with SSA countries, rather than imposing the current unilateral AGOA trade agreement, it could have resumed the FTA negotiations that it ended prematurely in 2006. The FTA negotiations would have given both the SSA countries and the USA an opportunity for reciprocal trade, rather than the current trade agreement that favours the USA and is open to abuse. The conduct by the USA was questionable, and it shows the extent to which FTAs like AGOA can be manipulated at the expense of the developing countries. This also highlights the “risks of placing such schemes at the centre of a beneficiary country’s trade policy” (Mafu, 2016: 39).

The USA was strategic and opportunistic to impose FTA provisions without undergoing FTA negotiations (Ndlovu, 2017). Lastly, Francois, Hoekman and Manchin (2006) found that the MFN clause in Article 1 of the GATT is a main feature of the contemporary unilateral and multilateral trading system. The focal point of the MFN is the principle of non-discrimination between trading partners, which means that if a country gives a trading partner a special concession such as lower duties on a product, the MFN clause requires that country to offer the same concession to all WTO members. The GATT does, however, allow for exceptions to the MFN rule in the context of reciprocal agreements such as FTAs. It also allows for agreements that provide developing countries and least developed countries (LDCs) with special or preferential access to developed markets (Francois et al., 2006). AGOA is classified as such an exception, granting SSA countries preferential access to the USA market.

On 9 November 2016, Donald Trump was elected president of the USA. The Trump administration committed to a foreign policy focused on advancing US interests, known as ‘America First’ (The White House, 2017). Trump’s stated policy was to withdraw from trade deals if trading partners refused to renegotiate terms to favour the US. Trump withdrew the USA from the TPP, an FTA with twelve Asia-Pacific countries of strategic and economic significance to the US, on 23 January 2017 (Fergusson, McMinimy & Williams, 2015; Hlomendlini, 2017). While Trump showed early indications of misgivings about AGOA (and was disparaging about Africa generally), following through and cancelling the AGOA agreement would have been more difficult, requiring approval by the US Congress (Muchira, 2017).

Monopolistic structures, along with taxes, tariffs and subsidies, are some of the sources of distortions leading to both allocative and productive inefficiencies (Lipsey, 1992). Allocative efficiency occurs where goods are most efficiently distributed, while productive efficiency would occur where a good was produced as efficiently as possible without affecting the efficiency of another good by its production. AGOA, through its existing tariffs, taxes and subsidies, creates both allocative and productive inefficiencies. According to Hickel (2011), “AGOA eligibility requires not just mild economic deregulation but the outright destruction of any or all tariff protections, flinging open African markets to a flood of American goods that inevitably undermine local industries”.

Chinembiri (2015) asserts that South Africa faced resistance in the USA in respect of concerns about its eligibility as an AGOA beneficiary, with the contention being that AGOA was meant to benefit LDCs, and South Africa should not be eligible to benefit since it is considered a middle-income country. This line of reasoning overlooks the dual nature of South Africa’s economy which has first and second economy characteristics, with prosperity (mostly among white citizens) concentrated at one end, and poverty and disadvantage at the other (Phillip, 2009).

According to Ndlovu (2017), AGOA is meant to be a non-reciprocal agreement. However, with the US having a 65 000 ton quota of imports per year, and South African poultry firms being unable to export chicken breast meat to the US since 2015, non-reciprocity characterises AGOA.

The South African poultry sector needs to produce poultry competitively to compete globally but production costs have been higher than the main broiler producers. Brazil and the US are surplus producers of soybean and therefore able to significantly reduce feed costs, the main cost factor in broiler production. South Africa has had problems in intensifying soybean production. That is, developing a competitive poultry sector in Southern Africa calls for a regional strategy for the production of low-cost animal feed inputs of maize and soybean (Goga & Bosiu, 2019: 29).

4.5 The researcher's opinions of the AGOA agreement

Having reviewed the viewpoints expressed in the literature on AGOA, it is clear that AGOA is potentially a good trade agreement. There are developmental, technical and financial provisions that should be implemented by the US in all approved SSA countries to achieve the main objective of the AGOA agreement – export-led growth to its beneficiary countries.

US firms can provide technical expertise to their trading partner firms in all the relevant sectors. The South African government must fulfil its role and invest resources to build capacity and capabilities to allow its firms to take full advantage of the benefits offered by the AGOA agreement.

CHAPTER 5

RESEARCH METHODOLOGY

5.1 Introduction

This chapter describes the research process, including methods used, the justification for using the qualitative research method, underlying philosophical assumptions made, sampling, data collection, data analysis, ethical considerations, validity and reliability and the problems encountered with the research.

5.2 Research methodology

Research methodology refers to a systematic and theoretical analysis of the methods applied to a field of study. It is made up of the theoretical analysis of the methods and principles associated with a branch of knowledge. Generally, it covers concepts such as paradigm, theoretical model, phases and qualitative and quantitative techniques (Igwenagu, 2016). The research methodology of a study is determined by the nature of the research question, the type of data being collected and the subject being investigated. The research methodology is a systematic way to solve a problem whereas the research methods refer to the various procedures, schemes and steps. Therefore, the research methods are the tools used in the investigation to answer the research question (Denzin & Lincoln, 1998: 201).

The study used a case study research design, the case studied being the South African poultry sector. Closed-ended questionnaires and semi-structured-interviews were used to collect the primary data.

According to Saunders, Lewis and Thornhill (2012: 307), secondary data includes previously analysed quantitative and qualitative data and is used in both descriptive and exploratory research. Secondary data can be used in other forms of research. Secondary data from a survey may be available in sufficient detail to provide the main dataset from which to answer the research question and meet the objectives (Saunders et al., 2012: 307). The secondary sources of data consulted included academic journals and books, published poultry sector reports, government documents on AGOA, including those published by the DTI and the National Treasury, as well as newspapers. The websites of the WTO, ITA, Statistics South Africa and the South African Revenue Service, among others, were consulted.

5.3 Justification for selecting a case study research design

Qualitative research can be described as an "approach for exploring and understanding the meaning individuals or groups ascribe to a social or human problem" (Creswell, 2014: 32). This is different from a quantitative study which examines the relationships among measured variables to test objective theories. A quantitative study is also utilised to determine "cause and effect, predicting, or describing the distribution of some attribute among a population" (Merriam & Tisdell, 2016: 5). The data in a quantitative study is then analysed statistically to produce the results of the study (Creswell, 2014).

According to Saunders et al. (2012: 161), one way of differentiating quantitative research from qualitative research is to distinguish between numeric and non-numeric data. As such, quantitative research is normally associated with any collection technique, such as a questionnaire or data analysis procedure, that generates numeric data. The term qualitative research is often used to describe any data collection technique or data analysis procedure that generates non-numeric data (Saunders et al., 2012: 161). Quantitative research is often associated with a deductive approach where the focus is on using data to test theory (Saunders et al., 2012: 162). Quantitative research examines the relationships between variables, which are measured numerically and analysed using a range of statistical techniques (Saunders et al., 2012: 162). The qualitative research approach was deemed appropriate to explore the views of the managers of South African poultry firms for this study.

The focus of the study is contemporary and not historical. The current AGOA agreement is valid for 10 years and expires in 2025. The study requires an extensive and in-depth description of the social phenomena of the poultry industry. A case study is "an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-world context, especially when a phenomenon may be context-dependent" (Yin, 2016: 2). A case study is an intensive description and analysis of a phenomenon or social unit (Merriam, 1998; Stake, 1995). Case study research scientifically investigates a real-life phenomenon in-depth and within its environmental context. Such a case can be an individual, a group, an organisation, an event, a problem or an anomaly (Ridder, 2017). Furthermore, the case study is useful in research wherein the main questions are 'how' or 'why'.

Lastly, a case study can “explain presumed causal links in real-world interventions that are too complex for survey or experimental methods, describe an intervention and its real-world context, illustrate certain topics within an evaluation, and elucidate an intervention with no clear, single set of outcomes” (Yin, 2016: 2).

A case study approach enabled this investigation of the implications for South Africa’s access to the USA under the AGOA poultry agreement, which is the Preferential Trade Agreement (PTA), and to identify the aspects hindering the success of the current AGOA deal in the South African poultry market. The benefits of PTAs are well known at the aggregate level, but very little is known at the firm level, hence an in-depth description and investigation were aimed for in this study.

5.4 Underlying philosophical assumptions

In defining the research approach, certain philosophical assumptions had to be made which would be the foundation of how the research would be conducted. The assumptions include concepts such as paradigm, theoretical model, phases and qualitative and quantitative techniques (Igwenagu, 2016). A research paradigm is a comprehensive system of organised exercise and philosophy that outlines the nature of enquiry along with the concepts of ontology, epistemology and methodology, as presented in Figure 13 below. A paradigm epitomises the “researcher’s beliefs and values about the world, how they describe the world and the way they work within the world” (Kivunja & Kuyini, 2017: 26). The choice of paradigm, therefore, has important “implications for every decision made in the research process” (Kivunja & Kuyini, 2017: 26). The author of this study acknowledges that the paradigm adopted, which includes the researcher’s thoughts, beliefs, experiences and worldview, guided the researcher’s enquiry, which included data collection and analysis procedures.

Anderson (2013) identifies four distinct research paradigms, namely, positivism, interpretative/constructivist, critical and pragmatic paradigms as depicted in Figure 13.

Figure 13: Summary of the research paradigms

Paradigm	Ontology	Epistemology	Question	Method
Positivism	Hidden rules govern teaching and learning process	Focus on reliable and valid tools to undercover rules	What works?	Quantitative
Interpretive/constructivist	Reality is created by individuals in groups	Discover the underlying meaning of events and activities	Why do you act this way?	Qualitative
Critical	Society is rife with inequalities and injustice	Helping uncover injustice and empowering citizens	How can I change this situation?	Ideological review, Civil actions
Pragmatic	Truth is what is useful	The best method is one that solves problems	Will this intervention improve learning?	Mixed Methods, Design-Based

Source: Anderson, 2013.

Positivism is a branch of philosophy of research that is concerned with uncovering truth and presenting it by empirical means (Henning, Van Rensburg & Smit, 2004: 17). Furthermore, positivism utilises the quantitative research approach and is aimed at the discovery of the laws that govern behaviour. The constructivist or interpretive philosophy generally utilises the qualitative research approach and the assumption is that reality is created by individuals in groups, and thus this approach seeks to discover the underlying meaning of events and activities. The critical paradigm uses the ideological review and civil actions research approach and claims that society is rife with inequalities and injustice. The main purpose of this philosophical approach to research is to help uncover injustice and empowering citizens. Lastly, the pragmatic philosophy generally utilises a mixed method or design-based research approach. It claims that the truth is what is useful and assumes that the best method is one that solves problems (Anderson, 2013).

Antwi and Hamza (2015) assert that ontology, epistemology and methodology are constituent features of any research paradigm. Ontology refers to the ways of constructing reality; 'how things really are' and 'how things really work' (Denzin & Lincoln, 1998: 201). According to Anderson (2013: 6), a positivist ontology means there is an objective reality and we can understand it through the laws by which it is governed, and epistemology refers to “the different forms of knowledge of that reality; what nature of relationship exists between the enquirer and the inquired?’, ‘How do we know?” Furthermore, in research, epistemology is used to describe how we get to know something, and how we know the truth or reality” (Kivunja & Kuyini, 2017: 27). In addition, if we take factual evidence as truth, then epistemology helps you to ask factual questions, such as ‘How do we know the truth? What counts as knowledge?’ These important questions are used as criteria to judge higher degree research on how it contributes to knowledge. In trying to provide the answers to the questions above, researchers can draw from four sources of knowledge, namely, intuitive, authoritative, logical and empirical knowledge (Kivunja & Kuyini, 2017: 27). However, the positivist paradigm is grounded in scientific research methods for investigation, and “relies on deductive logic, formulation hypotheses testing those hypotheses, extrapolations and expressions to derive conclusions” (Kivunja & Kuyini, 2017: 30).

This study adopted a pragmatic approach to investigate the different perspectives of the various players in the poultry industry. The pragmatic philosophy generally utilised a mixed method or design-based research approach. This study claimed that the truth is what is useful and assumed that the best method is one that solves problems that hindered the success of the AGOA agreement in the poultry sector in South Africa.

5.5 Sampling

A sample can be defined as a relatively small number of people selected from a population for investigation purposes where ‘population’ refers to all the members that meet a criterion. The members of the sample are called participants (Alvi, 2016: 10). A single member of any given population is referred to as an element. When only some elements are selected from a population, it is referred to as a sample, when all elements are included it is called a census (Zerfu, 2019). According to Chaturvedi (2017), there are two techniques available for sampling in social research, namely: (1) probability or representative sampling, and (2) non-probability sampling. With probability sampling, all the elements of the population have an equal opportunity of being selected or included from the population. This technique is based on the principle of selecting the elements randomly. With non-probability sampling, elements of the population are selected based on their availability or because of the researcher’s judgement (Chaturvedi, 2017). The probability of each element being selected from the population is not known. This study takes the form of non-probability sampling and used the non-probability sampling technique to gain an understanding of the particulars of the case study.

According to Palinkas et al. (2015), purposive sampling is a technique widely used in qualitative research for the identification and selection of information-rich cases for the most effective use of limited resources. This involves identifying and selecting individuals or groups of individuals that are especially knowledgeable about or experienced with a phenomenon of interest (Creswell & Plano Clark, 2011). In addition to knowledge and experience, availability and willingness to participate, and the ability to communicate experiences and opinions in an articulate, expressive and reflective manner, are also important (Palinkas et al., 2015). This study used a purposive sampling approach and therefore only selected companies from SAPA, which included about 77% of the poultry sector firms in South Africa in 2018 (Goga & Bosiu, 2019) and thus SAPA poultry firms are considered to have the biggest impact in the South African poultry sector. Questionnaires were sent and received from five firms and representatives of each of these firms were interviewed. These 5 firms were 5 of the six biggest identified SAPA poultry firms with a combined market share of about 66%. AMIE, EBieSA and the other players that are not part of SAPA were not interviewed for this study, since SAPA firms already control the majority of the poultry market in South Africa and the focus of this study was to get the perspective of the major firms in the industry. The SAPA firms represent the large and medium-sized enterprises operating in the South African poultry sector, across all provinces.

5.6 Data collection

Two data collection instruments were utilised in the study, namely closed-ended questionnaires and semi-structured interviews. The questionnaire allowed for standard questions to be asked of all the respondents which would make comparison easier. The use of the semi-structured interviews allowed for the gathering of additional rich information to supplement the questionnaires. The questionnaire method has the disadvantage that data collected is unlikely to be as widespread as data collected using other approaches, due to the limited number of questions that can be asked (Saunders et al., 2012). This disadvantage was overcome through the research design and using the purposive sampling method.

The questionnaire was designed after the literature review was conducted, and possible gaps were identified in the literature, specifically, the literature indicated that participants in PTAs seem to benefit and enhance gain at the aggregate level but significantly little was known about the winners and losers from preferential trade liberalisation at the level of the firm. Hence, obtaining information from the main players in the poultry industry would clarify the benefits and impact of AGOA in the sector. Once the questionnaire, interview guide and consent forms were designed, ethical clearance was obtained from the University of the Western Cape (UWC) Ethics Committee. Two consent forms were prepared and approved for this study, one for the questionnaire (see Appendix A1) and another for the interview (Appendix B). The consent forms were explained to the respondents before each interview was conducted, or when each questionnaire was sent via email. It was also indicated that participation in the study was voluntary. All the questionnaires were received via email and were screened for completeness, and were transcribed into a Microsoft Word document for analysis and interpretation by a qualified statistician using the SPSS Stats Software. The completed questionnaires and final transcribed report were stored on Google Drive for safekeeping. Only the researcher and the research supervisors had access to documents on Google Drive.

The main purpose of the interview guide was to extract detailed information from the interviewees about the AGOA agreement and their understanding of the objectives of the AGOA agreement concerning the poultry industry.

For the primary data collection, a meeting was held with the General Manager (GM) of the South African Poultry Association (SAPA) at the SAPA offices in Johannesburg. This meeting discussed the purpose of the research, the state of the South African poultry sector and the data collection approach. It was agreed that the open-ended questionnaires, the consent forms and the interview requests would be sent to the six identified SAPA members, which would be coordinated through the SAPA GM's office via email. Due to delays in the responses from the respondents, the questionnaires were sent directly to the CEO offices of the respondents, and these were routed to the relevant senior executives, such as the national commercial manager, national sales executives or other senior managers or executives who completed the emailed questionnaires and their consent forms. The questionnaire had 48 questions and was divided into five parts, namely: general information, markets and marketing, the AGOA qualifying criteria, government policies and incentives, and implications of AGOA for South African poultry producers.

The second part of primary data collection was the semi-structured interview at their offices with the identified company executives who had previously completed the questionnaires. The interviewee signed the consent form before the interview began and had also received the interview guide that included all the questions that would be asked in the interview and again clarified the purpose of the interview in the context of the study (Appendix B). Each interview lasted about thirty minutes and was recorded as a voice note on a mobile phone. The original voice notes and their transcriptions in Microsoft Word documents were saved on Google Drive for safekeeping.

Secondary data collected and reviewed included published AGOA policies and reports, the DTI reports on AGOA and other official reports from trade bodies, academic papers and journals, media reports and trade agreements. The secondary data collection formed part of the literature review of this study.

5.7 Data analysis

5.7.1 Data analysis of questionaries

Once all the questionnaires were collected, the responses were coded and the data was analysed using the SPSS coding systems. As stated by Gorra (2007: 88): “Coding is the first step of data analysis, as it helps to move away from particular statements to more abstract interpretations of the interview.” A professional statistician was employed to assist with the analysis of the data, to assist the author to make inferences and to draw useful conclusions. For example, in the analysis, all the responses that corresponded with ‘imports and dumping’ were grouped to form a theme.

The open-ended questions were grouped into specific themes and were there discussed in chapter six as part of the results chapter. The specific themes that came from the questionnaire were (1) Access to US markets and trade facilitation, (2) The effects of imports and dumping on the South African poultry sector, (3) Export capacity constraints (4) Export barriers identified by the South African poultry sector (5) Sanitary and Phytosanitary Measures (SPS): the main barrier that the South African poultry sector experiences to exporting to the US (6) The role of government institutions in trade agreements (7) Employment (8) Transformation in the South African poultry sector (9) The growth-reducing impact of an indifferent and unresponsive bureaucracy (10), and, the weakened capacity of the government to deliver services and support trade agreements.

5.7.2 Data analysis of interviews

The interviews were transcribed. Then themes were extrapolated from it. Where the themes that were identified in the interviews were that same as the questionnaires it was combined. Both data collection instruments yielded similar themes.

5.8 Ethical considerations

According to Onofrei and Duhlicher (2019: 428) "ethics are the moral principles that govern a person's behaviour. Research ethics may be referred to as doing what is morally and legally right in research. They are the norms for conduct that distinguish between right and wrong, and acceptable and unacceptable behaviour". Furthermore, Parveen and Showkat state that the researcher has to take care of various obligations during the research process: "They must ensure that their research is conducted with honesty, objectivity and integrity. The researcher must seek consent from the participants for their participation. They must respect people, their culture, values, religions, economic status, and so on. Researchers should take care of the confidentiality and personal information or identities of the participants as per their choice. Researchers should avoid experiments that may pose a threat to both the participants and the researchers themselves. Apart from the participants, the researcher has also an obligation towards society, her colleagues or other researchers and funders of the project" (2017: 5).

Due to the nature of the research and the design of this case study, the researcher made direct contact with the respondents through the data collection methods of the interviews and the questionnaires that were completed with the respondents. There was no ethical dilemma in using these methods as (1) the respondents were all senior representatives of their companies who participated with the knowledge of the companies; (2) their participation was voluntary; and (3) their prior consent was obtained for their participation and they were fully informed of the purpose and nature of the study.[8]

The researcher had to apply for the ethical clearance certificate which was adjudicated and approved by UWC Humanities and Social Sciences Research Ethics Committee. This application was submitted right after the research proposal was approved, and before any data collection could be conducted.

