



## **EU-SADC EPA - Why it matters**

10 June 2016

**Cecilia Malmström**, *Commissioner for Trade*

*Signing Ceremony, EU-SADC Economic Partnership Agreement, Kasane, Botswana*

Ladies and gentlemen,

It's a pleasure to be here today to sign this Economic Partnership Agreement between the European Union, Botswana, Lesotho, Mozambique, Namibia, South Africa and Swaziland.

And it's very appropriate that we are holding this ceremony in Kasane as a crucial border crossing for trade in this region and beyond.

I am delighted that we are signing this deal. And this is the first comprehensive EPA that the EU signs in Africa and that I sign under my mandate as EU Commissioner.

As the name suggests, this deal is about making clear that our relationship is a partnership of equals.

For many years the trade relationship between our economies was a legacy of another era.

Things started to change in 2000 with the free trade agreement between the EU and South Africa. But we were still left with different trade regimes in each countries, many of them outdated.

This agreement brings us into line and up to date.

It's true that this region has development challenges to face. But it also has much economic success to be proud of. So it's absolutely right and fitting that we would move to a new relationship for our trade policy.

This agreement is also much more than symbolism.

It has the potential to boost growth and support prosperity all across this region.

How? By helping economies integrate into the world economy through investment and trade.

We all know the potential. Many times, in different parts of the world, we have seen what trade can do for development.

So how will this deal help similar advances happen here?

The first thing the EPA does is to lock-in access to the EU's Single Market of 500 million consumers – the largest market in the world.

That's a huge incentive for anyone - local or foreign - who wants to invest in an exporting business in any of your countries - and create jobs.

Some of the countries signing this agreement already benefitted from that market access.

But it was based on a unilateral commitment on the EU's side. It was not bound by any treaty.

And for those countries who had duty-free and quota-free access, that depended on them remaining a least-developed country, a perverse incentive if ever there was one. Thankfully most countries here have either surpassed that hurdle or aim at doing so soon.

In any case, all of this meant uncertainty for potential investors.

The agreement we sign today ties the EU into a new legal framework. It guarantees duty free and quota free access for all of your exports to our market in the future, no matter how successful you are!

That paints a totally new panorama for any potential investor.

For South Africa the situation is different - given we've had a trade agreement for some time. But the deal is still a big improvement, because it extends the existing market access to new products, like wine, fruit, ethanol, sugar and dairy products. And South African geographical indications such as wines, Karoo meat and Rooibos tea will be protected.

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But if this deal is not just about symbolism, it's also not just about access to the European market. Much more important, I would argue, is that it reinforces economic integration within this region and even beyond.

Doing that would be a huge boost.

What we have seen in the EU is that our Single Market helps companies be more competitive because they can source the best inputs at the best prices from all across the EU.

French and German cars include Czech parts and vice versa. Medical devices exported from Sweden include components from Spain.

We estimate that these inputs make up about a third of the value of our exports. So it's a vital part of what allows us to compete in the world.

The EPA can help deliver results like this by reinforcing integration across this region. All the parties will treat the EU in the same way but more importantly, the Agreement promotes integration within this region.

The best example of this are the flexible rules of origin. These govern what components from neighbouring countries and beyond that companies can use and still benefit from the easy access to the EU under the EPA. And they are particularly flexible in this agreement, allowing extensive possibilities for what is known by trade policy wonks as cumulation.

Under the EPA an exporter in Namibia, for example, can source inputs from any other country in this EPA, which is a good start. But they can also source inputs from any other EPA. That would include Zimbabwe for example - not too far from Kasane.

And inputs could also come from any least developed country that benefits from the EU's Everything But Arms programme. That would cover Zambia also not too far from us today. And under certain conditions, it would even cover a country like Bangladesh, much further afield. And still they would benefit from preferential access to EU market.

That's a major opportunity for this region to connect to global value chains.

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A further reason this agreement is good for the countries represented here today:

It's sensitive to the different levels of development in our two regions.

It's certainly true that this deal does change the existing ACP system.

It will no longer be about the EU granting access to our market. Under the EPA, it will also become easier for companies and consumers to source European products that are needed here.

And let me be clear, I think that's good not just for us in Europe but for the economies of this region too.

Because opening up to imports is actually one of the best ways a country can make itself more competitive. I already spoke about the importance of linking up to global value chains.

But trade flows are also flows of ideas. When we import a product we're also importing innovation. So opening up to the EU is indeed an opportunity for your economies.

It's a pragmatic deal based on a realistic collective assessment of everyone's relative strengths.

As a result it will allow all six countries to shelter products and sectors from competition where needed – in some cases forever, in other cases over long timelines.

That makes it strongly pro-development. As do the provisions on workers' rights and protecting the environment. The EPA favours sustainable development – not growth at all costs!

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Ladies and Gentlemen,

It's for all these reasons that I'm delighted that we have all come here to sign this agreement.

But of course signing it is only the beginning of the process.

Getting the most out of the agreement is the real challenge.

That involves making legal changes to open markets – like lowering tariffs over time.

But, much more importantly, it involves changes that will allow people to take advantages of those opportunities.

Because the link between trade, growth and development is not a simple one.

Open markets create opportunities for growth by making it easier to trade and by attracting foreign direct investment.

But they need to be part of a broader coherent set of good policies

And without an attractive business environment, the countries in the region will not be able to take up the opportunities this EPA provides.

That means strengthening physical infrastructure of course. Roads, bridges, ports and telecommunications are essential.

But it also means having the right policies to allow entrepreneurship to flourish:

And that covers everything from industry policy, to streamlined customs, to policies to promote investment...

... or from training and skills, to open services markets.

Creating that supportive coherent environment is not easy. And that's why the European Union has committed, in this agreement to supporting your efforts through development cooperation.

So let me conclude by saying this:

This Economic Partnership Agreement has enormous potential. It can improve people's lives all across this region by connecting people to the global economy.

But it can only do that if we all work together to turn opportunities into realities.

So as we sign this agreement today, let's all commit to doing everything in our power to put it into practice.

Thank you very much for your attention.