

PRESENTATION TO THE PORTFOLIO COMMITTEE ON INTERNATIONAL RELATIONS & CO-OPERATION

SADC and EU Economic Partnership Agreement

Presentation

by

Ms Xolelwa Mlumbi-Peter

Deputy Director-General: International Trade and

Economic Development Division

Department of Trade and Industry

7 September 2016



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

Contents

- Approach to the negotiations
- Background on SA-EU trade relations
- Background on EPA Negotiations
- Implications of the EPA
- Improvement on TDCA – Market Access
- Improvement on TDCA – textual provisions
- SA – EU Geographical Indications
- Milestones
- Way forward
- Conclusion



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

Approach to trade negotiations

- Informed by and support to national development objectives set out in NDP, NGP and IPAP.
- Provide opportunities to increase exports of value added products.
- Should not unduly limit development policy space.
- Should support regional integration.
- National consultation at intra-governmental level and in NEDLAC.
- SACU consultations to protect common external tariff.

Background on SA-EU Relations

- SA-EU trade relation have been governed by the trade chapter of the Trade, Development and Cooperation Agreement (TDCA)
- The TDCA was signed on 11 October 1999 and was implemented over a period of 12 years (2000 to 2012).
- The TDCA was the first comprehensive trade agreement SA completed with a developed country.
- Tariff schedule: SA committed to grant duty-free access to 86% of EU imports over 12 years (fully implemented in 2012), while the EU liberalized 95% of SA's imports over 10 years (fully implemented in 2010).
- Provides for some protection of sensitive SA sectors (such as clothing and textiles) -no preferences were given or only a margin of preference was given.
- TDCA reduced SA's policy space in a number of areas.
- Uneven market access in agriculture.



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

SA-EU Trade figures cont.

- The EU remains South Africa's main trading partner
- Total trade increased from R374 Billion in 2011 to R 536 Billion in 2015; an increase of 43%
- SA exports and imports with the EU both had an annual growth of about 9% during the period 2011 to 2015
- SA exports to EU increased from R 151 Billion in 2011 to R 216 Billion in 2015; still big negative trade balance that needs to be addressed
- Total trade has grown by 257% since the agreement was implemented in 2000.



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

SA-EU Trade figures cont.

- SA exports have been highly concentrated on primary products
- Platinum, Ferro-alloys, coal and iron ore are among the top 10 of our exports to the EU and contributed a share of 13.2%, 4.8%, 3.6% and 3.1% respectively in 2015
- On a more positive side, some manufactured goods are also counted among the top 10 SA exports
- Our top export in 2015 were motor cars and motor vehicles for transport that jointly contributed 21% in our exports to the EU in 2015.
- Grapes, citrus and wine were also among our top exports to the EU.



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

Background on EPA Negotiations

- The Economic Partnership Agreement (EPA) negotiations between the EU and various groupings of the African, Caribbean and Pacific (ACP) countries started on the 27th November 2002.
- The EPAs were negotiated to replace the unilateral trade regime between the EU and ACP countries under the Cotonou Partnership Agreement (CPA) and before under the Lome Convention. SA become part of the Lome Convention in in 1997 and also part of CPA but SA was excluded from the unilateral trade regime provided by EU to the ACP countries.
- The South African Development Community (SADC) countries negotiated EPAs under three groupings.
- SADC EPA Group comprises of Angola, Botswana, Lesotho, Mozambique, Namibia, South Africa, Swaziland and Tanzania (decided to leave this grouping and join the East African Community (EAC) with Kenya, Uganda, Rwanda and Burundi)



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

Background cont'd

- The rest of the SADC countries joined the East and Southern African Group (ESA) grouping to negotiate the EPA.
- SA only joined the SADC group as an observer country at the onset of the negotiations due to the existing bilateral trade relations with the EU under the TDCA that entered into force in 2000. SA's active participation in the SADC-EU EPA configuration negotiations was endorsed in early 2007.
- SA's core interest has been to harmonise the trading regime between SACU and the EU; to secure further market access in agriculture (beyond the TDCA provisions) and claw back some policy space lost under the TDCA.



