Analytical Note
SC/AN/TDP/EPA/10
Original: English

EPA NEGOTIATIONS IN SOUTHERN AFRICA: SOME ISSUES OF CONCERN

SYNOPSIS

This Analytical Note explores some of the main challenges related to the EPA negotiations in the SADC region, particularly with respect to Market Access and regional integration, Agriculture, and trade in Services. This note highlights some of the region's main concerns and explores some possible positive linkages between the EPAs and the WTO Doha Round of negotiations in an effort to increase negotiators' understanding about the EPA developmental implications.

October, 2007
Geneva, Switzerland

This Analytical Note is produced by the Trade for Development Programme (TDP) of the South Centre to contribute to empower the countries of the South with knowledge and tools that would allow them to engage as equals with the North on trade relations and negotiations.

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EXECUTIVE SUMMARY

The composition of the Southern African Development Community configuration negotiating the Economic Partnership Agreement (EPA) with the EU is different from the composition of the original SADC economic regional community (REC). Indeed, the Southern African EPA grouping encompasses only 8 of all the 14 SADC countries. The remaining 5 countries are negotiating a separate EPA under the Eastern and Southern African configuration and under the Central African configuration.

Moreover, the 8 countries in the EPA SADC group are parties to different, overlapping, regional and sub-regional agreements on trade, political and economic cooperation to which the EPA negotiations add an additional layer of complexity.

To carry forward EPA negotiations, SADC has nominated Botswana's Minister of Trade and Industry as the Chief Coordinator on behalf of the region. In its role of regional coordinator, Botswana prepares and conveys SADC's negotiating positions at ministerial, ambassadorial and senior officials' level. This coordinating role is essential, as the region presents a highly varied set of concerns and interests, reflecting its heterogeneous trade and productive patterns.

While the cumulated regional GDP of the EPA SADC region makes it the largest economic region negotiating an EPA in Africa, this is to a large extent tributary to South Africa's relatively developed economy. The second largest economies of the region, Angola, Tanzania and Botswana, are heavily dependent on revenues from the extractive industries – oil in the case of Angola, gold and diamonds in the other two. Compared to the other African EPA negotiating regions, agriculture is of limited importance in the outgoing trade flows, while international trade involving the industry and services sectors appears to be critical for the countries' current assets and economic growth. Overall, the European Union is the recipient of over 40% of the SADC exports, mainly diamonds, gold, aluminium and fish and it is the main source of imports for all the SADC countries.

The fundamental change that an EPA would entail, that is the shift from unilateral preferences to reciprocal trade liberalization, has major consequences in different domains. In the negotiations, SADC should stress the need for instruments aimed at fiscal recovery and stability in order to cope with the revenue losses resulting from the elimination of trade taxes. Furthermore, tariffs liberalization risks undermining the livelihood security of millions of people who rely on an agricultural sector that is already rather vulnerable. Safeguards and assistance for adjustment and increased food security are of the uttermost importance.

Unlike in the other African EPAs negotiating regions, the service sector constitutes an important share of the region's GDP. Nonetheless, services exports remain rather underdeveloped, except in the case of South Africa, and the shortcomings in the support infrastructure severely limit export capacity. Despite the infancy of this sector in the region, the EU has asked SADC to sign services-related binding commitments in the EPA. This option should be pondered carefully as the regional integration in the sector may be greatly hampered by a hasty sequencing in services liberalization.

More generally, SADC countries would highly benefit from a long-term financial commitment from the EU to implement an effective economic diversification agenda in order to foster the region’s development and capacities. Accordingly, during the negotiations the SADC region needs to address the issue of how to achieve enhanced competitiveness, particularly in order to overcome erosion of preferential benefits.

Overall, the EPA SADC region suffers from a limitation in its capacities to negotiate an agreement that would fully benefit the member countries at the national and regional level. In order to ensure that the EU-SADC EPA constitute a real pro-developmental outcome, greater time intended to both deepen the discussions on the issues at stake and to allow SADC countries to gain improved capacities is advisable.

EPA NEGOTIATIONS IN THE SOUTHERN AFRICA: SOME ISSUES OF CONCERN

I. INTRODUCTION

1. The *Southern African Development Community* (SADC) region negotiating an Economic Partnership Agreement (EPA) with the European Union (EU) corresponds to all members of the Southern African Customs Union (SACU) - Botswana, Namibia, Lesotho, Swaziland (BNLS), and South Africa - as well as 3 Members of the Southern African Development Community (SADC): Angola, Mozambique and Tanzania (MAT).

2. Around 130 million people inhabit the 8 countries composing the EPA negotiating SADC. Although this figure means that the domestic market size is not particularly big compared to other African EPA negotiating regions, the regional GDP is the highest: US$ 340.2 billion per year. However, aggregate data conceal differences in terms of total GDP, GDP per capita, population and country size. Even when leaving South Africa aside, the remaining countries can be split in two main groups, one with relatively high HDI and GDP per capita, the other, including 4 Least Developed Countries (LDCs), with low GDP per capita and lower positions in the HDI ranking.

3. South Africa has highly diversified imports and exports, both in terms of traded goods and trading partners. The other seven SADC countries, instead, show heavy dependence on two, rarely three, main exports - generally natural and mineral resources, including oil (with the exception of Lesotho, whose exports are driven by the apparel industry to a large extent). They also share in common the fact that they tend to rely on two or three main trading partners. In this connection, it is important to note that on the export side the European Union is a preponderant trading partner for some countries (like Botswana, Mozambique and Namibia), while it barely figures in the export records of some other (like Angola, Lesotho and Swaziland). The same can be said on the imports side, with the European Union supplying to a large extent the domestic demand of Botswana, Mozambique, Namibia and South Africa.

4. This note describes the main trade and institutional patterns that characterise the region and explores some of the main trade challenges that the countries of this region face particularly in the EPA negotiations. It highlights the region's interests in the EPAs and draws lessons from the WTO Doha negotiations to identify interfaces and possible synergies. It aims at increasing negotiators' understanding about developmental implications that result from some of the interfaces between both processes.

II. IDENTITY OF THE EPA SADC REGION

5. The SADC EPA negotiations were launched in July 2004 through the agreement of a joint Road Map for EPA negotiations[1]. The configuration of the region was completed with the formal inclusion of South Africa to the SADC EPA group in February 2007. This section analyses the configuration of the SADC EPA region and its institutional organisation for the purposes of negotiating an EPA. It is completed by a brief overview of SADC's economic, trade and productive profile.

A. General Overview: overlapping membership to RECs

6. As with other African regions negotiating an EPA with the EU, the SADC EPA region is composed of countries participating to more than one regional economic community (REC). Membership to multiple RECs creates an institutional and trade regulatory overlap that constitutes a significant challenge for the negotiation and implementation of the EPA.

7. The configuration of the SADC region negotiating an EPA with the European Union is slightly different from the composition of the original SADC economic development community. As a matter of fact, some SADC members are negotiating their EPA under other configurations. Madagascar, Malawi, Mauritius, Zambia and Zimbabwe are part of the Eastern and Southern African (ESA) region whereas The Democratic Republic of Congo has been negotiating an EPA under the Central Africa EPA region (see Figure 1). The resulting EPA configuration is sometimes referred to as *SADC-minus* or *SADC-8*.

8. Tanzania, who negotiates an EPA with the SADC region, is also a member of the East African Community (EAC)[2]. This considerably complicates EPA negotiations since the EAC has already formed a Customs Union (CU), with specific trade and economic regulatory frameworks. For instance, if Tanzania concluded an EPA under the SADC EPA configuration, she would hence find herself in the impossibility of having to implement three Common External Tariff (CET) regimes: that of EAC, that of the larger SADC and possibly that of an EPA SADC[3]. Alternatively, a harmonisation of the three CET regimes would be required.

