

EPA Negotiations and the Multilateral Trading System

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- Systemic issues: criss-crossing regional arrangements and multilateralism
- Possible implications of the SADC EPA for the region's trade and tariffs
- WTO rules and the waiver: what next?

Criss-crossing regional arrangements and multilateralism

Why go regional?

Different kinds of agreements:

- customs unions and FTAs
- South-south
- North-south
- Bilaterals
- Politics of neighbourliness
- Geo-political factors
- Economies of scale
- Extended import substitution
- Go further, faster
- Insurance
- Fear of exclusion
- Laboratory

Some of the down-sides

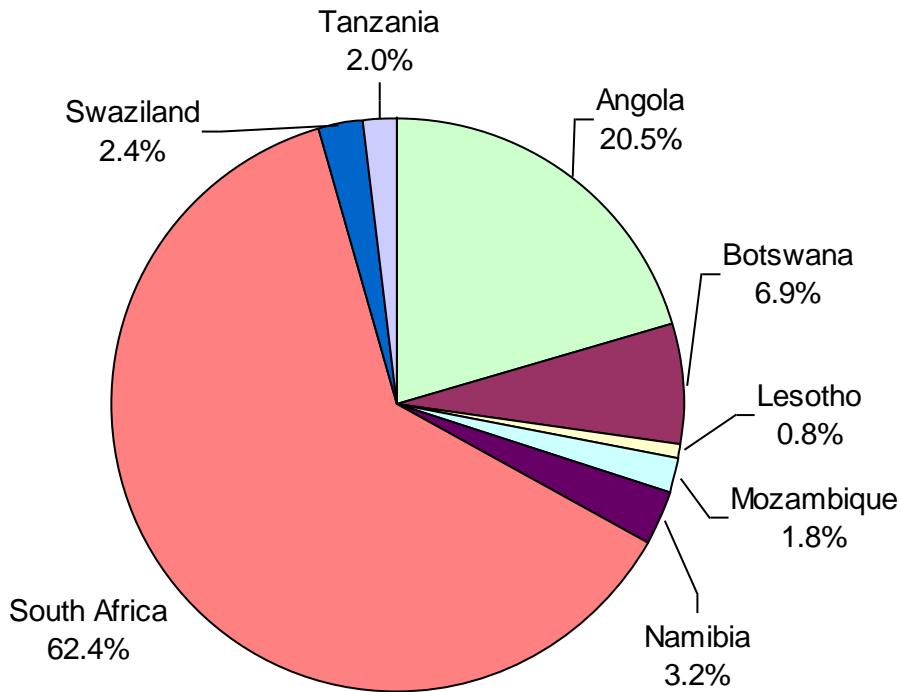
- Discrimination and potential distortion (economic costs)
- Costs of hub and spoke
- Exclusion
- Lack of stability of market access conditions
- Trade costs associated mainly with the rules of origin
- The problems of overlap and multiple memberships
- The market segmentation risks of deep integration

Trade and Tariff Effects

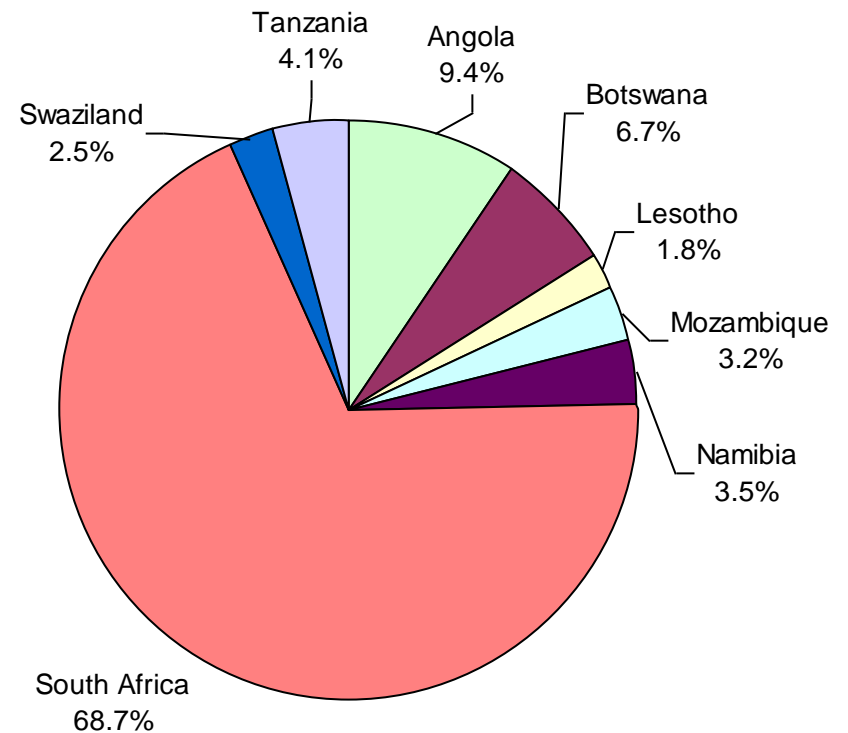
Summary statistics

Share of SADC countries in SADC trade, 2000-2005 (percent)

