

## **EU-SADC EPA NEGOTIATIONS**

### **THE MYTHS AND THE TRUTH**

***FIRST MYTH:** "The EU is trying to remove ACP preferences in the EPA negotiations"*

**THE TRUTH: The EPAs are the agreed solution to maintain ACP preferences**

Presently, under the Cotonou Agreement, ACP countries enjoy a better trade treatment (preference) when exporting to the EU than similar Asian or American developing countries. Such discrimination is NOT normally allowed under WTO rules. However, in this case, it is possible because the trade arrangements between the EU and the ACP countries received a "waiver" (temporary exemption) in the WTO. However, the waiver will expire at the end of 2007. Both sides already agreed in the Cotonou Agreement (Article 37), signed in June 2000, that the EPAs are THE solution to be able to maintain and further increase present preferences in accordance with WTO rules (Article XXIV GATT).

***SECOND MYTH:** "It is better for ACP countries not to conclude an EPA Agreement"*

**THE TRUTH: In the absence of an EPA, the ACP will lose out on the best possible trade treatment**

Should an EPA agreement not be concluded in accordance with WTO rules, it will no longer be possible to grant better treatment to ACP countries than to similar Asian or American countries. They will lose out on the EU offer for duty-free quota free (DFQF) access to the EU market (100% liberalisation).

***THIRD MYTH:** "The EU has imposed the deadline of 31 December 2007"*

**THE TRUTH: The WTO waiver expires on that date both for the EU and the ACP**

The date of 31 December 2007 is not a deadline chosen or imposed by the EU. It is the date when the WTO waiver for current EU-ACP trade arrangements expires. It is a deadline imposed by the WTO both on the EU and the ACP and that already appears in the 2000 Cotonou Agreement (Article 37).

***FOURTH MYTH:** "The EU has divided SADC"*

**THE TRUTH: SADC countries decided their own regional configuration in the EPAs**

The EPAs were commonly designed by the ACP and the EU as regional agreements. The ACP countries have decided on their own regional configuration for these negotiations. The fact that not all SADC countries decided to negotiate together as a region appears to be the result of overlapping geographical configuration as well as intra-SADC relations, which is not of the EU's doing.

**FIFTH MYTH:** *"The EU is only looking after its own trade interests"*

**THE TRUTH:** **The EU has made to the ACP countries the best ever trade offer**

Under the EPAs, the EU has offered Cotonou ACP countries duty-free, quota-free access to its market. Such offer is not only the best ever offer made by the EU in this type of agreement, but it is also by far the best ever offer ever made by a developed country to developing countries. Cotonou ACP countries are only required to make a sufficient offer to meet WTO requirements (Art. XXIV GATT: liberalise substantially all trade). Furthermore, the EU has a strong interest in concluding a comprehensive regional agreement that can play a key role in achieving long term economic and political stability in the region.

**SIXTH MYTH:** *"THE EU is 'differentiating' South Africa from the other SADC/SACU countries"*

**THE TRUTH:** **There presently exist several trade regimes in the region and the EU is trying to minimise existing differences between them.**

For a variety of reasons, South Africa and the other SADC/SACU countries separately agreed to different trade arrangements with the EU. Indeed, while SADC/SACU countries signed with the EU a preferential trade regime under the Cotonou Agreement requiring a WTO waiver, South Africa separately signed the Trade, Development and Cooperation Agreement with the EU, which establishes a full-fledged free trade area. Presently, the EU has agreed to include South Africa in the EPA negotiations, which were originally only intended for ACP Cotonou countries, aiming at minimising existing differences on the basis of the currently applicable trade regimes.

**SEVENTH MYTH:** *"Any differentiation will divide the SACU/SADC region"*

**THE TRUTH:** **Present differences are minimal and will be further reduced.**

Under the TDCA, 95% of South African goods exported to the EU are fully liberalised. Under the Cotonou Agreement, 97% of ACP goods exported to the EU are fully liberalised. The existing difference is merely of 2 percentage points.

Furthermore, South Africa and the EU subsequently engaged in a process of revision of the TDCA to further liberalise trade between the parties. The joining of South Africa of the EPA negotiations results in the "transfer" of the TDCA revision trade negotiations to this context. Under the EPAs, the EU has offered 100% liberalisation (duty-free, quota-free) to the ACP countries. For South Africa, the level of liberalisation will improve on the existing 95% following a negotiation based on the already initiated TDCA revision process.

Should there not be an EPA in place, ACP countries would lose out on the 100% offer and would receive the same trade treatment as developing countries in other parts of the world. On the other hand, South Africa would have its trade regime with the EU based on the TDCA preserved.

**EIGHT MYTH:** *"The EU requires full liberalisation of all services, investment and public procurement sectors"*

**THE TRUTH:** **The EU has not requested any such liberalisation.**

The EU believes that long term sustainable economic development will not come merely from trade preferences. It is generally agreed that it is essential to tackle other areas of economic activity, such as services, investment and public procurement. Furthermore, the competitiveness of goods exported from one country or region largely depend also on the availability of efficient and competitive services, such as financial services, telecommunications and transport. Having said this, the EU is aiming at a comprehensive integration of regional markets, rather than asking liberalisation for EU services, investment or public procurement. The EU and most SADC EPA countries, with the notable exception of South Africa, stand ready to discuss and agree on the best manner to achieve such objective, including EU technical and financial support. In any case, any SADC EPA countries will always be able to apply the necessary safeguards for any particularly sensitive area or sector.

**NINTH MYTH:** *"Harmonisation takes time: the region is not ready to address new generation issues"*

**THE TRUTH:** **There are many meaningful decisions that can already be taken**

The EU is the first one to recognise that harmonisation takes time and needs to be done gradually. However, a number of general but extremely meaningful principles such as transparency, non-discrimination (within the region and/or vis-à-vis third parties) and legal certainty do not in themselves require any harmonisation. Indeed, a simple political decision to this end would have enormous economic value for economic operators in the region. In addition, as shown by existing work within the SADC region and also e.g. existing agreements or bilateral investment negotiations by many SADC countries, it is already possible to identify and agree on a path forward on these issues, with the necessary time span and EU support.

**TENTH MYTH:** *"In the absence of an EPA, the EU threatens with a decrease of its financial support to the region"*

**THE TRUTH:** **Regardless of the EPAs, the EU has increased its development support to the region**

The EU has already decided on a significant increase of EU financial support for development activities in the region for the 2007-2013 period, irrespective of the result of the EPA negotiations. For South Africa, the allocated funds amount to around €1 billion (10 billion rands), in addition to other funds available through regional or horizontal programmes. Following a process of mutual ownership of the EU's development assistance, it is up to South Africa and other countries in the region to identify their development support needs, including in the trade area. In addition, the EU has committed an additional €2 billion (20 billion rands) to aid for trade programmes, which is likely to be to a large extent devoted to EPA-related needs.

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Pretoria, 29 August 2007