

Trade for Development **EU - SADC**

Economic Partnership Agreement



European Commission
DG TRADE

STATEMENT FROM EU TRADE COMMISSIONER PETER MANDELSON

The 21st century offers new challenges and opportunities as old political and economic certainties make way for new patterns of trade and development. These changes affect everyone, in the European Union, Eastern and Southern Africa, and everywhere else for that matter. We must face them together. We need to act now if we are to make the world into a place where no one faces poverty and unemployment, one where young people can look forward to a secure future.

In order to ensure that globalisation can become a positive force for Africa's development, the EU and Africa need to build an economic framework which will stimulate sufficiently rapid and broad-based economic growth in order to contribute to an effective reduction of poverty. Without economic growth, few African countries will have the sustainable revenues they need to deliver basic social services such as education and health care. Boosting economic growth will thus be a key factor in achieving the Millenium Development Goals.

The groundwork for making sure this happens between our two regions has already been laid, thanks to a long history of co-operation. The Cotonou Agreement is unique in linking development assistance and trade relations. Now the challenge is to link those two elements with a third, namely local efforts to create a regionally competitive market. Take the three together, and we have a powerful tool for development. That is the vision for each of the six Economic Partnership Agreements the EU is negotiating.

This brochure describes what has been done so far to make the vision for Economic Partnership Agreements a reality. We are now entering into a phase of substantial negotiations with a SADC Group of countries and a ministerial level meeting at the end of this year will provide guidance for the work in 2006. The issues at stake are not simple, and a well-informed debate among all those who will be concerned and who have a stake in this process is essential if we are to achieve outcomes that meet our aspirations. This brochure is intended to show that we are firmly committed to putting trade at the service of development. I hope it will be a useful contribution to informed debate.

Peter Mandelson, September 2005.

1. EUROPE AND THE SOUTHERN AFRICA (SADC) REGION IN A CHANGING WORLD

Next steps in a longstanding partnership

Europe and the countries in Southern Africa had their first trade and development agreements nearly 40 years ago. Then, in 2000, the EU and all Sub-Sahara African countries agreed it was time for a major overhaul of their trade arrangements. Instead of the current trade regime, the time had come for a broader Economic Partnership Agreement (EPA). This will enter into force on 1 January 2008, and will place development firmly at the centre of trade arrangements between Europe and the SADC region.

The Cotonou Agreement

Following on the earlier more limited Yaoundé Conventions the European Union (EU) and the African, Caribbean and Pacific (ACP) nations signed a new form of co-operation agreement in Lomé, Togo, in 1975. After four such Lomé Conventions, a broader partnership agreement was signed in Cotonou, Benin, in June 2000. Known as the Cotonou Agreement, this was signed by the Heads of State of all EU and ACP nations. This international treaty defines how the EU and ACP will co-operate on political, development and trade issues.

Towards an Ambitious Economic Partnership Agreement

The new EU-SADC EPA will bring together two regions, each with its own history of regional integration. The EPAs with the African regions will be one of the first-ever region-to-region, North-South, development-oriented trade agreements.

And it will go beyond the current, limited trade arrangements for SADC goods entering the European Union. The EPA will be a means for Europe to help the SADC region to improve competitiveness, diversify its exports and build regional markets. Both sides will play their part. This is a joint answer to the challenges of globalisation and development.

Of course, both sides have high hopes for EPAs. On the one hand, there are the 25 countries of the European Union and, on the other, 7 countries members of the SADC region which decided to start the EPA negotiations with the EU as a group. As negotiations intensify, this brochure provides an update for the citizens of the SADC region and their elected representatives, business people and non-governmental organisations. It is intended to clarify the process and to contribute to an ongoing dialogue.

2. CREATING NEW OPPORTUNITIES

Towards sustainable development

To generate sustainable development, the people in SADC region need jobs and opportunities that allow them to take control of their future and take their rightful place in the world economy. Pro-development trade arrangements with Europe can help those businesses develop and compete internationally. That is the vision at the heart of the Economic Partnership Agreements that will define future EU-SADC trade relations.

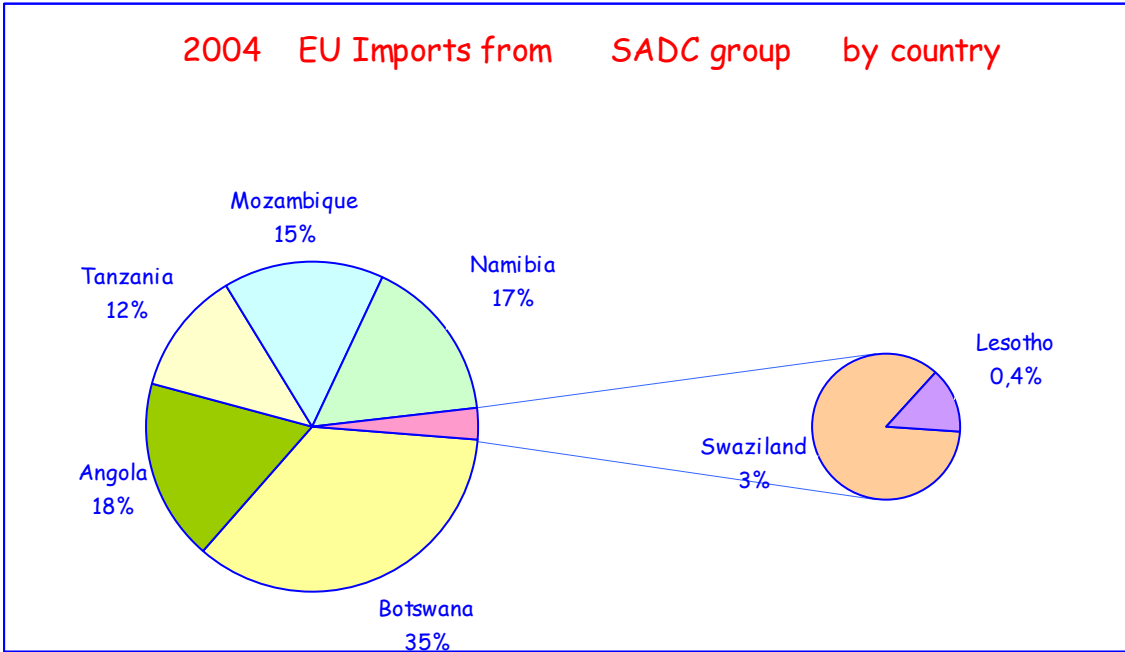
Inevitably, EU-SADC relations have to change to reflect the world as it is now. The changes since 1975 have been dramatic. The cold war is over, Asian economies are booming, more