9. The challenges created by overlapping memberships could have been avoided if EPA configurations coincided with the various African RECs, thereby

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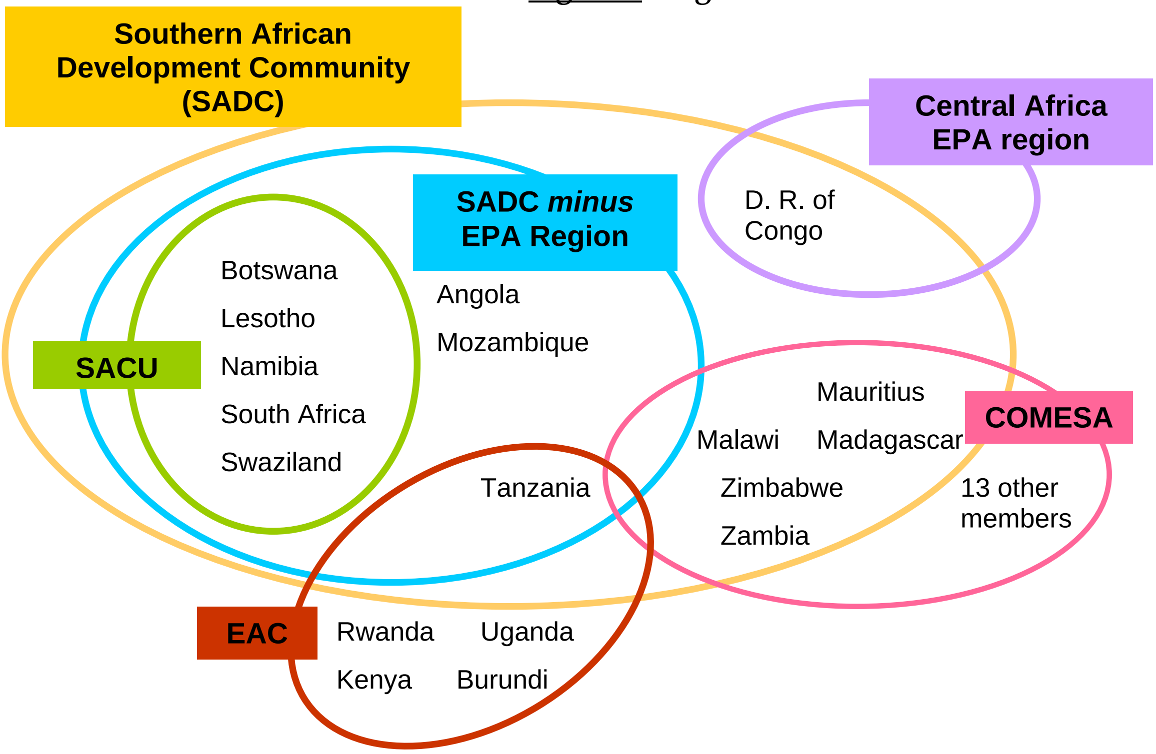
[1] "*SADC – EC Joint Road Map for the Economic Partnership Agreement Negotiations*". Available at: http://www.euacpepa.org:8080/pm-docs/Roadmaps/SADC.pdf

[2] Kenya, Uganda and Tanzania. In addition, Burundi and Rwanda have joined the EAC in June 2007.

[3] The Economic Partnership Agreements between the EU and ACP regions are being used to catalyse the regional integration of each ACP regions, including by constituting Custom Unions. Each region will therefore structure its trade regulations in at least three levels: free trade within the members of each FTA/EPA region (e.g. among SADC countries), preferential trade with the EU (through the EPA), and trade with the rest of the world (at the Most Favoured Nation (MFN) levels for countries which are members to the WTO). See "*Fact Sheet N°1 Understanding the Economic Partnership Agreements (EPAs)*", South Centre (2007) for further information on the EPAs. Available at: http://www.southcentre.org/TDP/newpublistothers.htm

also enhancing to the African Union agenda for the harmonisation of RECs. The EAC had, in fact, announced its intention to conclude a separate EPA, building on the Communities' regional integration agenda.[4] This would have required Tanzania to withdraw from the SADC EPA configuration and to join Kenya, Uganda, Burundi and Rwanda in a new EPA configuration. However, a few months only away from the scheduled completion of EPAs and given the amount of work already covered under the current configurations, this option could have constituted a challenge. EAC members have, hence, decided to closely harmonise their national positions, safeguarding as much as possible the Community's integration *acquis*, without questioning the current SADC and ESA EPA groups.[5]

Figure 1: Regional Economic Communities



10. Finally, one additional factor which considerably complicates the negotiation of an EPA between the SADC region and the EU is the fact that South Africa, who has been admitted to the SADC EPA configuration[6], has already concluded a Free Trade Agreement (FTA) with the EU: the Trade and Development Cooperation Agreement (TDCA)[7]. The TDCA promoted the gradual

[4] See, for instance: http://www.bilaterals.org/article.php3?id_article=9393&lang=fr

[5] http://appablog.wordpress.com/2007/10/12/eac-to-conclude-and-sign-economic-partnership-agreement-with-european-union-as-a-bloc/

[6] On 12 February 2007, the European Council of Ministers adopted a modification to the EC's EPA negotiating directives with ACP countries with the effect of including SA into SADC EPA configuration under certain conditions. South Africa is, since 1994, a member of the Cotonou Partnership Agreement, although it does not benefit from the economic and trade chapters therein. (http://ec.europa.eu/trade/issues/bilateral/countries/southafrica/pr140207_en.htm).

[7] The TDCA was signed in 1999 and has been fully in force since 2004 (http://eur-lex.europa.eu/LexUriServ/site/en/oj/1999/l_311/l_31119991204en00030297.pdf).

liberalisation of trade between South Africa and the EU over a period of 12 years[8] and, given South Africa's intricate relations with the BNLS, also applies *de facto* to all SACU countries. The TDCA would, hence, become the floor or starting point of EPA negotiations. However, TDCA market access conditions are less favourable than those offered by the Cotonou Partnership Agreement (CPA), which benefit BNSL. The TDCA is currently being reviewed, with both South Africa and the EU seeking to improve the market access conditions the TDCA had created. The exact changes that will be made to the TDCA and its relationship with the SADC EPA are still unclear.

B. SADC institutional and policy making framework

11. The SADC EPA region is structured, for purposes of negotiating the EPAs, in a slightly different manner than other ACP EPA regions. Instead of having the secretariat of a REC lead the negotiations on behalf of member countries as, for instance, the ECOWAS and UEMOA Secretariats do on behalf of West Africa[9], SADC has nominated Botswana's Minister of Trade and Industry as the Lead Negotiator on behalf of the Region. In its role of regional coordinator, Botswana prepares and conveys SADC's negotiating positions at ministerial, ambassadorial and senior officials' level.

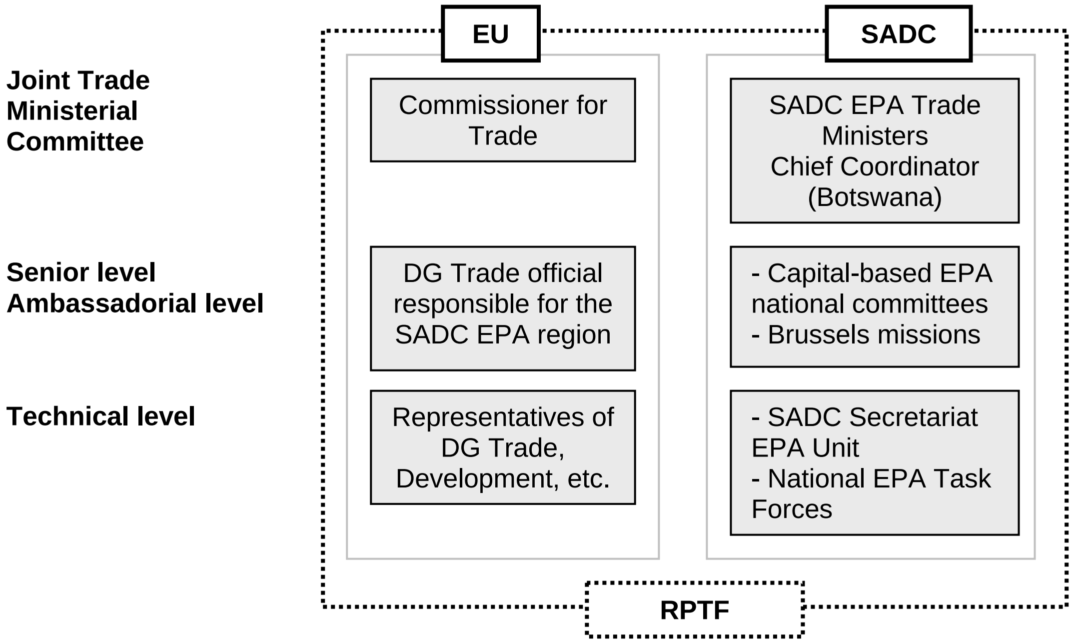
12. Guidance to the region's coordinator is provided by SADC EPA member states after regular meetings of the EPA Negotiating Forum (ENF). In addition, likewise other regions, such as ESA, SADC has also appointed focal points to monitor and coordinate specific negotiating topics (e.g. Angola is focal point for Agriculture and fisheries, Mozambique for industrial products and fisheries, and Lesotho for Rules of Origin).