Exports

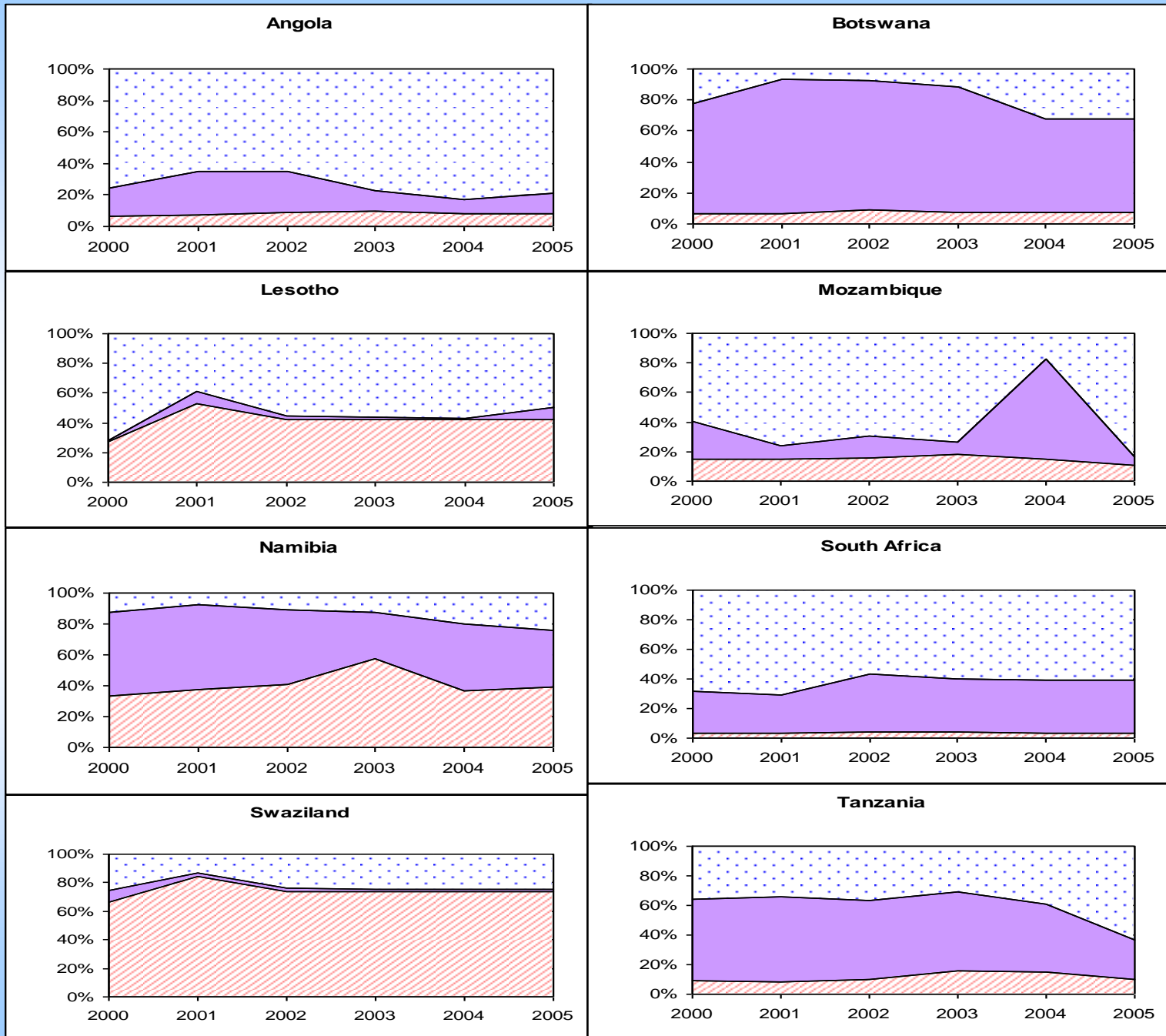


Imports



Source: UNSD Comtrade and WTO estimates.

