

Status report on Trade Negotiations

**Presentation to Portfolio Committee
on Trade and Industry
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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.
- National consultation at intra-governmental level (DAFF, SARS, ITAC), and with business and labour in NEDLAC.
- SACU consultations to protect common external tariff.
- Focus areas: exchange of tariff concessions and related rules of origin; related legal provisions.
- Should support regional integration:
 - SA advocates a developmental integration approach in all African regional economic integration initiative informed by the realization that trade integration alone does not bring sufficient economic benefit, and addresses industrial capacity and infrastructure development.
 - This approach is now adopted on all levels of current regional integration efforts.



SACU

- Oldest Customs Union established in 1910.
- Renegotiated SACU Agreement finalised in 2002.
- Free movement of goods in the customs union.
- SACU still defined mainly by a Revenue Sharing Formula and a CET.
- Attempts to change it to a development integration agenda through the six-point plan:
 - Promote industrial development
 - Unified engagement in trade negotiations
 - Trade Facilitation
 - Establishment of SACU institutions
 - Review of the revenue sharing arrangement
 - Trade in services
- Retreat and a Summit will be held in the first half of 2016 to agree on the best approach to advance the development integration agenda.



SADC Trade Protocol

- 13 SADC MS have established a FTA – priority is the consolidation of the FTA rather than establishment of CU.
 - Has resulted in increase in intra-regional trade from US\$6bn – US\$24bn. Currently over 90% of products are traded duty free. If fully implemented, over 99% of products will be traded free of duty within SADC
 - Seychelles is the last member to accede and submitted its Instrument of Ratification in July 2015, with effect from 1 April 2015:
 - 91.2% of tariff lines were fully liberalised upon entry in force
 - Tariffs on a further 6.3% of tariff lines will be phased down over a period of not more than 12 years
 - The remaining 2.5% of tariff lines are excluded from tariff liberalisation
 - SA published a Government Gazette notice on 18 September 2015, which added Seychelles as a SADC country for the purposes of participating in the Trade Protocol. This took effect retrospectively on 1 April 2015.
- SA will extend its SADC offer to Seychelles with the exception of 32 tariff lines (sugar, used clothing, and certain automotive components) if supported by a SADC Certificate of Origin.

SADC Services Negotiations

- The first round of negotiations covers six priority sectors: communication, construction, energy-related, financial, transport and tourism services
- Only 11 Member States submitted their initial offers in four priority sectors (communications, financial, tourism and transport services): Botswana, DRC, Lesotho, Malawi, Mauritius, Mozambique, Seychelles, South Africa, Swaziland, Tanzania and Zambia.
- Negotiations in Communication, Financial, Tourism and Transport services sectors are close to completion. Negotiations on Construction and Energy) in early stages.
- To date only Malawi, Seychelles and Zambia have made offers in construction services.
- SA has a well developed services sector, Protocol will enhance access for SA services providers.
- Liberalisation will give SA an advantage over suppliers from outside the region. The Protocol will lay basis for wider services market under the TFTA and CFTA in future.



TFTA

- TFTA and Phase II negotiations launched in June 2015.
- South Africa, as part of SACU, has exchanged a tariff offer with the EAC and negotiations are underway.
- The SACU tariff offers to Egypt, Ethiopia and other non-SADC TFTA Member States have been finalized.
- The three outstanding annexes to the agreement constitute a built-in agenda:
 - Annex 1 on tariff commitment schedules
 - Annex 2 on Trade Remedies
 - Annex 4 on Rules of Origin
- There is an indicative time frame of 12 months to finalise the outstanding work on the above three annexes.
- Work continuing on cooperation on infrastructure and industrial development.
- Negotiations to facilitate movement of business persons advanced.



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Tripartite FTA Negotiations cont.

- Process to develop market access offers advanced through NEDLAC and ATF. Offers exchanged between EAC and SACU. Offer to Egypt finalized and awaiting exchange when Egypt is ready.
- Negotiations on tariffs, rules of origin and trade remedies to continue as part of the built-in agenda.
- 2nd Phase of negotiations to start early in 2016 - trade in services negotiations, cooperation on IPR, investment, competition policy.



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CFTA Negotiations

- The AU Assembly launched the Continental Free Trade Area (CFTA) negotiations during the 25th Ordinary Summit of Head of States and Governments on the 15th of June in Johannesburg, South Africa.
- The Summit also adopted the Objectives and Guiding Principles for the CFTA negotiations, the Terms of Reference for the CFTA Negotiating Forum (CFTA-NF); and Indicative Roadmap/ Provisional Schedule for the Establishment of the CFTA.
- The next milestone in the Indicative Roadmap, entails preparations for the CFTA negotiations (6-12 months period) through exchange of trade information. This milestone is led by the African Union Commission.
- Activities undertaken include Workshop on Trade in Services Negotiations for the CFTA (Kenya, Aug 2015).
- The remaining activities planned in the preparatory phase remain to be undertaken and concluded to facilitate effective negotiations.



