

South Africa's International Trade Agreements and Benefits

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By

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4. SOUTHERN AFRICA – SADC Trade Protocol



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PRESENTERS

1. EU EPA – Sandile Tyini, Director: Americas
2. USA AGOA – Shonisani Seema, Deputy Director: North and Central America
3. MERCOSUR PTA – Gugulethu Mqambalala, Deputy Director: South America
4. SADC Trade Protocol – Noma-Efese Mxi, Deputy Director: SADC



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THE SADC-EU EPA

The Economic Partnership Agreement (EPA) between the EU and Southern African Development Community group (Botswana, Lesotho, Namibia, Mozambique, South Africa and Swaziland (Eswatini))



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Background of the SADC-EU EPA

- The Economic Partnership Agreement removes customs duties on 98.7% of SA exports to the member countries of the European Union (28 countries with a total population of R460 million)
- The SADC – EU EPA establishes a Free Trade Area (FTA) between the EU and the SADC EPA States (made of SACU plus Mozambique)
- South Africa has had an FTA with the EU since 2000(the TDCA), and - the SADC-EU EPA replaced the TDCA with some improvements for South Africa
- The EPA entered into force on 10 October 2016, except for new agriculture market access which entered into force on 1 Nov 2016



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SA's objectives for the EPA

- SA joined the SADC EPA negotiations as an active participant in 2007 to pursue the following objectives:
 - to improve market access better than what was agreed under the TDCA and to secure back some policy space lost under the TDCA (i.e. to secure further market access especially in agriculture).
 - to harmonise the trading regime between SACU (Botswana, Lesotho, Namibia and Swaziland) and the EU due to common SACU external tariff (i.e. in support of SACU's regional integration efforts).

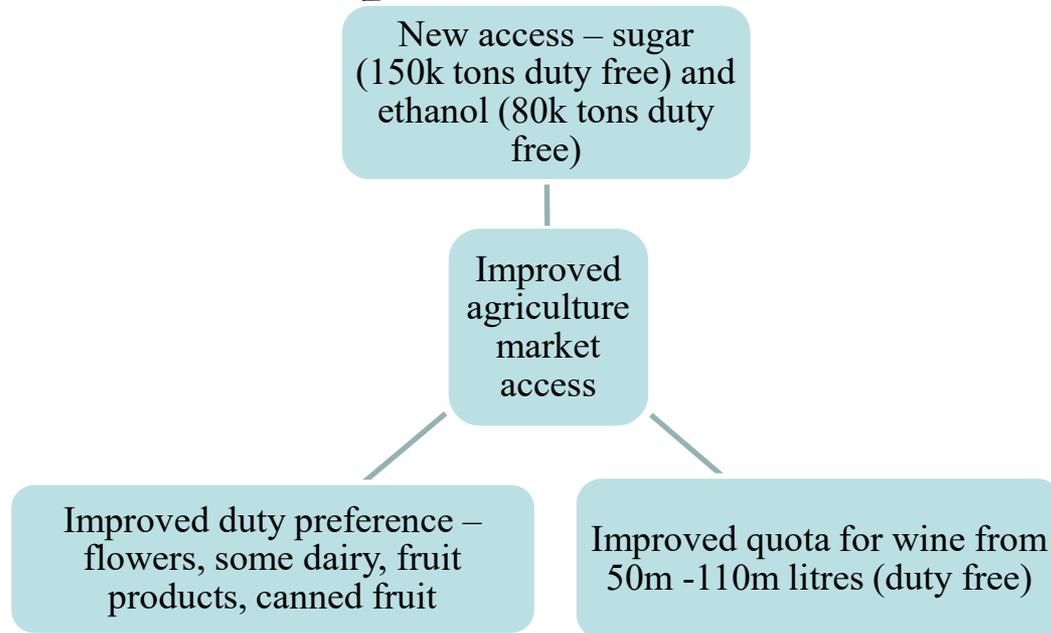


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Improvement on TDCA – Market Access

- South Africa achieved its objectives and improved market access better than TDCA on 32 agricultural products.
- Significant improvement on quotas for Wine, Sugar and Ethanol.
- Improvement on duties for our exports of flowers, some dairy, fruit and fruit products, amongst others



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Improvement on TDCA – textual provisions

- SA also managed to improve textual provisions better than TDCA as follows:
 - EPA rules of origin is an improvement on the TDCA as they now allow for extended cumulation that can facilitate intra-regional trade and industrialisation across the Southern and Eastern Africa in particular.
 - Several other restrictive trade rules under the TDCA, like on export taxes, have been eased under the EPA. Export taxes can now be introduced on exports from EU.



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SA – EU Geographical Indications

- The SADC-EU EPA makes provisions for a bilateral protocol between SA and the EU on the protection of GIs and on trade in wine and spirits.
- The Protocol addresses the issue of protection of SA's wines names exported to the EU and vice-versa, as well as protection of agricultural products such as Rooibos tea, Karoo lamb and Honey bush tea.
- The Protocol also provides for co-existence of names and therefore ensure that current South African users of specific names like "Feta" will continue to use the name.