For all the interviews, a separate consent form was sent to each participant requesting their written consent, and their right to refuse to participate in the research. Two participants who were initially selected to take part in the study refused to participate. All the completed questionnaires were received with the signed written consent of the respondents. Secondly, for all the interviews, a separate consent form was given and explained to the respondents. Since the interviews were recorded, the respondents were asked if they consented to the recording, and only once they agreed did the interview continue. The consent forms for each interview were completed and signed by the respondents before each interview took place.

5.9 Validity and reliability in this research

The research design of a study deals with the planning of the scientific study and pertains to the overall strategy of that study. Three aspects are generally included in a research design, namely, the research approach, the research strategy and research methodology (Carrim, 2012). Additionally, "research is a process of collecting,

[8] The University of the Western Cape (UWC) has stringent processes in place to guide and enforce ethical considerations by researchers. This is to protect the researcher, the respondents, the university and the integrity of the research being conducted. This study underwent a stringent ethics consideration process by the UWC ethics committee guided by the UWC ethics policy which states: "The UWC Research Ethics Policy applies to all members of staff, graduate and undergraduate students who are involved in research on or off the campuses of UWC. In addition, any person not affiliated with UWC who wishes to conduct research with UWC students and/ or staff is bound by the same ethics framework. Each member of the University community is responsible for implementing this policy in relation to scholarly work with which she or he is associated and to avoid any activity which might be considered to be in violation of this policy. All students and members of staff must familiarise themselves with and sign an undertaking to comply with, the University's Code of Conduct for Research." A number of questions had to be considered prior to approval on the basis of the following: 'children, persons who are intellectually or mentally impaired, persons who have experienced traumatic or stressful life circumstances, persons who suffer from a serious chronic ailment, persons highly dependent on medical care, persons in captivity, persons living in particularly vulnerable life circumstances, access to confidential information without prior consent of participants, participants being required to commit an act which might diminish self-respect or cause them to experience shame, embarrassment, or regret, participants being exposed to questions which are likely to be experienced as stressful or upsetting, the use of stimuli, tasks or procedures which may be experienced as stressful, noxious, or unpleasant, any form of deception, and any other relevant risks'.

analysing and interpreting information to answer questions. But to qualify as research, the process must have certain characteristics: it must, as far as possible, be controlled, rigorous, systematic, valid and verifiable, empirical and critical (Goundar, 2012: 5). Furthermore, when conducting research to answer a research question, it is implied that the processes, methods and techniques have been tested for their validity and reliability, and the process was designed to be as transparent and objective as possible within the context of an interpretivist paradigm. In the context of research, validity means that correct procedures have been applied to find answers to a question, and reliability refers to the quality of a measurement procedure that provides repeatability and accuracy. In the case of this study, only questions related to the poultry sector were asked, and where interviewees gave an unclear answer, they were asked by telephone to clarify this to ensure accuracy and validity. The interviews were conducted to glean in-depth information that could have been missed in the questionnaire. Therefore, the interviewee had a second chance to validate the answers provided in the questionnaire. Lastly, the research should be unbiased and objective, meaning that data has been collected and analysed and conclusions were drawn without introducing the researcher's vested interest and views (Goundar, 2012: 3—4).

Every care was taken through the design process of this study to ensure that the data was valid, reliable and unbiased. From the selection of the sample, design of the questionnaire and interview questions, to the analysis of the data, every reasonable step was taken to ensure the accuracy of the data and the results of the study.

5.10 Challenges experienced with the research

The major challenge that was experienced with this research was getting the identified respondents to participate in the study. Some prospective participants declined to take part in the study. Secondly, almost all the company executives that took part in the study took longer than anticipated to complete the emailed questionnaires and to confirm interview appointments due to their busy schedules. Lastly, three years into the study, the research supervisor left the university and a new supervisor and co-supervisor were appointed from 1 January 2019. This extended the anticipated completion of the study from December 2019 to December 2020.

CHAPTER SIX

FINDINGS AND DISCUSSION

6.1 Introduction

As a PTA, AGOA is seen as a vehicle to improve access to markets for developing countries. Although this study focuses on the impact that AGOA had on the South African poultry industry, the chapter begins with a brief consideration of the general impact of AGOA in the South African economy before discussing the impact on the poultry sector. The chapter then discusses the findings of the structured questionnaires and open-ended interviews that were conducted with SAPA member firms. These results are discussed in line with the new trade theories, under distinct themes.

6.1.1 AGOA's impact on South Africa in general

It must be noted that there was no poultry trade between the two countries from the inception of AGOA in 2000 until the signing of the current agreement in 2015. During the previous AGOA agreement, the DTIC successfully applied for tariff increases to the US that effectively closed the South African market to US poultry. South Africa had never exported poultry to the US due to its net exporter status (DAFF, 2019) and SPS framework requirements. The current AGOA does not allow South African poultry firms to export breast meat to the US even though the US is allowed to export bone-in chicken portions to South Africa and claimed 13% of the total chicken imports in the local market in 2018.

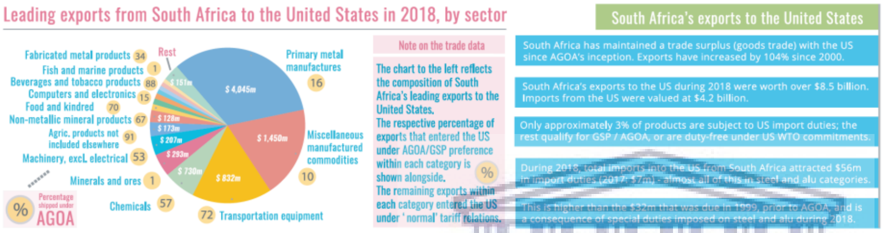
This study acknowledges that AGOA has benefitted other sectors that had been able to export to the US. According to official figures, South African exports under AGOA in 2018 equalled USD 1,4 billion. South Africa is the second-leading exporter under AGOA to the US after Nigeria (TRALAC, 2020). AGOA has benefitted the motor vehicles and parts, citrus fruit, and wine and grapes sectors of the South African economy, among others. Lamprecht and Tolmay (2017: 139) analysed the impact of AGOA on the automotive trade between the US and South Africa and found that AGOA resulted in a substantial increase in two-way trade. Figure 15 shows the South African exports to the US from 2000 to 2018 under AGOA and the GSP programmes and gives a detailed breakdown of all the leading sectors that exported to the US and the value of exports in USD in 2018.

Figure 15: South Africa's exports to the US under the AGOA and GSP programmes

SOUTH AFRICA's exports to the United States by programme since 2000 | $ million

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Exports under AGOA	0	417	790	998	832	455	717	1077	2428	1643	1917	2450	2383	2578	1750	1730	1858	1819	1497
Exports under GSP	583	506	553	670	949	1017	1066	1190	1457	742	1200	1327	1294	1090	1366	1129	986	1120	882
No preferences claimed	3610	3500	2885	3205	4128	4367	5699	6847	6057	3475	5088	5669	4998	4705	5144	4566	4168	5068	6150
TOTAL country exports to US	4204	4430	4888	5926	5854	7497	9132	9959	5877	5877	8221	9461	8696	8392	8279	7445	7034	8020	8548

Data in $ million. Source: Extracted from USITC Dataweb database. Totals do not perfectly correspond due to a small quantities of South Africa's exports to the United States utilising civil aircraft and pharmaceutical programs



Source: TRALAC, 2019.

Figure 15 shows that South Africa has had a trade surplus with the US and exports to the US have increased by 104% since the year 2000. In 2018, South Africa exported motor vehicles and parts, citrus fruit, and wine and grapes to the value of USD 573 million, USD 66 million and USD 45 million respectively. However, primary metal manufacturers benefitted the most with USD 4,045 million, followed by miscellaneous manufactured commodities and transportation equipment with USD 832 million. In addition, 64% of the South African agricultural products (excluding poultry) that were exported to the US qualified for AGOA preference.

6.1.2 Lack of implementation of AGOA in terms of the poultry sector

González (2009:3) defines PTA implementation as government "interventions that are necessary to be able to satisfy treaty obligation, that is, actions that must generally be taken before the agreement enters into force – unless the agreement itself includes transition phases for putting certain obligations into effect". Although several reasons have been advanced for the lack of effective country response to AGOA, the main reason has been the lack of a structured framework at the national level in responding to AGOA.

The effect of AGOA across countries has been unequal, which is problematic given that AGOA was intended to be the main platform for US-Africa trade and investment (TRALAC, 2021). This inequity arises from the important blockages many countries face in successfully responding to AGOA. Some of the difficulties that have contributed to the poor implementation and uptake of AGOA by the developing countries include difficulty developing the productive capacities of export firms that would enable them to export to the US, a generally weak response at the country level as a result of supply-side constraints such as poor infrastructure, lack of credit, inadequate labour with the right skills sets and lack of technology (Correa, Dayoub & Francisco, 2007). Other constraints include weak responses to AGOA in the agriculture and agro-processing sectors, difficulties faced by exporters in building the productive capacity needed to move beyond dependence on tariff-preference coverage, and lastly, limited investments across countries by the US with an emphasis on SMME development (TRALAC, 2012). The government response to these shortcomings was to establish a national AGOA institutional infrastructure that includes a ministerial task force on AGOA and a national AGOA secretariat, identification of priority sectors for support, development of support programmes for priority sectors and development of a comprehensive strategy for increasing US investment, especially investments in SMMEs, as well as agriculture and agro-processing (TRALAC, 2012). However, these remedies were not negotiated and included in the current AGOA.

6.2 Access to US markets and trade facilitation

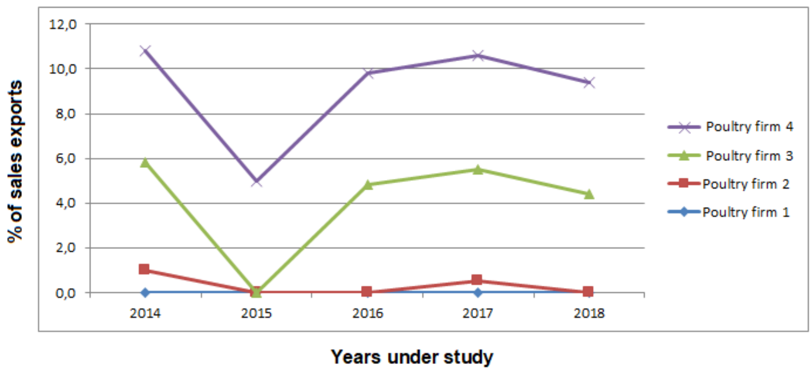
The US President and Congress have the final say on which country and sectors receive AGOA preferences. This is due to AGOA having been created within US legislation, which places the US government in the roles of both a player and a referee.

The 2014 trade data shows that not all AGOA and GSP benefits were taken full advantage of by all the qualifying economic sectors in South Africa, although some South African exporting sectors like wine and automotive products responded well to AGOA benefits being extended to the country. For example, of the 2013 imported agricultural products entering the US, only 264 such products came from South Africa. Although 661 agricultural product lines were eligible under AGOA, South Africa only utilised 44 of them. Like other developing countries, South Africa has not taken advantage of the benefits accorded to them and has under-utilised the GSP and

AGOA benefits. One of the main reasons for this is when the production structure of the beneficiary country sources most of the raw material inputs from other countries, and as a result fails to comply with the local content or rules of origin of the GSP and AGOA (Hakobyan, 2015). However, this local content challenge did not apply to the poultry industry in South Africa. The AGOA deal gave the US access to export 65 000 tons of bone-in chicken annually to South Africa at MFN duty of 37%, without anti-dumping duties (Davies, 2015). South Africa could export breast meat to the US under the same conditions. A further condition, which the US exporters would struggle to meet, was that they had to involve South African HDI individuals in 50% of the quota. The poultry agreement was signed on the basis that the US poultry sector is driven by Americans' preference for white, deboned breast meat while thighs and drumsticks are favoured by South Africans. Therefore, each of the two countries would have duty-free trade access to export poultry products to the other.

Still, South African poultry firms were unable to use their duty-free access to the US. The US AGOA benefits to the South African poultry sector were not reduced because other exporters within SSA were receiving these benefits. The results also show that South African poultry exports were not heading to alternative markets such as the BRICS countries. Rather, South Africa was unable to export to the US for reasons that included local production not being able to expand capacity and the effects of the extended drought in 2015-2017 and an outbreak of avian influenza which hit the South African poultry in 2017. Figure 16 below shows that the percentage of exports by the key informants was below 12% from 2014 to 2018.

Figure 16: Percentage of sales that were exports, 2014 to 2018

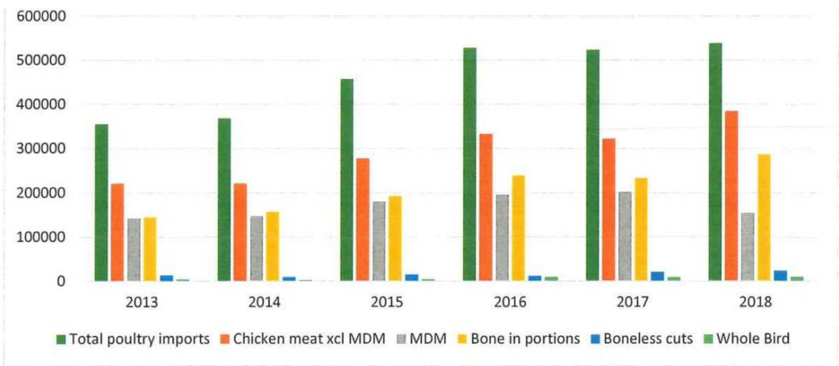


Source: Author's presentation of the data.

6.3 The effects of imports and dumping on the South African poultry sector

South African poultry firms have been seeking domestic demand protection (Baccini, 2019; Maggi & Rodriguez-Claire, 2007) from AGOA but the results of the study indicate that the poultry sector is not receiving this protection. Trade figures from DALRRD (2019b) show that poultry imports continued to grow in the local market, even when meat products such as mechanically deboned meat (MDM), that are not manufactured in South Africa, are excluded. Figure 17 shows that broiler meat imports increased by 73%.

Figure 17: South African Poultry Imports in tons, 2013—2018



Source: DALRRD, 2019b.

Based on the 2018 figures, the imports made up 59,4% of total poultry imports in the fourth quarter into South Africa, compared to 60,5% in the third quarter in 2018. The US, South America and Europe collectively supplied 98% of the imports in 2018. Brazil was the single largest supplier, with 68% of imports, compared to the USA's 16% and Denmark and Ireland's 5% share in total imported poultry products in 2018 (SAPA, 2018). Even though the US only accounted for 13,8% of the poultry imports compared to Brazil's 68%, it appears an issue of contention for the South African poultry firms is that they were not allowed to export chicken to the US.

According to the key informants, the imported poultry comes into the economy in large quantities, displacing South African meat. The US mostly dumps the portions they don't use such as leg quarters. This argument has been supported by Grain SA (2020), which claims that poultry production has stagnated as imports have risen, with imports having increased fourfold over 20 years. The consumption of chicken meat in South Africa has grown significantly, although more slowly after 2008. "If this trend [of rising imports] is not reversed, the South African industry can be expected to stagnate and slowly decline, affecting jobs and livelihoods across the value chain from maize and soybean farming to food processing. It would also threaten food security in the longer term" (Grain SA, 2020: unnumbered). This confirms that AGOA does not provide domestic demand protection to the poultry industry.

Import tariffs were increased substantially in 2013 to slow down the imports, but this did not halt the growth in imports. However, in 2015 South Africa was compelled, through AGOA, to remove the AD tariffs that were imposed on US poultry in exchange for retaining or preserving AGOA preferences. The legality of the South African AD duties was never challenged by the US through the WTO Dispute Settlement Body (DSB) (Mafu, 2016). The removal of the tariffs has far-reaching legal implications for South Africa's trade policy and the integrity thereof, as it creates a precedent for the US to use similar means to extract tariff concessions through AGOA. The Trump presidency showed a willingness to flout the WTO and existing trade agreements. In March 2018, bizarrely citing 'national security' as the reason, the US imposed tariffs of 25% on steel and 10% on aluminium imports from almost all exporters, including South Africa, which violated AGOA by unilaterally curtailing its benefits for steel and aluminium. President Biden confirmed in February 2021 that the tariffs would remain (Reuters, 2021).

Importantly, the US action raises critical issues relating to the non-reciprocity of the AGOA agreement (Mafu, 2016). South Africa joined the BRICS countries in 2010, signed the European Economic Partnership Agreement (EPA) with the EU and other SADC countries on 10 June 2016 (European Commission, 2020) and concluded the second version of AGOA in 2015. All these agreements led to trade concessions. The key informants reasoned that imports arising from AGOA and agreements such as the EPA and BRICS were not beneficial to the South African poultry sector.

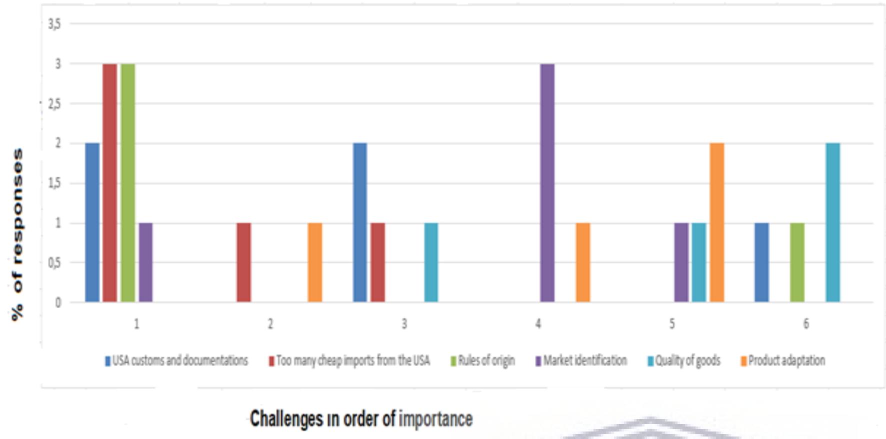
Furthermore, the key informants claimed that the key drivers to increasing the poultry trade in South Africa were the appropriate and strategic imposition of tariff duties to ensure imports do not impact on product lines. It appears from the key informants that import tariffs assisted the local sector to curb the impact of imports into the local market. Scott Pitman, the Managing Director (MD) of RCL, one of the main poultry firms (Sunday Tribune, 2017), complained that the government had done nothing to tighten import controls in the form of tariffs on chicken. This was in response to the introduction of a 13,5% import tariff on chicken from Brazil and the EU, with the zero tariff for the AGOA imported chicken left unchanged. SAPA had applied for a 37% safeguard duty on European bone-in chicken imports in 2015. However, in 2020, South Africa increased import tariffs from 37% to 62% on frozen bone-in chicken portions, and to 42% from 12% on frozen boneless portions (ITAC, 2020). In addition, the South African poultry firms applied for further anti-dumping duties in 2020 to restrain import poultry dumping from the EU, Brazil and the US (Poultry World, 2020: unnumbered).

The key informants claimed that, besides the fact that these products are dumped in South Africa at a cheaper rate compared to the local suppliers, the products end up on the shelves at very similar prices to local chicken. The key informants allege that this was evidence that middlemen importing the chicken to South Africa were profiteering. To illustrate this point, the key informants claimed that imported chicken could be bought by importers for as little as ZAR 15,00/kg and resold at ZAR 25,00/kg or more in South Africa. Further, SARS data shows that the average landed price of Brazilian chicken leg quarters in January 2019 was ZAR 13,52 per kilogram, and when the existing 37% tariff was added, it totalled ZAR 18,52. However, the average retail price of chicken in South Africa was around twice that. As demonstrated in section 3.5, even if ITAC had approved the 82% tariff hike the SAPA initially requested in 2018, the landed price for Brazilian leg quarters would have increased to ZAR 24,61/kg, and even if the retail price had stayed the same, there would have been a healthy mark-up of about 50% on the landed price. The bottom line is that the imported chicken does not benefit the consumer if the retail selling price is the same as the locally sourced chicken's prices (Fair Play Movement, 2019).