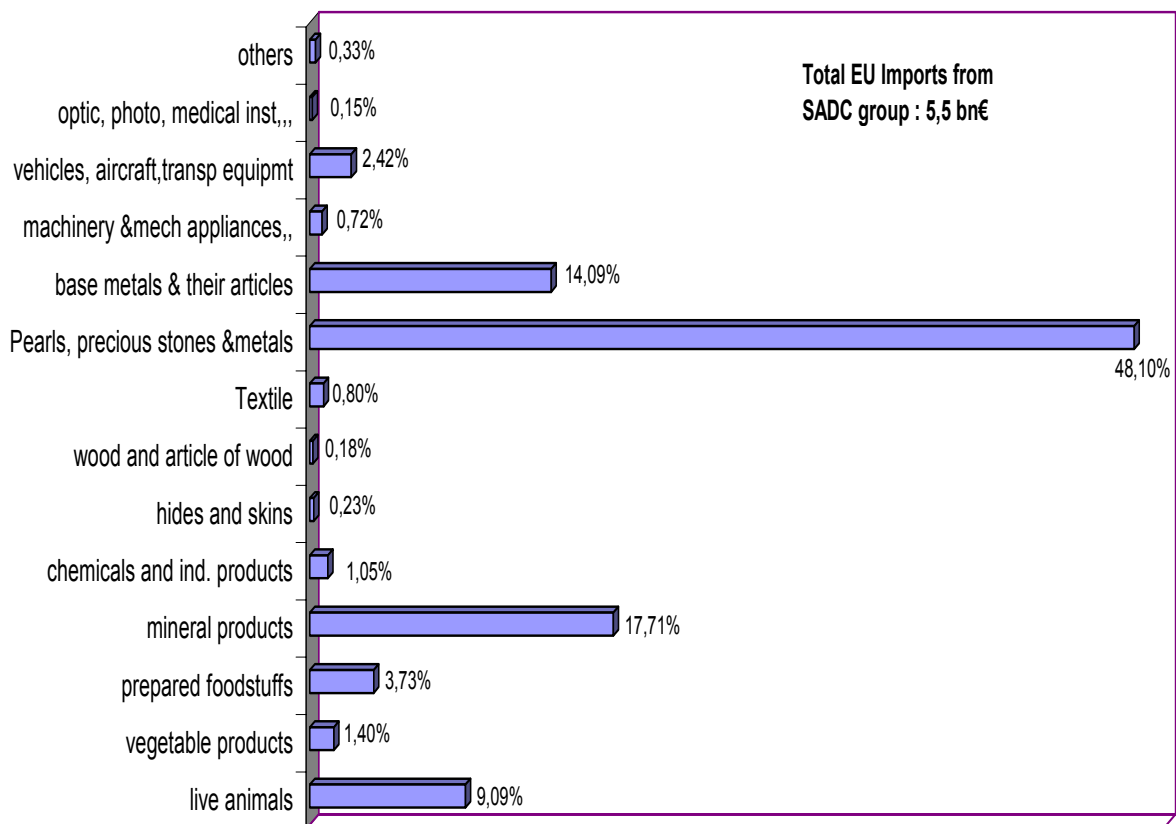
and more countries are exporting commodities that compete with SADC products. There are new opportunities for business and a young, more educated workforce in the SADC region to cover niche market and to provide services and intellectual skills.

In recent years, the African continent is giving the world sustained signs that there is a real momentum for change. With the birth of the African Union and the New Partnership for Africa's Development (NEPAD) in 2001 Africa gave itself a vision and the roadmap for working towards peace and economic development. The African Union's ambition to foster integrated markets at a regional level is at the heart of the concept of the Economic Partnership Agreements. Both a regional organisation such as SACU and the Trade, Development and Cooperation Agreement signed by the EC and the Republic of South Africa (TDCA – currently under review) are rules-based agreements and potential building blocks for the new generation of arrangements to be developed by EPAs. These arrangements will help to foster economic growth and political stability.

Trade between European and the SADC region

The EU is the SADC Group's largest trading partner. In 2004, the value of total EU imports was about €4,5bn (8% agriculture; 10% fish and 82% industry). EU imports are dominated by a few products such as diamonds (mostly Botswana), petroleum (Angola), fish and beef (Namibia), sugar (Swaziland) and tobacco. In 2004, total EU exports represented €2,8 bn. This yields a positive trade balance for the SADC Group. Overall, SADC exports are diversified but remain confined to the agriculture and primary goods.





The World Trade Organisation (WTO) is now a key international forum. Its current talks on the “Doha Development Agenda” are intended to offer developing countries better trade prospects.