Shares of SADC country exports by region, 2000-2005

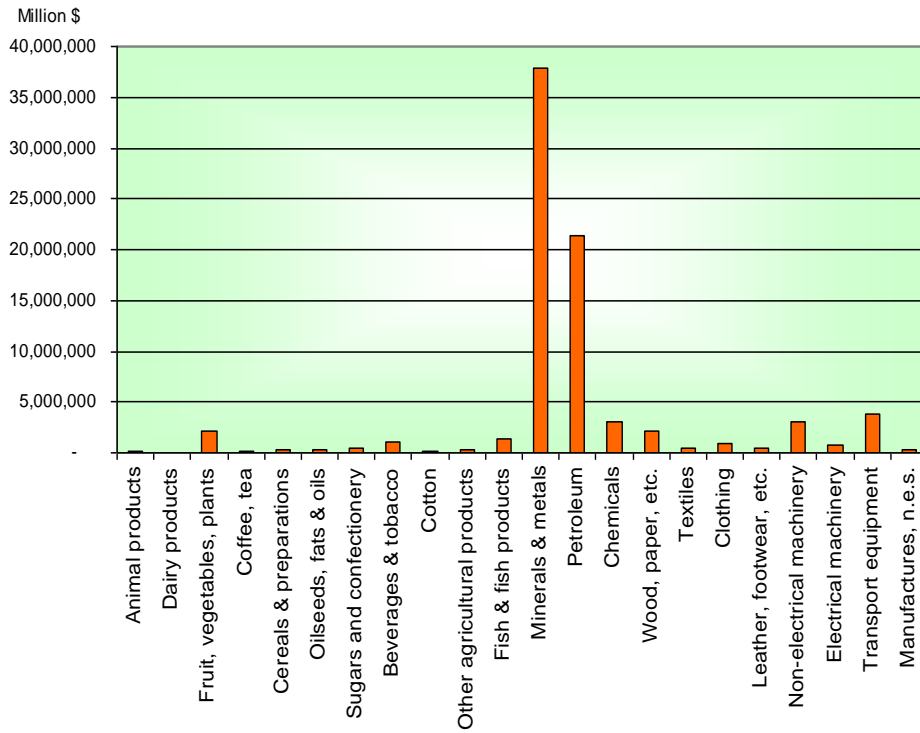


Intra-SADC
 EU 25
 Rest of world

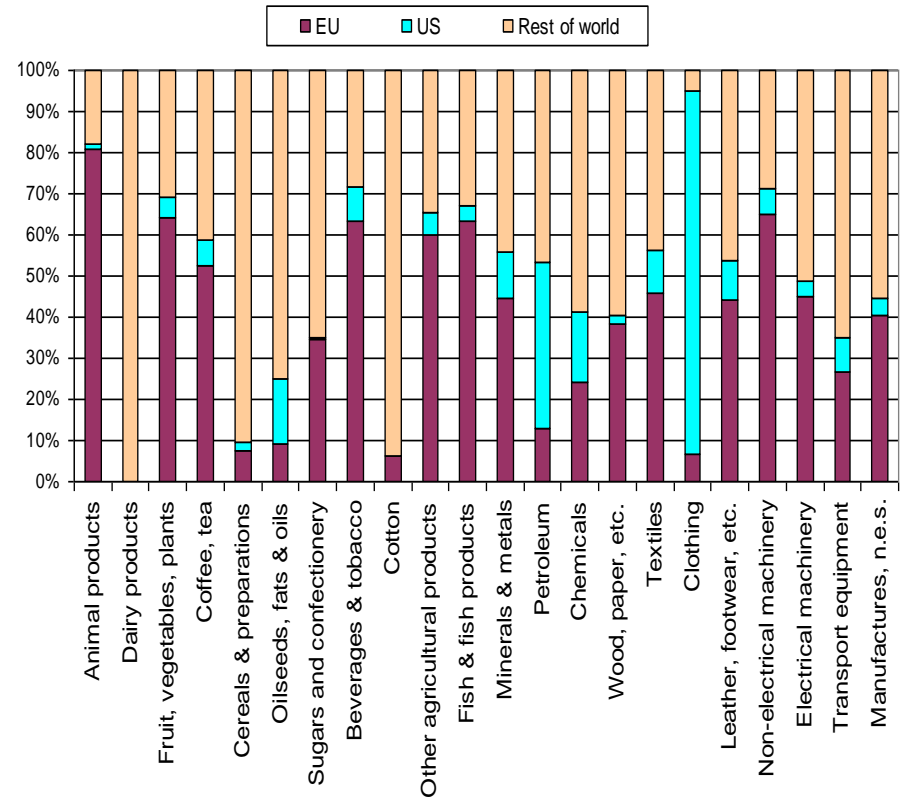
Total SADC exports by product and major destinations

(Million dollars and percent)

