

PORTFOLIO COMMITTEE ON TRADE AND INDUSTRY

ADDITIONAL PROTOCOL TO SA/EU TRADE DEVELOPMENT AND COOPERATION AGREEMENT (TDCA)

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Background of the TDCA

- SA-EU trade relations are governed by the TDCA which provides for the establishment of a FTA over a transitional period of 12 years.
- The TDCA is one of the most ambitious cooperation agreements ever concluded with a third country.
- Entered into force on 1 May 2004 and the full implementation of the TDCA has been effective since end of 2012.
- The agreement provides for the liberalisation of 95% of the EU's imports from SA within ten years, and 86% of South Africa's imports from the EU in 12 years, which came into full effect in 2012.
- Tariff cuts as set out in SA's trade offer are implemented by SARS.
- Agricultural quotas are administered by DAFF.



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Scope of the TDCA

- The scope of the Agreement covers about 90% of current trade between SA & the EU.
- Agreement covers a wide field of cooperation, which includes:
 - Trade related issues like competition and intellectual property.
 - Financial assistance & development cooperation.
 - Economic cooperation: facilitating the restructuring & modernization of SA industry etc.
 - Political dialogue: respect for human rights, support for democracy etc.



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Benefits of the TDCA

- Agreement is legal instrument that binds SA's trade relations with the EU
- TDCA has realised an Improved market access for both sides since the agreement has been implemented
- TDCA was one of the first trade agreements signed with a developed economy since post democracy and has set the footprint for follow up trade agreements



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EU Enlargement

- The TDCA makes provision for the development of Additional Protocols to ease the smooth accession of new members into the EU and also for the extend of trade preferences.
- Since the TDCA was signed, there has been three EU enlargements with the last occurring on 1 July 2013 when Croatia joined the EU. The others include:
 - **2004-Czech Republic, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia**
 - **2007-Bulgaria and Romania**
- Hence the presentation today for ratification of the Protocol to include the latest country to accede to the EU
- The Additional Protocol creates a legal basis for the extension of the TDCA to include Croatia.
- It will ensure that Croatia benefits from the TDCA and that SA's exports gain preferential treatment into Croatia.

Opportunities and Challenges

- Like any market opening exercise, the EU enlargement will lead to a competition challenge for SA economic operators but also a bigger opportunity to export.
- Currently the EU accounts for 40% of South Africa's total trade and with the current Enlargement the EU population will increase by more than 4 million, thus providing an even larger market for South Africa's exports.
- Albeit it from a very small base, it is expected that the TDCA will have an overall positive impact on trade between SA and Croatia.
- SA's main exports to Croatia include mineral products, base metals, prepared foodstuffs, beverages, cement, asbestos and vegetable products; while Croatia exports textiles, machinery & mechanical appliances, vehicles and wood to SA.



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Opportunities and Challenges

- Further opportunities exist for SA in sectors such as agricultural, machinery, transport and electrical equipment which SA exporters can exploit once South Africa's preferential access into Croatia comes into force.
- The accession of Croatia to the EU has the potential to create jobs in various sectors and foster economic growth.
- In addition, it will spur growth in overseas markets for SA made products and generate opportunities for South African workers by creating new jobs.
- It is anticipated that there will be more opportunities than threats for SA as a result of Croatia's accession to the EU.



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Consultations

- Prior signing the Protocol, DTI consulted with National Economic Development and Labour Council (NEDLAC) on the accession of Croatia to the EU.
- Industry representatives identified no sensitive areas and agreed with the signing the Additional Protocol to Croatia.
- DTI also consulted with other stake holders namely DIRCO, DOJ, DAFF and SARS
- Presidential approval was obtained for Minister of Trade and Industry to sign the Additional Protocol to include Croatia.

Implementation

- As implementing agent, SARS will implement the agreement once it has been ratified.
- SARS will implement the Additional Protocol within its current organizational framework.
- SARS will publish the date for the implementation of the Additional Protocol to the TDCA once it has been ratified by the Parliament.
- the dti will inform the relevant stakeholders and economic operators of the date for implementation of the Additional Protocol through the use of various media houses and Export Councils.

Conclusion

- There is no envisaged drastic change over the short to medium term in South Africa's trade and economic relations with the EU as a result of Croatia's accession.
- As the EU is South Africa's largest trading partner, there is a fair level of market penetration and the framework for duty free market access is already in place, thereby offering those companies trading with the EU a seamless expansion to the Croatia market.
- The inclusion of Croatia in the TDCA creates a number of new opportunities for South African companies to expand their exports to Croatia or to establish a new export market.

Acronyms used

- DTI –Department of Trade and Industry
- SA-South Africa
- EU –European Union
- SARS –South African Revenue Service
- TDCA –Trade Development and Cooperation Agreement
- DAFF- Department of Agriculture, Forestry and Fisheries
- DIRCO-Department of International Relations and Cooperation
- DOJ-Department of Justice
- NEDLAC (National Economic Development and Labour Council)

THANK YOU



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