Europe is SADC’s long-standing partner and closest neighbour. Europe is the most important trade and investment partner for the SADC region. This relationship is set to develop, as there is untapped potential to increase trade in both services and goods. But if the SADC region is to realise this potential for exports both to Europe and elsewhere, it needs to improve its competitiveness and diversify its exports. One thing is certain – the SADC cannot go continue to rely on traditional trade links. It also needs to expand regional trade.

3. REGIONAL INTEGRATION: STRENGTH THROUGH JOINING FORCES

The small and vulnerable economies of the SADC region can create more favourable conditions for trade, investment and growth if they co-operate within their region. But

Overlapping regional integration initiatives in Southern Africa

SADC member states are also involved in a web of regional and bilateral trade arrangements. They are members of four regional preferential trading arrangements namely the Southern African Customs Union (SACU), the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and the Indian Ocean Commission (IOC). Except for Mozambique, all of the SADC Member States belong to at least one other arrangement.

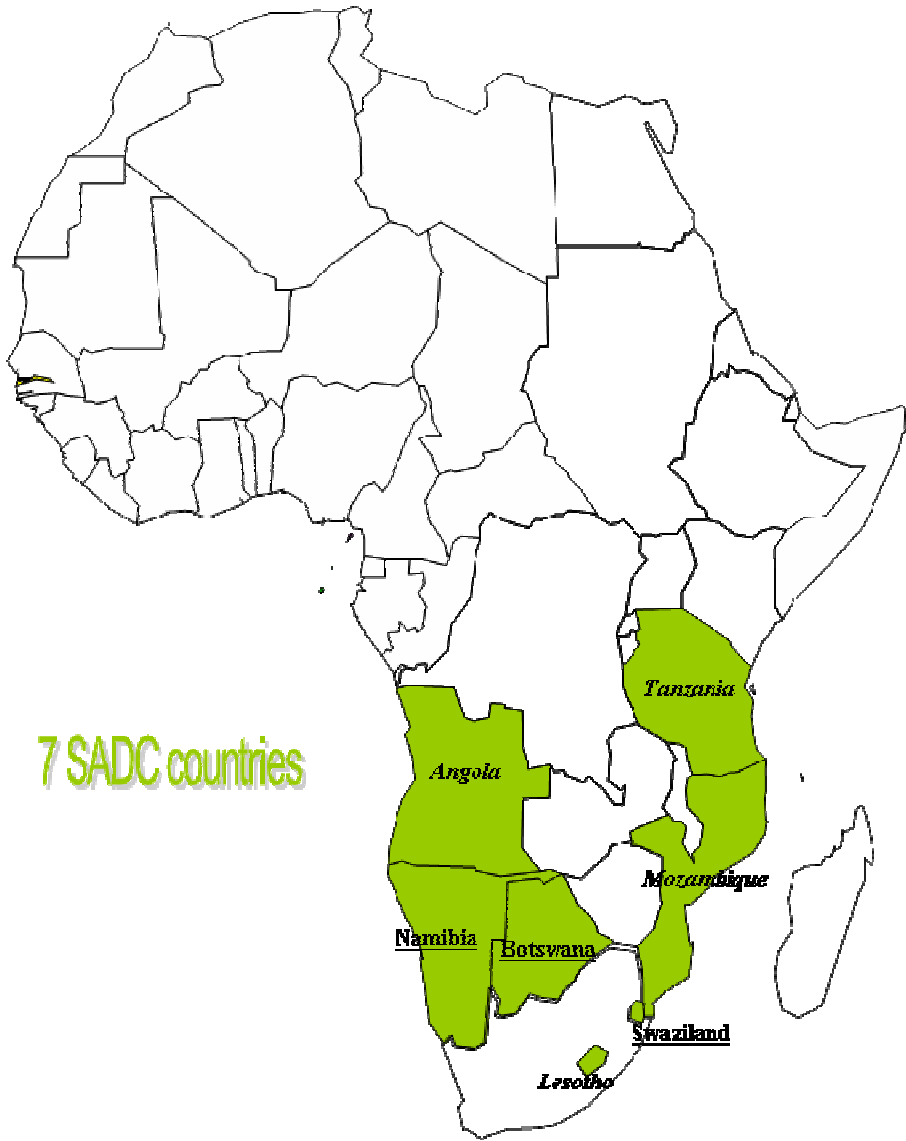
While SADC has planned a Free Trade Area in 2008 and a Customs Union in 2010 (and subsequently a Common Market by 2015) only 7 of its members decided to negotiate an EPA as a SADC Group. COMESA has a Free Trade Area with 11 members (some of whom are also members of SADC) and is working towards a Customs Union in 2008. SACU has been a Customs Union since the early 1900's and has been recently renewed through internal reforms. Moreover, South Africa is in a Customs Union with 4 of the 7 SADC EPA Member States.

regional integration aims beyond economic objectives.

This political dimension of regional integration might be one of the reasons why the economic integration situation in SADC is complex, also compared to other African regions.

The regional approach of EPAs with the EU has further enhanced the stakes in sorting out the overlapping integration initiatives. Given the political and economic sensitivities, for some countries the choice of the EPA configuration was difficult. The involvement of South Africa in the EPA SADC negotiations in an observer and support capacity will ensure coherence between the future and existing trade arrangements and the best possible outcome. The objective of the EU is therefore to avoid disrupting existing trade links and to support regional integration across the whole of Southern Africa.

