



REPUBLIC OF NAMIBIA

MINISTRY OF TRADE AND INDUSTRY

PRESS STATEMENT

OUTCOME OF THE FINAL ROUND OF THE SADC-EC EPA NEGOTIATIONS

1. Introduction and Background

Namibia, together with seven other countries of the Southern African Development Community (SADC), has been engaged in trade negotiations with the European Commission (EC) for an Economic Partnership Agreement (SADC-EC EPA). These negotiations are provided for under the Cotonou Agreement, a 20 years Partnership Agreement between the European Union (EU) and the group of Africa, Caribbean and Pacific (ACP) countries, which defines trade, development and political relations between the two sides.

The EPA is meant to be a legal instrument for economic and trade relations between SADC EPA countries and the EU, based on the principle of reciprocity for market access. It is expected to replace the current trade regime (Lomé IV Convention) under Cotonou Agreement, which provides for non-reciprocal access to the EU market of specified goods from ACP countries. The current ACP-EC trade arrangement under the Cotonou Partnership Agreement does not comply with GATT Article XXIV of the World Trade Organization (WTO) as it discriminates against non-ACP countries of the WTO in their trade with the EU. The central motivation for EPA negotiations is to bring the EU-ACP trade relations into WTO conformity, through the principle of reciprocity.

The EPA was aimed to enter into force from the 1st January 2008, and therefore the negotiations were required to be concluded well before then, in order to allow time to complete internal legal processes for the timeous entry into force of the Agreement.

The SADC-EC negotiations for EPA were launched in July 2004 in Windhoek; serious engagement only resumed with the first round in May 2007 following the response of the EC to the SADC Framework for EPA

Negotiations in March 2007. At their October round of negotiations in Maputo, the parties agreed to stagger the negotiations into two phases in view of the looming 31st December deadline; the first phase aimed to conclude negotiations on trade in goods and related aspects while in the second phase negotiations will focus on trade in services and new generation trade issues, as well as other outstanding issues. The final round of negotiations, which aimed at having the interim EPA timeously into force, took place in Brussels, Belgium, during November 2007.

2. The Outcome of the Final Round

The last two rounds of SADC – EC EPA negotiations were held on 12th-16th and 22nd-23rd November 2007 in Brussels. These rounds were very critical in that the parties had to conclude the negotiations and come up with an Agreement that can be implemented on 1st January 2008, in order to avoid disruption of SADC EPA countries' current trade with the EU. Good progress was made in this process in many areas, with important common understandings and conclusions having been reached. On the other hand, there are serious divergences on a number of issues between the EC and the SADC EPA countries. New proposals introduced in the agreement by the EC in these last rounds of negotiations made it further difficult to conclude an interim arrangement that all SADC EPA States can sign on to, as was intended. However, in the face of the divergent positions of the EC and the SADC-EPA group, an Interim Economic Partnership Agreement (IEPA) was concluded, signaling the end of the first phase of the negotiations. The Interim EPA text was initialed on the 23rd November 2007 by the EC on one hand and four SADC EPA countries on the other. These countries are Botswana, Lesotho, Mozambique and Swaziland. The act of initialing the IEPA is an endorsement that the content of the text of the IEPA has been accepted and that the text will be submitted for approval to the relevant national authorities. In addition, initialing the IEPA will also trigger its provisional application by the EC. Namibia could not initial this IEPA on the 23rd November 2007 as the IEPA contains certain issues of critical concern to Namibia, and which could not be resolved during the final round of negotiations.

These issues include:

- i. The EC's demand for MFN Treatment for the EU in all future free trade agreements (FTAs) between SADC EPA countries and any third party(ies). Acceptance of such a provision will pre-empt SADC EPA countries' negotiating space as EPA-plus preferential treatment will be accorded to the EU without any further concession from the EU side. Such a situation carries the potential to negate the balance of benefits of the negotiated EPA, and is not acceptable to Namibia. In addition, such a provision would pre-empt the WTO provision for special and differential treatment with respect to any future preferential treatment SADC-EPA countries may want to accord to developing or least developed countries they decide to enter into preferential trade arrangements with.

- ii. The EC's continued insistence on a clause for SADC EPA States to immediately freeze any new measures concerning the use of export taxes or levies. The EC only introduced this issue during the last round. Such a concession on our part would limit our national trade policy making space, with potentially far reaching implications on Namibia's efforts to promote industrialization and value addition to our national raw materials.
- iii. The EC's non-acceptance of the SADC EPA's proposal for infant industry protection, based on the current SACU and SADC Trade Protocol provisions. They insisted on a different provision that would become obsolete 12 years after entry into force of the Agreement. Such a provision would effectively negate the provision on infant industry protection in the SACU Agreement, thus rendering Government unable to provide any protection to a new industry that would emerge after the 12 year period.
- iv. The EC also insisted on a non-negotiable demand for a provision to ensure free movement of goods within the eight SADC EPA States. Such demand ignores the individual customs territories of the SADC EPA parties, current regional trade arrangements under SACU and SADC, as well as our regional economic integration programme in Southern Africa.

South Africa could also not initial the IEPA because of similar and other reasons. As Angola had not yet made a tariff reduction offer to the EC, it also did not initial the IEPA. Tanzania has been bracketed for the reason that it was also pursuing negotiations under the East African Community (EAC) configuration. *~ Signed by IEPA*

Subsequent to conclusion of the negotiations, the EC unilaterally served Namibia with an ultimatum to initial the interim EPA by noon of 29th November 2007, or risk the removal of Namibia from the IEPA. This action is contrary to the understanding reached during the last round where the EC indicated that countries that are not ready yet can initial and sign the Agreement at any time a country is ready to do so, although duty-free quota free access to the EU could be delayed beyond 1st January 2008.

3. Implications of the Outcome

Implications for Namibia's decision not to initial the IEPA are two-fold. On the one hand, the EU will start to impose GSP duties on Namibian exports to their market from the 1st of January 2007. This means that our current exports of beef, grapes and fish to the EU will be negatively affected.

On the other hand, Namibia retains its national trade policy making space within the context of the national policy framework, the SACU Agreement and the SADC Protocol on Trade. This means that Namibia will continue to

implement its national programmes for economic development as outlined in the National Development Plan and Vision 2030.

Both the Executive and the affected industries were informed and fully briefed on the outcome of the EPA negotiations.

4. The Way forward for Namibia

Since the expiry of the ultimatum, the government has been hard at work to engage both the EC in Brussels and the EC and EU Missions in Namibia with a view to find an amicable solution. We have since requested the EC to reconsider the issues of serious concern to Namibia, including the option to allow for the entering of reservations on limited specific issues and for a limited time as provided for under the Vienna Convention on international agreements and the WTO GATT, in order to enable Namibia to initial the interim Agreement. Moreover, the Cotonou Agreement provides that the EPAs should not leave the Cotonou beneficiaries worse off. We will therefore continue to engage our negotiating partners to heed our concerns.

Furthermore; the IEPA provides that further negotiations will be continued in 2008. Namibia remains committed to engage the EC in the context of further negotiations, with the view to conclude a balance and mutually beneficial EPA arrangement.

The challenge for Namibia under these circumstances is two-fold: the government to continue exploring avenues to resolve the issues; and the business community to explore alternative competitive markets, all with a view to find ways in which we can mitigate the negative impacts of the above situation on current exporters to EU and the economy as a whole.

The long term strategy is for the government, in partnership with the private sector, to intensify efforts towards diversification of products and export markets. The Government reiterates its commitment to provide the necessary support possible to the economic operators and redouble its efforts to facilitate economic growth and development.

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