Additionally, evidence suggests that 20% of the poultry sector growth in South Africa comes from rising domestic demand, 40% comes from import substitutions, 20% from exports and another 20% comes from other sources such as the informal poultry sector. The other reason for import increases is due to a single product line, which is the bone-in portions. The South African consumers prefer bone-in chicken portions which include drumsticks, thighs, neck and wings, while the developed countries prefer breast meat (Molepo, 2020). The key informants claim that these imports have put pressure on the local prices and reduced the market share of South African producers. As a result of the imports, there has been an inability to drive growth in the local sector, with South African exports marginal at 2% of production, despite excellent access to a variety of markets. International trade literature shows that product dumping has a negative economic effect on domestic markets and sectors.

Figure 18 depicts the challenges experienced by the South African poultry firms as highlighted by the key informants. The main challenge highlighted is the US customs and documentation followed by too many cheap imports into South Africa. Other challenges that have played a part in blocking South African exports and led to increased imports from the US are rules of origin, market identification and the quality of goods.

Figure 18: Challenges currently facing South African poultry exporters



Source: Author's own presentation of data.

It must be noted that according to the SAPSMP, the local sector is not against imports and believes the imports have an important role to play in balancing the local market by keeping the prices in check. Products like mechanically deboned chicken are not produced locally and need to be imported and, at certain times of the year, demand outstrips the supply of certain cuts that are produced locally (DALRRD, 2019a). Scott Pitman (Food Business Africa, 2016) contends that countries like Russia, China, Nigeria and Kenya have put measures in place to protect the local poultry sectors, whereas the Ghana poultry sector collapsed due to poultry import dumping from the EU and the USA (Naidoo, 2017). According to the key informants, the South African industry is internationally competitive but needs protection from dumping before any local producers will invest in capacity.

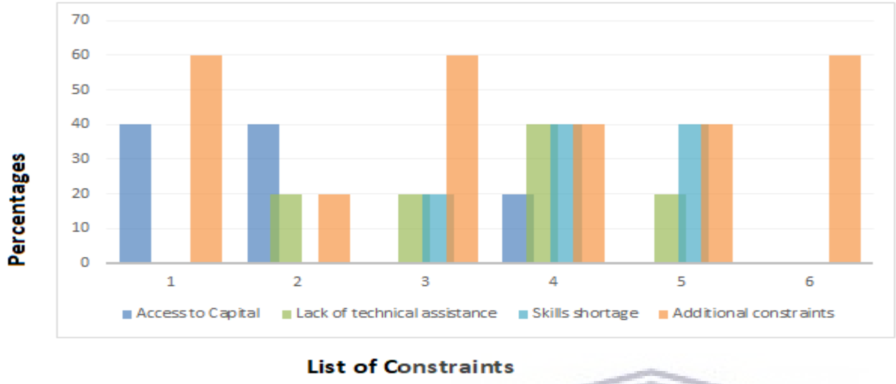
However, economist Dawie Roodt (quoted in Sunday Tribune, 2017) takes issue with the view that the South African poultry sector is efficient and competitive. He contends that when South Africa cannot compete with other countries, it raises tariffs, opining that "What the government should be doing is helping local producers by providing labour at lower rates, safe and reliable infrastructure, cheaper electricity and better roads. In that way, costs will be lowered" (Naidoo, 2017: unnumbered). Furthermore, if the South African poultry sector could overcome some of the weaknesses to productivity growth, the country might be able to reduce imports even without tariff protection. In addition, evidence suggests that the South African poultry producers struggle to be competitive with the US due to high production costs attributed to feed costs, among several factors (Kulkarni & Strear, 2007). Similar to Roodt (Sunday Tribune, 2017), the Association of Meat Importers and Exporters (AMIE) argues that the poultry sector is not effective and strives for economic protection, and the government should not impose anti-dumping (AD) tariffs (Lubinga et al., 2018).

Roodt (Sunday Tribune, 2017) and Naidoo (2017) above offer interesting views about the competitiveness of the South African poultry sector and its purpose in asking for tariff protection. We agree that the South African government should not use tariffs as the only instrument to support the poultry sector, but as stated above by Naidoo (2017), must also assist the local producers by allowing labour at lower rates, and providing safe and reliable infrastructure, cheaper electricity and better roads to lower operational costs. It is a standard practice for countries to protect local industries through various means that include subsidies. Such has been the case with Brazil and other BRICS countries that heavily subsidise their poultry sectors to keep them competitive. In the case of South Africa, there are no dedicated financial incentives from the government to the poultry sector, and the government could consider more support through tariffs in the sector. The notion that the local poultry sector is not competitive is disputed. South Africa is currently the best poultry producer on the continent (Nkukwana, 2018). If US dumping has a negative impact on the local market and AGOA has enabled the dumping to happen, it seems clear that dumping should be managed to prevent further harm to the local poultry industry.

6.4 Export capacity constraints

Figure 19 below identifies the main export constraints in the South African poultry sector in order of importance, according to the key informants. These constraints in access to capital, lack of technical assistance, skills shortage and additional constraints (detailed in 6.4.d below) have been linked to the lack of export capacity of local firms.

Figure 19: Export constraints in order of importance to South African poultry firms



Source: Author's own presentation of the data.

a. Access to capital

Evidence suggests that the key informants do not have access to government grants and lending preferential rates from commercial banks to meet their capital requirements. Furthermore, the key informants claimed that they need capital from the government to purchase technology. This study identified problems with access to physical and financial capital as the types of capital constraints on exports experienced by the local poultry firms. Financial capital and physical capital involve the means of production such as production assets and employees (Trivedi, 2009). Eighty percent of the key informants felt that capital investment was required for establishment and expansion purposes.

Commercial farm land in South Africa costs about ZAR 4 500 per hectare to buy, depending on the province (The Evaluator Group, 2020), excluding the cost of infrastructure and stock. These depend mainly on whether the option is taken to hatch and sell day-old chicks to the big producers, which is cheaper, or to buy day-old chicks to grow and sell as fully grown broilers (Farmer's Weekly, 2013). The second option earns more per unit but is more expensive as it involved the acquisition of more physical assets like incubators for the hatchery, sheds, feed and medicine storage, butchery and other facilities. Contract growing creates opportunities for entry given the low cost of capital required to start up in comparison with other stages of the value chain which require a significantly higher level of expertise (Goga & Bosiu, 2019).

AGOA committed to providing USD 7 billion in new financing to promote trade and investment in SSA countries (Mwangi, 2019: 15). Evidence suggests that AGOA lacks the organisation to provide capital for the infrastructure needed to support the creation and expansion of businesses (Obuah, 2007: 87). The US, through the USAID, also funds various Trade and Investment Hubs in Nairobi, Accra and Gaborone, but none in South Africa (TRALAC, 2021). It could be that the USD 7 billion from the US is available to other SSA countries that are taking part in AGOA forums, but it not flowing to the local poultry firms as they are not participating in AGOA forums.

According to the General Manager at SAPA (2020), "Due to unfair trade, the poultry sector in the past did not make enough money to reinvest in the industry as found by Genesis Analytics. There is thus a reluctance to finance projects in this space. Now with actions in the master plan, we hope this will change. In terms of the master plan, IDC was tasked to set up a fund to finance poultry projects but this is still in progress. SAPA developed a process inclusive of financial analysis [that determines profitability and the ability of the project to carry debt] to assist funders to decide on funding and also a type of co-management model to reduce the risk of projects failing. SAPA has met with several commercial banks and Land Bank to smooth funding applications".

b. Lack of technical assistance

On the AGOA deal, the United States offered to provide development support to small farmers through investment, skills development and support with processing. This offer would be concretised with requests for scholarships on poultry production, investment and transfer of processing technology (Davies, 2015) to strengthen relationships between US firms and firms in SSA countries (Schneidman & Lewis, 2012). Technical assistance refers to innovative ways (Porter, 1990) or better technology in doing things to assist local firms to have a competitive advantage. Technical assistance to the AGOA beneficiaries is supposed to be provided through the aforementioned Trade and Investment Hubs.

According to the key informants, US poultry firms have not provided any technical assistance to South African poultry firms. The key informants were quoted as saying "In the writing up of the original agreement there were some incentives that were given and agreed on and promised as far as the chicken producers go in this country, but we haven't seen any of those incentives coming through." However, some of the informants sent their employees at their own cost to the US to learn innovative ways of poultry production. Lack of technology has affected the competitiveness of the South African poultry firms. The literature suggests that weak institutional and technical capacities appear to offset the investment attraction benefits of trade agreements (Gomez-Mera & Varela, 2021). AGOA seems to have weak institutions and technical capacities in the country in terms of the physical presence of buildings and people that local poultry firms needing technical expertise can access. This shortcoming seems to erode the intended benefits of this PTA.

c. Skills shortage

Eighty percent of the key informants believe that South African exporting firms do not lack the skills needed to raise production. The poultry sector is always evolving and there has been a wide range of improvements in poultry health management practice. One of the common health restraints in poultry production in developing countries is Newcastle Disease. Other diseases like chickenpox and chicken cholera must also be addressed. The poultry sector has been severely affected by avian influenza and more recently listeriosis. These challenges require the following actions as remedies: i) Develop small-scale farmers' business and broiler management skills; ii) Train small-scale farmers in better understanding of animal health, hygiene and medicine and the application thereof to minimise the spreading of avian influenza and other diseases such as listeria and salmonella infections; and iii) In the commercial sector, emphasis should be placed on creating an optimal environment for the breeding and growing of broiler birds and layers. This relates to germ-free environments, hygiene and safety and entails that there must be sufficient vaccines and well-trained vaccinators to implement efficient vaccination programmes (AgriSETA, 2020).

The US has yet to provide skills development and support with processing for the small farmers through AGOA (Davies, 2015). The SAPSMP identifies one of the key interventions in the sector will be to improve productivity and employer development through investment in skills. The employers and organised labour will develop or enhance training initiatives aimed at greater efficiency, clear career progression and improved employment equity. According to the literature, in the case of workers with lowers skill levels, the best vehicle for promoting greater labour mobility may not be a formal PTA but rather, temporary worker programmes that specify the length of time to be worked in a specific economic activity. Temporary worker programmes are advantageous in that governments can more easily adapt them to the cycle of economic fluctuation (Chauffour & Maur, 2011).

d. Additional constraints on exporting

Freckleton (2009) claims that some developing countries are subject to supply-side constraints that limit their capacity to increase export production and compete in international markets. These constraints are determined by the factors that influence investment in export production as well as the costs of production of exports. A good investment climate is necessary to enhance the capacity of firms to increase export production, which includes the efficiency of institutions, the quality of infrastructure and the availability of human capital. In addition to the constraints summarised in Figure 19 above, Hobbs, Draper and Beswick (2018) identified the following additional constraints that are impeding local firms' capacity to export successfully: electricity costs increases of between 75% and 140%; high transport costs, in part because of shortcomings in the South African railway systems; problems with labour productivity and remuneration; costs associated with HIV prevalence; crime and other negative societal trends; the relatively high cost of disease control of chicken flocks; lack of economies of scale; and, high feed costs. The key informants claim additional supply-side constraints to exporting include the physical firm location in relation to the distance to the market, raw materials, feed and labour. While Chinembiri (2015) claimed that South Africa was one of the countries that succeeded in overcoming supply-side limitations and exploiting duty-free access to the US market, this claim is not supported by the findings of this research.

Furthermore, the key informants claimed that the local poultry firms are unable to compete with global giants from Brazil, the US and the EU due to animal health rule barriers and a lack of export support from the government and [the former] DAFF. Some countries banned poultry imports from South Africa after outbreaks of avian influenza and other poultry diseases in South Africa. Moreover, South Africa is unable to meet market entry conditions, which include tariff and non-tariff barriers (UNCTAD, 2006). However, contrary to tariffs and quotas, there is no benchmark that allows for the judgement of whether a regulatory standard is excessive or protectionist. Each country has its own risk assessment for safety, environment and health and will produce different standards (Rodrik, 2018). The US has the right to set its standards. These should be based in science and not used as convenient technical trade barriers.

Although trade agreements like AGOA purport to give developing countries better market access for their products, they are often disappointed by the lack of gains due to systemic barriers, limiting rules of origin and non-trade barriers (UNCTAD, 2006). Systemic trade barriers are unrelated to market risks but built into the system of production such as import and export licences, quotas, voluntary export restraints, government subsidies, foreign exchange controls, trade embargo, safety and quality standards (Profolus, 2018).

It appears that there are also trade barriers within the local sector between the big and small companies, which are imposed by the main poultry companies (Ncube & Zengeni, 2016). For instance, only three local producers have intellectual property rights licences with multinationals to breed and supply the local market with quality breeds, while the other producers have to access these breeds through them. As a result, any producer seeking to participate in the poultry value chain in South Africa, whether for their own production or commercial sales, has to purchase breeding stock from these three producers.

In addition, the main producers control key inputs due to the vertical integration of their operations into both breeding and animal feed production. The main poultry producers account for 50% of animal feed production in South Africa (Louw, Schoeman & Geyser, 2013). They are also among the main suppliers of animal feed to other market participants in the poultry sector. Consequently, the main poultry producers enjoy substantial cost control advantages over smaller competitors. In 2014 and 2015, the average feed costs of large commercial producers were 9% and 12% lower than those faced by small-scale producers (Zotwa, 2014). Feeds such as maize and soybean are more expensive in South Africa than in the US and Brazil. Growing conditions in countries like Brazil are optimal for maize production, whereas South Africa maize production is not very competitive on the global market and worsened by lower winter rainfall in much of South Africa.

The supply-side export constraints are key to the success of the local poultry sector. As stated by Freckleton (2009), a conducive investment environment is necessary to boost the capacity of firms to increase export production, which includes the effectiveness of institutions, the quality of infrastructure and the availability of suitable labour. Addressing these supply-side export constraints will improve prospects of taking better advantage of the benefits that a PTA like AGOA was intended to unlock.

6.4.1 Export barriers identified by the South African poultry sector

The study found that 40% of the key informants felt that AGOA does not eliminate trade barriers to the South African poultry sector, while 20% opined that AGOA is eliminating trade barriers between South Africa and the US and the remaining 40% was unsure. The consensus was that AGOA is beneficial to other local industries that can export their products but very unfavourable to the poultry industry that is unable to export to the US. A point of interest was that 40% of the informants were unsure whether AGOA is eliminating the barriers or not, even though the agreement affects their companies directly. The key informants claimed that, "It's a one-sided transaction, and that is the sad part of the poultry industry, and it's not just with America, it's with the rest of the world. South Africa allows chicken products to come in from other countries, but no other country will allow chicken products into their countries, so why do we allow it? South Africa should not be entertaining that."

6.5 Sanitary and Phytosanitary Measures (SPS): the main barrier that the South African poultry sector experiences to exporting to the US

As mentioned, Rodrik (2018) argues that current trade agreements go beyond trade barriers at the border and can cover, among others, regulatory standards, health and safety rules, investment, banking and finance, intellectual property, labour, and the environment. When discussing reasons for the lack of poultry exports, 20% of the key informants said it is not possible to export to the USA due to the Sanitary and Phytosanitary (SPS) measures stipulated by AGOA, which they view as the non-tariff barriers that are imposed by the US on South African chicken. They suggested a need to develop an SPS policy backed by scientists, laboratories, an independent inspection unit and a biosecurity framework from DALRRD (DAFF at the time). However, a key informant, a poultry company owner/manager, indicated that DALRRD seemed to suffer from a lack of funds and resources which hindered the implementation of such an SPS system. It is possible that, other than a lack of funding, there may be a lack of coordination between different government departments or inaction for lack of a cost-benefit analysis being done.

SPS measures can take many forms, such as requiring products to come from a disease-free area, inspection of products, specific treatment or processing of products, setting of allowable maximum levels of pesticide residues or permitted use of only certain additives in food. SPS measures apply to domestically produced food or local animal and plant diseases, as well as to products coming from other countries (WTO, 2021).

According to Singh (2016), SPS measures are different from technical barriers to trade (TBTs). SPS measures aim to address market failures and are not strictly concerned with the creation of obstacles to trade by foreign producers, whereas TBTs would intentionally create such obstacles. SPS measures merely have the potential to impact trade negatively and are not solely motivated by protectionist considerations. However, developing countries like South Africa have problems complying with SPS standards that are set by the developed countries, which are often used as non-tariff barriers (Singh, 2016) and in practice act like TBTs. Even though South Africa, through DALRRD, is allowed to set its SPS standards, this is a costly exercise.

The failure by DALRRD to implement an SPS policy that complies with the WTO's International Standards for Phytosanitary Measures (ISPMs) is now a de facto barrier. As discussed in detail in Chapter 3, the SPS matters in all South African trade agreements are the responsibility of DALRRD. The researcher had an illuminating engagement with the DAFF/DALRRD project manager responsible for the poultry SPS, who shared a presentation detailing a process being followed during the trade agreement negotiations in which DALRRD participated. When the project manager was asked why the SPS policy was not implemented for the AGOA agreement, she claimed to be unaware of SAPA's interest in exporting to the US and that DALRRD had not received a request from the DTIC for the SPS policy development. Six months later, in June 2021, the same project manager indicated that they were implementing the SPS part of the agreement, but did not indicate when they expect it to be implemented.

DTIC and DAFF/DALRRD participate in the negotiations on all animal trade agreements through the DALRRD veterinary services that provide a health assessment on meat requirements and standards, and then inform the DTIC whether to sign the trade agreement. The DTIC signs the trade agreement based on the advice provided by the DALRRD veterinary services. Further, after AGOA was renewed in 2015 allowing the US poultry firms to export bone-in chicken portions to South Africa, and South Africa was not allowed to export breast meat to the US due to the absence of the SPS framework in South Africa, SAPA took the DTI minister to court specifically because its members could not export as a result of the SPS. This SAPA court case was later withdrawn at the request of the DTI Minister who promised SAPA export assistance to the US in return. It is therefore strange that the DALRRD official would initially claim ignorance of SAPA's interest in exporting to the US. The researcher perceived a lack of urgency during this research on the part of the government towards the SPS policy, a perception reinforced by struggling to get information on SPS policy from both the DTIC and DALRRD during the study. Despite this, the SAPSMP states that there is a steering committee that involves government and the poultry sector, chaired by the ministers of DTIC and DALRRD.

The WTO has an SPS committee that oversees the implementation of the SPS agreement and provides a forum for discussion of animal, plant health and food safety measures affecting trade. The WTO SPS committee meets three times a year in Geneva where WTO member countries discuss the implementation of the SPS agreement (DALRRD, 2021). Furthermore, the WTO requires that all member states set up a National Committee on SPS measures which would include the national enquiry point/s. In addition, the National SPS committee is required to provide a platform for identifying and considering SPS matters, addressing trade-related SPS issues and enhancing national implementation of the WTO SPS agreement (DALRRD, 2021). This committee is also responsible for enhancing national implementation and utilisation of the WTO SPS agreement and appropriate facets of the TBT agreement, and for identifying, coordinating and considering SPS and associated TBT matters, as appropriate among inter and intra-departmental role-players, stakeholders and national agencies to address SPS matters associated with food safety and animal health in relation to the agriculture, forestry and fisheries sector (DALRRD, 2021). At the time of the study, the researcher was not able to confirm the existence of the National Committee on SPS with DALRRD.