Total Exports



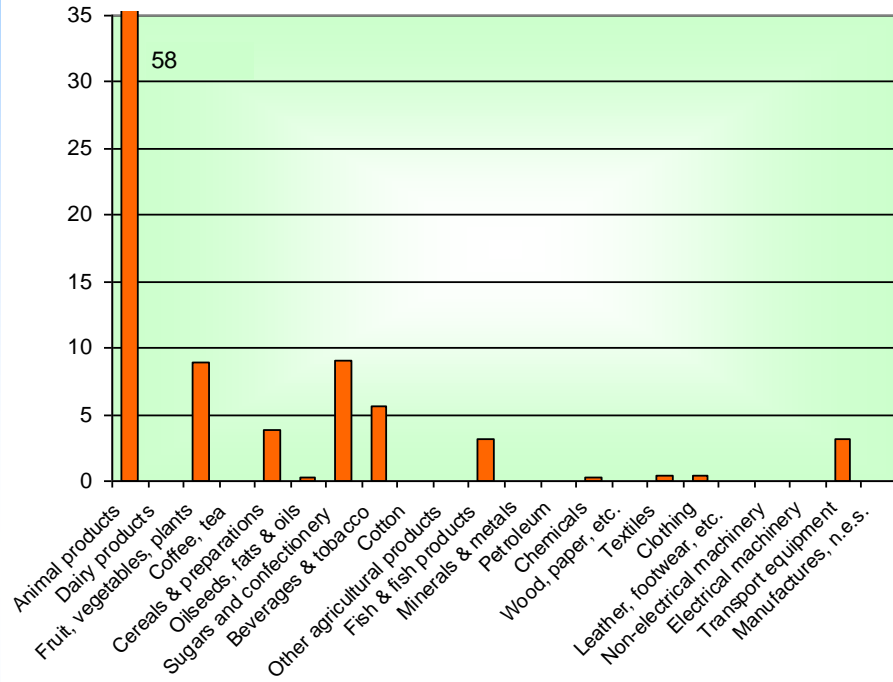
Percentage share



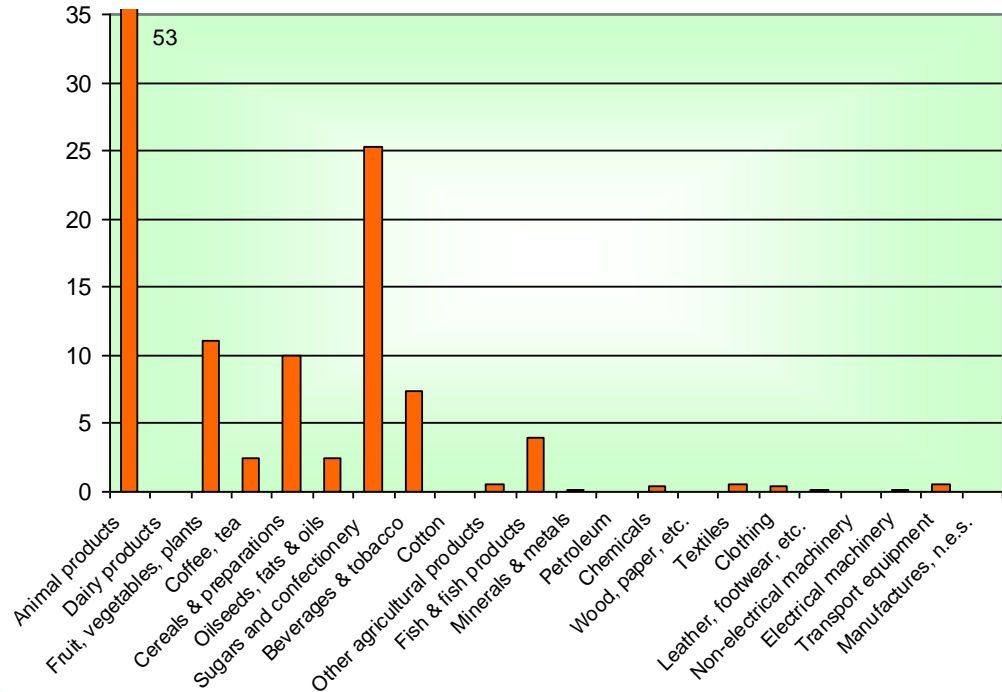
Simple and weighted average tariffs facing SADC countries in major markets

(Including best preferential rates; percent)