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

Implications of the EPA

- The EPA would ensure that the SACU common external tariffs are maintained through the uniformed trade regime agreed under the EPA.
- The negotiations also granted SA an opportunity to address the TDCA shortfalls as set out below namely:
 - SA liberalized more lines in comparison to the EU in the agricultural sector.
 - Standstill clause restrictions for tariff increases on EU goods that were excluded from liberalisation or subject to a preference margin if the MFN rate is raised.
 - Safeguard provision that was only available for first 12 years
 - Elimination of export taxes.

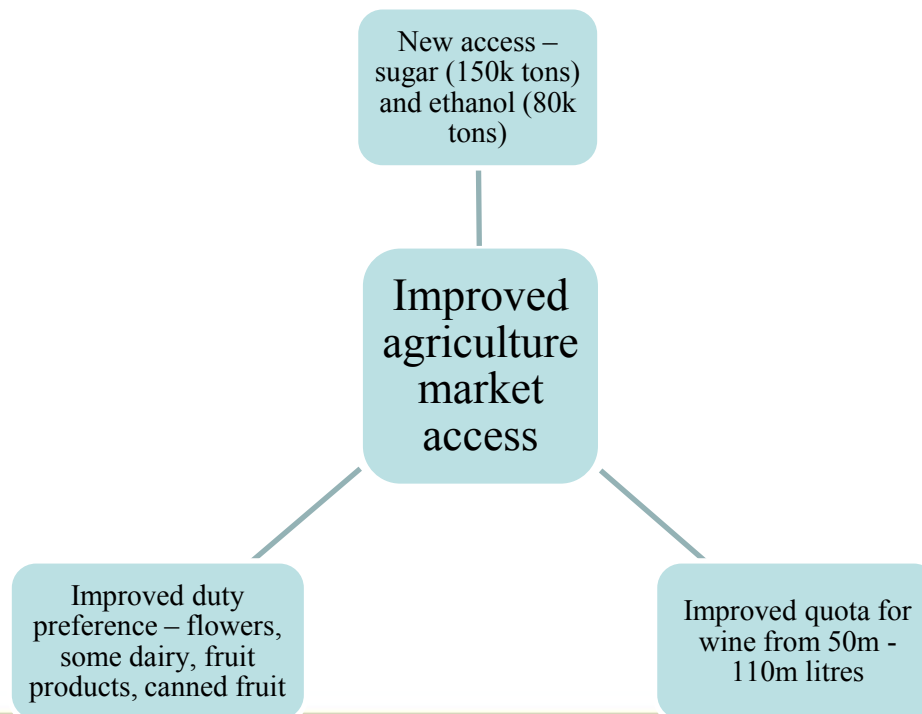


the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

Improvement on TDCA – Market Access

- The EPAs provided SA with an opportunity to improve market access better than TDCA on fisheries products as well as 32 agricultural products including:



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

Improvement on TDCA – textual provisions

- SA also managed to improve textual provisions from what was agreed in TDCA as follows:
 - EPA rules of origin would now allow for extended cumulation that can facilitate intra-regional trade and industrialisation across the Southern and Eastern Africa region in particular.
 - Export taxes can be introduced on exports from EU under certain circumstances

Improvement on TDCA – textual provisions cont'd

- Standstill clause will not apply to products excluded from liberalization and tariffs on products from EU can be increased as long as margin of preference agreed is maintained.
- Bilateral Safeguard Provision that will continue to apply indefinitely on all products subject to liberalization.
- Automatic Specific Agricultural Safeguard agreed on list of products.
- Single stage transformation rule on textiles and clothing



