

SACUM-UK EPA and SA-US Trade Relations, including AGOA

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Economic Development, Small Business Development, Tourism,
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**Ambassador Xavier Carim, Deputy Director General
Trade Policy, Negotiations and Cooperation Branch
Department of Trade, Industry and Competition**



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Department
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

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the dtic Customer Contact Centre: 0861 843 384

the dtic Website: www.thedtic.gov.za



Delegation

Ambassador Xavier Carim

Deputy Director General

Trade Policy, Negotiations and Cooperation Branch

DTIC

Tel: 012.394.3064

Email: Xcarim@thedtic.gov.za

Acronyms

AGOA	African Growth and Opportunity Act
BELN	Botswana, Eswatini, Lesotho, Namibia
EPA	Economic Partnership Agreement
EU	European Union
FTA	Free trade agreement / area
GI	Geographical Indication
GSP	Generalised System of Preferences
MFN	Most Favoured Nation
SACU	Southern African Customs Union
SACUM	Southern African Customs Union-Mozambique
SADC	Southern African Development Community
SSA	Sub-Saharan Africa
TBT	Technical Barrier to Trade
TDCA	Trade, Development and Cooperation Agreement
TRQ	Tariff Rate Quotas
UK	United Kingdom
US	United States
WTO	World Trade Organisation

Presentation Outline

- SA-UK Trade Relations and SACUM-UK EPA
- Overview of SA-US Trade Relations and AGOA

SA-UK Trade Relations

- The UK is SA's 5th largest trading partner with total trade amounting to R110 billion in 2019
- This is up from R73 billion in 2014
- SA exports: R68.1 billion; 12.6% average annual growth since 2014, from R37.6 billion
- Main exports: platinum, motor vehicles, citrus and other fresh fruit, catalytic converters, iron ore
- Imports from UK: R41.3 billion; 3.1% average annual growth since 2014, from R35.2 billion
- Main imports: printed materials, machinery and computer equipment, motor vehicles, whiskies, electric equipment including sound and visual equipment

SA-UK Trade Relations

- Current trade between SA and the UK takes place under the SADC–EU EPA that has been in force since October 2016
- As a member of SACU, SA negotiates and implements FTAs together with other SACU Members - Botswana Eswatini, Lesotho, Namibia and SA
- The SADC-EU EPA is an FTA between SACU plus Mozambique on the one side, and the EU on the other
- The SADC-EU EPA replaced the trade chapter of 1999 Trade, Development and Cooperation Agreement (TDCA) which was a bilateral FTA between between SA and EU

SA-UK Trade Relations

- In March 2017, the UK formally notified its intention to leave the EU
- The UK formally left the EU on 31 January 2020 through the so-called Withdrawal Agreement
- The Withdrawal Agreement stipulates that EU trade agreements will continue to apply to the UK until 1 January 2021.
- Soon after the UK notified its intention to leave the EU, SACU, Mozambique and UK agreed to initiate negotiations to “roll-over” the trade arrangements of the EU-SADC EPA into a new bilateral agreement
- SACU, Mozambique and the UK concluded negotiations and signed the SACUM-UK EPA in Oct 2019
- This ensures trade between SACUM and the UK continues uninterrupted when the UK leaves the EU

SACUM-UK EPA

- The terms of the SADC-EU EPA have been largely transposed into the new SACUM-UK EPA
- However, some changes were required in respect to:
 - Tariff-rate quotas
 - Sourcing inputs from the EU into products traded between the UK and SACUM
 - Transitional Arrangements
 - Geographic Indicators (Gis); and
 - Built-in Agenda

SACUM-UK EPA (TRQs)

- A TRQ establishes a tariff preference for a specific volume of imports
- Under the EU-SADC EPA, the UK shares TRQs with other EU Members on exports of 8 agricultural products to SACU
- SA has 13 TRQs to the EU of which a share had to be carried over to the UK under the new arrangement
- Shares were calculated on historical trade covering 13 products for export to the UK, notably wine, sugar, canned fruit, fruit and fruit juices
- TRQ volumes will increase annually

SACUM-UK EPA (Cumulation)