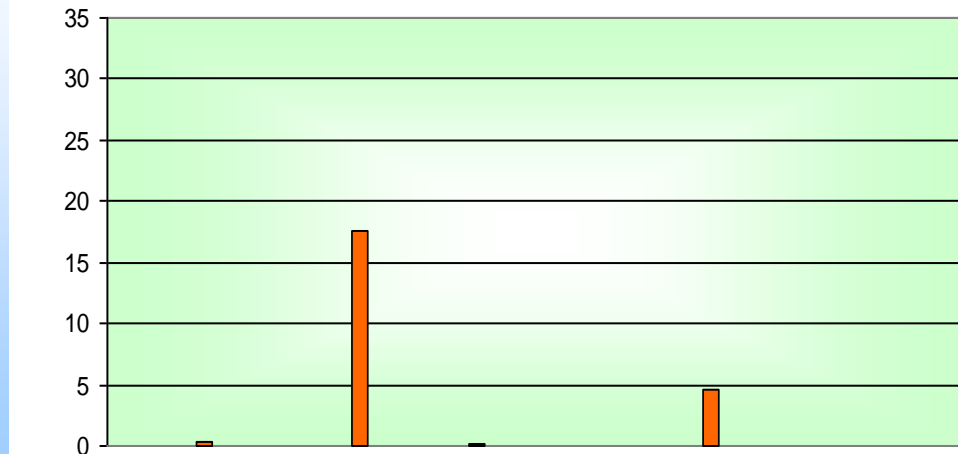
EU - Weighted



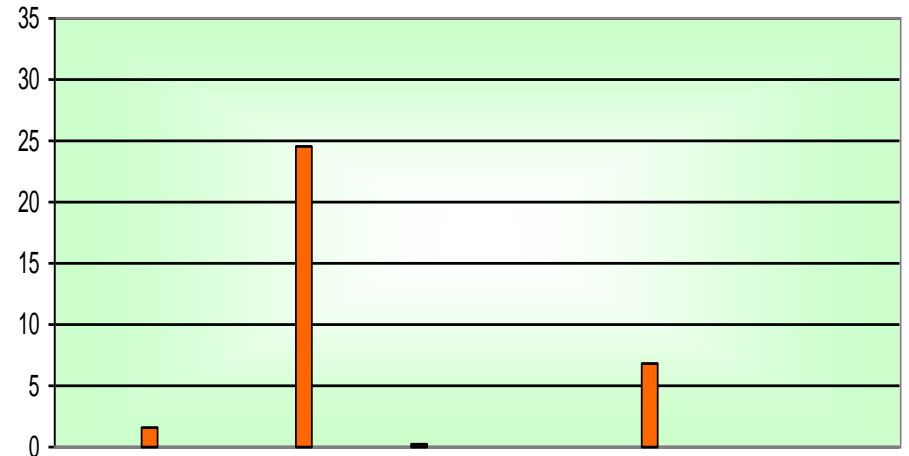
EU - Simple



US - Weighted



US - Simple

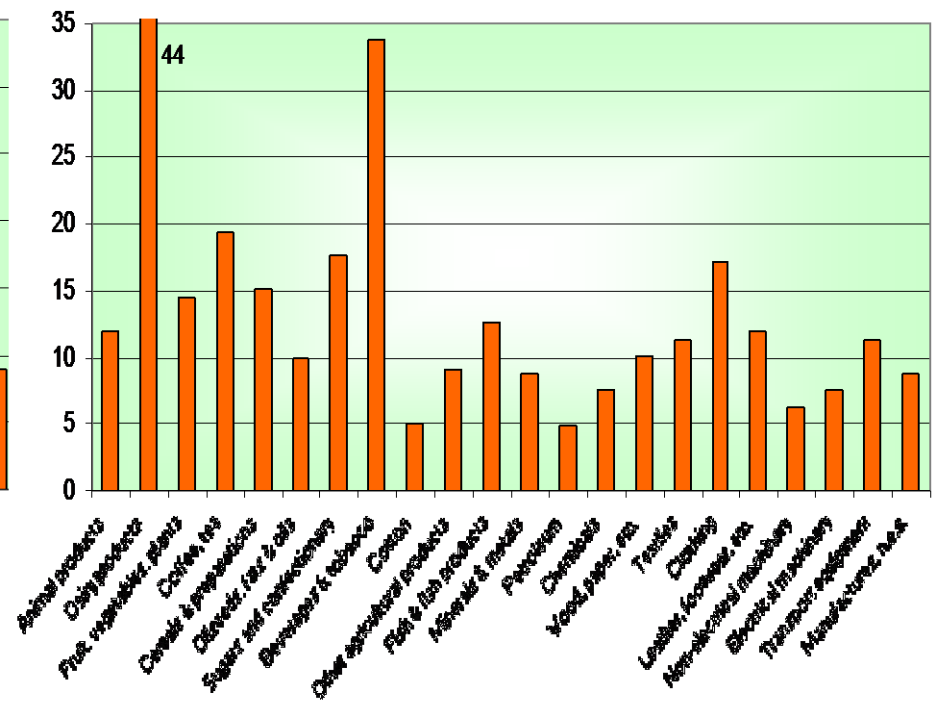
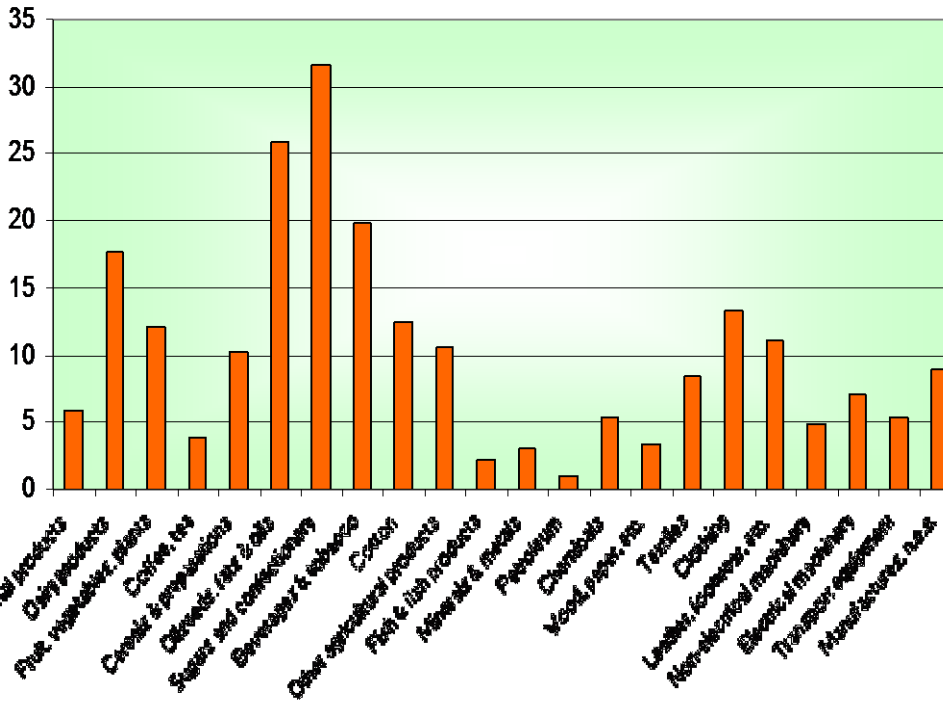