It should be noted that, alongside efforts to establish a national SPS policy that responds to the WTO, the African Union has spearheaded a similar continental process, a five-year effort that resulted in the adoption of the African Union Sanitary and Phytosanitary (SPS) Policy Framework in October 2019 (African Union, 2019). The foreword of this milestone document is attached as Appendix C. It is clear from this document that not just South Africa and SSA structures such as SADC and SACU but the entire continent have similar resource and funding problems in trying to adapt production in their economies to comply with the stringent standards of the WTO SPS agreement, the International Standards for Phytosanitary Measures (ISPMs). In addition, as stated by one of the commercial poultry owners, it seems likely that DALRRD lacks the budget to implement the SPS framework. Adhering to SPS requirements can impose significant economic costs on agriculture and food exporters by forcing them to make expensive changes in production to comply (Pienaar & Partridge, 2016). DALRRD's 2020/21 financial year budget was cut by ZAR 2,4 billion (SA News Agency, 2020). One of the key informants was quoted as saying, "To incur all the costs to actually export to America is actually not worth it."

Since an SPS framework for Plant Health has been in effect at DAFF/DALRRD since 2014, the researcher used figures from that unit to roughly estimate some of the possible costs of setting up an SPS framework for poultry. Focusing on the policy unit alone for 2012/14, 2013/14 and 2014/15, the budget allocation for the Directorate of Plant Health (DPH) was ZAR 32,1 million, ZAR 31,5 million and ZAR 32,7 million respectively. It was anticipated that an additional ZAR 35 million per annum would be needed to fund nine production scientists, three scientist-technicians and one plant health officer, while an additional ZAR 10 million was requested for those three financial years (NDA, 2014b).

While actual costs would differ radically from the above, the researcher considers it a safe assumption that, given the large outlay of capital required to implement the poultry SPS, one of the impediments to the SPS rollout is budget constraint. However, this might be addressed through partnership. The Council for Scientific and Industrial Research (CSIR), which has a division that specialises in food and agriculture, and the Agricultural Research Council (ARC), which specialises in agricultural research, would provide access to research infrastructure suitable for SPS, including access to universities and postgraduate researchers. Besides government-funded agencies, the government could enter into public-private partnerships (PPP) with the private sector.

SAPA alleged the US and EU used SPS as the main trade barrier to close down poultry exports from other countries. In one 2017 example, Brazil raised concerns over reinforced border testing controls in the EU, which had resulted in increased reports of salmonella detection in poultry. Brazil accused the EU of applying incorrect risk management procedures contrary to the principles of the WTO SPS agreement and asked the EU to provide scientific justification for these measures (WTO, 2021). Brazil was allowed to continue to export because the additional border controls that were imposed by the EU were against the WTO SPS guidelines. Interestingly, similar health concerns have never been raised by the South African border controls regarding Brazil, the biggest poultry exporter to South Africa. SAPA had misgivings about whether eventual SPS compliance would open up access to the US market and expected the US would find other barriers to keep out chicken exports from South Africa. Accordingly, the key informant reasoned that "AGOA does not eliminate trade barriers for South African poultry farmers, because there's absolutely nothing "that assists us to export our products there", there's absolutely no help from the US whatsoever. There is no one single chicken that has been exported from this country to America. In fact, the US would block it as far as possible rather than assist South African poultry farmers to get chicken into the US."

With regard to other markets, the export focus for SAPA was on the EU for items where SPS was not an issue, such as cooked meat. The UAE and Saudi Arabia were also markets open to chicken exports (SAPA, 2021). It also appears, since the court case withdrawal by SAPA against the DTIC, there has not been active campaigning or lobbying by the SAPA to force the government to implement the SPS policy. SAPA may have decided to rather focus on less complicated markets where they are allowed to export, as stated above.

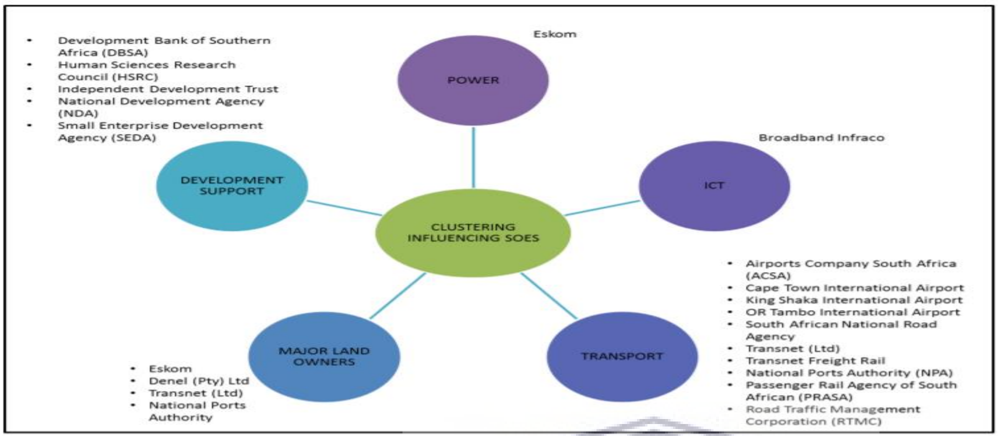
In sum, the only hope of preventing countries from using SPS as effective protectionist devices, and respecting the sovereign right of any government to provide the levels of health protection it deems appropriate, is to implement a national SPS policy and a robust system to implement it (WTO, 2021). Complying with SPS measures may be the only sure way of, firstly, exposing where they are being used as trade barriers to bar South African products and, secondly, holding the WTO to account to play its designated role in the global market economy, of facilitating trade between all its members.

6.6 The role of government institutions in trade agreements

In South Africa, which aspires to be a developmental state, the primary role of the government is to direct and support economic development through building a strong public service, creating an investor-friendly environment, supporting small business development, using state-owned enterprises effectively and driving strategic investment initiatives (ETU, 2020a). According to Fritz and Menocal (2007:533), South Africa has positioned itself as a developmental state, defined as a condition "when the state possesses the vision, leadership, and capacity to bring about a positive transformation of society within a condensed period of time." Moreover, the state has to play a role in keeping the economy competitive and close to the leading edge in the global development of knowledge and technology. It has to make effective use of intergovernmental and integrated planning across spheres of government and between different government departments (ETU, 2020a). Good regulatory practices afford government's tools, methods and tactics that can aid them to identify and evaluate the trade effects of their regulatory actions (Basedow & Kauffmann, 2016). However, South Africa lacks the necessary capacity to become a state that delivers services to its citizens and has failed to achieve its developmental goals. South Africa has failed to interpret policies effectively and link them with service delivery interventions (Mulaudzi, 2015).

The literature states that the effects of PTAs on foreign direct investment depend on the domestic institutional capacities of member countries. Domestic institutions condition the benefits and effectiveness of PTAs by influencing governments' external credibility as well as their ability to implement the agreements they sign (Gomez-Mera & Varela, 2021). The government institutions and state-owned enterprises (SOEs) help the South African government to achieve its objectives, which are stated in the trade policy, namely "to outline how trade policy and strategy in South Africa make a contribution to meeting the objectives of upgrading and diversifying the economic base in order to produce and export increasingly sophisticated, value-added products that generate employment" (DTI, 2010). For this research, only SARS, DALRRD and ITAC will be discussed due to the direct involvement in AGOA, although these should be understood within the matrix of the important SOEs established in South Africa for different sectors, as depicted in Figure 20.

Figure 20: Some of the key State-Owned Enterprises (SOE) in South Africa



Source: Ovens, 2013: 5.

Therefore, the DTIC is the custodian of the AGOA agreement in as far as its negotiations. The DTIC's Trade Policy, Negotiations and Cooperation division is responsible for all trade agreements concluded by South Africa through its two business units: African Economic Relations, which coordinates with the AU, SACU and SADC; and the International Trade Development unit, which deals with the rest of the world and includes the Bilateral Trade Relations Chief Directorate (DTIC, 2020b). The division's strategic objectives are to "facilitate transformation of the economy to promote industrial development, investment, competitiveness and employment creation, build mutually beneficial regional and global relations to advance South Africa's trade, industrial policy and economic development objectives, facilitate broad-based economic participation through targeted interventions to achieve more inclusive growth, create a fair regulatory environment that enables investment, trade and enterprise development in an equitable and socially responsible manner, and promote a professional, ethical, dynamic, competitive and customer-focused working environment that ensures effective and efficient service delivery" (Republic of South Africa, 2020b: unnumbered).

DALRRD's Directorate of Animal Health is responsible for the SPS requirements related to poultry. The importation of animal and animal products is evaluated under relevant legislation, international standards and other requirements. Therefore, in the case of AGOA, DALRRD is responsible for the SPS policy aspects as discussed above, as well as other functions such as to promote, prevent and control animal diseases, reduce sanitary risks in the import and export of animals and animal products, render epidemiological services for early warning and monitoring of animal diseases.

Other departments like the DTIC and the Department of Health normally do not play any role in the formulation of SPS policies. When there is no existing trade agreement in place for an agricultural product, and a new agreement is being negotiated, DALRRD compiles the SPS questionnaire that is used to develop the SPS policy. SAPA and other industry associations assisted with the questionnaire information required for poultry. DALRRD is also responsible for advancing food security and transformation in the agricultural sector through innovative, inclusive and sustainable policies and programmes (DALRRD, 2020). The key respondents claimed that DAFF/DALRRD failed to provide vaccines for avian influenza that was prevalent in the South African poultry sector, while other countries like Brazil subsidised the cost of feeds and vaccines, making their firms more competitive (Goga & Bosiu, 2019). This perceived lack of support from DAFF and the DTIC is deemed to affect the competitiveness of the South African firms.

SARS' mandate is to collect all revenues due to the state, to ensure optimal compliance with tax and customs legislation, and to provide a customs and excise service that will facilitate legitimate trade as well as protect the economy and society (SARS, 2020). ITAC's core functions are customs tariff investigations, trade remedies, and import and export control (ITAC, 2020). Another relevant government department is the Department of Small Business Development (DSBD), which is responsible for the development of SMMEs like the poultry contract growers. National Treasury is responsible for fiscal policy in addition to providing funding to support any trade agreement that is signed by the government (National Treasury, 2020).

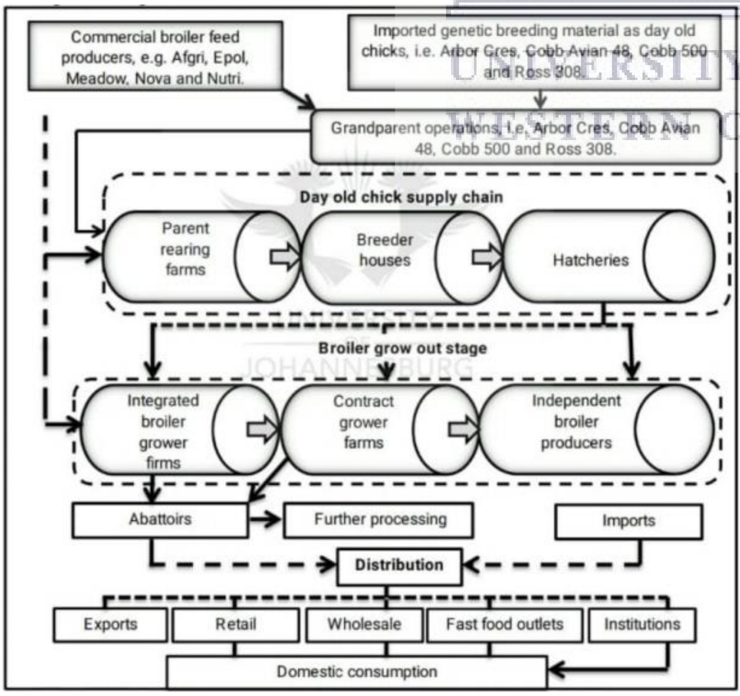
The SOEs shown in Figure 20 play a big role in ensuring that export success is achieved in the poultry sector. Their role is mainly to mitigate the supply-side export constraints discussed in the previous section by enabling a conducive investment environment.

Former Minister of Trade and Industry, Rob Davies (2015), stated that the DTIC, DALRRD and SARS would administer the poultry import quota and its allocation, and volatility would be prevented via set and agreed rules applying to each quarter of the year. However, 80% of the key informant's claim that these institutions have failed to implement measures and monitor the AGOA poultry quota in South Africa. In 2017, according to SARS data compiled by SAPA, the US exported more than 87 000 tons of poultry to South Africa (TRALAC, 2018). In 2018, the quota was exceeded by about 4 000 tons. The key informants suggest that the quota of 65 000 tons per annum is exceeded due to packaging and labelling weaknesses that compromise traceability. In addition, the method used by the government to track the import quantities is not clear. The government's failure to manage the import quota and the inability of the local poultry firms to export breast meat to the US has cost them potential income in export sales, and a corresponding loss to the government of tax revenue. The key informants also claimed that the South African poultry sector has been asking for government assistance in developing infrastructure such as roads, water, reliable electricity and transport, that will encourage exports yet 40% of the key informants claim that the infrastructure within where they operate is geared towards exports, 40% disagree, and 20% are unsure. The South African government departments should be more active in ensuring that the infrastructure supports exports.

It has been established through this research that up to 40% of the main South African poultry firm's production comes from contract growers. According to the key informants, "40% of our production comes from contracts VRs. That's why I'm very interested to hear the dti, who must be able to support our BBBEE agenda that we have and to bring black farmers into growing chickens. I haven't seen much support being given from the dti in this regard. We have tried on a number of occasions to identify good black farmers to come in and grow for us but unfortunately, we haven't got any support from the dti or the National Economic Fund, our applications for this have also been unsuccessful. So, if there is a Fund at the dti that I can look into to support our black farmers I would love to look into it. 20% of our production comes from BEE rows." As illustrated in Figure 21 below, the main commercial firms provide the types of chicks they want and the infrastructure such as parent-rearing farms, breeder houses and hatcheries. The day-old chicks are then given to contract growers for further processing on contract grower farms. Contract growers entirely depend on the main poultry firms for business and survival. According to the key informants, the poultry farmers ensure that black farmers are guaranteed off-take agreements. If the contract growers can be formalised and proper financial and technical support provided to them by the government, the pool of companies that can export their products can be increased, and this added competition can also benefit the consumers in terms of choices and price. The government can make more land available for the provision of farms to the contract growers, perhaps leased at reasonable terms given the financial constraints on purchasing farms on the open market.

The key informants claim that the AGOA deal is detrimental to South African small poultry growers, who are being forced to close down their doors as a knock-on effect of the poultry imports. If, as stated earlier, 40% of the main firms' production comes from contract growers, and the two biggest producers in South Africa closed between 15 and 20 broiler farms in 2017, then 40% of those farms must have been operated or supplied by contract growers, who are now out of business. Figure 22 illustrates the integrated broiler value chain.

Figure 21: Integrated Broiler Value Chain



Source: Author's illustration, adapted from Davids, 2013.

The poultry sector faces several challenges from some SOEs. For some years, Eskom has had problems generating power for the South African public and businesses. South Africa has been affected by power cuts (the so-called load shedding) over extended periods that have negatively impacted the sector. Load shedding happens when there is insufficient electricity available in the national grid to meet the demands of all customers, and Eskom then deliberately interrupts the energy supply to certain areas to balance electricity supply and demand and prevent the generation system from malfunctioning. Load shedding has negatively impacted the South African economy since December 2014, which only grew by 2% (Waka-Waka, 2020). The lack of economic growth has a generally negative effect throughout the economy, and the poultry sector is not exempt.

The key informants suggested possible interventions by the government, including import traceability, tariff protection, development of the SPS policy, securing borders, coordination of government investment programmes, development and implementation of a strategy geared to the development and sustainability of the poultry sector, especially participation by previously disadvantaged individuals, and creating an investor-friendly environment, as stated in the NEDP and INES. In addition, the state should develop a strategy to subsidise input costs, the provision of vaccines and veterinary services. However, agreements like AGOA require minimising government involvement in the economy through measures such as price controls and subsidies.

Given their large capital base, technological advancement and the restrictions on IPR, US multinational firms can use their resources and lobbying power to create monopolies and reduce developing countries to being mere recipients (net importers) of goods and capital. Consumers will then be forced to accept the high prices that follow the effects of trading with the monopolies created (Mushita, 2001).

While AGOA stipulates that there should be minimum government involvement in the market in terms of price controls and subsidies, the effectiveness of trade agreements like AGOA also depends on the quality of the domestic institution and the state's capacity to take full benefit of the trade agreements (Gomez-Mera & Varela, 2021). It is argued in this study that the South African government and its main departments responsible for the implementation of AGOA have failed to carry out their functions or to take full benefits offered by AGOA. This is apparent in the failure to implement policies such as the SPS framework for poultry, failure to create awareness of the AGOA benefits among local businesses, and failure to develop capacity-building initiatives and financial incentives for the local poultry firms, especially the contract growers.

6.6.1 Lack of information as a key barrier to poultry firms access to AGOA benefits

The government does not function in a vacuum and to achieve the maximum communication impact, especially in terms of credibility and reach, all the role-players and opinion-makers need to be involved in an integrated communication strategy and programme with core messages to all the actors. However, 20% of the key informants claim the communication with the DTIC in terms of AGOA was good, while 60% thought it fair and 20% said it was poor. The researcher gained the impression in the course of the study that the communication between the DTIC, DALRRD and the poultry sector was not good. One respondent claimed, “they didn’t know about it that the dti had already signed a contract that chicken from the USA must come into South Africa so it was a political deal.”

DTIC (2021) claims that the trade policy and strategy framework is consulted with different internal and external stakeholders. This framework updates South Africa’s strategy for trade agreement negotiation, engagement or communication. The framework gives effect to the types of trade agreements that must be negotiated based on the industrial policy of the government. All trade agreements, implementation and communication with the different sectors and stakeholders are the responsibility of the DTIC’s Trade Policy, Negotiations and Cooperation division (DTIC, 2021). The DTIC is required to create awareness among the local businesses of the benefits of signed trade agreements, through other departments, stakeholders like the National Economic Development and Labour Council (NEDLAC), industry associations, labour unions and organised business formations such as Business Unity South Africa (BUSA). However, this research established that the key informants were not aware of the financial and technical assistance available to local firms through the investment hubs, hence the DTIC has failed to create awareness of the benefits of AGOA to the poultry sector. “There’s no communication. The sector has never been invited for any consulting or any debates about the AGOA agreement as far as they are concerned it’s just another producer that has come into the country that is dumping chicken here,” said one respondent.

According to the OECD (1996), citizens have a right to know the policies and activities of their government. In a well-functioning democracy, the government provides reliable and timely information to the public, relying heavily on radio, television, magazines and newspapers to reach large numbers of the population. The government must always take into account the intermediary and critiquing roles of the media when they seek to communicate with their citizens. Most of the key informants stated that the communication between the poultry sector, the DTIC and DALRRD was historically poor but is improving due to the co-created SAPSMP, even though engagement is usually initiated by local poultry producers.

The government also failed to use their stakeholders’ or governments’ media to ensure information was passed on to the intended poultry beneficiaries, such as how to access information related to the financial and capacity-building AGOA benefits. For example, there is not much information on AGOA on the DTIC, DALRRD and their stakeholders such as SAPA’s websites. Communication between the government and the poultry sector was also identified as a problem and addressed in the SAPSMP through the use of the steering committee that involves government and the poultry sector.

6.6.2 Financial and technical assistance from the government

Many businesses in South Africa fail during the first two years of their operations due to lack of access to start-up capital and expansion finance since commercial banks regard SMMEs as high-risk borrowers and often require collateral security which can be an obstacle. Another contributing factor to start-up failure is the inability to sustain the market by meeting the demand, which ultimately leads to loss of clients and turnover (Rankhumise & Masilo, 2017). According to the key informants, investments in the sector have largely been driven by the industry itself. The notable expansion by local producers into the SADC region, largely through acquisitions by Astral, Rainbow and CBH, shows how the industry has managed to exploit regional opportunities, without much assistance from the government.