SADC group



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LDC countries : *shade*

not LDC countries : unshaded

Graph SADC group

The SADC Group comprises Angola, Botswana, Namibia, Lesotho, Swaziland, Tanzania and Mozambique. Least developed countries among the SADC Group (Angola, Lesotho, Tanzania and Mozambique) benefit from trade preferences under the EC's "Everything But Arms" initiative. This means that since 2001, these countries have access to the European market which is free of duties and tariff quotas for all their products (with a transition period for sugar).

South Africa is the second biggest exporter to the SADC Group after the EU. In 2002, exports from South Africa made up 17% of total imports within the region. These facts and figure explain the importance of keeping the coherence between both processes: TDCA review and EPA SADC negotiations.

SADC member states are involved in intra SADC trade to varying levels. In 1998 intra SADC trade was about 20% of total SADC trade and remains much the same today. The key features of intra SADC trade can be summarised as follows:

- SADC-SACU countries source less than 2% of their imports from the rest of SADC and 17% from within SACU.
- In volume and value terms, intra SADC trade is overwhelmingly dominated by South Africa. The most heavily SADC-dependent of the member states are Zambia and Malawi who source 57% and 54% respectively of their total imports from other SADC members. They both obtain about 40% of their total imports from SACU, virtually all of which originates from South Africa.
- Mozambique and Zimbabwe have a lower dependence on SADC imports relying on SADC for 41% and 30% of their total imports, with the bulk of these originating from South Africa.
- Mauritius and Tanzania source a very small percentage of their imports from SADC, with a SADC share in total imports of only 14% and 11% respectively.
- In terms of commodity structure, most SADC countries export raw materials and import manufactures from South Africa.
- South Africa's exports to the Southern African region amount to 19% of total exports, of which 13% go to other SACU member countries. Only 5% out of 7% of South Africa's imports from Southern Africa come from other SACU member countries.
- Botswana, Lesotho, Namibia and Swaziland (BLNS countries) are overwhelmingly dependent on South Africa for export markets.
- The bulk of imports of SADC Member States originate in OECD countries. For the DRC, Mauritius, Seychelles and Tanzania, Asian sources account for significant proportions of their imports; while for Angola and South Africa, NAFTA is a significant source of their imports.

SADC countries are currently in the process of implementing their Trade Protocol which will serve as a key instrument for enhancing intra regional trade and integration. Through this Protocol, it is envisaged to establish a SADC FTA by 2008 when 85% of all goods will be trade at zero duty. The remaining 15% consists of sensitive products, which will be liberalized by 2012.

SADC is also working on the introduction of harmonised rules in areas such as customs, TBT, SPS, trade defence, and rules of origin. Other key areas of the SADC regional integration agenda are infrastructure, transport, energy, water and Information and Communication Technologies. A detailed description of SADC objectives and policy tools is available on the internet at <http://www.sadc.int/>.

The EU supports this integration policy as the EPA can only deliver if there is a strong regional integration impetus behind it. While the establishment of a full-fledged Customs Union is not a formal requirement for concluding an EPA, moving towards a common customs territory and progressively harmonising services and rules in the SADC region are key elements for making the EPA work.

4. TOWARDS AN EU-SADC ECONOMIC PARTNERSHIP AGREEMENT

Not just about trade

The Economic Partnership Agreement will indeed improve access of the SADC Group's products to EU markets. But it goes much further. As the 2000 Cotonou Agreement between the ACP and EU makes clear, EPAs are designed as a response to globalisation and the need for development. They are about creating an economic area where goods, services and finance can be more freely traded. They will also provide a clear set of transparent, predictable rules, offering stability to traders and investors alike.

EPA: not just a conventional Trade Agreement

"EPAs... ..should no longer be conceived as trade agreements in the conventional sense where both sides are seeking mutual advantage... ..The purpose of EPAs is to promote regional integration and economic development."

Peter Mandelson, European Commissioner for Trade, in a speech at the London School of Economics, February 2005

The SADC-EU EPA will be a single negotiated agreement governing how the two regions will co-operate on a wide range of trade-related issues in the future. They will include topics such as the duties charged on imports of goods, the market standards they are

required to meet, trade in services, and related policy areas such as customs co-operation, intellectual property rights and possibly investment and competition policy.

Moreover, the EPA will support the ambitious regional integration process that is already underway, helping to maximise its benefits. The EPA will build in flexibility to reflect the socioeconomic constraints of SADC countries. It will ensure stability because it will comply with WTO rules and prevent other WTO members from challenging the trade preferences enjoyed by the SADC region. This is very important, as current trade arrangements rely on a waiver from WTO rules for protection from legal challenge. This waiver expires at the end of 2007.

Halfway towards free trade in SADC

“Given the progress made so far in preparing for the negotiations, SADC is confident that the final EPA will not only be favourable to the region but will enhance the region’s productive competitiveness and integration into the continental and world economy”

Prega Ramsamy, SADC Executive Secretary in a speech at the SADC Summit in Gaborone, August 2005

Towards better market access: trade in goods

The EPA will enable the SADC region to maintain and improve market access, a commitment clearly set out in the Cotonou Agreement. Among the topics that will come up are the rules that define products as genuinely SADC (called “rules of origin”) and technical issues such as product standards and food safety requirements.

So talks will not have only the traditional focus of market access discussions, such as duties charged on imported goods and the removal of the quotas that restrict their volume. Why? Because 98% cent of current SADC exports can already enter the EU duty-free. Several SADC countries benefit from the ‘Everything-But-Arms’ scheme, which offers duty and quota free access to the EU. But that has not been enough to help the SADC region diversify its access, nor to guarantee market share (a point proven by the 2004 trade statistics as there has been a decline of exports to the EU).

One important change that the EPA will bring about is that SADC markets will also have to open up gradually to EU goods, removing some duties and quotas. This new arrangement is essential, for both legal and economic reasons.