13. This framework follows a hierarchical structure in which, Ministers, capital-based senior officials (typically SADC country's director of trade at the Ministry of Trade and Industry), ambassadors in SADC missions in Brussels, and the SADC secretariat cooperate (Figure 2). In addition National Negotiating Task Forces provide the possibility for Non State Actors (NSA) - representatives of the civil society, academic institutions and the private sector - to contribute to the formulation of positions at the national level.

[8] Most trade concessions were to be implemented at the beginning of the liberalisation period (*front-loading*), with some of the most sensitive sectors (mostly textiles and motor vehicles) being liberalized after 8, 10 or 12 years. According to the TDCA, the EU should liberalise 95% of South Africa's exports (with about 60% of agricultural tariffs eliminated) and South Africa should liberalise 86% of its imports from the EU.

[9] See "*Trade Negotiations in the West African region: Issues for consideration*", South Centre (2007) for further information on West Africa's negotiating structure

Figure 2: EPA Negotiating Structure



14. This negotiating structure, as in other ACP regions, is supported financially by the European Union, through a SADC EPA Support Facility[10].

15. Finally, the regional negotiating machinery is completed by a Regional Preparatory Task Force (RPTF), composed of development experts of the SADC Secretariat, SADC countries and the EC (DG Development). Its task, as in other ACP regions, is to provide a platform for the discussion of trade and development interfaces arising from the EPA negotiation. It assists the negotiating process by identifying EPA-related technical assistance needs and including such needs in the programming of future EU aid to the SADC region and countries.

16. In addition to this official structure, however, South Africa plays a preponderant role in the negotiations and negotiates directly with the EU on specific issues. This is not surprising given the specificity of its interests, the technical capacity of its negotiators, and its political and economic weight in the region. This is also bound to be the case since the EU is negotiating specific separate provisions (related to market access) to cater for South Africa's higher competitiveness in specific sectors.

C. SADC economic, productive and export profile

17. The SADC region has a market size of over 130 million people and therefore

[10] The EPA Support Facility is financed by the 9th EDF Regional Indicative Programme, and has a total budget of € 7.5 million for a period of 3.5 years (it is operational since May 2006). Its objectives are to support the region's capacity to effectively negotiate and implement the EPA. (http://www.sadc.int/tifi/sadc-ec-epa/epa_support_facility.php)

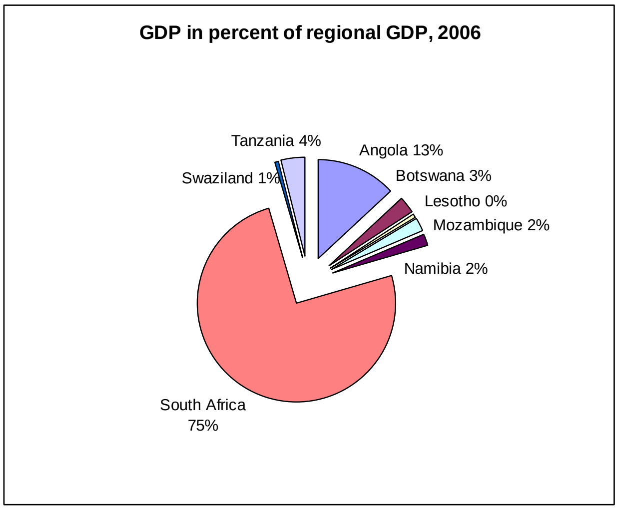


Figure 3 - SADC GDP regional distribution

represents a relatively small portion (around 17%) of the whole Sub-Saharan African population. This figure stands in sharp contrast to the US$ 340.2 billion per year GDP produced by the 8 member countries. However, these data need to be disaggregated to account for the heterogeneity prevailing in the region in terms of population, GDP and GDP per capita. In order to better understand the productive profile of this region, this analysis will consider only 7 out of the 8 SADC countries, leaving out South Africa, which alone accounts for over 74% of the regional GDP (Figure 3).

18. The region's average GDP per capita is US$4,428, but figures for the 7 countries vary considerably, ranging from the US$10,700 in Botswana to only US$700 in Tanzania. With its US$44.0 billion and an annual growth rate of 14.6%, Angola's GDP, largely tributary to the country's oil production, is the highest of the region. However, its GDP per capita (US$3,800) is nearly one third of that enjoyed by the people living in Botswana.

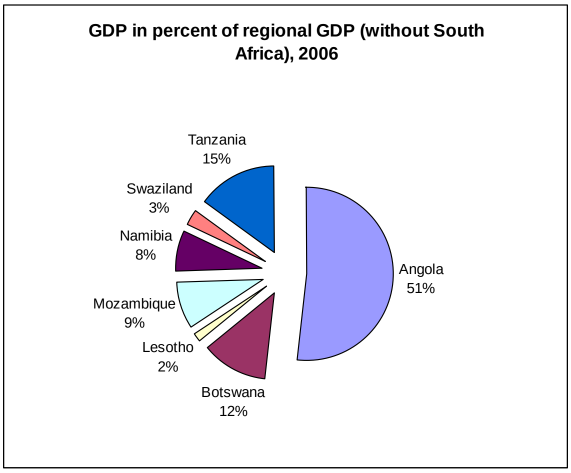
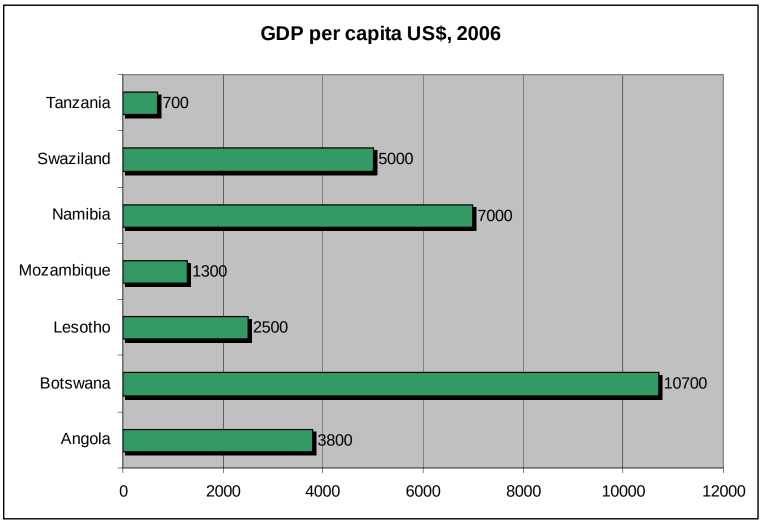


Figure 4 - GDP regional distribution (without South Africa)

Figure 5 - GDP per capita (PPP) in US$, 2006



19. Notwithstanding the relatively high records in terms of GDP, GDP per capita and annual growth, all the 7 countries record low human development indexes (HDI). Namibia, recording an HDI value of 0.626, ranks

125th in the HDI ranking while Mozambique ranks the lowest of the countries under consideration – 169th with an HDI of 0.390. Angola, Mozambique and Tanzania record at the same time the highest annual economic growth rates (respectively 14.6%, 8.5% and 5.9%) and the lowest human development indexes. This is not surprising since 4 countries in the region are Least Developed Countries (LDCs).