Simple and weighted average tariffs facing SADC countries in major markets

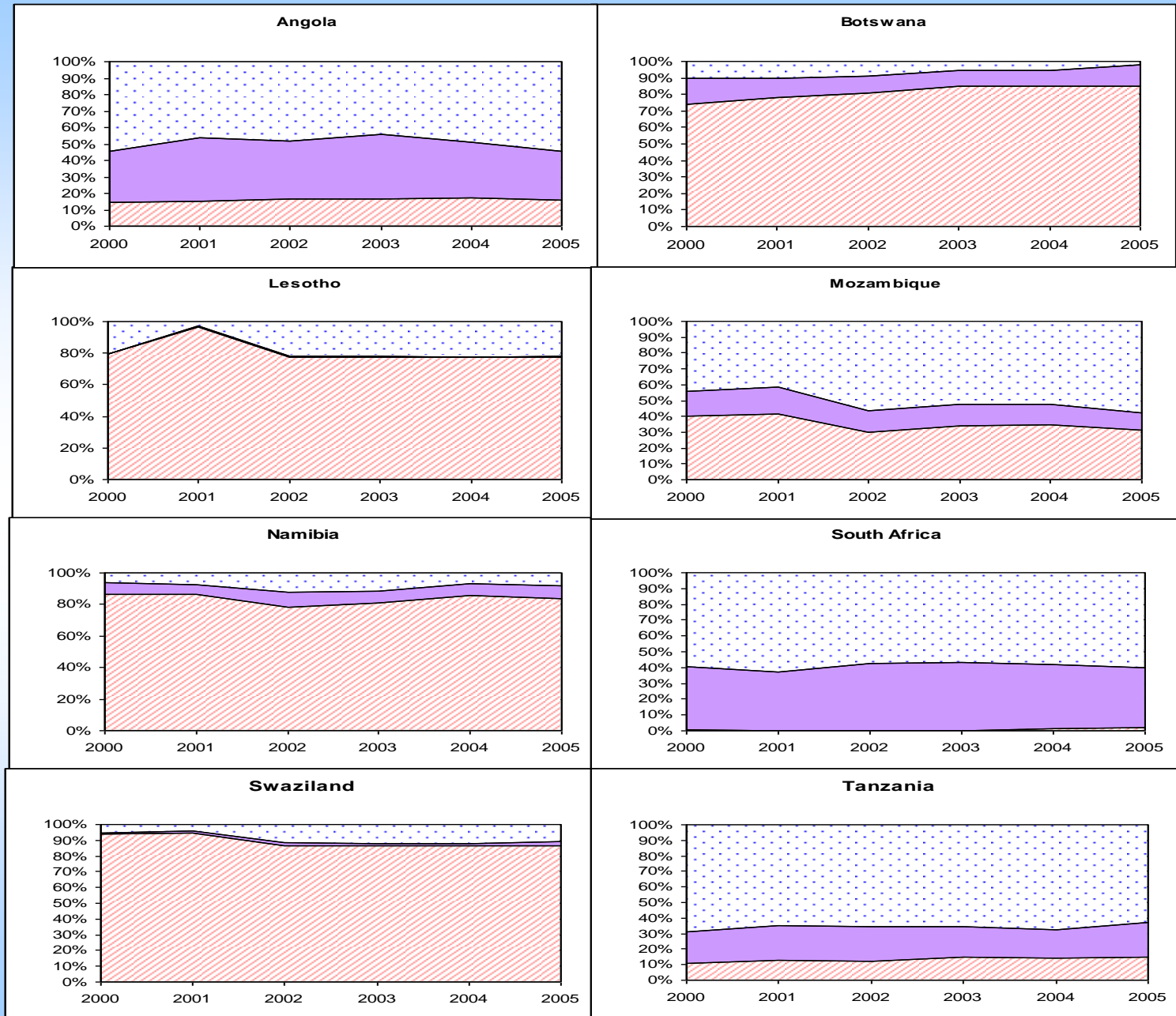
(Including best preferential rates; percent)