Legally, WTO rules require the SADC region to liberalise “substantially all trade”. While rules might be changed in the current WTO talks, it is clear that the element of reciprocity will be required also in the future. Economically, there is strong evidence that opening the SADC region to EU products will increase efficiency, bring down costs and reduce consumer prices. This need not fuel fears – the changes will take place over time, and in ways that will ensure the SADC region benefits from liberalisation. Revenue shortcomings will have to be addressed by developing alternative sources for public revenue, such as broad based VAT systems. Development support can help implementing these reforms. Regional integration and reforms required to build competitiveness will get priority. The EPA will allow long transitional periods for market opening, along with slower liberalisation on the SADC side. It will allow the SADC region to exclude specified products, and to deploy safeguard measures for vulnerable economies.

Agriculture will play a key-role in developing most of the SADC countries. Most SADC countries have been unable to diversify their exports and often remain dependent on a limited number of market-sensitive natural resources or agricultural commodities. Whereas about 80% of Africa’s farmers live in areas with reasonable agronomic potential, only 20% are well connected to markets. The SADC EPA will therefore also include measures to increase the competitiveness and productivity of agriculture in the SADC region.

Towards a new economy: trade in services

Trade in services is growing in some of the SADC countries. Services, such as tele-communication, energy, finance and transport are all on the list of services that favour trade and economic development.

Liberalisation of trade in services can improve consumers' lives, improve the quality and quantity of service providers, and help to make a region more competitive globally. The rules need to be simplified and harmonised to reap the benefits of this kind of trade. That is why the regional integration initiatives in the SADC region involve services. The EPA can build on these initiatives and reinforce them to realise their potential, both within the SADC region and in trade with Europe.

Towards a stable business environment: rules of the game

Any trader or investor will say that clear, stable and transparent rules are vital for doing business. If the rules can be simplified and harmonised across an economic area, that can make business prospects even more attractive. What rules? Border controls such as tariffs, for instance, but also customs procedures themselves, to make trade easier. Negotiators refer to this aspect as "trade facilitation". The EPA will address all of these issues.

But even if border controls are simplified and harmonised, there are other factors that need attention, to avoid a lucky few capturing all the gains from trade, or investment being undermined because of lack of protection for investors. That is why the Cotonou Agreement identifies competition policy, the protection of intellectual property rights, and environmental and labour standards as important for promoting trade and sustainable development. Governments spend large amounts of public money on imported goods and public investment, so transparent rules for public procurement can improve value for the taxpayer.

Towards a better deal for households

The EPA is not just concerned with high-level economics. Building regional markets and improving trade arrangements also translates into real benefits for families. They can expect a wider choice and better value in the shops, cheaper local business services and more competitive local industries, thanks to reduced costs of importing and exporting. These are significant benefits, particularly in small economies where many of the goods are imported.

Exporters too will benefit – they will be able to sell to both regional and EU markets. Ambitious youth in the SADC region will have better prospects for marketing services and intellectual skills. Ultimately, the success of the EPA will depend on the extent to which it enables business to increase trade and promote local development.

4. THE WIDER PARTNERSHIP: AID AND DEVELOPMENT

Development, competitiveness and trade

As mentioned above, the EPA is not just about trade. It is about partnership and development. The negotiations have to be comprehensive and ambitious and they are very much part of a

wider EU-SADC cooperation process. That is why development finance will accompany and reinforce the EPA.

The European Development Fund is the EC's main instrument for providing development finance to the SADC region. While development programmes in South Africa are financed from the EC's budget, all funds are provided as grants, supporting a regional programme and national programmes in the SADC region as well as all-ACP wide programmes from which SADC countries can also benefit. Altogether more than € 1.7 billion are available for national programmes for the period 2002 to 2007. Much of these funds are targeted at improving infrastructure, supporting the education system, human resources development and macroeconomic support in the SADC countries.

For the regional programme, there is about €171 million available for the 2002-2007 period for projects in the focal areas of regional integration and trade, transport and communication as well as in other areas such as HIV/AIDS, agriculture and food security and institutional strengthening. Current areas of cooperation related to regional integration and trade include the EU-SADC Investment Promotion Programme (ESIPP), the Regional Integration Capacity Building Programme, Support to the liberalisation of Trade in services and a Technical Assistance Facility to support the EC-SADC EPA negotiations. . Among the new areas of intervention are: a programme of customs modernization and trade facilitation, reduction of technical barriers to trade (Programme SQAM – Standards, Quality, Accreditation and Metrology); support to strengthen capacities in the field of Sanitary and Phytosanitary Standards (SPS), as well as technical assistance to SADC's Finance and Investment Protocol. In addition to the regional programme, the EC finances a support programme for economic integration of BLNS countries.

Promotion of Investment in the SADC Region

The EU-SADC Investment Promotion Programme (ESIPP) addresses the challenge of mobilizing more investment, including foreign capital and technology, to the SADC region through a two-dimensional approach.

ESIPP helps building capacity of private sector intermediaries, such as investment promotion agencies, chambers of commerce, employers' federations, consultants' associations or financial institutions. Assistance to intermediaries is provided on a demand-driven, cost-sharing basis.

At the same time, ESIPP organises sectoral partnership meetings to bring together investors from SADC and EU (or third countries). Once partnerships are formed, ESIPP provides follow-up support on a demand-driven cost-sharing basis. Five large business-to-business events are planned in the construction and building materials sector, light engineering, tourism, agroindustry and mining.