There are no specific subsidies from the South African government to the poultry sector, unlike with other countries. This view has been supported by the key informants, 80% of whom were not receiving any financial incentives from the government due to them not meeting the BBBEE requirements. Furthermore, only 20% of the key informants received some kind of financial incentive from DALRRD. Additionally, others are not aware of the available government incentives.

However, the DTI has in the past provided financial assistance to some poultry companies through the IDC and the DTI's Agro-Processing Support Scheme (APSC) and the Manufacturing Investment Programme (MIP), albeit in an inconsistent and piecemeal manner. In the case of Grain Fields Chicken (GFC), there was a total investment of ZAR 350 million, with the abattoir alone costing ZAR 200 million to construct. VKB (the parent company) borrowed approximately ZAR 88 million from the IDC, which sourced funds from the Department of Labour's Unemployment Insurance Fund (UIF) and the APCS (IDC, 2014). GFC had four successive years of significant losses before making a profit in its fifth year of operation. The parent company, VBK, assisted in sustaining the business. One of the key respondents received a grant of ZAR 30 million from the DTI in 2013 through the Manufacturing Investment Programme Grant (Astral, 2013), part of a ZAR 200 million investment to build a feed plant in Standerton (Goga & Bosiu, 2019). However, these incentives are general incentives for the manufacturing sector and not specifically designed for the poultry sector needs. This is key, given that "farmers have unique financing requirements, typically demanding high levels of debt to offset uneven revenue streams. Concessional agricultural credit (declining subsidised interest rate loans) can play an important role in targeting developmental objectives" (National Treasury, 2019: 6—7).

There is no dedicated funding incentive at the DTIC or any other government department that is dedicated to the poultry sector. This is possibly due to government reluctance to provide the potential investment required versus the uncertain benefits that could be derived from exports. This contrasts with the government's commitment to the automotive industry where the government has committed billions of rands over a decade through various incentives, including the DTIC's Automotive Investment Scheme (AIS).

Grant funding schemes generally require co-funding by the beneficiary. Start-up companies in the poultry sector, particularly the contract growers, are unlikely to be considered for grants and, therefore, are being indirectly excluded from participation in the mainstream economy for lack of co-funding. The key informants believed that the government should provide grants to black entrepreneurs without requesting financial contributions from them. The key informants also felt that AGOA's main focus should be to ensure that there is investment locally to increase production. Incentives such as the DTIC Export Marketing Investment Assistance (EMIA) should be customised to the needs of new entrants into the poultry sector, to expose them to potential export markets. EMIA funds all the costs of attending foreign exhibitions including air tickets, shipping of promotional material and the cost of setting up the exhibition stands (DTIC, 2019b).

According to Goga and Bosiu (2019), the government has provided financial assistance to small-scale and previously disadvantaged farmers. This is important given the increasing trend of contract farming in the poultry sector, which represents opportunities for previously disadvantaged individuals to participate in the value chain. Figure 21 shows the integrated broiler value chain of a South African firm. Below the main poultry producer and the breeder house on the diagram is the area where the contract growers operate. They are treated like a business unit of the main firm since the main firm provides all the funding, technical resources and breeding stock. This illustrates why any funding from the government has to be filtered through the main firm since the poultry contract growers cannot work independently. According to the key informants, the main poultry firms carry all the risks and fund the contract grower's costs and this is why none of the growers have failed or left their current contracts. One of the key informants claimed to have applied for private funding which they guaranteed on behalf of the contract growers, after failing to secure funding from the government on behalf of the contract growers. Some of the key informants were able to agree on an off-take agreement for 10 years with Future Growth Asset Management, an investment company that invests in social development and empowerment. In addition, the poultry sector held meetings with the Member of Executive Committees (MECs) in different provinces and engaged the DALRRD ministry but nothing resulted from these engagements. The SAPSMP has also earmarked funds to develop the small poultry growers. Notwithstanding the above, nothing precludes the government from changing its approach and providing some kind of loan or grant to the contract grower.

By contrast, contract growers in Brazil have special government-backed funding specifically designed for their needs (Goga & Bosiu, 2019). In the case of Brazil, Brazil's policies for the poultry value chain have included subsidised credit for farmers as well as poultry producers. Brazil's National Rural Credit System provides rural credit at low interest rates to help producers finance agricultural outputs, machinery, as well as operating costs and product marketing. Three key objectives of the rural credit policy are to i) grant access to credit at below-market interest rates, ii) enforce legal requirements that banks devote a portion of their checking deposits to rural credit lines, and iii) ensure that small and family farmers benefit from even lower interest rates by targeted credit line (Goga & Bosiu, 2019).

General government practice consists of boosting export supply by local industries through export subsidies, credits and other assistance (Rodrik, 2018). Given a change in approach, a similar commitment by the government to small growers could involve:

- Providing adequate and affordable agricultural insurance, as many agricultural producers in South Africa are not insured against the negative impacts resulting from natural disasters, such as drought, mainly due to the high risk associated with agricultural insurance. The Land Bank should take an active role in expanding the range of agricultural insurance products to support business continuity, ensure food security, spur rural economic development and modernise the sector.
- Improving extension services for smallholder and emerging farmers: intensive and high-quality extension support in partnership with industry associations is required for smallholders and emerging farmers to transition to higher-value agricultural commodities. Enhancing trade promotion, market access and access to water for irrigated agriculture is crucial to unlocking investment in labour-intensive crops. Export growth in these crops will come from improved market access, which must be supported by the availability of water.
- The DTIC and DALRRD should provide financial incentives in primary agriculture, including special incentives for the contract growers and the poultry sector, similar to those provided to manufacturing, to expand opportunities for new black entrants into the poultry sector in South Africa.

- The DTIC must provide workshops and training opportunities to the poultry sector, working with other stakeholders, as part of supporting the development of small farmers.
- AGOA could be renegotiated to include the establishment of a strong manufacturing sector in SSA countries that must be funded by different stakeholders.
- South African poultry firms must be proactive and build linkages with US counterparts through the AGOA Forum and other platforms that have already been established to gain technical expertise and investment incentives as provided for in AGOA.
- Some free trade agreements such as EPAs tend to include technical assistance to help the developing country develop standards and conformance testing capacity rather than specific binding obligations. This assistance aims to encourage the use of agreed international standards (Woolcock, 2007) and is prevalent in the engineering sector. In the case of AGOA, financial assistance to reach the agreed international standards would be provided via the USAID but must be available to all participating SSA countries.

6.7 Employment

Liberalisation and globalisation influence labour markets in multiple ways, the most important being that they expose local production and employment to bigger markets and international competition (Molepo, 2020). South Africa has gone through significant changes since its democratic transition in 1994; however, the rates of economic growth and job creation have been disappointing with the unemployment rate presently among the highest in the world.

High unemployment and low economic growth are both partly the result of the contraction of the non-mineral tradable sector since the early 1990s. The weakness in export-oriented manufacturing has deprived South Africa of growth opportunities as well as of creating jobs at the lower end of skills distribution. The key objective of AGOA of export-led growth that should have led to employment creation was not achieved in the poultry sector (Rodrik, 2008: 772). Rodrik (2008: 795) claims that had the South African manufacturing sector expanded rapidly, economic growth would have been higher and far more jobs would have been created for semi-skilled labour.

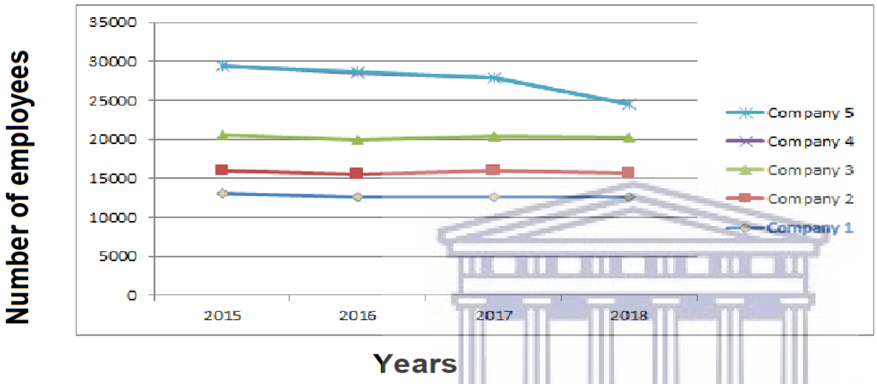
Fundamentally, jobs can also be created by reducing the cost of labour. However, Rodrik (2008:795) concludes that “reducing unemployment by expanding the capacity of the economy to provide high-productivity, high wage jobs for the unemployed is a far better strategy. Therefore, the health and vitality of the formal manufacturing sector have to be at the core of any strategy of shared growth.” Thus, if export demand had increased, firms would have expanded manufacturing capacity and therefore hired more people, bought more machinery, goods and services, paid more dividends, increased tax revenue, and so on. An increase in exports through AGOA therefore would have had a range of knock-on effects contributing to economic growth. In the case of poultry, exports would have stimulated both manufacturing and agriculture.

The converse also proved true in the poultry sector – the increase in imports impacted negatively on employment. The key informants claimed that AGOA led to the loss of jobs in the country due to excessive imports. In January 2017, one of the biggest South African chicken producers with a share of 22% of the South African poultry market, decided to sell 15 of its 25 broiler farms as a result of chicken-dumping imports from the USA, EU and Brazil (Naidoo, 2017). Another local poultry firm retrenched 1 350 employees at the end of January 2017 (Naidoo, 2017). SAPA claimed that the quota had cost about 6 500 South African jobs by 2018 (Reuters, 2018). “I would like government to tell me exactly what AGOA has done for job creation in this country. As far as I’m concerned nothing has been done. Secondly, AGOA has not achieved success in promoting employment and poverty reduction. It has not achieved this, rather it has led to more poverty and led to people losing jobs because South Africa cannot export its chickens to the US.”, said one respondent.

Since international trade increases incomes and employment (Seyoum, 2013), the research sought to establish whether the deal had increased or decreased employment since it was renewed in 2015, especially since the South African Trade Policy (DTI, 2010) “outlines how trade policy and strategy in South Africa make a contribution to meeting the objectives of upgrading and diversifying the economic base in order to produce and export increasingly sophisticated, value-added products that generate employment”. The South African trade policy seeks to advance industrial development aimed at upgrading and diversification of products to achieve long-term economic growth, while addressing structural constraints such as employment and poverty in the economy.

The key informants were asked to declare their employment figures at the end of each financial year from 2015 to 2018 and to state the reasons for the increases or decreases in their employment figures. Figure 22 below presents the employment figures for four of the key respondents in the stated period (Warrenton Super Chicken is purposely excluded from the graph for reasons of scale. It had 50 employees).

Figure 22: Total number of employees for 2015–2018



Source: Author's own presentation of data.

The number of employees for all the companies stayed more or less the same or decreased, due to no expansion in the period under question. A decrease in 2016 was due to the poor economic climate and depressed consumer spending, and the high level of imported chicken hampering local chicken producers to grow within the local market. The sector slaughtered, grew and fed the same number of chickens for the periods and therefore used the same workforce. An increase in headcount in one of the respondents in 2016/17 reflects the period when the company absorbed all labour broker employees. One of the key respondents reduced employees in 2015 due to the reduced production caused by avian influenza. The informant had to cull most of the livestock, and accordingly reduced staff.

There have been many developments in the South African poultry sector since 2015. SAPA (2017) reported that South Africa's poultry value chain is significant, and employed about 14% of people in agriculture in 2017, and accounted for 19,6% of total agricultural value. Furthermore, the poultry sector provides direct and indirect employment for approximately 108 000 people through its value chain and the associated sectors. Since employment in the poultry sector has mostly remained the same from 2015, it is difficult to identify a positive impact of AGOA on employment creation in the South African poultry sector. The key informants claim that AGOA has not achieved success in promoting employment and poverty reduction, but has led to more poverty and job losses. Therefore, the South African government must quantify the employment that has been created by the AGOA deal. It is possible that the US poultry imports may have created jobs in poultry wholesale, retail and distribution, especially since 50% of the import quotas went to HDI individuals. This was, however, outside the scope of the study.

Industrial policy is normally aimed at influencing a country's industrial framework to create the highest possible revenue for the country and achieve other objectives such as alleviating unemployment or more equal income distribution (Medin, 2014). Given the unemployment rate, the South African government has attempted strategies aimed at job creation. Hence, the government hosted the Jobs Summit on 4 and 5 October 2018 at Gallagher Convention Centre in Johannesburg. The Jobs Summit produced a Framework Agreement to act as an enabler for the creation of an estimated 275 000 jobs annually. Commitments in the Framework Agreement include:

- Boosting the economy, procurement interventions and industrial financing.
- Assisting small businesses through township supplier development programmes and developing youth entrepreneurship.
- Increasing access to community colleges and technical and vocational training colleges.
- Implementation of the national minimum wage.
- Ensuring employment tax incentives work correctly and establishing a national anti-corruption strategy (Republic of South Africa, 2020a).

Since 1984, the US GSP has incorporated labour rights into its provisions including minimum wages, working hours and occupational safety and health in all the trade agreements the US signs. GSP trading partners have to respect international labour rights, while signatories of most bilateral FTAs commit to merely strengthening their domestic legislation (Siroën, 2013). The issue of labour rights is addressed in AGOA as well. However, South Africa has more advanced labour laws than most of its neighbours. South Africa also already conforms to international labour laws and observes international labour standards through various UN treaties. The US firms that export chicken products to South Africa through the AGOA deal must comply with all South African laws regarding conditions of service if employing South Africans, such as payment of the minimum wage and registration of employees with the Unemployment Insurance Fund, as well as BBBEE compliance and the procurement laws. In addition, US firms, like South African companies, must comply with the laws of the country, such as employing legal residents and citizens and paying workers compensation for injury on duty. Many employers, especially in agriculture, are known to employ undocumented foreigners, whose labour rights cannot be adequately protected. According to Grub (2005) "the livelihood strategies of these poor people have been disturbed by the introduction of the Sectoral Determination for the Agricultural Sector, which prescribes a minimum wage for farm workers. It is especially the most vulnerable workers who are hit by the farmers' reluctance to grant them the same benefits as they received before. The law thus only succeeds in supporting those workers who are better educated, healthy and able to manage the higher amount of cash wage in a responsible way." Albeit that the matter requires more research, there is no proof that AGOA has created employment or lowered employment standards in the poultry market, and more needs to be done to achieve the objective of increasing employment. There is more to trade agreements with reference to labour than just employment creation. The relationship between labour and trade is important because increasing trade improves labour standards and increases incomes. On the other hand, there is also a view that anything that restricts trade with countries that have weak labour standards is counterproductive and is seen as a trade sanction (Siroën, 2013). The latter view has been convenient for big corporations moving manufacturing to countries with cheap labour such as China and Bangladesh, which have been singled out for not adhering to international labour law.

6.8 Transformation in the South African poultry sector

In 1994, the first democratic South African government was elected with a mandate to redress the social, political and economic inequities of the past. In 2003, the South African government provided a legislative framework for the transformation of the South African economy, in which economic inequality mirrored racial inequality. The published Broad-Based Black Economic Empowerment (BBBEE) strategy preceded the Broad-Based Black Economic Empowerment (BBBEE) Act, Act 53 of 2003. The main goal of the B-BBEE Act is to advance economic transformation and enhance the economic participation of black people in the South African economy (DTI, 2019a). Poultry is a popular subsistence farming activity among small-scale farmers as it is relatively easy to engage with, has low unit costs and the input costs are low. It is one of the most important sources of protein for impoverished rural people. Key drivers of change in the sub-sector are:

- the growth of small-scale farmers,
- transformation of the sector,
- extension advisors,
- recurring avian influenza and the outbreak of listeriosis, and
- the green economy (AgriSETA, 2020).

As was established and discussed in Chapter 3 of this study, the South African poultry sector remains mainly white-owned. During the signing of the AGOA deal, the former Minister of Trade and Industry stated that: “Both the DTI and DAFF have built a strong relationship with the poultry sector to continue to work with them on the transformation of the sector and the development of the small farmer sector” (Davies, 2015). The government’s commitment to working with the industry on transformation is reflected in the SAPSMP as discussed above.

The researcher asked the key informants their opinions on this matter of transformation in the South African poultry sector. According to the key informants, there is general agreement among the poultry firms that the poultry sector needs to transform. Firstly, the results confirm that ownership in the poultry sector is mostly dominated by white South Africans and there is a need to bring more black farmers into the sector. Secondly, there is appetite among black farmers to join the industry, with some having land and expertise, while the established poultry firms have the expertise to train others. Accordingly, 60% of the key informants grow their own feeds and have their own farms, which they are willing to lease to black farmers. However, access to finance and loans to buy or lease these farms is a stumbling block for the black farmers. The poultry sector has on a number of occasions identified suitable black farmers to contract as growers but there was no financial support from the DTIC or the development finance institutions (DFIs). Government DFIs like the National

Empowerment Fund (NEF) and the IDC need to provide grants and some form of loan facilities to new entrants.

To address the transformation agenda within the poultry sector, a transformation committee was formed in 2014 to drive transformation within SAPA among its members, and to monitor progress and provide reports to the key stakeholders on transformation (SAPA, 2017). However, judging by the BBBEE scores for some of the SAPA members (Table 3), there has been no progress with that. SAPA (2017) argues that transformation is not straightforward and specific markets are needed for smaller new entrants to allow development projects to succeed. According to SAPA, this has been hampered by high levels of imports and increased feed costs. As a result, big companies are not able (or willing) to prioritise transformation over the sustainability of their businesses. In addition, the key informants claim the government is investing a lot of resources to bring small-scale producers into the poultry value chain, but continues to expose the industry to open and often unfair market forces. SAPA has stated that the government could stimulate much greater industry transformation by ending the 'unfair' competition from dumped imports in the market. It is clear from the key informants and SAPA that the transformation agenda is not as important to them as securing government protection against competitors. The B-BBEE scorecards of respondents' firms show only 40% of the respondents have made notable progress in terms of the different elements of the scorecard, including company ownership. The other key informants have not invested significant resources in the transformation of the poultry sector. It must also be noted that, since there are no penalties for failing to comply with the B-BBEE Act, especially if a company did not do business with the government, companies have no incentive to transform. Following the failure of Daybreak (i.e. it failed as a BBBEE vehicle after the PIC was forced to take over and run it as an SOE due to maladministration by the BBBEE consortium that was the initial majority shareholder. Although Daybreak has a management team and board appointed by the PIC[9], it continued to be plagued by problems and alleged improprieties blamed on a succession of CEOs). Only one key respondent represented a black-owned company, the 100% black woman-owned Warrenton

[9] The Public Investment Corporation (PIC) is an investment vehicle for public funds sourced from the Government Employees Pension Fund, the Competition Commission and the Unemployment Insurance Fund (assets under management totalling almost ZAR 2 trillion in 2020).

Super Chicken that is based in Warrenton, 77 km from Kimberley. After a good start, the company struggled following the avian influenza outbreak of 2017 and shed many jobs. SAPA has not provided technical or financial assistance to this company, raising the researcher's suspicion that it may be more interested in keeping the company's affiliation for its BBBEE status.

Furthermore, SAPA (2017) stated that it cannot interfere in transformation issues at individual businesses but it can act as a mouthpiece for the industry with the government. While the transformation of the industry may not be a priority for its members, SAPA has taken a pro-transformation stance by forming a trust fund, stating that "additional funds will be sought to bolster the trust fund which has been set up and industry transformation will focus on creating more and better opportunities for previously disadvantaged producers, improving access to quality inputs, information, finance, veterinary services and abattoir facilities, providing mentorship, assisting in the creation of regional networks for smallholder producers, and expanding market access. It remains of critical importance to integrate smallholder farmers and larger new entrant commercial producers into the poultry value chains. They have a vital role to play in poverty alleviation, ensuring the food supply and creating jobs in South Africa" (SAPA, 2017: 80). It is not clear whether the additional funds were sourced or how funds were deployed to aid transformation since 2017.

