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South Africa, Republic of

Wine

South Africa - European Union Agreement

2002

Approved by:
Richard Helm
U.S. Embassy
Prepared by:
Patricia Mabiletsa

Report Highlights:
Following several delays, the South African - EU Agreement on Wine and Spirits was finally signed on January 28, 2002. The EU granted South Africa an annual duty-free volume of South African wine of 35,300,000 litres, with an annual increase of about 6,720,000 litres effective from 2002 to 2011. The agreement ensures reciprocal protection of names indicating EU and Member state origin for spirits with a transitional period of 5 years. South Africa also protects the name "South Africa" or similiar names used to describe the country. The EU committed to contribute 15 million Euros towards restructuring of the wine industry in South Africa aimed at increasing opportunities for previously disadvantaged groups.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Pretoria [SF1], SF

Executive Summary

Following several months of negotiations, the South African-European Union (SA-EU) agreement on wine and spirit was finally signed in Paarl, South Africa on January 28, 2002. The agreement ensures reciprocal protection of names indicating EU and Member state origins for spirits, specifically Grappa, Ouzo, Korn, Kornbrand, Jagertee and Pachan, with a transitional period of 5 years. South Africa also protects the name "South Africa" or other similar names used to describe the country.

The EU's import tariff quota regulations have been amended to increase the annual duty-free volume of South African wine to the EU, from 32 million litres to 35,300,000 litres, with an annual increase of about 6,720,000 litres effective from 2002 to 2011. In addition, the EU and its member states will contribute about 15 million Euros towards restructuring the wine industry to the benefit of previously disadvantaged groups.

In 2002, South Africa is granted a duty-free EU quota (at an annual growth factor of 5% of base year volume) of 42,020,000 litres of red and white wine, including fortified wines, which includes an additional volume accounting for last year's deferred shipments. The Agreement applies to EC tariff quotes 2204, 2204.21.79, 2204.21.80, 2204.21.83, and 2204.21.84. South African exporters should comply with sanitary, phytosanitary and other technical requirements as stipulated by the EC, and the Rule of Origins as part of the TDCA. Eighty percent of permits will be allocated in proportion to the market share of historical exporters, based on actual exports during 1998, 1999, and 2000. The remaining 20 percent of exports are to be allocated for new and small, medium and micro enterprises.

Background

The initial free trade agreement between South Africa and the European Union (the Agreement on Trade, Development and Cooperation) was signed in Pretoria on October 11, 1999 and came into effect provisionally on January 1, 2000. The agreement includes provisions that provide duty-free access between the two countries for a period of about 10 years. About 95 percent of South Africa products are expected to enter the EU markets free of duty during this transitional period, and about 86 percent of EU exports will enter SA duty free by the end of the 12 year period. The original agreement provided for an annual duty-free quota of 32 million litres of South African wine imported in bottles. The new amended regulation increased the volume to 35,300,000 litres. For each year from 2002 to 2011 a set volume of 6,720,000 litres will be added to the basic annual quota volume. The agreement also provides for continued financial assistance for development activities at a substantial level for the duration of the agreement.

The South Africa-EU wine agreement aims to"create favorable conditions for the harmonious development of trade and the promotion of commercial cooperation in the spirit sector on the basis of equality, mutual benefit and reciprocity." Although the agreement was to have been signed in January 2000, conclusion of the accord was postponed based on EU's concerns involving geographic origins and appellations for wines and spirits (particularly ouzo and grappa). The EU requested that South Africa reduce the five- year phasing-out period of the names (grappa, ouzo, and port) to a three-year period beginning on January 2002. The EU also argued that French exports to South Africa were constrained by the high duties still in place, and wished to negotiate a phase-out of those barriers.