In order to provide direct support for the negotiations to national and regional trade administrations, the EC, in collaboration with the Commonwealth Secretariat, finances national and regional trade advisors. At this stage, advisors are already in place in Mozambique, Tanzania and the SADC Secretariat. The next tranche of advisors are starting

their work in Angola, Botswana, Namibia and Swaziland before the end of 2005. In order to better fulfil its coordination function, the African Union Commission has also been strengthened through the recruitment of an EU financed trade expert.

The €6m Economic Integration Support Programme to SACU (EISP) supports the establishment of an institutional structure for the management of the customs union, in particular the Secretariat, Tariff Board, Tribunal and the Technical Liaison Committees.

In addition, the SADC countries access a range of ACP wide programmes.

These cover helping exporters meet EU food safety and plant health standards in the fisheries and horticultural sectors, and support for trade negotiators.

The EU recognises that ACP countries have limited resources to engage in trade negotiations, which is why it has been helping them take part in WTO talks and the EPA process since 2002. There are three programmes, worth over € 85 million to help the ACP take part in both EPA and WTO negotiations. These funds are on top of regional and national programmes. In addition, the TRINNEX instrument (Trade and Investment Nexus) aims at strengthening the input of ACP private sector intermediary organizations into trade and investment negotiations.

In order to enhance the competitiveness of ACP enterprises private sector development is a priority of the Cotonou Agreement. The Centre for the Development of Enterprises (CDE) provides technical assistance to private ACP enterprises and facilitates cooperation with EU companies to promote investment and technology transfer. CDE has its headquarters in Brussels and a field office in Gaborone which serves the Southern African region.

The European Investment Bank (EIB) manages a special Investment Facility created by the Cotonou Agreement. This Facility provides risk capital and ordinary loans to finance investments of private and commercially run public enterprises in ACP States. The EIB also finances operations in the ACP countries with its own funds. The Bank operates a field office in Tshwane, South Africa.

Practical Support for regional integration

The present **EPA Negotiation Support Facility** is a central element in this strategy.

The project purpose is to improve the capacity of the SADC Secretariat and of SADC member states to participate more effectively in the EPA negotiations with the EU and to design and implement sustainable trade and development policies.

Assistance needs, with relevance to the EPA that occur in the context of the WTO, the SADC Trade Protocol or other regional trade negotiations, could also be addressed by the Facility.

The Facility will follow a demand driven approach in order to ensure maximum ownership of the beneficiaries.

The export help-desk

The export help-desk is a free online service for exporters from developing countries which offers practical assistance to access the EU market. It provides the following information online (<http://export-help.cec.eu.int>)

- Tariffs taking account of the preferential import regimes for any country in the world
- EU and Member States' import requirements such as Sanitary and Phyto-Sanitary requirements
- Internal taxes
- Trade data for the EU and its individual Member States
- A market place where exporters in developing countries can establish contacts with importers from the EU,
- Links to other authorities and international organisations
- The possibility to lodge detailed information requests

5. NEGOTIATIONS SO FAR

The timeline and organisation

Economic Partnership Agreements negotiations began in Brussels in September 2002 with the EU and 77 ACP countries. This phase of negotiations continued until an ACP-EU ministerial meeting in October 2003, where Ministers agreed on a joint report that marked the beginning of regional EPA negotiations. Negotiations on the EU-SADC EPA began formally on 8 July 2004 in Windhoek, Namibia. The countries which have decided to negotiate an EPA with the European Union under the Southern African Development Community (SADC) configuration are Angola, Botswana, Lesotho, Mozambique, Namibia, Swaziland and Tanzania. South Africa will participate in an observatory and supportive capacity.

At the Windhoek meeting a Joint Roadmap was adopted, which outlines the objectives and principles, the structure and the sequencing of the negotiations and provides for the establishment of a Regional Preparatory Task Force (RPTF) aiming at interlinking EPA trade negotiations and development strategies so that efforts undertaken in both areas will be mutually reinforcing.

The organisation, of the EU follows the structures and procedures as determined by the EC Treaty. The European Commission negotiates on behalf of the EU, represented by the Commissioner for Trade, Peter Mandelson, at the ministerial level, and by a senior official of DG Trade at the ambassadorial level. Preparations at the technical level are co-ordinated by the geographical responsible unit in DG Trade (at the moment: DG Trade C3). Other Commissioners, notably the Commissioner for Development and Humanitarian Aid, Louis Michel, and other services, most notably DG Development, are closely associated.

Progress in talks

The first round of senior-level and technical talks took place in December 2004 and March 2005 respectively. In April 2005, a senior-level meeting in Gaborone provided a platform for open dialogue notably on the regional dimension, market access, trade-related areas and the development aspects. Both sides also agreed to finalise a Joint Factual Report regarding the state of play of regional integration. This report would serve as a ‘starting line’ on which the future bi-regional commitments could be defined. Initial discussions started on issues such as SPS and TBT and negotiations on market access, rules of origin, and customs facilitation will be launched before the end of 2005..

Since then the internal SADC preparations have accelerated. A seminar on trade rules was organised in May 2005 in Brussels and seminar on interlinkages with the TDCA Review was organised in June 2005 in Johannesburg.

Joint SADC-EC technical and senior level talks on the above issues will take place in September and October 2005. The objective is to exchange and possibly agree on “issue papers” on the above subjects. A ministerial level meeting to take stock and provide guidance for the negotiations will take place either by the end of 2005 or very early 2006.

The year 2006 will be crucial for the talks. By the end of 2006, negotiations should have covered all issues relevant for the EPA and an outline EPA should be agreed on. This would

leave one year for finalising the talks, revisiting areas of disagreement and reaching compromises. By then it should also be clear how to deal with possible delays due to ratification requirements by SADC and EU member states.