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SA – EU Geographical Indications cont'd

- The GI negotiations reached an agreement that ensures the protection of product names currently being used by producers in the EU and SA:
 - the EU shall receive protection of names for 251 GIs (which covers 120 wines, 5 beers, 20 spirits and 106 agricultural products. The latter includes (special meats, cheese, olives, etc)
 - South Africa shall receive protection for 105 GI names of which 102 are wine names and three agricultural product names. Provision is also made for SA to add 30 agricultural product names in future.



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Conclusion

- EPA negotiations created an opportunity for SACU member states to comply with their obligations under SACU Agreement 2002, which calls for the member states to review or negotiate new trade agreements together
- The Agreement provides an opportunity to consolidate SACU on its trade relations with EU, therefore SACU common external tariffs has been preserved
- Enhance policy space under the EPA vis-a-vis the TDCA
- Improved market access for SA on agriculture products
- Potential to maximize quota utilization
- Potential trade increase from annual increases of TRQs
- SA still has untapped TRQs



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Brexit Negotiations

- Brexit Referendum - where the Leave campaign won by 51, 9 %
- The withdrawal (The Exit Bill, Citizen's Rights, The Northern Ireland)
- Transitional Period Agreement – The UK and the EU reached a Transitional Period Agreement in April 2018. The transitional period starts 1st April 2019 to 31 December 2020. The UK will continue to benefit from EU Agreements but loses decision Making Power. During this period, the UK can conclude Trade Agreements with its Trading Partners. The Transitional Period on condition that the UK Parliament approves the Withdrawal Agreement by 29 March 2019
- Withdrawal Agreement – The withdrawal agreement was approved by the EU but did not pass approval of the British Members of Parliament. Among areas of critics is the Irish Boarder and the “backstop” agreement, which according to the House of Commons is worse that having remained in the EU, where the UK would have influence over the EU Trade Policy.

SA - UK and EU Trade

- The UK is one of South Africa's major trading partner in the EU region
- Total trade between South Africa and the EU increased from R580 Billion in 2015 to R 594 Billion in 2017, a growth of 5.9 %
- Total trade between South Africa and the UK increased from R76 Billion in 2015 – R79 billion in 2017
- In 2017, UK accounted for 18% of South Africa's exports to the EU while imports accounted for 10% to total Imports
- SACU & Moz are in negotiations with the UK for rollover of the EPA to replicate the effects of the SADC EU EPA into a SACU + Mozambique UK Agreement to ensure that there is no disruption of trade when the UK leaves the EU

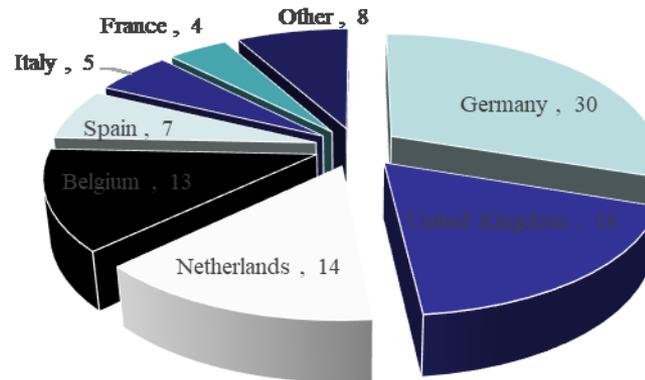


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SA-EU Trade figures cont.

% Share of South Africa's exports to the EU per Export Partner 2017



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European Free Trade Association (EFTA) FTA Trade relations



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Background

- EFTA comprises of Iceland, Liechtenstein, Norway and Switzerland.
- The agreement was signed in 2006 and entered into force on the 1st May 2008.
- Bilateral agreements on basic agricultural products (within chapters 1 to 24, excluding processed agricultural products) are entered into with individual EFTA States.
- The review was launched in Geneva, Switzerland from 30 January to 02 February 2018.
- The last Joint SACU-EFTA Review meeting took place in March 2019



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SA-EFTA Trade relations

- SA's main exports are primary products (Natural or cultured pearls, precious or semi-precious stones, and Mineral products).
- The trade balance between South Africa and EFTA has consistently been in SA's favour.
- Recently trade between South Africa and the EFTA has been fluctuating and this is attributed to the global financial crisis and other agreement been signed with other trading partners.
- Total trade between SA and EFTA has been fluctuating over the past years; recording an increase from R11.02 Billion in 2007 to R 35.75 Billion in 2011; an increase of 224% and then R25.26 billion in 2017 (129% increase compared to 2007).



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SA-EFTA Trade relations

- SA exports to EFTA increased from approximately R 9.9 billion in 2007 to R 13.89 billion in 2017, while imports increased from approximately R1.11 Billion to R 11.37 Billion in the same period.
- The Trade Balance remains in favour of the EFTA, though it has been declining over the past 5 years, recording a 34.5% decline R8.09 Billion in 2007 to R 5.3 Billion in 2017
- SA's exports to EFTA amounted to 1.17% of the SA's total exports to world
- SA's imports from EFTA amounted to 1.15% of the SA's total exports to world
- Natural or cultured pearls contributed 38% of total exports to the EFTA in 2017
- SA's motor vehicles exports increase by 26% from 2007 to 2017

Benefits of the Agreement

- Improvement in South Africa's market access for Basic and Processed Agricultural Products into the EFTA market.
- Duty Free Quota Free (DFQF) treatment applies to all non-agricultural products.



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