

OTHER ISSUES ON THE EPA AGENDA

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Key Issues in SADC EPA Negotiations

- Trade in Goods and Expiry of the WTO Waiver, 31 December 2007 (some convergence of views at the general level)
- The approach to trade in services and trade related areas (divergence of views between the SADC EPA and EC, but also within the region)
- The so-called 'development dimension' (divergence of views)
- Insufficient inclusiveness: affecting negotiation capacity and effectiveness / negotiation structure inadequate

Trade in Goods

- EU Duty-Free Quota-Free (DFQF) Offer and treatment of South Africa
- SADC EPA Market Access Offer:
 - **SACU offer:** TDCA as the basis for tariff liberalization, taking into account BLNS sensitivities (treatment of South Africa)
 - **AMT offers:** still at infancy stage?
- Rules of Origin: all-ACP/South Africa/cumulation challenges/ SADC-ESA framework?
- Sanitary & Phyto-sanitary Measures (SPS)
- Technical Barriers to Trade (TBT)

Trade in Services

- **Cotonou Agreement:**

- no firm obligation to liberalize trade in services in the context of the EPA
- EU and ACP agreed on the objective of extending their partnership to liberalizing services in accordance with GATS provisions (Article 41.4)
- Unlike trade in goods (Article XXIV of the GATT), Article V of the GATS reflects some flexibility for developing countries
- Principles: progressive liberalization, positive list approach, levels of development, SDT, asymmetry, positive regional discrimination, the right to regulate, proper sequencing, establishment of a sound regulatory framework that is supportive of services activities

Trade in Services (cont.)

- 2004 SADC Negotiating Guidelines (regional service integration agenda to be linked to EPA commitments, flexibilities)
- 2006 SADC Strategic Framework: no binding commitments on services but only capacity building support from the EU (paradigm shift)
- EC response: *no fixed obligation to liberalise services, support regional service liberalisation commitments, no blank cheque for capacity building support*
- Some SADC EPA countries (majority) now want to consider services (future commitments, build-in agenda?)

Trade Related Areas

- Investment, competition policy, public procurement ?; protection of intellectual property rights; trade and environmental standards, trade and labour standards
- SADC EPA: cooperative and non-binding arrangements
- EC: commits to assist in strengthening regulatory frameworks but “*no blank cheques....for adjustment purposes or capacity building when the foundations for these things are not yet being laid*”.
- The EC argues that there must be the “*right policy framework*” in a manner consistent with levels of development and institutional constraints

Development Dimension of EPA

- SADC: binding development commitments for EPA-related adjustment support (development chapter)
- EC:
 - development dimension goes beyond financial aspects to include a pro-development content of the EPA and support to implementation
 - the outcome of the EPA negotiations (tariff reduction agreement and treatment of services and trade related rules) would determine the needs and therefore the level of EPA-related development support required
 - conditional linkages between the negotiation outcome and additional development resources beyond EDF resources
- EU expects broader up-front commitments by South Africa (a condition) on services and trade-related areas

The Way Forward

- No substantial agreement on the scope and coverage of the SADC – EU EPA
- The challenge of time / expiry of the WTO waiver/ the non-LDC factor (BNS)
- Emerging debate:
 - EPA-light, concentrating on trade in goods
 - EPA-light, with a build-in agenda on services and trade-related areas
 - Alternative to EPA? – a threat to non-LDCs

Conclusions

- Improved preferential market access is important, but...consider preference erosion, supply-side challenges (investment bottlenecks, productivity & competitiveness challenges, etc.)
- Governance, infrastructure and general supply side capacity should be the key priority for the region
- While recognizing policy and regulatory weaknesses in the region, is a total rejection of addressing services and new generation trade issues in the EPA framework an appropriate approach?
- What are costs and gains of this approach? How are they distributed among the region's economies?
- How can public-private dialogue make a vital contribution to this debate?