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

SA – EU Geographical Indications

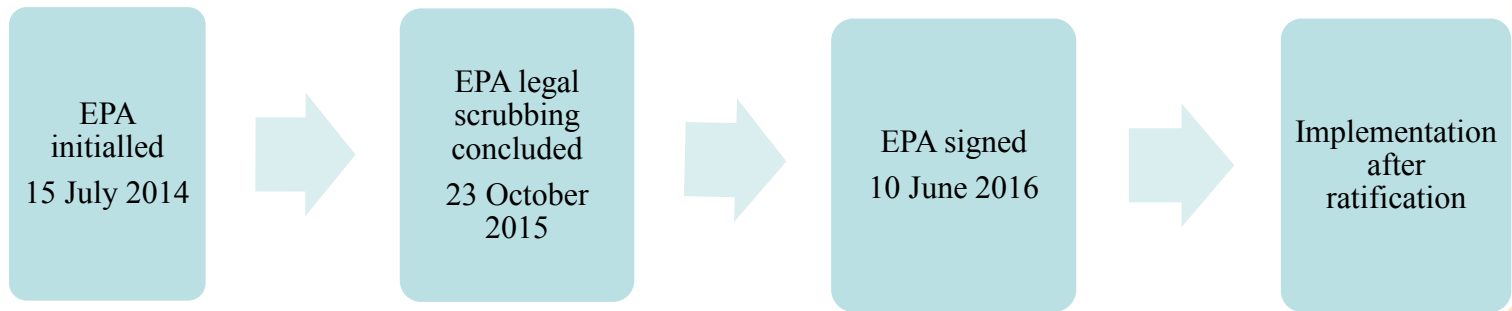
- The SADC-EU EPA made provisions for a bilateral protocol between SA and the EU on the protection of GIs and on trade in wine and spirits.
- The Protocol addresses the issue of protection of SA's wines names exported to the EU and vice-versa, as well as protection of agricultural products such as Rooibos tea, Karoo lamb and Honey bush tea.
- The Protocol also provides for co-existence of names and therefore insure that current South African users of specific names like “Feta” will be able to continue to use the name.

SA – EU Geographical Indications cont'd

- The GI negotiations reached an agreement that will ensure the protection of product names currently being used by producers in the EU and SA:
 - the EU shall receive protection of names for 251 GIs (which covers 120 wines, 5 beers, 20 spirits and 106 agricultural products. The latter includes (special meats, cheese, olives, etc)
 - South Africa shall receive protection for 105 GI names of which 102 are wine names and three agricultural product names. Provision is also made for SA to add 30 agricultural product names in future.

Milestones

- The EPA negotiations were concluded and the process unfolds as follows:



- For implementation: Institutions will be established for the proper implementation of the Agreement and public awareness seminars will be carried out for civil society.



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

Way forward

- EU can provisionally apply the Agreement while it is being ratified by all the EU countries subject to approval by EU Parliament.
- SADC EPA countries would have to ratify the Agreement before it enters into force.
- The aim is for the Agreement to enter into force before the expiry of the EC Duty free Quota Free Market Access regulation on 01 October 2016 to guarantee continued preferential market access into the EU for Botswana, Namibia and Swaziland.



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

Implications of Brexit on EPA

- United Kingdom (UK) was 8th largest trading partner of SA in 2015.
- South Africa's export to the UK was R41 Billion and imports was R35 billion.
- The UK is and will remain an important trading partner for South Africa.
- Currently, Article 50 of the Lisbon Treaty that will start negotiations for the UK exit from the EU has not been triggered. Unlikely that will be triggered before later next year.
- The EPAs will provisionally enter into force for the UK and stay in force until UK has completed its exit from the EU.
- **the dti** are engaging with the UK on the implications on trade when UK leaves EU and how to address it.



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

Conclusion

- EPA negotiations created an opportunity for SACU member states to comply with their obligations under SACU Agreement 2002, which calls for the member states to review or negotiate new trade agreements together.
- The signed Agreement provides an opportunity to consolidate SACU on its trade relations with EU, therefore SACU common external tariffs will be preserved.
- Enhance policy space under the EPA *vis-a-vis* the TDCA.
- Improved market access for SA on agriculture products.



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA