



Update on the negotiations of a rollover Economic Partnership Agreement (EPA) between the Southern African Customs Union (SACU) and Mozambique and the United Kingdom (UK)

Portfolio Committee on Trade and Industry

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Context

- June 2016: UK voted to leave the EU
- 29 March 2017: UK invoked EU Treaty Article 50 - 2 years to negotiate its future relationship with the EU
- Withdrawal Agreement accepted by EU, and by UK Cabinet
 - Includes transitional/implementation period of 21 months; not applicable in the event that no Withdrawal Agreement is reached
 - During this period UK will continue to benefit from EU Agreements but loses decision making power; it can conclude Trade Agreements
- Prime Minister May could not yet secure UK House of Commons approval for the Withdrawal Agreement
 - Border between Republic of Ireland and Northern Ireland: if no agreement found by 31 Dec 2020, UK can invoke “back-stop” = remain in a customs union with EU for undefined period
 - But UK wants guarantee of the independence and autonomy of UK trade policy (*reality: independent trade policy incompatible with customs union*)
- Prime Minister May mandated to re-negotiate; EU indicating that it will not re-open

Background

- EPA between the European Union (EU) and the Southern African Development Community (SADC) EPA Group provisionally entered into force on 10 October 2016.
 - EU has fully or partially removed custom duties on 98.7% tariff lines. (Not liberalized: aluminum and some agricultural products)
 - EPA countries can activate safeguards and increase the import duty in case of import surge.
 - Single stage transformation rule of origin for textiles and clothing.
 - EPA eliminates the possibility for the EU to use agricultural export subsidies.
- UK is part of the EU and trade between the UK and SA currently takes place under the SADC EPA.
- On completion of the withdrawal process from the EU (“Brexit”), the UK will not be part of the EPA.
- To avoid trade disruption, SACU+Mozambique and UK have decided to roll-over the EPA into a standalone trade agreement with the UK.



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Roll-over Agreement

- The UK is SA's second biggest trading partner in the EU with the total trade between the two countries in 2017 amounting to R79.6 billion. (UK = 18% of SA exports to EU; 10% of imports)
- Negotiations on the rollover of the SADC EPA into a functional standalone SACU and Mozambique and UK Agreement have progressed well.
- Aim is to maintain the effects of the existing EPA provisions, focusing on technical amendments without necessarily amending the substance of the current agreement and to avoid trade disruption once the UK leaves the EU.
- The consolidated text has been drafted with most provisions agreed.

Roll-over Agreement

- Tariff rate quotas (TRQs) have been agreed
 - Most recent UK imports relative to total EU imports will continue as standalone UK volumes; will be in addition to the TRQs SA has under the EPA.
- SA will get additional market access to the UK beyond what obtains under the EPA with the EU.
- Agricultural safeguards:
 - maintain EPA list of products;
 - trigger levels vis-à-vis UK will be discerned from recent trade flows

SA agriculture products subject to TRQs

- Skimmed milk powder;
- Butter;
- Flowers: Roses, orchids and chrysanthemums
- Flowers: lilies and “other”
- Flowers: non-fresh
- Strawberries
- Sugar
- While crystalline powder
- Citrus jams
- Canned fruit, except tropical; canned fruit
- Tropical canned fruit
- Frozen orange juice
- Apple juice
- Active yeast
- Wine
- Ethanol



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Cumulation

- To ensure that SACU, Mozambique and the UK continue to cumulate with the EU under the terms of the rollover Agreement.
- General objective: to maintain the current trade flows between the parties and the EU.
- If a “no deal” Brexit is to materialise (i.e. no preferential trade arrangement between the UK and the EU), the ability of SA to source input products from the UK for final exportation of beneficiated or manufactured products to the EU and vice versa could be severely compromised.
- Transitional arrangement is in the process of being finalised to preserve exiting value chains which provides for recognition of EU materials and processing during the transitional period.

Cotonou Agreement

- Cotonou Agreement is an agreement between the EU and the African, Caribbean and Pacific (ACP) States; UK will no longer be a party to it, post-Brexit.
- Only certain parts of the Cotonou Agreement apply to SA due to the Trade Development Cooperation Agreement (TDCA)
- An annex has been negotiated that clearly states the provisions that do not apply to SA.
- The Annex will be reviewed upon expiry of the Cotonou Agreement in 2020.
- Development cooperation to support the implementation of commitments under the roll-over EPA will be concluded as part of the Build-in Agenda.

TDCA

- Non-trade development aspects between EU and SA are dealt with through the TDCA.
- SA and UK will roll-over these issues by incorporating these aspects into the EPA with the UK.
- The Protocol on the TDCA provides for a bilateral Development Cooperation Framework to be concluded during the transitional period.

Transitional Arrangement

- Ensures continuity in trade through:
 - preserving existing value chains
 - providing for continued acceptance by the parties of Certificates of Origin issued under the SADC EPA, permits/licenses/certificates for imports of mainly agriculture products issued by the EU before the UK officially exited the EU and the continued use of stamps approved under the SADC EPA -40% of SA agriculture exports into the EU go to the UK.
 - addressing administrative issues such as forms, stamps, suppliers declarations under the SAD EPA to be continued to be recognised once the UK leaves the EU.



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Geographic indications

- SA and the UK have agreed to continue to protect each other's specific GIs as contained in the GI Protocol under the SADC EPA.
- Therefore, GIs currently protected under the EPA will be protected in the UK on the same basis as protected under the SADC EPA.
- A build-in agenda on technical issues currently under discussions with the EU under the SADC EPA will be included in the “Build-in Agenda” under the roll-over EPA.
- These include Article 11- wine making practices.

Build-in agenda

- The parties have recognised the importance of continuing to work together on outstanding trade and trade related issues that could not be resolved during the negotiations for the rollover Agreement.
- The Build-in Agenda includes issues such as:
 - updating tariff schedules in Annex I, II and III to HS2017 nomenclature;
 - exploring a permanent arrangement on cumulation that preserves the existing value-chains which may include cumulation with the EU on Rules of Origin, once all the legal arrangements are concluded;
 - review of the tariff rate quota (TRQ) volumes;
 - timeframe for safeguards in Article 33;
 - Export taxes



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Way forward

- Negotiations to finalise outstanding issues held on 4-8 February 2019
- Joint legal scrubbing of the Agreement to be undertaken on 18-21 February 2019
- Ministers expected to sign the Agreement early March 2019.
- Parties to the Agreement will follow their internal legal processes to ratify the Agreement, after which it will enter into force once the UK leaves the EU and the EU-SADC EPA no longer applies to the UK.

Definitions

- EPA – Economic Partnership Agreement
- TDCA- Trade Development Cooperation Agreement
- BELN- Botswana, Eswatini, Lesotho and Namibia
- TRQs- Tariff Rate Quotas
- RoO- Rules of origin
- UK- United Kingdom
- EU- European Union
- SACU – Customs union between Botswana, Eswatini, Lesotho, Namibia, and South Africa
- SADC- Southern Africa Development Community
- SADC EPA Group- Botswana, Eswatini, Lesotho, Namibia, Mozambique and South Africa
- Roll over EPA- Stand alone agreement between SACU, Mozambique and the UK.



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