20. With the exception of Mozambique and Tanzania, the region mainly relies on the industrial and services sectors, while the agricultural sector usually represents less than 18% of the national income. In particular, Angola's and Botswana's economies are strongly biased towards the industrial (especially extractive industry) sector, with a contribution of 74% and of 53.5% of GDP respectively. Furthermore, with the exception of Angola, services represent over 37% of the national income in the remaining 6 countries, with a peak of a value added of 57.7% in the case of Namibia. The relative small importance of agriculture for the region's GDP, however, contrasts with the importance of agriculture for employment. The livelihood security is intricately related to agriculture: 68% of the total population in the entire SADC region lives in the rural area, and 67% of the economically active are involved in farming.

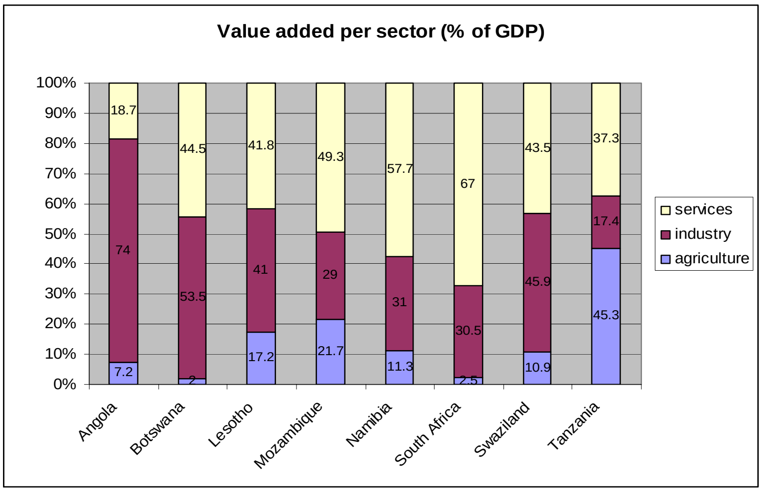


Figure 6 - Value added per sector as percentage of the total GDP (2005)

21. Overall, the SADC region exports for a total value of US$ 32.277 billions, while the imports account for US$13.780 billions. As far as the outgoing flows are concerned, the mining industry and the export of metals and precious stones (namely diamonds, gold and aluminium) account for a significant portion of the exports in all the countries except Swaziland. The external trade of Angola, Botswana and Mozambique appears to be preponderantly dominated by petroleum, diamonds and aluminium respectively. Excepting fossil fuels, the EPA SADC region exports for US$ 10.315 billions, 52.8% of which is generated by the trade of diamonds. The trade in metals (nickel and aluminium) accounts for 13% of the reported figure, while relevant flows also characterize the export of fish (5.82%) and apparel (5.04%).

22. The main destinations of natural fuels exports (which constitute almost 95% of Angola's exports), are the United States, followed by China and France. Non-

oil exports are primarily destined to the United Kingdom, the United States and Norway[11]. Overall, the European Union is the recipient of over 40% of the SADC exports, mainly diamonds, gold, aluminium and fish. As far as inter-regional trade is considered, Malawi receives 3.25% of Mozambique's exports and Kenya represents the fifth main export market (9.7%) for Tanzania.

23. In contrast with the little value added component of exports, imports are characterised by higher value added manufactured products. Boilers, machinery and propellers account for 15.91% of total imports and figure as a main import entry in all SADC countries except for Lesotho. Ships and vessels (10.89%), vehicles (8.51%) and general consumer goods other than agricultural products (6.09%) follow as other relevant imports at the regional level. The European Union, especially Portugal and the UK, are the main exporters to all the 7 SADC countries[12]. Furthermore, it is worth noting that SADC imports from the EU experience a marked growth of 18.7% between 2004 and 2005.

Box 1: South Africa
With a population of over 47 million people, South Africa is by far the biggest market of the region. Furthermore, it also represents the SADC and Sub-Saharan African country with the highest GDP (US$255 billion per year), GDP per capita (US$12,200) and occupies the 121st place in the HDI ranking. South African exports alone surpass the aggregate figure of the remaining 7 SADC countries. Platinum and precious stones (18.2%), iron and steel (12.3%), coal and petroleum (10.4%), vehicles (8.8%) and machinery and propellers (7.7%) account for over 57% of the US$46.995 billions that South Africa exports every year. As the recipient of 22.7% of total exports and almost 40% of the top three exported products, the European Union represents the most important exporting market for South Africa. Japan and the United States follow far behind with 10.95% and 4.89% rates.
Out of the US$55.033 billions of imported merchandise, machinery and engines (15.77%), crude oil and other mineral fuels (14.26%), electronic equipment (10.39%), vehicles (10.25%) and general consumer goods (8.72%) account for the top five import entries. Supplying the 14.10% of the domestic demand and with an annual increase of 3% in the total value of exported goods, Germany is the most important merchandise provider of South Africa, followed by China (9.04%), USA (7.95%), and Japan (6.79%). It is worth noting that the total value of Chinese imports is accruing at a rate of 10% per year.

III. Specific EPA-related Challenges and Opportunities

24. In this section, selected areas of relevance to the EPA negotiations are assessed, drawing specific comparisons with similar areas being discussed in the

[11] Botswana exports 99.9% of its nickel to Norway. Indeed, among the SADC countries, only Botswana appears to export to Norway.
[12] Please refer to the Annex at the end of the note for detailed data on the region's imports and exports.

WTO Doha Round, to identify possible synergies and positive lessons.

A. Development dimension and regional integration

25. One of the most challenging controversial issues regarding the negotiation and conclusion of an EPA is the definition of a development dimension. Considerable misunderstanding and divergence remains between the EC and all the ACP regions negotiating an EPA on that area. While at the broad level most negotiators coincide on the basic developmental objectives of EPAs (e.g. enhancement of regional integration, economic diversification, etc.), this understanding is eroded as soon as it needs to be translated into concrete negotiating proposals.

26. All ACP regions have, to a greater or lesser extent, understood the EPA developmental dimension as an enhancement of regional and national productive and trading capacities. This objective is generally accepted to have a normative dimension (application of rules), but has mainly crystallised in a demand for financial commitment from the EC to support governments and regions in implementing and adjusting to an EPA on the one hand, and, on the other hand, in areas such as private sector development, trading and productive infrastructure, trade promotion, and specific productive sectors. Given the productive profile of SADC and its reliance on extractive industries, a long-term financial commitment from the EC seems highly necessary to implement an effective economic diversification agenda and support other EPA trade objectives.

27. One concrete illustration of a particularly useful combination of trade and aid measures can be found in the area of standards and trade regulations. While the reduction or elimination of specific standards can be useful, targeted assistance will be necessary to improve awareness about EU regulations as well as producers' capacity (including financial) to adapt their production to meet such standards.

28. While the EC has agreed to set up a "*Regional EPA Fund*", the status, modalities, and contents of that facility remain to be discussed. As a matter of fact, the inclusion in EPAs of specific binding commitments on financial assistance (contractual acceptance of development assistance obligations), however, has been consistently rejected by the EC, not only in SADC but in other EPA ACP regions too.

29. In addition to an improvement of the supply capacity of the SADC region, and particularly of the LDCs therein, an EPA would also need to reinforce the SADC regional integration. On this point, there is great fear that an EPA would actually delay or even empty the integration agenda of SADC. This has several explanations. First, several SADC members are split into 3 groupings (SADC, ESA, Central Africa) which can potentially lead to conflicting or diverging

regulatory commitments. Second, the fragmentation of the region into an LDC sub-group (MAT countries), a developing country group (BNLS) and South Africa for purposes of the EPA will also carry different levels of rules and liberalisation commitments. Third, the region will liberalise its trade vis-à-vis the EU when its own market is still not fully integrated, which could lead to a situation where EU products move more easily within the region than like SADC products. Finally, this could also result in trade diversion from the region in favour of the EU, raising the question of the sequencing between the consolidation of the SADC internal market and liberalisation vis-à-vis the EU.