At least 40% of the current poultry production in South Africa comes from independent contract growers (DAFF, 2014). Notwithstanding the views of the key respondents (section 6.6.2), perhaps the government should directly invest in the contract growers who are growing the broilers for the big poultry firms in guaranteed off-take agreements, but invest in a way that reduces their dependence on the larger companies. The government could fund these small farmers in a coordinated format and then find markets for them. For example, the SAPSMP has identified markets in SADC and the Middle East. The government could invest in the contract growers' capacity, provide investment incentives and provide marketing and business training to assist them to access the identified export markets. Previously disadvantaged individuals could be fast-tracked through this scheme to access the commercial poultry sector.

The study also looked at transformation of the executive management of the two main poultry firms. Only five of the 21 positions listed on one of the poultry firms' websites were occupied by black people. In the case of the other firm, of the 22 listed executive management positions, only five were occupied by black people. These positions were directors (on the board), executive directors, CEOs, divisional heads and functional heads. It is therefore not surprising that the firms scored only 5 and 9 out of a possible 19 points for management control on their BBBEE scorecards.

Another important element of the BBBEE scorecard is the Enterprise and Supplier Development score, where a company scores points for procuring from black suppliers. One of the two big poultry producers received no points for this, indicating that they only procure from non-compliant suppliers. The other firm received a commendable 31 out of a possible 40 points. The South African government could thus assist the entry of more black people in the poultry sector simply by enforcing compliance to the B-BBEE Act by all businesses in the sector. AGOA has transformation targets for poultry that are achieved through the import permits that are issued by DALRRD. DALRRD is meant to use the import quotas to target HDIs to pursue transformation, with the allocation decisions guided by the Agricultural Black Economic Empowerment Sector Code under Section 9(1) derived from the B-BBEE Act. HDIs are supposed to receive 50% of the import quotas of bone-in chicken pieces and the importer permits are valid for three months (TRALAC, 2015c). However, according to the key informants, the HDIs who have been allocated the import permits sell these to white-owned companies, which then bring the imported chicken in bonded or bulk shipments into the country. The key informants stated that, "The big problem for us [chicken producers] is about the stock that is arriving into South Africa – there were certain agreements that these were all for BEE companies, the permits had to be issued to BEE groups. But if you look at groups, and the majority of these products coming in its local existing white importers who are bringing these products in trying to get permits. A lot of the stocks is actually going into bond, it gets sold out of bond, and there is a lot of revenue that our government loses with taxes as well." On the other hand, DALRRD does not monitor to see whether permit holders actually import the goods or whether they are fronting for third parties illegally doing it. Part of the problem is that few HDIs have the capital to import chicken from the US. The other part of the problem is that political expediency persuades DALRRD to divide the 50%

of the annual quota between too many beneficiaries so that it can count more HDIs as beneficiaries. However, the quota allocations are then too small for the individual permit holders to pursue, who sell them. Selling rights and fronting in this way is commonplace, notably in the fishing industry, and contributes little if anything to transformation.

6.9 The growth-reducing impact of an indifferent and unresponsive bureaucracy

The effectiveness of PTAs as a form of direct investment depends on the domestic institutional capacity of member countries. This is because these institutional elements enable the benefits and success of PTAs by influencing governments' external credibility to deliver on the expected deliverables on behalf of their businesses and citizens as well as their ability to implement the agreements they sign (Gomez-Mera & Varela, 2021). In the case of South Africa, the different government departments have failed to make the best of the AGOA benefits and export opportunities for the poultry sector. There has not been an effective translation and facilitation of AGOA into exports for local poultry nor any attempt to manage the impact of the dumping of US poultry on the local market. The failure to provide an adequate government response to the need for an SPS policy that would satisfy the standards demanded of meat exported from South Africa to the US has denied a potential competitive advantage to the local poultry sector, a more positive role for SAPA and the economic benefits of a significant increase in exports.

DALRRD is the department responsible for identifying, coordinating and considering SPS and associated TBT matters, among inter and intra-departmental role-players, stakeholders and national agencies with regard to food safety, animal health and plant health (DALRRD, 2021). DALRRD is also responsible for addressing trade-related SPS issues in AGOA and other trade agreements, enhancing the national implementation of the WTO SPS agreement and promoting South Africa's regulatory ability. However, DALRRD has failed to perform its coordinating and facilitating function adequately with regard to AGOA and the poultry sector.

The government also failed to manage its borders through customs control which led to the US exceeding its allocated import quota of 65 000 tons per annum from 2016 to 2019, as shown in Table 2 of this study. With the Department of Home Affairs taking the lead, several government entities have roles in managing South Africa's borders, including the South African Police Service (SAPS), South African National Defence Force (SANDF), Department of Transport, Department of Environmental Affairs, DALRRD, the Department of Health and SARS. All these departments have different structures, objectives, mandates and information management systems. Furthermore, there are no institutional mechanisms that provide for accountability of these departments and their IT systems are not linked with each other (Malatji, 2020). This enabled unscrupulous importers to exploit weaknesses in the import controls such as the lack of traceability and poor labelling of imported chicken to disguise the quantities of chicken entering the country as part of the AGOA import quota.

In addition, the government has failed to properly coordinate and communicate the AGOA benefits and the different roles played by its institutions in the implementation of AGOA. Information on AGOA is not widely available on the government's official media channels, despite the fact that it impacts as many as 6 500 product lines and significantly contributes foreign exchange to the economy.

6.10 The weakened capacity of the government to deliver services and support trade agreements

A government has the right to collect tax revenue from businesses and residents and the responsibility to use this money effectively to ensure that services and infrastructure are provided that allow the quality of life the citizens require. To enable this provision, the state and legislative mechanisms create laws, policies and institutions to ensure society acts with a common purpose.

Constitutionally, South Africa has three spheres of government, namely national, provincial and local government. Much of the provision of services and infrastructure required by businesses to operate are the responsibility of local government through municipalities. In June 2021, Clover, one of the biggest dairy producers in the country, was reported to have decided to move its factory from Lichtenburg in North West to Queensburg in KwaZulu-Natal due to poor infrastructure and lack of water (Fin24, 2021b). Twizza's Beverages and Crickley Dairy based in Queenstown in the Eastern Cape also threatened to relocate the factories to other municipalities because of the impact of poor service delivery on their businesses (Sowetan, 2021). PTAs like AGOA are signed by the DTIC in the national sphere of government, but the ultimate government actors in these agreements are the local municipalities where the poultry farms are located. The ability of the local municipality to provide basic services to these businesses is critical to their success.

In April 2021 Astral Foods, the second-biggest commercial producer in South Africa won a court order over a lack of service delivery in the Lekwa local municipality in Standerton, which would force the national government and Treasury to prepare a financial recovery plan for the municipality (Business Day, 2021). Astral owns a poultry processing plant in Standerton and was forced to spend more than ZAR 3 million in one week on overtime to catch up lost production caused by a disrupted water supply from the municipality (Fin24, 2021a). Eskom, the main government power SOE, has failed to generate a reliable supply of electricity for years. In just two weeks, power cuts were estimated to cost the South African economy about ZAR 25 billion (BusinessTech, 2021). The poor capacity to provide services is common to all provinces and means that the government is unable to take full advantage of the benefits of PTAs like AGOA.

6.11 An assessment of the implications of AGOA for the South African poultry industry

AGOA benefits many economic sectors in South Africa. However, the government must decide which of the economic sectors to prioritise and invest more resources in, based on their contribution to GDP, employment and overall impact in the global market. When AGOA was renegotiated in 2015 and the US threatened to review South Africa's participation and withdraw all the benefits received by other sectors if their pork and poultry products were not allowed to be imported into South Africa, the DTIC minister, with SAPA's agreement, capitulated and essentially sacrificed the poultry sector's interests for the greater good. One of the key informants stated that "There is about 65 000 tons of poultry product that comes in from the USA per year, and a lot of the reports we read from the Department of Trade and Industry, you get the impression that a gun was put to their heads to sign because America is so powerful and they use their bully tactics, i.e. "if you don't take our chicken we won't take your steel" etc. The impression we get is that it was signed for the interest of South Africa and not of the interests of the poultry industry." This action suggests that the government does not view the poultry sector as a strategic sector as it does the automotive and other sectors that are effectively subsidised through different funding mechanisms, including by the DTIC.

During the negotiations for the renewal of the current AGOA, one of the main US concerns was South Africa's legitimacy as an AGOA benefactor, with the contention that AGOA was meant for the least developed countries (LDCs), and South Africa should not benefit since it was considered a middle-income country. This line of reasoning overlooked the dual nature of South Africa's economy that sees prosperity and capitalism concentrated among some segments of society, and poverty and disadvantage characterising the vast majority of citizens (Phillip, 2009). For historical reasons, this dichotomy has a racial character, wherein most poor people are black and most wealthy people are not black. This raises a question relating to AGOA – did the government and the poultry industry miss an opportunity for transformation that could have particularly benefitted black people? The results of the study strongly indicate that this opportunity was indeed missed. Consequently, black ownership and participation in the poultry industry did not improve as a result of AGOA.

South African poultry has not been exported to the US through the AGOA deal as it should have been on reciprocity grounds. The SPS requirements of AGOA could not be met which technically allowed the US to prevent the local poultry firms from exporting to the US. Whether the firms could have done so competitively without subsidisation and other support from the government is moot as they were denied the opportunity.

AGOA also exposed South Africa's poor border control which contributed to inadequate import controls and poultry dumping. Additional weaknesses in government included poor communication about the benefits of AGOA. This has contributed to the poor participation of the local businesses in the AGOA forums and the uptake of the technical and financial benefits of the deal. It appears that there is no proper monitoring and evaluation in place to determine the impact of AGOA in terms of employment created or lost in each sector, skills transfer and provision of technical expertise to the previously disadvantaged firms, and individuals, and the integration of the objectives of BBBEE with the opportunities in AGOA through the issuance of import quota licences to promote the establishment and growth of black-owned firms. Because the government also failed to ensure that the poultry sector met the set

BBBEE targets in an overwhelmingly white-owned industry, it is almost certain, had the local industry been able to the US, that black participation would have been minimal, and non-transformative.

6.12 Factors influencing new policy trends for the South African poultry sector

The advancement of trade theory from old trade principles to the new trade theory has influenced trade policy at two levels. The first level identifies with the ongoing support of the free trade principle to determine policy for developing countries. The IMF and WTO are driving this agenda. The second level of trade theory identifies with policies followed by the developed countries, which depend significantly on the new trade theory principles of strategic trade (Sen, 2010: 19). The policy recommendations made in Chapter 7 are based on the new trade theories.

In addition, there are many policy instruments that a government can use to support strategic trade, such as government subsidies, tax breaks, public and private partnership initiatives, as well as legislation and regulations that affect the industrial sector, and impose rules on concessions, competition and public procurement (Medin, 2014).

In January 2021, Joe Biden was officially inaugurated as the president of the USA. In the same month, a cosmetics company in Ghana sent the first shipment to be traded under the AfCFTA to Guinea. By April 2021, only Eritrea had not signed the agreement and most African signatories had already ratified it, creating a single market of 1,2 billion people with a combined GDP of USD 3,4 trillion (Kinyua, Walker & Reva, 2021). African governments wait with interest to see how Biden's approach to trade will differ from Trump's America First policy. Early indications are that the US focus will shift from aid to trade to build on the foundation of the substantial US foreign direct investment (FDI) in Africa. In 2018, U.S. firms held more than USD 44,4 billion in FDI stock in Africa, controlling assets worth USD 370 billion and employing 370 000 people (May & Mold, 2021). This offered a glimmer of hope for Africa as a whole in terms of trade agreements such as AGOA, especially after the protectionist rhetoric from the Trump administration that regularly threatened to cancel all trade agreements that did not favour the US. As noted in the study, Trump imposed protectionist tariffs on steel and aluminium imports from almost all producing countries, including South Africa. In a demonstration of realpolitik and the power of US corporate lobbies, President Biden has thus far declined to lift the tariffs. Having already held South Africa to ransom to exact AGOA concessions for poultry, it remains to be seen what concessions the US may force upon SSA countries when AGOA comes up for renewal in 2025 or whether the US adapts or abandons AGOA to trade with the whole continent through AfCFTA instead of just SSA.

Given the overall benefits, South African public policy and the private sector still need to ensure that the country remains eligible for AGOA benefits until the agreement expires, while pursuing and negotiating new trade agreements for the country's exports to other destinations (Mbatha, 2019). Furthermore, the South African government needs to introduce policies that develop the poultry value chain to become more competitive and more representative of South Africa's demographics and that allows sustainable participation by smaller players. Measures could include a more considered strategy for competitively priced feed inputs which would include removal of tariffs and endorsement of a regional strategy, subsidised finance and support to smaller players in the industry, and significant investments in R&D and dissemination of research and technology (Goga & Bosiu, 2019), especially regarding SPS.

CHAPTER SEVEN

CONCLUSIONS AND RECOMMENDATIONS

7.1 Introduction

This study set out to assess the implications of AGOA for the South African poultry industry, specifically in terms of its impact on the poultry industry and local poultry market and issues related to South Africa's access to the US market. The study also set out to assess aspects of policy concerning import and export mechanisms, against the backdrop of trade theory, and to suggest policy amendments that would manage and eliminate barriers to the trade in poultry between South Africa and the USA.

The chapter begins with a summary of the discussions and findings of the study based on a thorough review of the extant literature and the gathering and analysis of industry data from key government and poultry sector stakeholders. The limitations and implications of the study for the industry and future research are briefly discussed followed by practical policy recommendations and the conclusion.

7.2 Summary of research findings

The study reviewed AGOA as a Preferential Trade Agreement that has been beneficial to the South African economy since first signed in 2000. However, the study found that AGOA has not benefitted the local poultry sector, chiefly due to South Africa never being able to export chicken products to the US, while being forced since 2015 to accept the tariff-free importation of bone-in chicken from the US. The inability of the local poultry firms to export breast meat to the US, which would be within the terms of AGOA, is due in part to the South African government's failure to implement the SPS policy as required by the AGOA legislation. However, this is by no means the only reason. As shown in the study, there are many other hindrances to exports within the poultry sector. Furthermore, the study highlights the factors that prevented the poultry sector and the government from minimising the negative impact of 65 000 tons of US chicken being dumped annually in the South African economy.

7.2.1 Access to US markets and trade facilitation

The principle of reciprocity meant to underpin AGOA, whereby South African poultry firms should have duty-free access to the US market is not respected in practice as they are not able to access the US market. The agreement is a unilateral PTA, which means that changing it is entirely at the behest of the US government and specifically, the US President. The South African government should ideally negotiate a much smaller import quota with the US to minimise dumping and assist local producers. Alternatively, a tariff should be imposed on US poultry imports, which have an unfair trade advantage. However, the ability of the South African government to renegotiate the terms of the import quota is negligible, given the need South Africa has to ensure the continuation of the AGOA terms of trade in other product lines.

7.2.2 The effects of import dumping on the South African poultry sector

AGOA enabled the US to annually dump more than 65 000 tons of bone-in chicken portions onto the local market which, in 2018, was about 23% of the total bone-in chicken imports. The negative impact was difficult to verify in terms of the loss of jobs (claimed by SAPA to amount to 6 500 jobs), loss in production market share and loss of production capacity in the local poultry market. This is partly due to other influences coinciding with the period studied, such as the effect of drought, the culling of about 700 000 birds due to avian influenza, the closure of some farms by some of the large producers and a knock-on effect on contract growers. It can certainly be assumed that import dumping has been responsible for part of the negative impact described above. Certainly, there was no evidence in the study that the poultry dumping contributed to the creation of jobs, even in the attempted assignment of 50% of the import quota to HDI individuals.

The US exporters were even able to exceed the allocated annual quota to as much as 87 000 tons due to the poor management of customs at the South African border posts. Poor labelling of chicken and poor monitoring of quantities means not only that unscrupulous importers can disguise the country of origin and the size of consignments but the quantities of imported chicken from Brazil and the EU are equally difficult to verify. It is probable that dumping is occurring from sources other than the US and that there may be a large underestimate of the extent of the problem, and the consequent harm being done to the local poultry sector. Any non-US dumping will also cause a loss of tax revenue due to the avoidance of tariffs.

It should be noted that properly monitored and regulated imports fill a market gap that is not provided by the local firms, and the local firms involved in the study were not against poultry imports in principle. Presumably, if they had equitable access to the US market, especially to the lucrative breast meat market, the increase in export earnings would offset any loss in the local market caused by imported US chicken.

7.2.3 Export capacity constraints

South African poultry firms are faced with export constraints that include inadequate access to capital, lack of technical expertise, lack of skills, high electricity costs, high transport costs due to shortcomings in the South African rail and road infrastructure, problems with labour productivity and remuneration, costs associated with HIV prevalence, crime and other negative societal trends, the relatively high cost of disease control among chicken flocks, lack of economies of scale, and expensive feed costs. There are attempts to address some of these in the SAPSMP. Funding has been set aside to develop the contract growers, and more funds will be sourced through the IDC that has partnered with the local poultry market as a strategic finance partner. These interventions will assist in eliminating the above-mentioned export constraints. New markets have been identified in the Middle East and SADC countries that could be developed to build South Africa's poultry export capacity, including in the market for cooked (processed) meat. In a positive sign, an encouraging inclusion in the SAPSMP was the plan to mitigate high input costs through a partnership to be formed between SAPA, IDC and Grain SA to increase the supply of maize and soybean to the poultry sector (and thereby bring down the cost of feed and improve the viability of exporting).

In terms of the AGOA agreement, local poultry firms should have been able to access capital, technical expertise and skills development through the AGOA trade and investment hubs. However, these were only established in Kenya (Nairobi), Ghana (Accra) and Botswana (Gaborone), and none in South Africa. The local firms revealed in the study that they did know how to access these resources since the South African government is not playing an active role in connecting them to the opportunities.

Other export challenges that should be addressed within the scope of AGOA include difficulties with US customs and documentation, rules of origin, market identification and the perceived quality of South African goods.

7.2.4 Sanitary and Phytosanitary Measures (SPS): a major barrier to South African poultry exports to the US

The SPS requirement is a health requirement that is regulated by WTO. Further, it is the responsibility of a government to provide the level of health protection it deems appropriate to its citizens, including SPS protection of imported and exported goods, as long as there is scientific proof that the measures are necessary. The SPS are intended to safeguard health and safety and should not be used as a trade barrier. However, due to the technical complexity of maintaining SPS standards they have been used as a convenient technical barrier to trade. In the case of this study, the US has exercised its responsibility by developing an SPS policy for importing poultry in terms of the AGOA agreement that it is using to keep South African poultry from entering the US market, while the South African government has failed to develop a similar SPS policy that would allow its poultry firms to meet the US requirements and export breast meat to the US. The SAPSMP only focused on the additional markets of EU, UAE and SADC. The implementation of the SPS for the AGOA agreement was excluded from the SAPSMP.

7.2.5 The role of the government in the implementation of trade agreements

Even by its own benchmarks, the South African government is not fulfilling its social contract with its citizens to deliver services and achieve the country's developmental goals. This study shows that the state has failed the South African poultry farmers by:

- meekly conceding to the US dumping chicken on our market;
- not putting in place any measures to cushion the impact of dumping on the local industry;
- not invested in expanding the sectors' exporting capacity so that it could offset the impact of US dumping by concluding new trade agreements to open up other markets;
- not implemented SPS measures to enable the local poultry sector to export to the US;
- failing to create awareness of the technical and financial benefits of AGOA which has led to the under-utilisation of existing AGOA benefits by the poultry sector. There is little information published on the DTIC and DALRRD websites about how to access information related to AGOA;

- failing, through its agencies, to ensure that the US import quota was not exceeded through effective customs controls at the South African border posts;
- failing to ensure that HDI individuals who were supposed to benefit from acquiring at least 50% of the import licences for the US poultry imports actually received these from DALRRD and, more importantly, were supported to have the financial capacity to handle the quota allocations. Instead, many of these HDI beneficiaries sold their import quotas to other parties who used the licences to import the chicken. The expected BBBEE benefit, therefore, didn't materialise as planned.
- not converting the contract growers (some of whom are black), who handle at least 40% of the production of the main commercial firms, into commercial farmers in the mainstream economy that occupied more of the poultry value chain and that contributed to expanding BBBEE.
- failing to provide basic service delivery needs such as electricity, water and reliable physical infrastructure, which added to the production costs and business risk of the poultry producers.