Rest of world - Weighted

Rest of world - Simple



Shares of SADC country imports by region, 2000-2005



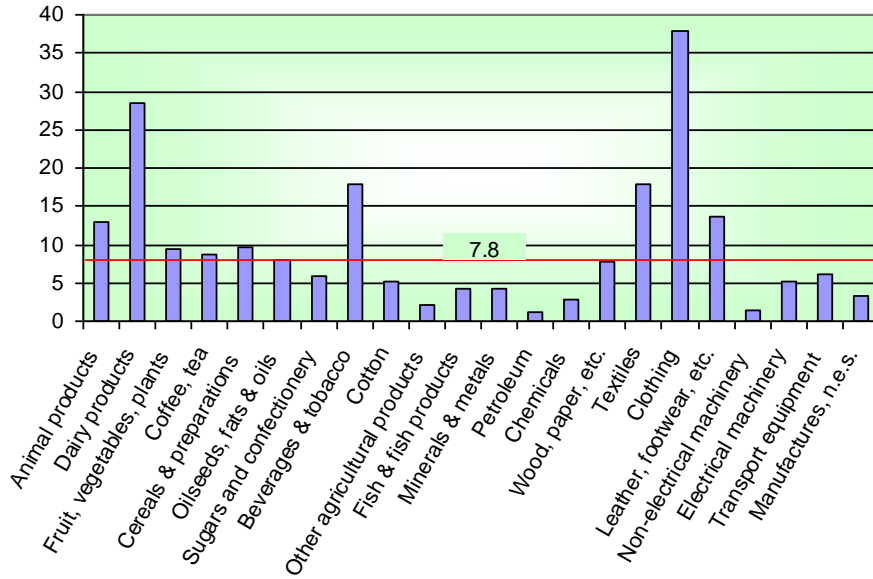
 Intra-SADC

 EU 25

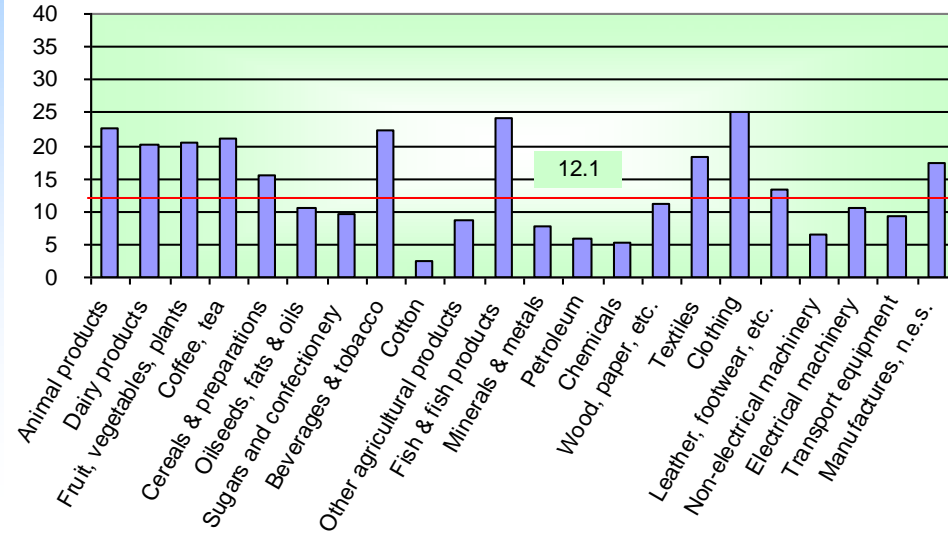
 Rest of world

MFN Tariffs of SADC members by product group (Simple averages; percent)