B. Market Access

30. The necessary but challenging inclusion of South Africa in the SADC EPA configuration has added a layer of complexity to the SADC EPA market access discussions. In fact, the EU assorted its acceptance to include South Africa in the EPA SADC configuration with the condition of maintaining barriers to some of the most competitive South African exports. This means that the EU's offer of full market access to ACP products[13] does not apply to South Africa. The immediate consequence is that market access discussions advance in two parallel tracks (South Africa and SADC-7). This might also result in additional complications, such as a necessary differentiation in the rules of origin applicable to the region or in administrative requirements to avoid South African products being exported to the EU via the other SADC-7 countries.

31. Moreover, the South African participation to the region's EPA may also make more difficult the finalisation of a common list of sensitive products, which would either not be subject to liberalisation commitments or would benefit of longer transition periods. As a matter of fact, certain products that may be identified as sensitive by one country might have already been liberalised under the EU-South African TDCA (see paragraph 50 below). Moreover, given the heterogeneity of industrial capacity between South Africa and other SADC countries, specific infant industries which may require protection in the less industrialised SADC countries, might not need sensitive designation in South Africa. Similarly, there can also be stark contrasts in the fiscal importance of specific tariff lines for different countries in the region.

32. Import duties are indeed often a very important source of government revenues, representing more than a third of total government revenues in Lesotho,

Table 1: SADC Average tariff rates

Country	AVG tariff rate
Angola	7.2%
Mozambique	12.1%
SACU	8%
Tanzania	12.7%

Source: WTO World Tariff Profiles 2006

[13] http://ec.europa.eu/trade/issues/bilateral/regions/acp/pr040407_en.htm

Namibia, and Swaziland[14]. This will require a careful analysis of potential and actual fiscal consequences of an EPA so that the region formulates specific requests aimed at fiscal recovery and stability in the negotiations. To understand the fiscal impact of the conclusion of the EPA between the EU and SADC, it is useful to look at the actual tariff rates applied by SADC countries on EU imports.

33. The domestic food market is remarkably important for the SADC countries' economies, as the tariffs applied to food imports testify. Indeed, they range from the 6% applied by SACU countries to 21% in Mozambique. The tariffs are higher in the case of the textile and clothing sector; with an average tariff of 19% (17% is the SACU tariff)[15]. 13% and 22% are the rates applied respectively by Tanzania and Angola on light and heavy manufacturing imports. Hence, tariff elimination under the EU-SADC EPA, based on the reciprocity requirement, would highly affect the revenues from above-mentioned sectors. Consequently, it may pose a threat to those governments whose revenues rely preponderantly on trade taxes.

34. To prospectively tackle the challenge of adjusting to loss of fiscal revenue, solutions should be taken into consideration during EPA negotiations. Compensation for revenue losses following trade taxes reduction can constitute a chapter of EPA negotiations. Such chapter, would be consistent with the EU official commitment to "promote an effective response to the wider AfT agenda in ACP countries and regions" by contributing "to the absorption of net fiscal impact resulting from tariff liberalization in the context of EPAs".[16] This political decision still needs to be made operational through a predictable compensation scheme.

35. The South African Customs Union's (SACU) Common Revenue Pool is a good example of how the loss of trade taxes can be mitigated through revenue loss compensation arrangements. The revenues collected from customs, excises and additional duties are distributed in according to the members' shares in total intraregional imports. This system favours smaller and poorer SACU countries, thereby contributing to building up economic solidarity, development and cohesion. While providing an interesting example of a compensation scheme, it is, however, unlikely that SACU's Common Revenue Pool could be directly transposed to the EPA SADC configuration.

C. Issues related to agricultural trade and production

36. The shift from unilateral preferences to reciprocal trade liberalization in the context of a future EPA with the European Union poses many challenges to the region's agricultural sectors. Concerns stem from the importance of agriculture as

[14] S. Karingi et al., "*The EU-SADC Economic Partnership Agreement: a regional perspective*" (2005), UNECA African Trade Policy Centre (ATPC).
[15] As a consequence of SACU's common external tariff (CET), the imports tariffs applied by the SACU countries are comparatively lower.
[16] Council of the European Union, "Adoption of an EU Strategy on Aid for Trade: Enhancing EU support for trade-related needs in developing countries", p. 14. 11 October 2007, doc. 13070/07.

a source of livelihood in the region as well as from specific vulnerabilities and weaknesses that prevail in this sector.

37. From the point of view of agriculture, the region is quite heterogeneous, comprising both net agricultural exporters (South Africa and Tanzania) and net food importers (e.g. Angola). Diverse agro-ecological conditions and farming structures are also observed, ranging from large commercial farms to small-scale family owned units. Large commercial farms remain the main foreign currency exchange earner but, unlike family farming, they do not generate as much employment and do not support redistribution by way of providing a safety net for the poor. In general the majority of farmers in the region are small-scale subsistence farmers with limited resources and access to land and with very low incomes.

(a) SADC Agricultural vulnerabilities

38. The agriculture sector in the SADC region exhibits signs of fragility, such as: dependency on primary products, dependency on preferential market access, lack of means to promote agriculture development, increased import dependency, and vulnerability to import surges.

39. SADC agricultural exports to the EU, the region's main agricultural, benefits from preferential market access conditions terms under the CPA (or the TDCA for South Africa). CPA benefits have sometimes been quite important to the region, particularly contributing to economic diversification and has mainly consisted of:

- Secure access to the EU agricultural markets through quotas and low or zero tariffs, often in sectors which are otherwise subject to high protection under the EU Common Agriculture Policy (CAP);
- Guaranteed, stable prices, sometimes higher than world prices, under Commodity Protocols on important products such as sugar[17], beef and veal[18], bananas.

40. These benefits are being rapidly eroded because of: (a) changes introduced to the Commodity Protocols as a result of WTO dispute settlement cases (bananas and sugar), (b) the reform of the EU's CAP and (c) agricultural liberalisation in the EU, spurred particularly by the reduction of the EU's bound tariff rates in the

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[17] Under the sugar protocol, the European Union agreed to buy a fixed annual quantity of sugar from ACP producers at guaranteed prices aligned to EU's own internal sugar price and established annual quotas for sugar producers. Among the SADC countries only Swaziland noticeably benefited from Protocol in absolute and relative terms (15.5% of total exports).

[18] The beef and veal protocol permits a 90 per cent refund of tax normally paid on beef imports from several ACPs. While it can be argued that the protocol represented an important driver of economic diversification, it must be noted that its value in terms of beef and veal exports from SADC is rather limited. Indeed, meat exports accounts for 1.20% of Botswana's total exports (2005) 0.01% in Tanzania's and 4% in Namibia's.

WTO Doha Round. This puts agricultural producers from the SADC region under strain. For instance, the EU CAP reform has resulted in price declines that have negatively affected SADC exports of beef. Beef prices in the EU have on average experienced a 28% decline since 1999. The analysis of the CAP reform impact on EU-markets projects a further 7% decline until 2009[19]. Due to price pressures resulting from CAP reform, the quantity of beef exported by the SADC region to Europe has been on the decline since 2001.

41. In addition to being dependent on EU's preferences for its agricultural exports, SADC countries are also vulnerable for their food consumption as food production has not kept up with population growth. The decline in production can be explained through unfavourable weather conditions (drought and floods in Lesotho, Mozambique, Namibia, and Swaziland), conflict (Angola) and lack of inputs and technical capacity.