7.2.6 Financial and technical assistance

South Africa is already the best commercial poultry producer in Africa and has several large firms that straddle the whole value chain. However, to be globally competitive, the local poultry sector needs more support. Competitors in the US, Brazil and the EU enjoy several forms of subsidisation and incentives whereas the South African government does not provide any support in the form of financial grants and technical expertise-related subsidies, veterinary services, flu vaccinations or subsidised feed. By contrast, the government has heavily invested in other sectors such as automotive and business process services. It is possible that the government's reluctance to invest in the poultry sector is due to the uncertainty of the returns from AGOA while no income can be derived from poultry exports to the US.

While DALRRD provides no financial assistance to the black contract growers, who respondents in the study claim received support and business from the main commercial firms, the government has provided considerable funding in at least one instance, that of Daybreak Farms, to make a very large BBBEE intervention in the interests of transformation, through an investment by the PIC.

7.2.7 Employment

As mentioned above, the study did not find any evidence that AGOA has created employment in the South African poultry sector, as the South African government is not specifically tracking the impact of AGOA on employment. However, the study partially accepts SAPA's claim that US poultry imports are responsible for job losses in the sector. Ironically, it is equally likely that the AGOA poultry deal contributed to job creation in the US (although outside the scope of the study).

7.2.8 Transformation in the South African poultry sector

This study shows that the South African poultry sector has not racially transformed, as evidenced by the BBBEE scorecards of the main firms, which show little or no commitment to transforming ownership, management control or skills development. Even in enterprise and supplier development and socio-economic development, the areas relatively easy for companies to implement BBBEE, there has been almost no change. Unsurprisingly, more than 70% of the commercial poultry farms are still owned and managed by white farmers. Neither the DTIC nor DALRRD have made any significant attempt to transform the South African poultry sector by enforcing the relevant BBBEE sector targets.

7.2.9 Firm-level responses to the renewal of the AGOA agreement

Along with other coinciding factors, the renewal of the 2015 AGOA agreement and subsequent influx of poultry imports from the US influenced some local firms to sell some of their poultry farms and withhold investment in additional capacity.

7.3 Benefits of AGOA to other sectors

Many sectors in the South Africa economy have benefitted from AGOA since 2000 and the exports under the agreement have increased by 104% since then. The leading exporting sectors from South Africa to the US under AGOA are fabricated and metal products, fish and marine products, beverages and tobacco, computers and electronics, food and kindred products, agricultural exports, machinery, mineral ore, chemicals, miscellaneous manufactured commodities and transportation equipment. AGOA exports to the US were valued at USD 8,5 billion in 2018.

7.4 Comparison with previous research

AGOA-related research has been conducted by researchers Akiko (2017); Cochrane et al. (2015); Goga and Bosiu (2019); Joubert (2017); Mafu (2016); Mbatha (2019); Nyhodo et al. (2016); Obembe (2011); Singh (2016); Williams (2015); and Zenebe (2013), among others. Most of the research conducted was based on the general benefits of AGOA for all the economic sectors. The few researchers that focused on poultry conducted research that was broad and not focusing on the PTAs at the firm level. Except for Singh (2016), their research did not explore the reasons why South Africa was not able to export breast meat to the US since the renewal of AGOA in 2015. Singh (2016) researched the impact of SPS policy on market access. She concluded that the technical difficulties and inconsistencies that are embedded in the implementation of the WTO SPS agreement have been responsible for the non-realisation of trade and liberalisation in developing countries. This finding agrees with what was found in the present study concerning the poultry sector. This research complements other findings by some of the researchers mentioned above.

For instance, Cochrane et al. (2015) found that the South Africa poultry sector is not competitive due to high feed costs and recommended that the feed costs be reduced through the introduction of drought-resistant maize varieties and a reduction in yield variabilities. This study found that the bigger commercial producers mitigate the cost of feed by growing their own feeds. As a result, the average feed costs of two large commercial firms were 9% and 12% lower than those faced by small-scale producers (Zotwa, 2014). Goga and Bosiu (2019) made a similar finding about high feed costs and further suggested that the government play a more active role in the value chain of poultry production through subsidies. This author agrees with these studies and the SAPSMP; the government should fund the HDIs and subsidise the cost of feeds. The government could also dedicate resources to research and development to grow soybeans more competitively or facilitate partnerships with African countries like Tanzania that are better at soybean production than South Africa. The SAPSMP should also be updated to include long-term practical and sustainable plans to lower poultry input costs.

Mafu (2016) indicated how the main poultry firms' monopoly control over breeding and other factors allowed them to act as an oligopoly and dominate the whole value chain and the market. While their vertically integrated operations give them an overwhelming competitive advantage over smaller firms and hampers transformation, their dominance probably enhances their potential viability as poultry exporters under AGOA.

Akiko (2017) examined the future potential structures that would be most appropriate for the US-African trade and investment relationship. He concluded that South Africa and other SSA countries need AGOA, but it is not a long-term solution to their economic development. He suggested that the current agreement be honoured and retained but that South Africa and other SSA countries look at regional export strategies. As noted in this study, the SAPSMP has identified exporting to more regional markets as part of the sector development strategy.

Mbatha (2019) discovered that the local firms are not exporting all the eligible products covered by AGOA. This study concluded that there were several reasons for the under-utilisation of AGOA including the failure of the government to create awareness about the AGOA benefits, local firms lack manufacturing capacity to take advantage of all the benefits of AGOA, and coordination between the various government departments and the private sector is poor. Coordination is crucial for encouraging good governance practices and ensuring the successful implementation of government projects, especially where there are many different stakeholders. This study found that coordination by line ministries like the DTIC and DALRRD around AGOA has not always been effective.

Williams (2015) examined the background to AGOA and the renewal of the agreement in 2015 with a focus on the new sections, like the out-of-cycle review and specifically the textile and apparel provisions. This study assessed AGOA’s impact on the poultry sector and its main firms. Nyhodo et al. (2016) recommended that South Africa use its position as a leading commercial poultry supplier in Africa to dominate the Africa market, where many of the markets are that this study also found may be attractive export markets for South African poultry, especially with the implementation of the AfCFTA.

Mulaudzi and Liebenberg (2017) correctly characterise South Africa as a developmental state, which partially accounts for the failures of the government in the implementation of AGOA reported in this study, failures that have not only resulted in being unable to export poultry to the US but a lack of capacity to implement the AGOA policy, resource it and implement it for the optimal benefit of the poultry sector. Further, the success of the AGOA agreement depends on the domestic capacity of the South African economy to efficiently produce and export commodities. This capacity is limited by the government's failure to provide basic electricity, water and transport infrastructure which costs the economy billions of rands in lost production and missed business opportunities. The study found a strong perception among poultry firms and SAPA that the government prioritised other sectors with funding and other resources due to the perception that other sectors bring more immediate benefits to the fiscus than poultry which still needs a lot of investment to realise its full potential, especially in terms of SPS and BBBEE.

7.5 Theoretical implications of findings

The fact that several African LDCs have not benefitted economically from PTAs and, in the case of South Africa, the poultry sector has suffered harm caused by the AGOA 2015 concession, confirms Stiglitz's (2007) insight that PTAs are detrimental to developing countries. Stiglitz (2007) claimed that developing countries do not need an FTA to export to the United States and risk losing independence. However, in the case of AGOA and South Africa, it is clear from the study that South Africa has derived tremendous benefit from FTAs and from AGOA, which has allowed preferential trade with the US for two decades. The foreign exchange value of this trade should also be understood against South Africa's inability to accelerate economic growth over the same period.

Unlike in other countries where the trade agreements' results fell short of the developing country's expectations (Stiglitz, 2007), South Africa has gained from trade with the US through AGOA. However, the exception is the poultry sector, where the study found there were no gains for the local sector.

Stiglitz (2019b) also referred to the suitable role of government in the economy, particularly the combination of actions of the government in the areas of "economic effectiveness, social justice, individual responsibility and other liberal values". This study found that all three spheres of government lack the capacity to take full benefit of the AGOA agreement through the provision and delivery of services to the communities where the PTA is being implemented.

For effective coordination, the state must enter into partnership agreements with other societal stakeholders such as business, labour and civil society (Mulaudzi, 2020). However, the state institutions that have been mandated with the implementation of the AGOA agreement in South Africa lack the will or the financial resources to implement the SPS policy that would allow the local firms to export to the US and have insufficiently explored options to access resources, particularly scientific expertise, through strategic partnerships through its research agencies with the private sector and academic institutions, or with the producer representative body, SAPA.

Trade theory advocates that free trade is the best policy for an economy provided compensatory policies can be implemented and market failures can be addressed through corresponding policies (Rodrik, 2018). The study shows that there were market failures at several levels that the South African government either caused or failed to remedy, such as preventing farm closures and job losses, not supporting BBBBEE entrants among contract growers and not ensuring that the HDI holders of import quota licences were resourced to exercise their rights. The role of the state should also involve interventions such as subsidies to capacitate businesses to take full benefits of AGOA.

Stiglitz and Charlton (2003) were concerned with the problem of how to achieve the redistribution of income in a way that minimises loss of effectiveness. This study suggests that the government has chosen the option of allocating its limited resources to sectors that it perceives have greater potential for returns to investment than poultry, such as automotive products.

Lastly, the literature lacked research into the effects of PTAs on a developing country at the poultry sector firm level. The research that had been conducted was mostly at the aggregate level. This study showed that poultry firm-level responses to AGOA were generally protective. After the US got access to their market in 2015 and the effects of the dumping of the import quota were felt, poultry firms closed farms and reduced capacity and operating costs in anticipation of the influx of poultry imports from the US. They also stopped investing in additional capacity.

7.6 Policy recommendations

- The study confirmed that dumping has been a major concern in the local poultry sector. This is due to poor monitoring by SARS and DALRRD as a result of poor labelling of imported chicken and poor monitoring controls at the border. The South African government should ensure that all chicken, local or imported, is properly labelled to be traceable to the country of origin. This will help reduce dumping and assure greater food safety. There is no risk of increasing cost as all poultry products are labelled anyway. In addition, proper import controls must be placed at all ports of entry to ensure poultry import quotas are not exceeded.

- Before the renewal of AGOA, anti-dumping tariffs on imported US broiler meat effectively closed the South African market to that country (USDA, 2019). The effects of dumping on the local market can be reduced if the South African government implements optimal tariffs on imported chicken from non-AGOA countries.
- South Africa now has a strong case study to present to the 2025 renegotiations of AGOA and can show that the dumping of US poultry has had negative impacts on the local industry that fly in the face of the stated intention of AGOA to promote growth and development, particularly the failure of the import quotas to stimulate BBBEE. This evidence should be used to negotiate an end to the poultry import quota.
- Given the low rate of poultry exports from South Africa to other African countries, South African firms can pursue exporting poultry within the existing SACU and SADC trade bloc, especially while unable to export to the US. As the largest poultry-producing country in Africa, South Africa should be able to use economies of scale to export competitively to the African market as an alternative to AGOA, especially now that the implementation of the African Continental Free Trade Area (AfCFTA) has begun.
- A further possibility could be explored, that of minimising the impact of the AGOA import quota by creating an alternative pipeline to other African markets, whereby properly resource BBBEE quota licence holders would be allowed to export the AGOA poultry rather than sell it on the South African market. This could easily be accomplished if the government subsidised the export costs as a pragmatic way of preserving the rest of the AGOA's benefits to the economy.
- The government must help local poultry producers to be competitive by allowing labour at lower rates, and providing safe and reliable infrastructure, cheaper

electricity, lower lending rates, better roads and export capacity building initiatives.

- The SPS policy must be urgently developed, resourced and implemented by DALRRD for the poultry sector. To mitigate the cost implications due to the initial capital outlay required, the government could enter into Public-Private Partnerships with the private sector to share the initial financial risk of creating the research and monitoring infrastructure. The government already has the necessary research and scientific capacity to contribute through its funded agencies, such as CSIR and ARC, as well as access to local and African universities and private scientific institutes.
- A service level agreement should be concluded between all the South African stakeholders in the AGOA poultry deal to ensure efficient delivery and accountability. The main stakeholders are DALRRD, DTIC, SAPA, poultry importers and retailers.
- The South African government must enter into a separate partnership agreement with SAPA, specifically focused on activating and strengthening the BBBEE aspects of the SAPSMP. This must include a formal project plan to mentor, resource and develop black contract growers to convert them to commercial farmers. Funding for this may be partly sourced, along with technical assistance, through participation in the AGOA trade and investment hubs.
- Further, the South African government should be more committed to insisting on the implementation of the developmental aspects, technical expertise and financing that were promised through the AGOA agreement.
- The DTIC must ensure that the South African poultry sector participates in the AGOA Forums to ensure they influence investment and policy decisions impacting their sector.
- Along with assisting current black contract growers and import quota holders, the government should urgently address the disproportionate dominance of ownership throughout the value chain of white South Africans. The government should enforce the transformation of the poultry sector through the B-BBEE Act and Codes of Good Practice and stiff penalties should be imposed for non-compliance and failure to meet sector targets. As part of its understanding of non-compliance, the government should immediately end the abuse of import

permits whereby black licence holders sell their import quotas to third parties. This and other forms of fronting in the sector can be curbed if the government, and particularly structures such as the DTIC BBBEE commission, play a stronger interventionist role while funding agencies such as the IDC explore ways to capacitate black players in the sector.

- The above measures are not enough to ensure the transformation of the poultry sector and the graduation of the small black farmers into the mainstream commercial poultry market. The government should use the existing legislative framework – the National Small Enterprise Act of 1996, Cooperatives Act of 2013, Preferential Procurement Policy Framework Act (PPPFA) and Broad-Based Black Economic Empowerment (B-BBEE) Act – which all aim to economically empower black-owned businesses and individuals within the mainstream economy, to redirect government resources to support black poultry farmers. Contract growers acquire the necessary skills and know-how but are entirely dependent on the main producers for business. Subsistence poultry farmers cannot expand their business to competitive levels because they are forced to source all supplies from the dominant commercial firms while using inefficient, low technology means of production.
- The government can make a simple intervention through preferential procurement and off-take agreements of poultry products from lack farmers that would guarantee them an enormous market through, for example, supplying government hospitals, prisons, the armed forces, parastatals, canteens in government buildings and the national school nutrition scheme (which feeds more than 7 million children daily). The government could also subsidise the supply to the government's many training facilities, the country's 26 universities, 50 public TVET colleges and school hostels, a market potentially serving millions of daily meals.
- The study confirms the existence of an oligopoly of a few commercial producers in the poultry sector, who not only ensure their dominance through controlling feed production but, as the exclusive holders of commercial breeding licences in South Africa, control the very genetic material on which the industry depends. There can be no fair competition in the sector as long as a few firms monopolise the supply of the breeds preferred by the industry. There was little evidence in

the study that SAPA, which is dominated by these firms, has had any real appetite for transformation. If these firms refuse to relinquish control of breeding, the government should acquire licences itself to breed and contract black farmers to produce chicks and fertilised eggs to supply the broiler industry.

- The government has failed to support the local poultry sector with financial and technical subsidies, including veterinary services, flu vaccinations and subsidies for feed which is standard practice in the US. Therefore, the government must develop a policy that deals with the subsidising and provision of the services such as free flu vaccinations, veterinary services and feed subsidies from the state.
- Due to the unique product characteristics and investment requirements associated with large-scale broiler production, the government should investigate the feasibility of forming small-scale black poultry farmers into regional cooperatives to pool resources, mobilise capital and ensure value chain integration. The same collectivising approach could be applied to feed producers, importers, exporters and wholesale and retail distributors.
- The government does not have any financial incentive scheme for the poultry sector, unlike the automotive sector which has the Automotive Investment Scheme (AIS) from the DTIC. The large commercial firms have demonstrated the ability to raise their development capital. Therefore, the government could provide a mix of financial incentives such as grants, loan guarantees and other forms of government-backed agricultural credit and lower interest rates to black-owned firms and new entrants for developmental purposes. Institutions like the Small Enterprise Development Agency (SEDA) should form part of this government strategy, given their footprint in all provinces and their core mandate of developing small businesses.
- The government should invest in research and development of drought-resistant feed crops for South Africa and work with feed producers in other African countries such as Zambia and Tanzania, the best soybean producers in Africa, to enable South Africans to learn from best practices and negotiate better import rates for their feeds, perhaps in reciprocal trade agreements that provide commodities that South Africa has a superior trading advantage in.

- The study found that firms (and even officials) lacked adequate access to information on AGOA and the role of government in the implementation of the AGOA agreement. DTIC and DALRRD should urgently ensure that information on AGOA is readily available to the public at their offices and on their websites (including accommodating all South Africa's official languages).

7.7 Limitations of the study

This study only focused on the South African poultry sector and its duty-free access to the US through the AGOA and does not take into account other sectors party to the agreement nor other agreements that South Africa has concluded and their possible impact on the poultry sector. While the AGOA agreement involves many other qualifying SSA countries, this study only concentrated on South Africa. The study concentrated on the top poultry firms who control about 70% of the market and while this served well as a representative purposive sample, and the viewpoints of lesser players, particularly black contract growers and import quota licence holders, were not required by the study design, it is acknowledged that these players' perspectives on some aspects of the study may have differed from those included. Lastly, even though this study was based on a unilateral trade agreement, the literature review included all the different types of trade agreements.

7.8 Future research

While the study was able to make an assessment of the impact of the AGOA poultry agreement in South Africa, an investigation into all aspects of the transformation of the sector is needed, including the role of the DTIC in enforcing sector compliance as the custodian of the B-BBEE Act.

A detailed study of the role of the South African government in the implementation of trade agreements is needed, focused on how government departments should be coordinated for successful implementation.

Another study is required to investigate the bottlenecks associated with the development of the SPS policy by DAFF. Some of the possible solutions have been highlighted in this study, including Public-Private Partnerships and partnering with the ARC and CSIR. However, those possible solutions need to be investigated further to assess their viability.

It was difficult to assess the impact of AGOA on employment and enterprise creation in the poultry sector. For example, without adequate monitoring and accumulation of data, it would be difficult to distinguish which employment, if any, was created through GSP and AGOA in South Africa. The government also needs to relate the outcomes of trade agreements within and between sectors to economic performance indicators, including sector contributions to tax revenue, foreign exchange, job creation, levels of income, skills and technology transfer, intellectual property, and so on.

7.9 Practical implications of the research

The study has made policy recommendations that could assist both the US and South Africa to get the most out of the AGOA trade agreement. The study has highlighted obstacles to this such as South Africa's current inability to satisfy the US SPS requirements for duty-free access to exporting to the US in terms of the AGOA agreement.

Finally, the results of this study will benefit parties engaged in the trade policy-making process in the SSA region, including SAPA, WTO, SADC, government departments such as the DTIC, DALRRD and SARS, bilateral donors, research organisations, non-governmental organisations, trade ministries and councils.