Issues in the negotiations

There is broad agreement on the scope and priorities of the negotiations, and a better joint understanding of regional integration. Technical discussions on SADC and European economic integration are taking place on many topics. These include

- steps which need to be taken to integrate the SADC region.
- the improvement of existing market access to the EU, notably regarding agriculture and fisheries; this includes discussions on rules of origin; Sanitary and Phyto-Sanitary measures and technical regulations and standards.
- gradual liberalisation towards the EU including the establishment of a sensitive list of imports and the introduction of a special safeguard clause.
- trade in services. and
- trade-related issues such as investment, competition, government procurement and trade facilitation.

Related Issues

The EPA negotiations are not taking place in a vacuum. The context is influenced by a range of wider political and economic developments. Not all of these issues can or should be a part of the EPA negotiations, but they will determine how the EPA is applied and that is why they are the subject of ongoing dialogue and discussion. Some examples:

- The way regional integration in Eastern and Southern Africa is developing, notably how the overlapping memberships in various regional economic integration initiatives is going to be solved.
- Progress towards key structural reforms in areas such as government finances and the economy, regulation and incentives for new businesses, as well as training and education.
- Difficulties facing sugar producers and textiles producers due to the pressure of globalisation including changes in the European markets; this is related to restructuring processes and opportunities to secure future market access in a WTO-compatible EPA.
- Ensuring compliance with WTO rules, making use of existing flexibility covering regional trading arrangements, and progress on key WTO issues such as agricultural support, market access and trade facilitation in the Doha Development Agenda.
- Potential adjustment costs, such as loss of government revenue because of lower trade taxes; and opportunities to minimise those costs by measures such as excluding sensitive products from liberalisation, phasing in changes, and promoting customs and tax reform.

6. INVOLVING OTHERS

Consultations so far

The EPA negotiations are an ambitious, pro-development undertaking. They are not just a matter for negotiators and the governments they represent, as they must represent the needs and aspirations of the citizens of the SADC region. That is why the negotiations include a number of ways to involve a wide range of stakeholders in the negotiations:

- Involvement of non-state actors in the SADC negotiating structure, both at national and regional level. National and regional negotiating positions are therefore not solely defined by trade officials but very much influenced by views of business and civil society representatives. Workshops and studies are financed through EU development funds.
- An EC-sponsored Sustainability Impact Assessment of the EPA will consult SADC stakeholders.
- Seminars for SADC government and non-governmental stakeholders, to explain the process of EPA negotiations.
- Close coordination with a network of donors and development agencies to make sure the EPA is taken on board when regional programmes and projects are designed.

What's at stake in future discussions?

The ultimate goal of the EPA is sustainable development, building a better future not just for the current generation, but for future ones too, and this will mean changes affecting all citizens in the SADC region. Here is what we hope the EPA will achieve:

- The EPA is about creating jobs and wealth through trade. It will do this by building regional markets and helping to build a clear and transparent framework for doing business in the region.
- The EPA is based on regional integration and gradually opening up markets to improve competitiveness and reduce prices. To manage the social impact of change or the sensitivity of small markets, the EPA will include special and differential treatment, including flexibility over what products and services the SADC region will liberalise and when.
- The EPA will mean the SADC region keeps its access for products to the EU market. Where possible, that access will improve, and the rules that apply to it will be simplified.
- The EPA is part of the Cotonou Agreement, which contains separate provisions for development assistance, programmed jointly with national governments and regional organisations. These funds will continue to provide financial support for the negotiations and regional integration process.

The way forward

Negotiations are well underway to secure an Economic Partnership Agreement by 2008. They are an ambitious attempt to gear trade policy towards development. They will be a positive force for development in the SADC region, but there is no blueprint to work from and much to be done.

This means that everyone who wants to get involved in addressing practical development problems can do so. The process is open to anyone with a commitment to the aims -- not just the governments, but civil society and business too. There is no single consultation process, but many practical ways to get involved. They include, for instance, lobbying governments, negotiators and members of parliament, raising awareness and discussing the implications with trade unions, non-governmental organisations and business groups. If EPAs are to realise their true potential, this will mean ongoing dialogue. We hope this short overview of what is at stake can contribute to this process.

Frequently Asked Questions

1. Why can't we just leave things as they are?

That's not an option. Times are changing and we cannot hide. Trade and investment in the SADC region must increase to promote sustained growth and development. Regional arrangements are being put in place to help business generate jobs and wealth. Current trade arrangements with Europe only provide access for goods but contribute too little to SADC competitiveness. They also depend on a waiver from the WTO to allow time for a new agreement to be put in place. The waiver expires in 2007, so the EU and the SADC region have to have a new arrangement ready by then. A new waiver would require agreement from all other WTO members and would come at a high price in terms of concessions.

2. But does the new arrangement have to be an EPA?

In theory, no. But after careful consideration the EU and the SADC region decided that this is the best option for linking trade and development. This is what both regions are aiming at in the EPA negotiations. So why accept second-best, a lowering of our joint ambition?

It is true that notably goods from Least Developed Countries in the SADC enter the EU duty and quota free (through the Everything-But-Arms scheme). But experience has shown that even this most favourable trade regime has not been sufficient to trigger more production and trade.

3. They say EPAs are just a way for the EU to force open the markets of SADC countries. Why should we want that?

'They' are wrong. The EU's priority is to help the SADC region boost its regional integration, so that business among its countries can thrive, making the region attractive to investors. The EU also wants to keep open and improve SADC's access to its markets. Once those key items are secured, we can talk about the progressive opening of SADC markets, at a time and pace that suit SADC circumstances.