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SACU-India PTA Negotiations

- PTA can boost South-South trade in a targeted manner.
- More focused approach to tariff preferences compared to FTA.
- Also provides legal-institutional framework to manage trade.
- India is now SA 6th largest trade partner.
- Trade in 2014 was almost R50 billion.
- Difficulty in finalising SA/SACU offer - Concerns raised with negotiations include NTBs in the Indian market, and that India's requests are in sensitive sectors.
- Agreement to conclude the PTA on the basis of a reduced level of tariff exchange.
- PTA to be an incremental building block to enhanced trade in future.



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Economic Partnership Agreement (EPA)

- EU remains SA's largest trading partner although trade declined in recent years.
- TDCA in place between SA and EU and fully implemented since 2012.
- Total trade between SA and EU increased from R 137 billion in 2000 to R 497 billion in 2014. SA exports to the EU increased from R 64 billion to R 197 billion, while imports from the EU increased from R 72 billion to R300 billion in 2014.
- SA decided to join EPA process to establish a regional agreement with the EU and to secure further market access especially in agriculture.
- The negotiations were concluded and the Agreement was initialled by the Chief Negotiators on 15 July 2014.
- A joint legal scrubbing process started in August 2014 and five legal scrubbing rounds were convened. The last scrubbing meeting took place on 22-23 October 2015 during which the last outstanding issues were finalised.



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EPA cont.

- South Africa has achieved improved market access for 32 agricultural products, with a significant improvement in our access to the EU market for wine (110 million litres duty free), sugar (150,000 tons duty free) and ethanol (80,000 tons duty free).
- There is also improved access for our exports of flowers, some dairy, fruit and fruit products.
- EPA rules of origin an improvement on the TDCA as they allow for extended cumulation that can facilitate intra-regional trade and industrialisation across the Southern and Eastern Africa in particular.
- Several other restrictive trade rules under the TDCA, like on export taxes, have been eased under the EPA.
- Agreement was also reached on a Protocol on Geographical Indications (GIs) that will protect the names of many South African wines exported to the EU as well as certain other agriculture products like rooibos and honey bush.

EPA cont.

- EU can provisionally apply the agreement while it is being ratified by all the EU countries but the SACU countries would have to ratify the agreement before it can enter into force.
- The legal scrubbed agreement will now go through the internal processes in the respective SADC EPA Member states and the EU to get authority to sign the agreement.
- The parties agreed to intensify efforts to have the Agreement signed by no later than June 2016. Once the agreement is signed the EU can provisionally apply the agreement but the SADC EPA countries would have to go through ratification processes before the agreement can enter 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 ensure that the BNS states do not lose preferential market access into the EU.

European Free Trade Association (EFTA)

- EFTA comprises of Iceland, Liechtenstein, Norway and Switzerland.
- The agreement was signed in 2006 and entered into force on the 1st May 2008.
- The SACU - EFTA Free Trade Agreement(FTA) entered into force on 01 May 2008.
- The Agreement comprises of trade in goods including industrial products, processed agricultural products; fish and other marine products; rules of origin and customs duties on imports into SACU
- The main Agreement covers all products falling within HS Chapters 25 to 97.
- Bilateral Agreements on basic agricultural products (within chapters 1 to 24, excluding processed agricultural products) are entered into with individual EFTA States.
- The Agreement is scheduled to be liberalized over a period of ten years (i.e. 2018)

- SACU states received duty free quota free access (DFQF) for all industrial products at entry into force of the agreement

European Free Trade Association (EFTA) cont.

- The trade balance between South Africa and EFTA has consistently been in SA's favour
- In 2014, the trade balance was R8.56 billion in favour of SA
- SA's total exports were R18.68 billion in 2014, while total imports were R10.12 billion
- SA's main exports are primary products.
- The Agreement has been due for review since 2013, however, it has been postponed pending the conclusion of the EU-SADC EPA negotiations. Now that the EPA negotiations are concluded, the SACU EFTA FTA review will resume and preparation are underway.
- Improvement of SACU's access to EFTA will only be on agricultural products as DFQF treatment is already in place on all NAMA products.
- The first review meeting between EFTA and SACU is anticipated to take place in first semester of 2016.
- Stakeholders engagements are necessary to identify areas for review – the dti engaging in NEDLAC in this regard.