7.10 Conclusion

Trade agreements are useful in international trade even though rarely concluded between parties of equal power, they create winners and losers. In the case of the AGOA agreement, which allows trade between the US and South Africa in 6 500 different product lines, many industries and firms in South Africa have benefitted since 2000, increasing exports to the US economy and stimulating investment and growth. However, the poultry sector has not benefitted from this agreement for various reasons, chief of which is the annual dumping on South Africa of 65 000 tons of poultry imports from the US and the inability to implement reciprocal trade by exporting poultry to the US. This has led or contributed to the closure of farms and the loss of precious jobs and the loss of valuable foreign exchange in an industry that, while small and lacking competitiveness, is an important source of jobs and wealth in South Africa.

The dumping is a consequence of the government being unable to resist US extortionary negotiating tactics at the renegotiation of AGOA in 2015, wherein it conceded to the import quota under threat of losing access to AGOA. The full consequences of this capitulation may yet be more serious at the next AGOA negotiation in 2025, as an unhealthy precedent has been set.

To mitigate this risk, the state should use all available resources to protect the poultry industry while simultaneously dealing with its history of resistance to transformation. It is equally untenable that so vital a food supply to South Africa's population should be held to ransom internationally by competing US interests and monopolised by a few firms nationally. Finally, while the state does not have a good record of support to the poultry sector, has failed to ensure that the South African poultry sector is demographically transformed and was outmanoeuvred at the 2015 AGOA negotiations, this study has provided insight into what the government can do to repair this situation and maximise the benefits and positive impacts of trade agreements like AGOA. All that is needed is the political will to do so.

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APPENDICES:

APPENDIX A1: INFORMATION SHEET FOR QUESTIONNAIRE

Consent Form for Questionnaire for the poultry companies University of the Western Cape

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Title: A model to manage and eliminate barriers of the AGOA poultry deal between South Africa and the USA

Researcher: Zuko April. Student number of student researcher: 3689088

Please initial box

1. I confirm that I have read and understand the information sheet explaining the above research project and I have had the opportunity to ask questions about the project.

2. I understand that my participation is voluntary and that I am free to withdraw at any time without giving any reason and without there being any negative consequences. In addition, should I not wish to answer any particular question or questions, I am free to decline. (If I wish to withdraw I may contact the lead researcher at any time)

3. I understand my responses and personal data will be kept strictly confidential. I give permission for members of the research team to have access to my anonymised responses. I understand that my name will not be linked with the research materials, and I will not be identified or identifiable in the reports or publications that result from the research.

4. I agree for the data collected from me to be used in future research.

5. I agree to take part in the above research project.

_________________________	_______________	______________________
Name of Participant	Date	Signature
(*or legal representative*)		

________________________ ________________ _____________________

Name of person taking consent Date Signature

(If different from lead researcher)

________________________ ________________ _____________________

Lead Researcher Date Signature

(*To be signed and dated in presence of the participant*)

Copies: All participants will receive a copy of the signed and dated version of the consent form and information sheet for themselves. A copy of this will be filed and kept in a secure location for research purposes only.

Researcher: **16 Stone Terrace, Centurion, 0167** **082 4623935/ 012 394 1137** **aprilzuko@yahoo.com/zapril @thedti.gov.za**	**Supervisor:** Abdullah Bayat 021-959 3187 abbayat@uwc.ac.za	**HOD:** Prof Ricardo Peters rmpeters@uwc.ac.za 021 959 2253

APPROVAL:

This research project has received ethical approval from the Humanities & Social Sciences Research Ethics Committee of the University of the Western Cape, Tel. 021 959 2988, email: research-ethics@uwc.ac.za

APPENDIX A2: QUESTIONNAIRE OF A MODEL TO MANAGE AND ELIMINATE BARRIERS OF THE AGOA POULTRY DEAL BETWEEN SOUTH AFRICA AND THE USA

PART ONE: GENERAL INFORMATION

1. When was the firm established? Please tick one box.

<1999	
1999-2004	
2005-2009	
2010-2014	
2015-2017	

2. Is your company exporting any chicken products to the USA in terms of the AGOA agreement signed in 2015? Please tick one box.

YES	
NO	

Please explain your answer:

……………………………………………………………………………………………………

……………………………………………………………………………………………

3. Which chicken portions do you export to the USA?

Leg quarters	
Wings	
Drumsticks	
Thighs	
Other bone-in cuts (Please specify)	
None	

Please explain your answer:

……………………………………………………………………………………………………

……………………………………………………………………………………………

4. How many employees did you employ at the end of the 2015 and 2016 financial year-ends?

Year 2015	Number		Year 2016	Number	Year 2017	Number	Year 2018	Number
Permanent								
Temporary								
TOTAL								

5. What is the reason for the increase or decrease in employment between the 2015/6 and 2016/7 financial years and the current financial year-end? Please elaborate below:

....

....

6. What was your firm's annual turnover from 2015 to the 2018 financial year-end?

Year	Turnover
2015	
2016	
2017	
2018	

7. Which African countries that are part of the AGOA agreement are your competitors with the USA? Please tick one box.

Chad	
Angola	
Nigeria	
Côte d'Ivoire	
Other (Please specify)	

8. Please list your significant poultry competitors per country (mention the top three) and why.

....
....
....

9. Which of the following options best describes your firm? Please tick one box?

South African incorporated firm	
Relocation from another country	
Acquisition of local firm	
Other (Please specify)	

Please explain your answer:
……………………..
……………………..

10. Why did you decide to locate your factory to this location? Your answer should indicate the positive and negative location factors.

……………………..…
……………...…
……...

PART TWO: MARKETS AND MARKETING

11. Which chicken products do you produce and sell in the local market? Please tick the relevant box/es.

Leg quarters	
Wings	
Drumsticks	
Thighs	
Other bone-in cuts (Please specify)	

……………………..

12. In what year did you commence exporting? Please tick one box?

1999-2004	
2005-2009	
2010-2014	
2015-2017	

13. What percentage of total sales were exports in the last three years?

Year	Percentage
2014	
2015	
2016	
2017	
2018	

14. At what rate do you expect chicken exports to increase/decrease in real terms? Please tick one box.

Decline by over 5% annually	
Decline by 1-5% annually	
No significant change	
Increase by 1-5% annually	
Increase by 6-10% annually	
Increase by over 10% annually	
Not sure	

Other (Please specify) ………………………………………………………………………

15. Please specify the reasons for the decline/increase.

……………………………………………………………………………………………………

……………………………………………………………………………………………………..

16. Which of the following reflects the destination of your exports? Please tick the relevant box/es. (Please add the proportion of exports going to each country. Total must add up to 100%.)

United States of America	
Southern African Development Community (Lesotho, Zambia, Zimbabwe, Swaziland, excluding South Africa)	
BRICS (Brazil, Russia, India, excluding South Africa)	
Other (Please specify)	

…………………………………………………………………………………………..

17. Please list the countries from which you purchase your main inputs in terms of importance and percentages.

……………………..

....

18. Are you of the opinion that the poultry sector is growing in South Africa since the signing of the AGOA poultry agreement in 2015?

YES	
NO	

Please explain your answer:

……………………..

....

19. What is your perception of the source of the poultry sector growth in South Africa? Please tick one box.

Rising domestic demand	
Import substitutions (replacement)	
Exports	
Other (Please specify)	

………………………………………………………………………………………

PART THREE: THE AGOA QUALIFYING CRITERIA

20. Are you of the opinion that the AGOA agreement is elevating the rule of law in South Africa? Please tick one box.

YES	
NO	
NOT SURE	

Please explain your answer:

………………………...

....

21. Are you of the opinion that the AGOA agreement is eliminating trade barriers between South Africa and the USA? Please tick one box.

YES	
NO	
NOT SURE	

Please explain your answer:

………………………...

....

22. Is this a good thing for South Africa? Explain why.

……………………………………………………………………………………………………

……………………………………………………………………………………..

23. Are you of the opinion that the AGOA agreement is protecting human rights and eliminating child labour practices? Please tick one box.

YES	
NO	
NOT SURE	

Please explain your answer:

……………………..

....

24. Are you of the opinion that South Africa is making progress towards the "elimination" of barriers to USA trade and investment? Please tick one box.

YES	
NO	
NOT SURE	

Please explain your answer:

……………………..

....

25. Will it be beneficial to your poultry business for South Africa to eliminate barriers between the USA and South Africa? Explain your answer:

……………………..

....

PART FOUR: GOVERNMENT POLICIES AND INCENTIVES

26. How can the performance of the **DTI** and other South African government institutions be improved in dealing with the AGOA poultry agreement? Briefly explain.

……………………………………………………………………………………………………

……………………………………………………………………………………………………

27. What is the uptake of the government financial incentives in your firm? Please elaborate:

……………………………………………………………………………………………………

……………………………………………………………………………………………………

28. If your company is not making use of the government financial incentives, what do you think the government should do to improve the poultry sector intake on its financial incentives?

....

....

29. Is your company receiving technical assistance from USA poultry firms on agricultural exports to those firms in order to meet their standards?

YES	
NO	
NOT SURE	

Please explain your answer:

………………………...

....

30. Are you of the opinion that the technical assistance received from USA poultry firms on agricultural exports does assist South African poultry firms to meet the USA firms' standards? Please tick one box.

YES		
NO		
NOT SURE		

Please explain your answer:

………………………...

....

31. How effective is the communication between the South African poultry sector and the government? Please tick one box.

Excellent	
Very Good	
Good	

Fair	
Poor	

Please explain your answer:

……………………..

....

32. In your opinion, do think there has been an increase in poultry trade under the AGOA agreement between the USA and South Africa? Please elaborate:

…………………………………………………………………………………………………

……………………………………………………………………………………

33. In your opinion, what are the main drivers of the increase/decrease in poultry trade under AGOA? Please tick one box.

Support from the USA	
Aggressiveness of exporters	
Support from the DTI	
Support from poultry organisations (SAPA)	
Other (Please specify)	

…………………………………………………………………………………………………

……………………………………………………………………………………

34. Are there any capacity-building initiatives by the DTI offered to the poultry sector?

YES	
NO	
NOT SURE	

Please explain your answer:

……………………..

....

35. What type of interventions do you need from the government in terms of capacity-building initiatives? Please elaborate.

....

....

36. How satisfied are you with the service offered by the DTI? Please tick one box.

Highly satisfied	
Satisfied	
Dissatisfied	
Highly dissatisfied	
Not sure	

Please explain your answer:

……………………..

....

37. Are you of the opinion that AGOA has the proper legislation and implementation to fully develop South African poultry firms? Please tick one box.

YES	
NO	
NOT SURE	

Please explain your answer:

……………………..

....

38. In your opinion, do you think South African government institutions such as SARS, the National Department of Agriculture, and the DTI are in control of the implementation and monitoring of the AGOA agreement in the South African poultry sector? Please tick one box.

YES	
NO	
NOT SURE	

Please explain your answer:

……………………..

....

39. Are you of the opinion that there is a need to review the AGOA poultry agreement?

YES	
NO	
NOT SURE	

Please explain your answer:

……………………..

....

40. What would you recommend for AGOA to succeed in South Africa? Briefly explain.

………………………………………………………………………………………………

………………………………………………………………………………………………

PART FIVE: IMPLICATIONS OF AGOA FOR SOUTH AFRICAN POULTRY PRODUCERS

41. Are you of the opinion that South African exporting firms lack the skills, capital and other resources needed to raise production in the short term?

YES	
NO	
NOT SURE	

Please explain your answer:

……………………..

....

42. Are you of the opinion that the USA's importers capture most of the gains from the AGOA agreement and pass little or none of the price advantage onto South African exporters? Please tick one box.

YES	
NO	
NOT SURE	

Please explain your answer:

……………………..

....

43. Are you of the opinion that chicken traceability, for example, increases the cost of production and leads to a decrease in the supply of chicken by the USA due to the reduced profits?

YES	
NO	
NOT SURE	

Please explain your answer:

……………………..

....

44. Are you of the opinion that the value of the AGOA benefits to the South African poultry sector has been reduced by extending similar benefits to other exporters within Sub-Saharan Africa?

YES	
NO	
NOT SURE	

Please explain your answer:

……………………..

....

45. Rank the following constraints in order of importance to South Africa on a scale of 1-6 (1 for most important and 6 for least important).

Access to capital	
Access to markets	
Lack of technology	
Demand for products	
Skills shortages	
Geographical location	
Other (Please specify)	

……………………..

46. Which of these challenges are currently facing South African poultry exporters? Please rank in order of importance from 1-6 (1 for most important and 6 for least important).

USA customs and documentation	
Too many cheap imports from the USA	
Rules of origin	
Market identification	
Quality of goods	
Product adaptation	
Other (Please specify)	

……………………..

47. Are you of the opinion that the infrastructure in your area is geared towards increased exports? Please tick one box.

YES	
NO	
NOT SURE	

Please explain your answer:

……………………...

....

48. Please explain the types of problems the South African poultry sector is facing and how these can be addressed.

………

………

………

Thank you

APPENDIX B1: CONSENT FORM FOR INTERVIEW

Consent form for interviews for the poultry companies

Title: A model to manage and eliminate barriers of the AGOA poultry deal between South Africa and the USA

Researcher: Zuko, April and student number of student researcher: 3689088

Please initial box

1. I confirm that I have read and understand the information sheet explaining the above research project and I have had the opportunity to ask questions about the project.

2. I understand that my participation is voluntary and that I am free to withdraw at any time without giving any reason and without there being any negative consequences. In addition, should I not wish to answer any particular question or questions, I am free to decline. (If I wish to withdraw I may contact the lead researcher at any time)

3. I understand my responses and personal data will be kept strictly confidential. I give permission for members of the research team to have access to my anonymised responses. I understand that my name will not be linked with the research materials, and I will not be identified or identifiable in the reports or publications that result from the research.

4. I agree for the data collected from me to be used in future research.

5. I agree to take part in the above research project.

Name of Participant (*or legal representative*)	Date	Signature
Name of person taking consent (*If different from lead researcher*)	Date	Signature
Lead Researcher (*To be signed and dated in presence of the participant*)	Date	Signature

Copies: All participants will receive a copy of the signed and dated version of the consent form and information sheet for themselves. A copy of this will be filed and kept in a secure location for research purposes only.

APPROVAL:

This research project has received ethical approval from the Humanities & Social Sciences Research Ethics Committee of the University of the Western Cape, Tel. 021 959 2988, email: research-ethics@uwc.ac.za

Researcher:	Supervisor:	HOD:
16 Stone Terrace, Centurion, 0167	Abdullah Bayat	Prof Ricardo Peters
082 4623935/ 012 394 1137	021-959 3187	rmpeters@uwc.ac.za
aprilzuko@yahoo.com/zapril @thedti.gov.za	abbayat@uwc.ac.za	021 959 2253

APPENDIX B2: INTERVIEW GUIDE

The semi-structured interview will target the senior managers of the selected South African poultry companies with the clear knowledge of AGOA. This will be tape-recorded and notes will be taken during the interview.

Note: The interviewer seeks to gain knowledge on the understanding of the company's management about the AGOA objectives, which are listed below in the form of questions.

It is 10am and we start.

My name is Zuko April, and I am a PhD student at the University of the Western Cape.
I am conducting a study titled 'A model to manage and eliminate barriers to the AGOA poultry deal between South Africa and the USA'.

Do you consent to taking part in this interview and to recording this interview?

Please tell me:

your name,

the company you work for and

the position you hold in the company

Question 1
Please provide your understanding of the AGOA poultry agreement between South Africa and the United States of America.

Question 2
Does AGOA provide incentives for South Africa to achieve political and economic reform and growth? Please elaborate if the answer is yes.

Question 3
Did AGOA establish a process for strengthening USA relations with South African? Please elaborate.

Question 4
Does AGOA offer South African poultry farmers duty-free and quota-free USA market access for poultry products through the General System of Preferences (GSP) programme? Please elaborate.

Question 5

Does AGOA provide additional security for investors and traders in South Africa by ensuring benefits for 10 years? Please elaborate.

Question 6

Does AGOA eliminate the trade barriers for South African Poultry farmers? Please elaborate.

Question 7

Has AGOA established a USA-SSA Trade and Economic Forum to facilitate regular trade and investment policy discussions? Please elaborate.

Question 8

Does AGOA promote the use of technical assistance to strengthen economic reforms and development, including assistance to strengthen relationships between USA firms and firms in SSA countries? Please elaborate.

Question 9

Has AGOA been successful in reinforcing South Africa's reform efforts? Please elaborate.

Question 10

Has AGOA been successful in facilitating the integration of South Africa's economy into the global economy? Please elaborate.

Question 11

Has AGOA been successful in promoting employment and poverty reduction in South Africa? Please elaborate.

Question 12

One of the major input costs in poultry production is the cost of feeds. Do you own produce your own feeds, and if so how much is the cost of producing a whole bird?

General

Is there anything else you want to add with regards to AGOA, the poultry industry or government that will be useful for this research?

In terms of the size of your company, what market share does your company hold?

Thank you

APPENDIX C: FOREWORD TO THE AFRICAN UNION SANITARY AND PHYTOSANITARY (SPS) POLICY FRAMEWORK

The African Union (AU) looks to agriculture as the engine for Africa's transformation and for strong support of the aspirations of Africa outlined in Agenda 2063. Agriculture is expected to realize the economic transformation agenda of Africa with the African Continental Free Trade Agreement (AfCFTA) whose objective is to facilitate trade between AU Member States and thereby "promote and attain sustainable and inclusive socio-economic development, gender equality and structural transformation of [African countries]." Indeed, the production and flow of agricultural products is critical to economic development, prosperity and food security throughout the continent. This is formally acknowledged through the AU's 2014 Malabo Declaration on Accelerated Agricultural Growth and Transformation for Shared Prosperity and Improved Livelihoods and the landmark signing and coming into force of the AfCFTA in May 2019. The AfCFTA stresses the continuing expansion of Africa's agricultural growth and transformation and reiterates the need to further expand Africa's agricultural commodity trade. According to the United Nations Economic Commission for Africa, 75 percent of intra-African trade is in agricultural products. There is an urgent need to harness markets and trade opportunities on the continent and overseas.

Improved implementation and harmonization of Sanitary and Phytosanitary (SPS) systems is critical to ensuring that any agricultural trade protects human, animal and plant health. SPS laws and regulations within AU Member States must be updated and meet the WTO SPS Agreement commitments and be based on international standards that ensure the safe trade of agricultural products with minimal trade distortion. Thus, the AU SPS Policy Framework lays out a roadmap to maximize the efficiency and effectiveness of SPS systems on the continent to enhance protect human health and facilitate intra-African agricultural and food trade. Nevertheless, it will be the Member States of the AU that must take action at the national level to implement the Agreement, demonstrate commitment to strengthening their regulatory systems, and prioritize SPS funding streams. It will also be incumbent upon national governments to mobilize stakeholders—farmers and herders, traders, distributors, retailers, regulators, and consumers—to produce and demand safe agricultural products for the African continent.

I am therefore very pleased to introduce the AU SPS Policy Framework for the period 2019 to 2024. It was developed by the African Union Commission in collaboration with the African Union Member States, Regional Economic Communities (RECs), and technical and development partners. The Policy Framework is firmly aligned with the AU Business Plan (2017—2021) for implementing the Comprehensive Africa Agriculture Development Programme (CAADP) 2014 Malabo Declaration. Furthermore, the Policy Framework was formulated at a significant time when African Union (AU) entered into the practical phase of operationalizing AfCFTA to achieve overall continental integration. Moreover, the AU has increasingly grown in stature, representing a major force in international affairs including trade. Worth noting too, is that the Policy Framework comes at a time when the AU's Department of Rural Economy and Agriculture (DREA) is presenting the 2nd Biennial Review Report. The Policy Framework will help to generate information for successive Biennial Review Reports.

The AU Commission recommits itself to enhancing collaboration with other Pan African Institutions, working with the RECs and promoting partnerships with regional and international agencies, in support of AU Member States in our key strategic areas contained in the AU SPS Policy Framework. By so doing we will contribute to the vision of an integrated and prosperous Africa.

Ambassador Josepha Sacko

Commission for Rural Economy and Agriculture