- Negotiated a new provision that would allow the UK and SACUM to fully cumulate with EU inputs for production to export to each other, meet the Rules of Origin requirements and obtain the preferential tariff
- Ensures continuity of highly integrated value chains across EU-SA-UK, notably in automotives.
- Provision is applicable for 3 years pending the outcome of a new trade arrangement between the UK and EU
- Period can be extended or revised if deemed necessary by SACUM and the UK

SACUM-UK EPA (Transitional Arrangements)

- SACUM-UK EPA contains transitional arrangements to carry over measures and actions from EU-SADC EPA
- Includes continuation of the current safeguard on imports of poultry
- We agreed that UK safety and health regulations affecting agricultural trade would continue to match those of the EU.
- On Customs matters there is continued recognition of Certificates of Origin as issued under the SADC-EU EPA
- If changes are effected in future, the UK is obliged to provide sufficient time for SACUM exporters to adjust to new regulations and requirements

SACUM-UK EPA (Built-in Agenda)

- A Built-in Agenda was agreed to address areas of interest that could not be resolved during negotiations
- For SA, areas of interest are :
 - DFQF market access or increase of TRQ volumes into UK;
 - Regional cumulation to allow BELN and Mozambique to cumulate with SA products (especially basic agricultural product inputs);
 - Treatment of vehicles with engine capacity of 1000cc and less;
 - Export taxes;
 - Enhanced cooperation on TBT, i.e. standards, conformity assessment procedures, etc.

SACUM-UK EPA

- SA Parliament ratified the SACUM-UK EPA in December 2019
- UK, Botswana, Lesotho have also ratified
- Eswatini and Namibia are at an advanced state of ratification

- Once ratified by all, instruments of ratification have to be deposited at the SACU Secretariat by 30 November 2020, so the agreement is in force on 1 January 2021

SA-US TRADE RELATIONS

- Since 2001 SA exports enter the US under three regimes:
 - a) the MFN tariff rates that are applied to all WTO members;
 - b) GSP that offers preferential tariffs for most developing countries on around 4650 products; and
 - c) AGOA that offers preferential tariffs for eligible sub-Saharan African countries, that covers GSP products and an additional 1835 products
- Being eligible for GSP is a prerequisite for preferences under AGOA and while the GSP is subject to annual reviews, AGOA benefits are locked-in for extended periods of time
- AGOA was established in 2000 and has been renewed twice; in 2008 and again in 2015 for a duration until 2025

SA-US TRADE RELATIONS

- These extended periods aimed to foster greater certainty in market access and encourage productive investment in sub-Saharan African countries
- Nevertheless, both schemes are subject to considerable discretion by the US Government, and countries can and have been removed from the schemes time to time

SA-US TRADE RELATIONS

- Total two-way trade in goods between SA and the US grew from \$7.3bn in 2001 to a peak of \$16.3bn in 2011
- Since then bilateral trade declined steadily, to \$12.3bn in 2019
- SA exports to the US increased from \$4.3bn in 2001, peaking at \$10bn in 2008 at the time of the global financial crisis, and then steadily declined to \$7.6bn in 2019
- SA imports from the US increased from \$2.8bn in 2001 to \$7.1bn in 2012 but declined to \$4.6bn in 2019
- Over the period 2001-19 the trade balance often favoured SA due to high levels of SA's commodity exports (notably platinum, diamonds and gold)

SA-US TRADE RELATIONS

- GSP and AGOA offers SA preferential market access for exports of higher value added manufactured goods
- SA's top higher value added exports under GSP include chemicals, iron and steel, precious stones, metals, machinery, plastics, auto components
- Under AGOA they include autos, iron and steel, fruit and nuts, organic chemicals, beverages and spirits
- The share of SA exports under GSP and AGOA increased from 20% in 2001 to 44% in 2014, but fell to 26% in 2019
- GSP exports increased from 11.4% in 2001 to 17% in 2005 but then declined to 10% in 2019
- The share of AGOA exports (excluding GSP) increased from 9.4% in 2001 to 31% in 2013 but then declined to 16% in 2019

SA-US TRADE RELATIONS

- SA exports under MFN contribute the largest share of SA exports to the US
- In 2001 MFN exports accounted for 79% of all our exports, declined to 56% in 2013, before rebounding to 74% in 2019
- We are seeing a steady return of a greater share of commodities in our total export basket to the US
- A corresponding decline in the value of the US market for SA value added manufactured products.
- The US ranking in our global trade has declined from a share of 8.7% in 2010, to 6.9% in 2019