Africa Growth and Opportunities Act (AGOA)

- The African Growth and Opportunity Act (AGOA), enacted in 2001, is a unilateral preferential trade programme provided by the US to 48 Sub-Saharan African countries covering about 6400 tariff lines
- South Africa had campaigned successfully for AGOA to be renewed for all sub-Saharan African Countries, **INCLUDING SOUTH AFRICA.**
- President Obama signed the AGOA Extension & Enhancement Act (AEEA) of 2015 into law on June 29, extending AGOA benefits for 10 years. The ACT **INCLUDED** South Africa.
- However, the US lobbies insisted that some issues of interest to them such as poultry, pork and beef needed to be addressed for South Africa to remain in AGOA

US-SA bilateral trade

- Total two-way trade between SA and the US increased from R56, 7 billion in 2001 to R141 billion in 2014.
- SA's exports to the US grew from R30 billion in 2001 to R69, 8 billion in 2014. Similarly, the U.S. exports to South Africa grew from R26, 6 billion to R71 billion in 2014. Both exports and imports have recovered beyond their pre-crisis level.
- South Africa has been enjoying a trade surplus since 2010 but experienced a deficit of about R1, 6 billion in 2014.
- South African exports accounted for 0.35% of total US imports. Meanwhile USA exports to South Africa accounted for 0.39% of total US exports globally.
- USA's top exports to South Africa were machinery and mechanical appliances; vehicles, vessels and aircrafts; chemical products; plastics and optical and medical equipment.

US-SA bilateral trade cont.....

- South Africa's top exports were vehicles & associated transport equipment (representing 27% of total SA exports to the US), precious metal (23%), base metals (11%), mineral products (9%), and chemical or allied industries (16%). These sectors jointly accounted for about 86% of South Africa's total exports to the US in 2014. However, metal and mineral exports accounted for 43% of total South Africa's exports to USA.



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Poultry SPS

- In the first half of 2015 almost 20 US States had Avian Flu... and the US demanded that South Africa negotiate a Poultry Trade Protocol to secure continued exports of poultry from those STATES/Areas in the US that are NOT AFFECTED by Avian Flu. This agreement was finalized on the 13th of November (after a missed deadline of 30th of October).
- In addition SA and US Vets negotiated a Poultry Health Certificate - a normal requirement finalized on 6 January 2016.
- The US also wanted negotiation of a “side-letter” on Salmonella that clarifies SA’s existing standards and procedures. This was agreed on 6 Jan 2016.
- On both the Avian Flu and Salmonella issue some complex technical issues arose due to the differences between the US and South African approaches and systems.



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Beef

- A ban was imposed by Cabinet on countries with Bovine Spongiform Encephalopathy (BSE)/ Mad Cow disease including the United States in 2003.
- Boneless beef is considered safe for trade as the risk material is removed and the market was therefore open for US boneless beef.
- Cabinet approved the lifting of a ban on boned beef from several countries on the 24th of June, 2015, including the US.
- In the negotiations on the Health Certificate SA's Vets sought assurances that cattle imported into the US from neighbouring countries would comply fully with US Health requirements.
- US has given guarantees that livestock imported from third countries would comply with US domestic requirements. A Health Certificate was finalized on 6 January and initialled by Vets from the SA and US on 7 January 2016.



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Pork

- On Pork, the Animal Health Authorities of both governments have been undertaking the necessary technical work to ensure safe trade from at least three diseases, namely, Trichinella, Porcine Reproductive & Respiratory Syndrome (PRRS) and Aujesky Disease.
- South African Vets negotiated a list of pork cuts to ensure safe trade from the above potential diseases.
- However, the US demanded that a side-letter be negotiated for the treatment of Shoulder Cuts (particularly hazardous in PRRS)
- SA is among a countries without PRRS – imports are controlled by allowing countries with PRRS to export recognisable cuts (risk materials such as lymph nodes and connective tissue have been removed) for direct unrestricted trade.
- An agreement on both the Health Certificate and Pork Side-Letter were finalized on 7 January 2016- US agreed to apply mitigation measures including removal of risk material before exportation to SA.

US Proclamation

- The USTR, Ambassador Froman, announced his satisfaction with the agreements in a press statement on the 7th of January. However, he indicated that US Stakeholders wanted to see their poultry on the shelves of retail stores in South Africa as a final benchmark
- On the 11th of Jan. 2016 President Obama issued a Proclamation extending the deadline to suspend SA's Agri Concessions to the 15th of March 2016.
- Dti/DAFF issued a Press Statement the same day clarifying that the procedures were in place to ensure that US poultry would enter the market in the next few weeks averting any threat of a suspension of AGOA Agri. Concessions

US outbreak of HPAI

- US has announced new outbreak of AVIAN FLU in the State of Indiana on 15 January 2016.
- SA has negotiated and signed a Protocol that governs trade when an outbreak or outbreaks of Highly Pathogenic Avian Influenza occurs in the U.S.
- The USDA and DAFF will implement provisions of the Protocol to ensure that trade takes place from States not affected by Avian Flu.
- DAFF has issued several Import Permits for US poultry to be imported under the above protocol and the first shipment is expected before the end of February 2016.



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Key outcomes of the engagements

- In each case South Africa's Vets were able to negotiate BALANCED agreements that took into account the need to ensure SAFE Trade – a balance between animal and human health, and; the need to allow for trade to take place.
- The contentious issue between the two countries was achieving the appropriate level of protection (ALOP) on animal and public health risk mitigation measures.
- Aim was to also ensure continued participation of SA in AGOA especially for agriculture.



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