**Bulletin 22 June 2016 SACU and Mozambique signs Economic Partnership Agreement**

South Africa, the BLNS Countries Botswana, Lesotho, Namibia and Swaziland and Mozambique signed an Economic Partnership Agreement (EPA) with the European Union (EU) on 10 June 2016. Angola may join the agreement at a later stage.

Six other Southern African Development Community SADC Member States, namely the Democratic Republic of the Congo (DRC), Madagascar, Malawi, Mauritius, Zambia and Zimbabwe are negotiating EPA’s with the EU as part of other regional groups, namely Central Africa or Eastern and Southern Africa.

The EPA will replace the trade chapter in the bilateral agreement between the EU and South Africa, the Trade Development and Cooperation Agreement (TDCA) signed in the year 2000.

The agreement will be known as the EU-SADC EPA.

According to the EU website Economic Partnership Agreements (EPA’s) are trade and development agreements negotiated between the EU and African, Caribbean and Pacific (ACP) partners engaged in regional economic integration processes.

According to the European Union website “EPA’s:

* are "tailor-made" to suit specific regional circumstances.
* are WTO-compatible agreements, but go beyond conventional free-trade agreements, focusing on ACP development, taking account of their socio-economic circumstances and including co-operation and assistance to help ACP countries benefit from the agreements.
* open up EU markets fully and immediately, but allow ACP countries long transition periods to open up partially to EU imports while providing protection for sensitive sectors.
* provide scope for wide-ranging trade co-operation on areas such as sanitary norms and other standards.
* create joint institutions that monitor the implementation of the agreements and address trade issues in a cooperative way.
* last but certainly not least, are also designed to be drivers of change that will help kick-start reform and contribute to good economic governance. This will help ACP partners attract investment and boost their economic growth”.

Under the SADC EPA, the EU will guarantee Botswana, Lesotho, Mozambique, Namibia, and Swaziland 100% free access to its market.

Under the SA/EU TDCA the EU offered to liberalise 95% of its duties on South African originating products by 2010. In turn South Africa offered to liberalise 86% of its duties on EU originating products.

In exchange for more market openings provided to South Africa, the preferential access to the South African market that the EU enjoys today will now be extended to include agricultural products such as wheat, barley, cheese and pork. The Southern African Customs Union as a whole will align itself to this market access regime.

Under the EU/SADC EPA the EU has also fully or partially removed customs duties on 98.7% (fully for 96.2% & partially for 2.5%) of imports coming from South Africa.

The South African Minister of Trade and Industry, Dr Rob Davies said that the EPA will provide improved market access opportunities for South African products in the EU, including a significant improvement in quota for wine and new market access for sugar and ethanol. The EPA further provides for extensive “cumulation”, including with other African countries that will facilitate intra-regional trade and industrialisation across the African continent.

According the Minister South Africa’s duty-free wine exports to the European Union will double.

The South African Minister of Trade and Industry said at a media conference on Friday that only 65% of SA’s agricultural products were covered under the TDCA. The reverse was the case on EU, namely 80% products.

“We saw the possibility of improving some material improvements in market access, in some of the commitments we made to the European Union in terms of policy issues.

“The [improvements] are mostly in the areas of agricultural products, in fish for example, the question of fisheries tariff liberalisation was held up under the TDCA because there were all kinds of demands for there to be fisheries license agreements, that has all been put aside and under the EPA agreement there will be a liberalisation of tariffs on fish products without having to concede fishing rights to EU companies,” Minister Davies said.

The Minister said the newly signed agreement will provide improved market access opportunities for South African products, including a significant improvement in quota for wine and new market access for sugar and ethanol.

The new deal further provides for extensive “cumulation”, including with other African countries, which will facilitate intra-regional trade and industrialisation across the African continent.

The Rules of Origin on clothing have also been simplified in the EPA and will encourage SA clothing exports to the EU.

“On particular products, wine, there is a quota with zero duties on bottled wine. At the moment under the TDCA, the quota is 50 million litres - now that will rise to 110 million litres, which is an additional 60 million litres of wine that can enter the EU duty free.”

Minister Davies explained that with regards to sugar, there was a no duty free quota. Under the TDCA, there was a tariff of between 34 and 42 Euros per 100 kilograms. Now, 150 000 tons of sugar will be able to enter the EU market duty free.

“[Regarding] ethanol, there was a duty of between 10 and 19 Euros per hectare litre. Now, 80 000 tons of ethanol can enter the EU.

“There were also improvements on market access in terms of canned fruit and a few other products,” he said.

Minister Davies said he was satisfied that the new agreement provided South Africa with an improvement in valuable opportunities commercially in to the European market.

More than 250 traditional product names – so called geographical indications or GI’s from the EU and more than 100 South African GIs will be protected. This means for instance that a producer in a country other than South Africa cannot market a tea processed from a plant from its own territory under the symbolically important name Rooibos. The same applies to EU traditional product names.