SA-US TRADE RELATIONS

- In general, the decline is due to poor trade conditions since the global financial crisis in 2008 in which demand and growth in the US real economy has been subdued
- Moreover, there have been significant shifts in the US import policy stance with greater focus on supporting US manufacturing, particularly under the Administration's "America First" policies
- The changes affected SA in various ways:
 - In March 2018, citing national security, the US imposed WTO-inconsistent tariffs of 10% and 25%, respectively, on aluminium and steel imports from all except six WTO Members
 - SA steel exports to the US declined by 33% between 2017 and 2018 (to US\$187mn).

SA–US TRADE RELATIONS

- In 2018, the initiation an investigation into tariffs in the auto sector generated uncertainty for SA auto exporters
- This lead to changed decisions on sourcing, with the effect that SA auto exports to the US (worth \$1.2bn in 2017) fell 51% in 2018
- In June 2020 the US announced an investigation into vanadium imports
- SA exports of vanadium, may be at risk
- SA has also faced the prospect of being removed from the preference schemes if certain US market access or policy concerns were not addressed

SA-US TRADE RELATIONS

- In 2015, the US enacted new AGOA legislation that introduced an 'out-of-cycle' review of SA's AGOA eligibility. Under the threat of removal from AGOA, SA granted the US an annual quota of 65 000 tons for poultry imports subjected to WTO-legal anti-dumping duties.
- In October 2019 the USTR initiated a review of SA's GSP eligibility based on concerns of some US firms who argue that SA's Copyright Amendment Bill undermines their commercial interests.
- The President's decision on 16 June 2020 to return the Bills to Parliament due to constitutional concerns has delayed a final decision by the US
- All this has a dampening effect on exports and trade

SA-US TRADE RELATIONS (AGOA)

- AGOA will expire in 2025
- The US has indicated that it will not extend AGOA and, if it does, it will not include developing countries such as SA.
- The GSP scheme is also under review that could bring changes to the eligibility criteria
- At the annual AGOA Meeting in September 2019 the USTR announced a new post-AGOA policy approach to sub-Saharan Africa
- The USTR proposed to negotiate an FTA with one African country that would serve as a model for others
- They indicated that its recently concluded US-Mexico-Canada FTA would be the model for such FTAs

SA-US TRADE RELATIONS (AGOA)

- US FTAs are demanding and the scope for flexibility is narrow
- US FTAs require close to full tariff liberalisation for trade in industrial and agricultural goods
- There are no rules to limit the large support provided to agricultural sector
- US FTAs limit government measures on preferential procurement and localisation, and seek access to government procurement markets
- US FTAs require extensive liberalisation and deregulation for trade in services (finance, telecommunication amongst others)
- They include stringent (WTO-plus) rules to protect intellectual property rights while restricting policies for technology transfer
- On digital trade, US FTAs prohibit customs duties on electronic transmissions, localisation programmes and local content requirements but lock-in provisions for free flow of data

SA-US TRADE RELATIONS (AGOA)

- SA will need to carefully consider post-AGOA trade relations with US
- SA-US trade remain important
- SA continues to benefit from AGOA and GSP
- The US remains an important source of investment and technology for SA
- The SA government, through **the dtic**, continues to cooperate with the US Government and Embassy in SA to enhance trade and investment, and to address issues of concerns on both sides

IMPLICATIONS FOR PROVINCES

- As a national department, the DTIC uses official trade data provided by SARS
- SARS trade data (exports and imports) is aggregated at the national level
- We also receive trade information in NEDLAC and the Agricultural Trade Forum from exporters, but also at national level.
- Export data covers approximately 6400 products that can be sourced from across the country
- Import data is collected at ports of entry but we do not collect or record data of final destination within SA
- We broadly know some provinces specialize in certain major exports
- For example, Gauteng, KZN, E Cape (autos); W Cape (fruit and wine); Limpopo, North West, N Cape (minerals); Mpumalanga (metal products and machinery, minerals); FS (minerals, chemicals)
- However, we do not have precise data at the provincial level

Thank you