Table 2: Agriculture production in selected SADC countries

	Crop and livestock production		Per capita food production		Cereal yields	
	Average annual rate of growth				hg/ha	
	1985-1994	1995-2004	1985-1994	1995-2004	1992-1994	2002-2004
Angola	2.7	4	0.2	1.1	3'212	5'023
Botswana	-0.1	-0.1	-3	-1.8	2'479	2'116
Lesotho	1.8	0.2	0	-0.1	8'014	9'628
Mozambique	-0.1	4.9	-1.7	2.4	4'204	8'619
Namibia	3.7	-0.7	0	-3	2'769	4'105
Swaziland	0.5	-0.4	-2.4	-1.9	14'072	11'138

42. Because of this decline in production and food shortages in the region, food insecurity has increased. The number of undernourished people in the SADC region almost doubled in the period 2000-2002 relative to 1990-1992. In some instances, emergency food aid has been necessary. In view of the situation described, food security is a key concern for this region. The proportion of undernourished population in the region ranged from 12% in Lesotho and 19% in Swaziland to 47% in Mozambique and 40% in Angola (2000-2002).

43. The fragility of the region's food security situation is compounded by a vulnerability to import surges. According to FAO, Angola Botswana, Mozambique[20] experienced food commodity import surges during the period

[19] Malzbender, Daniel. EU CAP-reform and Southern Africa. TRALAC Trade Brief No. 8. November 2003.
[20] FAO. Brief No.10 on import surges-countries. Mozambique: vegetable oils (November 2006) and poultry meat (February 2007).

1982-2003[21].

44. Although neither SADC nor SACU have a common agriculture policy, national policies related to this sector repeatedly identify overcoming food insecurity as key policy objective[22].

(b) Lack of means to protect and promote agriculture development,

45. SADC countries lack financial resources and technical skills to increase productivity, enhance competitiveness and to build safety nets around the most vulnerable producers. Hence, SADC countries need secure and predictable financial assistance to build human and institutional capacities, in order to achieve these objectives. One priority would be to enhance the region's productivity to improve its food security situation (see below) and to make better use of export opportunities. For example, it has been noted that the EU tariff quota for beef and veal imports from Botswana, Namibia and Swaziland, absorbs the entire supply capacity of these countries and that these countries have often failed to even fill in their quotas.[23]

46. In the case of Mozambique, the Government is aiming at enhancing the productivity in the sugar, cotton, tobacco and tea sectors; given the potential of these sectors to impact on the generation of income for vulnerable and low income producers. The strategy outlined by the Government refers to the need for (a) identifying additional export markets and (b) making better use of preferential access to the United States.[24]

47. The SADC region needs enhanced competitiveness in order to overcome the erosion of preferential benefits and be able to compete and continue participating in international trade. In this sense, compliance with standards is, *inter alia,* a major concern. There's need for adjusting and developing the capacity of the region to meet constantly changing, complex and costly EC standards. For countries depending on one or two agricultural commodities, the potential loss of trade through the imposition of higher standards in the export market can be very significant. For instance, in recent years, Foot and Mouth Disease (FMD) affected many countries of this region. Standards imposed by the EU in this regard, negatively affected the volumes of trade in beef/veal imported during the period 2001-1004. The cost of introducing, in Botswana, a system allowing the tagging of cattle (*Livestock Identification and Traceback System*) required by the EU

[21] FAO. Brief No. 2 on import surges-issues. Import surges: What is their frequency and which are the countries and commodities most affected. October 2006.
[22] WTO. Report by the Secretariat for the Trade Policy Reviews of: Angola, Botswana (March 2003), Lesotho (WT/TPR/S/114/LSO, March 2003), Mozambique (December 2000), Namibia (March 2003), Swaziland (March 2003) and Tanzania (WT/TPR/S/171/TZA October 2006). Available at: http://www.wto.org/english/tratop_e/tpr_e/tp_rep_e.htm#chronologically
[23] Chiwandira, D.P. A review of the Negotiation of Economic Partnership Agreements (EPAs) between the European Union and SADC: implications for Small Scale Farmers. November 2006
[24] WTO. Report of the Secretariat for the Trade Policy Review of Mozambique. Document No. WT/TPR/S/79, 21 December 2000

for beef exports was estimated at 300 million Pula[25].

48. SADC countries, as most developing countries, have few instruments at their disposal to deal with risks associated with agriculture production, in particular the volatility of prices. They rely mostly on tariffs to protect domestic production and farmers, and these are set to be mostly eliminated under the EPAs. In contrast, the European Union uses policies and major financial transfers. The effects of subsidies have been well documented: they cause unfair competition and dumping, distort markets and divert benefits of trade liberalization from more efficient producers, out competing local producers with cheap imports.

(c) Specific EPA-related challenges

49. Given the importance of agriculture in the economies of the SADC region and its vulnerabilities, concerns have been raised that EPAs may have a negative impact in the competitiveness of the agriculture sector, in the food security and the livelihood security of the region. The fundamental change that will affect the region's trade relation with the EU is the shift from unilateral preferences to reciprocal trade liberalization. Tariff elimination on agricultural and food products may trigger trade diversion towards the EU to the detriment of regional integration and favour an increase of import surges and food insecurity in the region. This will require specific safeguards (trade solutions) and assistance (aid) for adjustment and for improving competitiveness.

<u>Sensitive Products</u>

50. Although the number of tariff lines that could be excluded from tariff liberalization has not been defined yet in the SADC draft EPA text, it is likely to be limited. Given the fact that SADC countries will present a single list of excluded (sensitive) products (e.g. by compiling all products designated as sensitive at the national level) the region will face hard choices in conciliating the various divergent national priorities with relation to the products to protect. A study[26] has identified cereals, dairy products, beef/veal and sugar as products that merit being designated as sensitive by the SADC region. With relation to South Africa's TDCA, Stevens (2004)[27] estimated that:

- In the case of Mozambique some 95% of the "sensitive" tariff lines (at the 6 digit level) were already liberalised or partially liberalized under the EU-South Africa TDCA
- In the case of Angola, some 91,6% of the "sensitive" tariff lines (at the 6 digit level) were already liberalised or partially liberalised under the EU

[25] WTO. Report of the Secretariat for the Trade Policy Review of Trade Policy Review of Botswana. WT/TPR/S/114/BWA, March 2003

[26] Moses, Tekere. Summary results on the Impact Assessment of Economic Partnership Agreements on Southern African Development Community (SADC) and Preliminary Adjustment Scenarios.

[27] European Research Office. Reviewing the progress of the SADC-EU EPA Negotiations: Accommodating SADC concerns on Reciprocal Market Access Opening. Part 2. June 2007

South-Africa TDCA
- In the case of Tanzania, some 96.1% of the "sensitive" tariff lines (at the 6 digit level) were already liberalised or partially liberalised under the EU-South Africa TDCA.

51. Having a homogenous methodology in the region for the identification of sensitive products could be beneficial. In addition, a harmonisation of a possible common methodology with the methodologies being used at the WTO (for the identification of Special Products) would be useful. In fact, two instruments are being negotiated under the WTO Doha Round, which offer inspiration for EPAs: Special Products (SPs) and Sensitive Products (SePs) (Table 3).

Table 3: Agricultural Special and Sensitive Products in the WTO Doha Round

Special Products	▫ Available only to developing countries ▫ Designation should respond to criteria related to ***food security, livelihood security and rural development*** ▫ Creates exemptions from tariff reduction or allows milder tariff reductions than would be required for other products.
Sensitive Products	▫ Will be available to developed and developing countries alike ▫ Are meant to deal with commercial sensitivities ▫ Substantial improvement in market access will be provided for SePs

52. In addition to the criteria for Special Products, SADC countries could consider incorporating criteria to protect (a) local products that would be put in direct competition with products receiving subsidies from the EU, (b) products of importance to develop regional complementarities and (c) subsistence and low-scale farming. Introducing a review mechanism to monitor the socio economic impacts of liberalization of agricultural products, providing the possibility to adapt the pace of liberalization may also prove useful.