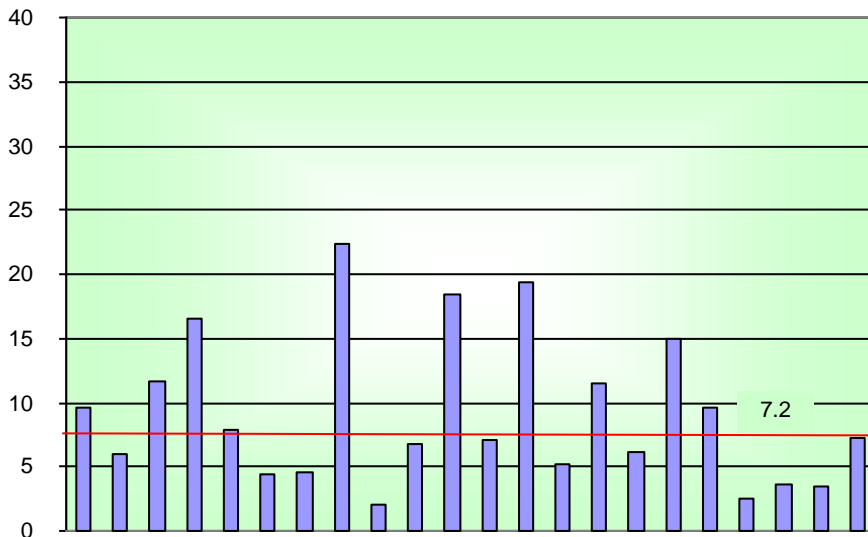
SACU



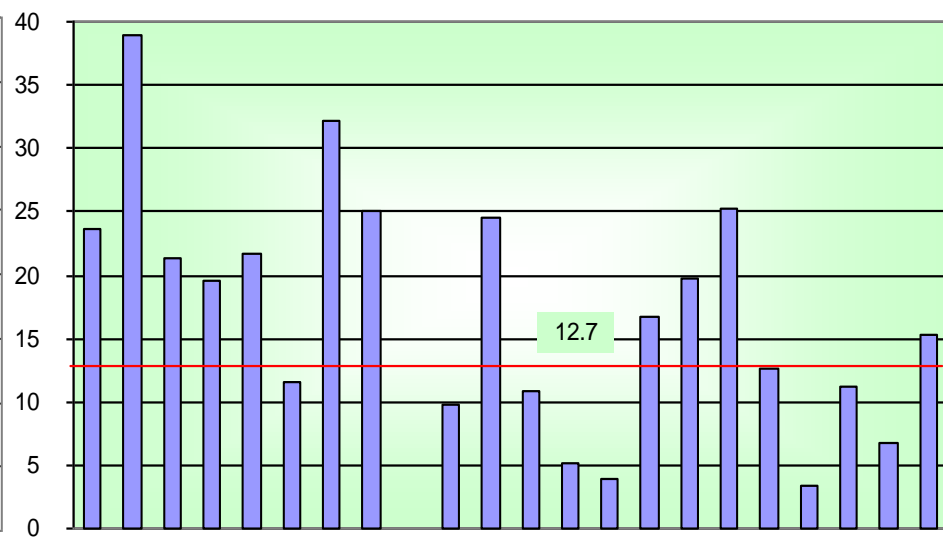
Mozambique



Angola



Tanzania



Summary of some salient trade and tariff facts in SADC EPA region

- South Africa's trade dominates the region
- Most SADC EPA countries have significant export interests outside their region and the EU
- Export structures are fairly concentrated, especially on energy, minerals and metals
- Tariffs facing SADC EPA countries in EU and US are quite low, with a few peaks, but somewhat higher on average elsewhere
- On the import side, intra-SADC trade dominates for BNLS, with greater geographical dispersion in the case of Angola, Mozambique, South Africa and Tanzania
- Weighted average applied MFN tariffs in the region: SACU (7.8%); Mozambique (12.1%); Angola (7.2%); Tanzania (12.7%)

WTO Rules on CUs and FTAs

- Article XXIV GATT:
 - Substantially all trade covered
 - Barriers to third party trade no higher after establishment of a CU or FTA than before
 - Time-frame for full implementation (normally no more than 10 years)
- Enabling Clause
 - Among developing countries only, looser, no ‘substantially all’ criterion
- Article V of GATS
 - Looser than XXIV, ‘substantial’ sectoral coverage, no *a priori* modal exclusions, plus developing country flexibilities

The Multilateral Record on Regulating RTAs

- The GATT/WTO has largely been a bystander
 - Exceptions embedded at the beginning, lack of political commitment, shared non-compliance
 - Lack of specificity in certain rules
 - Gaps in the rules – e.g. rules of origin
- A new approach?
 - The transparency mechanism, between legislation and litigation

State of EPA negotiations

- Seemingly difficult to complete by time of waiver expiry (31/12/2007)
 - Too much still to define on trade and other issues
 - All ACP countries in each EPA will have to agree on the deal with EU
 - Are we effectively talking about different EPA CUs/FTAs establishing a FTA with the EU, or are some other intra-EPA arrangements envisaged?
 - How will the different EPAs define inter-EPA arrangements (Enabling Clause)?

Post-Waiver Scenarios

- A renewed waiver – EU probably unwilling
- Legal limbo – lead time to conclude dispute settlement proceedings
- Possible *de facto* ‘peace clause’ in CRTA – would still have to define some trade arrangements
- A WTO-consistent FTA ‘lite’ – would have to define trade commitments even if other issues still under negotiation
- Interim application of standard EU GSP – not in accordance with commitment to preserve existing access
- A redefinition of EU’s GSP+ – but possible issues here with the vulnerability criteria and signature of conventions on human rights, labour rights, environment and governance
- A WTO-consistent, redefined non-reciprocal preference arrangement pending completion of the EPA negotiations?