The SADC EPA countries can keep tariffs on products sensitive to international competition. Southern African Customs Union (SACU) removes customs duties on only around 86% of imports from the EU and Mozambique only 74%. Outside EPAs, the EU has never agreed before to such a degree of asymmetry in any free trade agreement.

These above are in line with the fundamental principles reciprocal trade arrangements in terms of which one bigger trading partner could open its market to a greater extent than the smaller other. This is called asymmetric liberalisation.

The issue of agricultural subsidies have always been controversial and these are addressed in the agreement. The EU-SADC EPA is first agreement eliminating the possibility for the EU to use agricultural export subsidies.

The EPA contains a large number of "safeguards". EPA countries can activate these and increase the import duty in case imports from the EU increase so much or so quickly that they threaten to disrupt domestic production. There are no less than five bilateral safeguards in the agreement, a number not replicated in any other EU trade agreement. In addition, should the EU apply a safeguard under WTO rules, the EU offers its EPA partners a renewable 5-year exemption from its application, so the SADC EPA countries will still be able to export.

The EU’s trade policy towards the SADC EPA region will now be fully in line with WTO rules.

The EU-SADC EPA supports the economic diversification in SADC EPA states. In order to assist with the diversification of the SADC economies, the SADC EPA Countries will reduce the customs duties on intermediate goods (for example fertilizers and seeds, machinery or industrial parts) from the EU. This will assist Southern African industries to diversify their economies and add more value to their products.

There is also a clause in the EU-SADC EPA that allows SADC EPA partners to protect their infant industries.

Whether a product can or cannot be exported to the EU with a reduced or zero duty rate depends always on its origin. In the SADC EPA, the rules defining the origin are formulated in a way to support development of new value chains in the region. The so called “cumulation of origin” will allow for example applying discount tariffs on EU border for fruit harvested in one country of the region and then preserved and canned in another. This type of flexible rules of origin will benefit companies in agrifood, fishery and industrial sectors

The Rules of Origin on clothing have also been simplified in the EPA and will encourage SA clothing exports to the EU. The rules of origin in the SADC EPA have been formulated in such a way to make it much easier for SADC EPA countries to benefit from reduced EU customs duty rates for their textiles products using on imported fabric. This will benefit textile industry in countries such as South Africa or Lesotho.

SA exports to the EU have increased from R151 billion in 2011 to R216 billion in 2015. South Africa has managed to increase exports of value-added products to the EU thus contributing to South Africa’s industrial development objectives.

The Southern Africa Customs Union (SACU) have a common external tariff (CET) in terms of which there are no customs duties on goods traded between the SACU Members but goods imported from outside SACU are subject to the same duties. Imports from the EU is however an exception. In the case of imports from the EU the SACU members currently do not all impose the same duty as the relations and current agreements between the EU and the SACU Countries. Thus SACU is not functioning in an optimal way in terms of treatment for EU imports. The EU-SADC EPA now harmonises the SACU tariffs imposed on imports originating in the EU and consequently improves the functioning of the customs union. This is an objective that all participants wanted to achieve. In this way, the SADC EPA strengthens regional integration.

Modern reciprocal trade arrangements provide for a variety of issues of which the trade in goods are just one of the elements. Other issues such as investment, trade in services, standards to be applied, elimination of non-tariff barriers, market access, customs cooperation are also covered by the modern agreements. The EU-SADC EPA is no exception to this rule. It also aims to promote democracy and sustainable development and to strengthen regional integration in Southern Africa.

The agreement is based on the principles of respect for human rights, rule of law, and democracy.

It also states that “appropriate measures” can be taken if a Party fails to fulfil its obligations in respect of these fundamental principles. Suspension of trade benefits can be one such measure, even if this would be an action of last resort.

Any new or modified legislation on labour conditions or environmental practices that they may adopt will follow internationally recognised standards. This means that the Member States cannot weaken labour or environmental protection to encourage trade or investment. To make sure the rules are respected, each participating country will also have a possibility to request consultations on questions of sustainable development, involving representatives of civil society.

EPA’s are based on the Cotonou Agreement of 2000. The provisions of the Cotonou Agreement on human rights, on sustainable development, and on dialogue including parliaments and civil society, continue to apply. As such, the EPA offers some of the most complete protection of human rights and sustainable development available in EU agreements.

Each SADC EPA state has agreed that any advantage it has granted to the EU shall also be extended to the other SADC EPA states.

The agreement will enter into force once it has been ratified by all the governments. It could take years.

Visit the [website of the EU-SADC EPA](http://ec.europa.eu/trade/policy/countries-and-regions/regions/sadc/) for more information. The [Consolidated text of the Agreement and the annexes](http://trade.ec.europa.eu/doclib/docs/2015/october/tradoc_153915.pdf) are also available on the website.