Safeguards

53. FAO analyzed 22 years of trade statistics and found out that Angola, Botswana, Mozambique, Swaziland and Tanzania were among the countries that experienced most import surges in the period 1982-2003[28]. The vulnerability to import surges is likely to increase in a context of tariff elimination under EPAs. Moreover, Tekere and Ndlela[29] noted that increased competition with EU companies, which can exploit economies of scale, receive subsidies and may be able to dump SADC markets, can adversely affect local import-competing

[28] FAO. Briefs on Import Surges – Issues No. 2: Import surges: what is their frequency and which are the countries and commodities most affected. October 2006
[29] Moses, Tekere. Op. cit.

producers from SADC countries. They argue that small and medium sized firms in SADC will be particularly vulnerable because of their inability to exploit economies of scale and their lack of access to advanced technologies.

54. A safeguard mechanism can be an appropriate mechanism to cope with increased vulnerability to import surges in an EPA context. In this sense, the June 2007 SADC EPA draft text contains provisions on a safeguard mechanism for the SADC region, which can be deemed inadequate because:

- it imposes procedural and administrative requirements for using the mechanism that are out of reach for most ACP countries,
- The safeguard can only be invoked after a lengthy investigation process showing injury to the domestic industry or disturbances to a particular sector or market in the importing countries.
- Requires a consultative process prior to invoking the safeguard measure that delays the application thus affecting the timelines with which the ACP countries can react to import surges
- Foresees the gradual dismantling of the remedy measure taken under the safeguard provisions limiting the protection provided to the affected sector prematurely.

55. Improvements to an agricultural safeguard mechanism should ensure that the mechanism:

- Included automatic triggers for price and volume variations, to respond to the import surge on a timely basis before any damage is done to the local markets or farmers' income deteriorates and
- is asymmetrical (only available to ACP countries).
- considers quantitative restrictions as a possible remedy
- includes transparency provisions that take into account the administrative and institutional capabilities of the ACP importing countries.
- allows individual countries within regional schemes to trigger the safeguard measures and impose remedy measures on imports from the EU.
- is available throughout the implementation period of EPAs but also beyond.

D. Trade in Services

56. Trade in services continues to be a new and dynamic sector creating important inter-sectoral linkages in many parts of the world, contributing to national economic growth and development. The contribution of the service sector is far from negligible, representing on average 43% of the region's GDP but reaching over 50% in Botswana and South Africa.[30] Sectors such as financial, telecommunications, maritime, road and air transport and tourism, are important

[30] Manenga Ndulo, et al, State of Trade in services and service trade reform in Southern Africa. Online available, http://www.nepru.org.na at page 4.

for the economies of the region. Financial services have been useful in mobilising savings, allocating capital to production, conveying information and managing risk. South Africa is, unsurprisingly, leader in the region, accounting, for instance, for three-quarters of the insurance market in sub-Saharan Africa.

57. The service sector is also an important intermediary for the traditional agricultural and industrial sectors, particularly through financial, telecommunications, transport, and distribution services, improving efficiency and competitiveness of SADC' countries. Other essential sectors like health and education are important for maintaining and uplifting the quality of life, while tourism can deliver enormous employment opportunities.

58. Notwithstanding its potential to contribute to the diversification of SADC economies, challenges remain in increasing the region's exports of services. Most countries cannot export financial services (except South Africa) and all countries in the region are net importers of services[31]. Transport services are weak, telecommunications services have high costs, and while tourism is booming, the support infrastructure (hotels, roads, financial services, access to global distribution services or computer reservation services, and non presence in key destinations) severely limit export capacity.

Box 2: Regional integration of trade in services in the SADC

Article 23 of the SADC Trade Protocol requires SADC countries to adopt policies and implement measures in accordance with their WTO GATS obligations, with a view to liberalizing their services sectors within the Community. Other sector specific Protocols such as those on Transport, Communication and meteorology, Facilitation of the movement of natural persons, Energy, Tourism, Education, Health, Culture, information and sports and on Finance aim at harmonizing and integrating regional policy and strategy in these specific sectors.

In addition, an Annex on Trade in services to the Protocol, constituting a body of law governing the progressive liberalization of trade in services amongst SADC Members, was approved in July 2007, although some legal procedural issues remain, including eventual adoption and signature by Heads of State. Negotiations are expected to follow adoption, to delineate sectoral scope of applicability. At initial stages of the negotiations within the region, the SADC Committee on trade in services identified tourism, transport, communications, financial, construction and energy services as core to the liberalisation process.

59. The EPA framework text proposed by the SADC region to the EC in March 2006 stipulated that the EPA should contain no binding commitment on trade-related areas, services and investment. Emphasis was put exclusively on increased cooperation with the EU to build the institutional, policy and

[31] World Bank, African Development Indicators.

legislative capacity of SADC countries. The EC, nonetheless, has presented the region with a detailed negotiating text on trade in services, including requests for regulation and liberalisation of specific sectors.

60. To date, the inclusion or not of services liberalisation (and other trade-related disciplines) in the SADC EPA remains one of the most controversial aspects opposing the region's negotiators to those of the EC.[32] In addition, even if a chapter on trade in services is avoided, the EU is likely to insist on agreeing to binding commitments regarding future negotiations on that sector (post 2007 built-in agenda). SADC countries should consider carefully the commitments and language of such provisions. In fact, an important question is the sequencing of services liberalisations in favour of the EU vis-à-vis regional processes and whether regional integration needs to be prioritised prior to liberalisation with the EU on services.

a) EPA negotiations and implications of the EU request for SADC countries

61. The main features of the EU proposed text for SADC countries are requests for most favored nation (MFN) and national treatment (NT), as well as sector-specific regulatory disciplines. On MFN, the EU asks that SADC countries grant it treatment accorded to major trading countries such as USA, Japan, China, and Brazil. Much has been written about the implications of ACP countries extending MFN to the EU. Suffice to stress that this would allow EU service suppliers to enter SADC countries, on equal terms to those available to other SADC *countries,* possibly along the lines anticipated in the *SADC Annex on services,* and more importantly, allow EU automatic access to any future preferential market access agreements that SADC countries may have with key markets.

62. While the above situation would also apply in favor of SADC service suppliers, capacity problems that grip SADC countries, even in sectors they consider core for their own liberalization process, reduce chances of EU-comparable benefit from MFN clauses.

63. In addition, the EU seeks NT from SADC countries-which means giving up rights to retain measures in favor of local over foreign services and service suppliers. National treatment commitments (subject to limitations inscribed in the schedules) limit the options available for countries to regulate through law or policy, in the interest of domestic service suppliers. This would equate EU to SADC like service and service suppliers, limiting the scope for various initiatives such as development of specific sectors, in a manner benefiting local service and services suppliers. One of the objectives of the SADC Annex on trade in services is to create new opportunities for a dynamic business sector, and strengthen the region's services capacity, efficiency, competitiveness, and expand the region's services exports. Through enhanced intra-regional trade, it is expected that

[32] "*South Africa: SA Won't 'Roll Over' on Singapore Issues*" (12 October 2007). Available at: http://allafrica.com/stories/200710140014.html

capacity can be developed to supply services within the region, and eventually beyond. Introducing the EU at this infant stage of SADC' own integration processes, might be detrimental to these aspirations.

64. The EU also seeks commitments for ***regulatory disciplines*** on computer services, postal and courier services, telecommunication, financial services, international maritime services, and e-commerce. At the heart of any efficiently run services sector that not only delivers profits, and ensures quality, but also focuses on essential welfare issues such as universal access to basic services, is an efficient regulatory system. While many SADC countries have some form of regulation in certain services sectors, many do not and need a boost to increase efficiency.

65. It is worth taking some lessons from the South African experience with the Trade and development Cooperation Agreement (TDCA), which only extends to trade in goods, excluding trade in services commitments, but emphasizing cooperative aspects aimed at developing capacity to export. Recalling that South Africa is the region's strongest producer and exporter of services, and yet did not feel comfortable liberalizing services trade with the EU-is food for thought.

b) The broader challenge of EPAs in services

66. The multiplication of bilateral, regional or multilateral negotiations and liberalisation of trade in services has meant an administrative challenge for developing country negotiators and led to situations of poor coordination of country positions. The result is that there is a real risk that hard fought-for flexibilities obtained under the WTO GATS may be lost or eroded.

