Joint Press Release

Department of Trade and Industry of the Republic of South Africa

European Union Delegation to the Republic of South Africa

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For immediate release/…

Benefits of a new trade deal with the European Union

South Africa has concluded a new trade deal, the Economic Partnership Agreement (EPA), with the European Union (EU) under the SADC-EU EPA framework to replace the trade provisions of the existing bilateral trade agreement between South Africa and the EU, known as the Trade, Development and Cooperation Agreement (TDCA).

The SADC EPA agreement takes effect today, 10 October 2016.

The EU and the SADC EPA group (Botswana, Lesotho, Namibia, Mozambique, South Africa, Swaziland and Angola) took more than a decade to reach this deal. The Agreement was signed by the EU representatives and the five Southern African Customs Union (SACU) member states plus Mozambique on the SADC EPA side on 10 June 2016. Angola did not sign the agreement but was part of the negotiations and may join the group anytime in the future.

One of the reasons for South Africa's participation in the EPA negotiations while it was still phasing in the provisions of the TDCA, was that it wanted to harmonise the trading regime between SACU as a whole and the EU rather than have two separate agreements. The EPA ensures that the SACU common external tariffs are maintained. Secondly, SA had an opportunity to correct some of the imbalances of TDCA, particularly in agriculture. Thirdly, it wanted to regain policy space perceived to have been lost under the TDCA, for example being able to impose export taxes to support industrial development policy. And lastly, to gain better market access to the EU.

Almost all SA products (about 99%) will have preferential market access in the EU, compared to about 95% under the old agreement. About 96% of the products will enter EU market without being subjected to customs duties or quantitative restrictions. The other 3% will still have access, albeit partial, that is similar or improved compared to the TDCA. SACU as a group has granted EU lower market access of 86%, in line with the developmental nature of the agreement.

The EU absorbs about one-fifth of all South African exports, while imports account for one third. While SA exports have traditionally included mostly primary products, agricultural and manufactured goods have gained prominence among the top 10 SA exports, with motor vehicles comprising 21% of SA's exports to the EU last year.

The bilateral deal concluded between SA and the EU on the protection of Geographical Indications (GIs) as part of the whole EPA is of significant benefit to both parties. SA's favourite herbal teas would be the beneficiaries of this new trade agreement with the EU. Rooibos, Honeybush and Karoo Lamb are notable beneficiaries which are protected along with 102 wine names of areas like Paarl and Stellenbosch. In contrast, the EU will receive protection on 251 product names. About 120 names are for wines; 106 are agricultural product names such as special meats, cheese, olives, cheese, and others; 20 names are for spirits and five are beer names.

Fisheries, that were not covered by the TDCA, will be a notable beneficiary under the EPA. About 94% of fisheries' products will now enter the EU market duty free quota free while the rest will be phased in over a specified period. Agricultural benefits range from improved market access for more than 30 SA products into the EU to the phasing out of the EU export subsidies. South Africa will now be allowed to export 150 000 tons of sugar and 80 000 tons of ethanol duty free, while the quota for wine exports to the EU more than doubles from 50 million to 110 million litres. Other products include flowers, dairy, fruit, fruit juice and yeast. On the EU side; wheat, sugar confectionery, barley, cheese, pork, cereal, butter and ice-cream will gain better market access into the SACU.

The EPA also allows more flexibility on rules of origin, so that countries can use inputs from their EPA neighbours without forfeiting EU access as well as from non EPA countries that benefit from duty free quota free access to the EU. An exporter in Namibia, for example, can source from any of the BLNS countries and Mozambique – but also from any other African country which becomes part of an EPA or any other country in general that benefits from a trade agreement with the EU.

The EPA is intended to be development-oriented and allowing for deeper regional integration. Overall, the EPA offers new opportunities for South African exporters and importers in many areas. While we can now rest assured that the Rooibos name is safe – at least in Europe – the EPA is far-reaching, and allows South Africa policymakers, with their European partners, space to advance industrial development and use the agreement to ensure the benefits of increased trade are not directed only to big business but also help roll back poverty and create jobs.

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