67. In addition, membership to multiple RECs considerably complicates the implementation of EPA outcomes in SADC countries. There is a real likelihood that the EU will get differentiated deals from each of the EPA configurations creating regulatory confusion at the implementation phase. Valid questions remain regarding the ease of implementing different levels of national treatment concessions to the EU by SADC countries who are also ESA/COMESA Members. This is even a greater challenge for concerned LDC administrations.

68. The need to develop institutional and regulatory capacity to shoulder and oversee the process, even of intra-regional liberalization proposed under the auspices of the SADC Annex on services, is a challenge. It is therefore difficult to see how SADC countries can cope with the challenges that would come with the EPA, especially since it sets its own regulatory disciplines. In addition, SADC countries are still carrying out regulatory and other assessments of their services sectors, aimed at better informing their liberalization choices. While it is true that assessment is an ongoing exercise, premature timing and choices of liberalization has had disastrous effects on many developing countries, SADC ones included.

69. Mainstreaming regional integration can lead to development of a stronger, commendable size, regional market that can allow opportunity to experiment with regulation, develop sector-specific capacity, and then, be a plausible partner in inter-regional trade negotiations and their outcome. In the meantime, the ambition to get technical and financial assistance for the development of export and regulatory capacity in services should remain high.

IV. CONCLUSION

70. Because of their scope and ambition, trade negotiations in the EPA context are crucially important for the SADC EPA region. However, the technical, human and financial capacities of countries of the region to effectively negotiate and influence the outcomes of both processes are limited. The region's limited negotiating capacity is further accentuated by the need to move EPA and WTO negotiations in parallel and to ensure a minimum degree of compatibility between both outcomes.

71. Finally, it would seem that a real pro-developmental outcome in the context of the EPA would require greater time, which is difficult given the enormous pressure that there is on the region to conclude negotiations before the end of 2007. In that sense, it may be strategically interesting for the SADC EPA region to continue to negotiate its EPA with the EU, but at the same time start discussing the form and content of a possible alternative in case the scheduled deadlines cannot be met without compromising the developmental promise of the EPAs.

ANNEX I – SADC MAIN EXPORTS, MAIN IMPORTS AND MAIN TRADING PARTNERS

	5 MAIN PRODUCTS	MAIN TRADING PARTNERS (PER 5 MAIN PRODUCTS AND SHARE OF PRODUCT EXPORTS/IMPORTS)	MAIN TRADING PARTNERS (FOR ALL PRODUCTS AND SHARE OF PRODUCT EXPORTS/IMPORTS)
		EXPORTS	
With South Africa and With oil	1. Crude petroleum oils and natural fuels (32.92%)	1. USA (33.7%) 2. China (25.2%) 3. France (7.6%)	1. USA (18.6%) 2. UK (10.9%) 3. China (8.4%) 4. Jap (6.53%) 5. Germany (4.2%) European Union: 22.1%
	2. Diamonds, platinum, gold, precious stones (17.64%)	1. UK (37.9%) 2. USA (13.9%) 3. Japan (13.4%)	
	3. Iron and steel* (7.28%)	1. Japan (9.5%) 2. USA (9.2%) 3. Taiwan (6.4%)	
	4. Aluminium* (1.30%)	1. Belgium (49.4%) 2. Italy (22%) 3. Spain (19.1%)	
	5. Fish, crustaceans (0.75%)	1. Spain (44.3%) 2. Italy (8.1%) 3. Netherlands (3.8%)	
Without South Africa and With oil	1. Crude petroleum oils and natural fuels (65.7%)	1. USA (41.4%) 2. China (31.0%) 3. France (8.2%)	1. USA (30.4%) 2. China (20.7%) 3. UK (11.4%) 4. France (5.7%) 5. Chile (3.7%) European Union: 21.3%
	2. Diamonds, gold, precious stones (16.9%)	1. UK (64.0%) 2. USA (4.3%) 3. Thailand (2.2%)	
	3. Aluminium* (3.2%)	1. Belgium (49.4%) 2. Italy (22%) 3. Spain (19.1%)	
	4. Fish, crustaceans (1.9%)	1. Spain (44.3%) 2. Italy (8.1%) 3. Netherlands (3.8%)	
	5. Apparel (1.6%)	1. USA (97.3%) 2. Canada (2.3%) 3. UK (0.1%)	
With South Africa and Without Oil	1. Diamonds, platinum, gold, precious stones (26.3%)	1. UK (37.9%) 2. USA (13.9%) 3. Japan (13.4%)	1. UK (15.2%) 2. USA (11.1) 3. Japan (9.7%) 4. Germany (6.26%) 5. Netherlands (3.1%) European Union: 27.2%
	2. Iron and steel* (10.9%)	1. Japan (9.5%) 2. USA (9.2%) 3. Taiwan (6.4%)	
	3. Aluminium* (2%)	1. Belgium (49.4%) 2. Italy (22%) 3. Spain (19.1%)	
	4. Fish, crustaceans (1.2%)	1. Spain 44.3% 2. Italy (8.1%) 3. Netherlands (3.8%)	
	5. Apparel (1%)	1. USA (97.3%) 2. Canada (2.3%) 3. UK (0.1%)	

Without South Africa and without oil	1. Diamonds, gold, precious stones (49.2%)	1. UK (64.0%) 2. USA (4.3%) 3. Thailand (2.2%)	1. UK (33.1%) 2. USA (9.2%) 3. Belgium (4.56%) 4. Spain (3.7%) 5. Italy (3.2%) European Union: 46.3%
	2. Aluminium* (9.2%)	1. Belgium (49.4%) 2. Italy (22%) 3. Spain (19.1%)	
	3. Fish, crustaceans (5.4%)	1. Spain (44.3%) 2. Italy (8.1%) 3. Netherlands (3.8%)	
	4. Apparel (4.7%)	1. USA (97.3%) 2. Canada (2.3%) 3. UK (0.1%)	
	5. Nickel* (2.9%)	1. Norway (99.9%)	
IMPORTS			
With South Africa	1. Boilers, machinery, propellers (15.8%)	1. USA (16.25%) 2. Germany (12.2%) 3. China (9.8%)	1. China (8.4%) 2. USA (8.0%) 3. Japan (5.7%) 4. Saudi Arabia (4.4%) 5. Korea (2.2%) European Union: 13.31%
	2. Mineral fuels (11.8%)	1. Saudi Arabia (34.3%) 2. Iran (27.5%) 3. Nigeria (7.9%)	
	3. Electrical and electronic equipment (8.4%)	1. China (15.7%) 2. Germany (13.4%) 3. Korea (8.5%)	
	4. Ships and boats** (2.2%)	1. Korea (96.4%) 2. Spain (1.7%) 3. China (1.1%)	
	5. Vehicles (1.7%)	1. Japan (20.6%) 2. China (8.3%) 3. Brazil (6.6%)	
Without South Africa	1. Boilers, machinery, propellers (15.9%)	1. USA (45.2%) 2. UK (12.1%) 3. Portugal (10.1%)	1. Korea (11.1%) 2. USA (8.6%) 3. Portugal (7.9%) 4. China (6.0%) 5. Brazil (3.8%) European Union: 10.5%
	2. Ships and boats** (10.9%)	1. Korea (96.4%) 2. Spain (1.7%) 3. China (1.1%)	
	3. Vehicles (8.5%)	1. Japan (20.6%) 2. China (8.3%) 3. Brazil (6.6%)	
	4. Mineral fuels (2%)	1. United Arab Emirates (34.2%) 2. Qatar (20.7%) 3. Saudi Arabia (1.0%)	
	5. Fabric (0.9%)	1. Hong Kong (43.3%) 2. Taiwan (36.1%) 3. China (18.1%)	

* Products produced by one country only. Iron and steel: South Africa; Aluminium (Mozambique); Nickel: Botswana
** Product imported by one country only. Ships and boats: Angola.

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