4. Will the EPA negotiations divide the region and hamper regional integration?

It is true that some countries are members of different regional organisations that have separate integration goals. This is problematic since a country cannot be member of two customs unions at the same time. This problematic situation exists with or without an EPA.

The configuration of negotiating the EPA was decided by the countries of the region, not by the EU. There are economic but also political reasons behind these decisions.

For the EU, it is essential to stress the economic rationale for a clear and predictable regional framework. The overlap of membership in incompatible economic integration initiative is the problem, not the regional approach of the EPA talks. The EU stays flexible to adapt the precise configuration in the course of the talks.

5. What is the link between the EPA and the aspirations of building the African Union?

Deepening the economic integration within the various African regions is an important stepping stone towards a more integrated African market. The EPA contributes to this stepping-stone approach.

The Commission of the African Union monitors the EPA negotiations with the four African regions. A Joint Monitoring Mechanism with the European Commission has been established to improve the flow of information and enhance the coherence of the various African EPA negotiations.

6. I've heard that government revenue will plummet if we drop our tariffs. How can that be in our interests?

You might have a point if that were to happen overnight. But, as mentioned above, that is not the plan. Under the EPA, SADC countries will be able to open up gradually, leaving time to adapt and to promote tax reform to replace trade taxes and improve tax collection. Tax reform and more trade can even increase government revenue.

7. We are very worried about the future for our sugar exports. Can EPAs offer any solutions?

The EU is well aware of these concerns and is working on answers both within the EPA process and outside it. One of the main things the EPA will do is to guarantee the best possible SADC access to the EU. In the long term SADC will achieve diversification which will help find new sources of income. Diversification and competitiveness will be helped further by EU development aid.

8. The EU has some very strict health and safety standards for the food it imports. How are SADC countries supposed to meet these?

You mean our Sanitary and Phytosanitary Standards. Yes, they are tough – that is what our consumers demand. Part of the EPA plan is to equip the SADC region to meet those standards. This includes building regional capacity to set and enforce standards. There is funding to help the region in this.

9. What if I have more questions? How can I get involved in the debate?

Look at the links below for more information. Do not hesitate to contact EC Delegations in the SADC region for any further details.

Further Information

Useful links on the EPA Process

The following internet links contain useful information related to the EPA process:

- ACP trade relations: http://europa.eu.int/comm/trade/issues/bilateral/index_en.htm
- ACP trade statistics: <http://europa.eu.int/comm/trade/issues/bilateral/regions/acp/stats.htm>
- Cotonou Agreement: http://europa.eu.int/comm/development/body/cotonou/index_en.htm
- EU trade policy: http://europa.eu.int/comm/trade/index_en.htm

Links to the EU Trade and Development Commissioners' internet sites

The following internet links contain recent speeches and articles on EPAs.

- http://europa.eu.int/comm/commission_barroso/mandelson/index_en.htm
- http://europa.eu.int/comm/commission_barroso/michel/index_en.htm

Suggested further reading on EPAs

The following internet links contain further reading on EPAs:

- http://europa.eu.int/comm/development/body/publications/docs/epa_en.pdf
- http://www.sia-acp.org/acp/download/pwc_sia_acp20july2005-section-3.pdf

More information on SADC

The following contain a wealth of information on SADC trade and integration:

- <http://www.sadc.int/>
- <http://www.africa-union.org/>

Information on assistance programmes

- EU-SADC Investment Promotion Programme (ESIPP): www.esipp.org
- Capacity Building in support of EPA negotiations (all-ACP): www.acpepa.org
- Capacity Building Programme for WTO negotiations : www.mtsacpeu.org
- TRINNEX programme : www.proinvest-eu.org
- Pesticides Initiative Programme (PIP) : www.coleacp.org
- Strengthening Fisheries Products Health Conditions (SFP) : www.sfpacp.org

- Center for the Development of Enterprise (CDE): www.cde.int
- European Investment Bank (EIB): www.eib.org/lending/acp

Information for exporters to Europe

The following is the website for the European Commission helpdesk for exporters looking to sell goods in Europe.

<http://export-help.cec.eu.int>

Further contacts

If you are not online, information on the Cotonou Agreement and EU development cooperation with the SADC region can be obtained at the European Commission's delegations in the following countries:

ANGOLA	Delegation-Angola@cec.eu.int	Rua Rainha Ginga 45 - 3°, LUANDA
BOTSWANA	delegation-botswana@cec.eu.int	Robinson road, Plot 758, GABORONE
LESOTHO	mailto@delloso.cec.eu.int	167, Constitutional Road, MASERU WEST
MOZAMBIQUE	delegation-mozambique@cec.eu.int	Avenida Julius Nyerere 2820 MAPUTO
NAMIBIA	delegation-namibia@cec.eu.int	2 Newton Street WINDHOEK
SOUTH AFRICA	delegation-s-africa@cec.eu.int	1-2 Green Park Estates, 27 George Storrar Drive, Groenkloof 0181, PRETORIA
SWAZILAND	Delegation-Swaziland@cec.eu.int	Lilunga House, 4th Floor, Somhlolo Road, MBABANE
TANZANIA	delegation-tanzania@cec.eu.int	Umoja House, Garden avenue, DAR ES SALAAM

The postal address in Brussels is:

European Commission

DG trade C/3

B-1049 Brussels

BELGIUM

7. GLOSSARY AND ACRONYMS

ACP	African Caribbean and Pacific States, a group of states with a partnership agreement with Europe, the Cotonou agreement
BLNS	Botswana, Lesotho, Namibia and Swaziland
COMESA	Common Market for Eastern and Southern Africa
Cotonou Agreement	Partnership Agreement between the EU and ACP states signed in 2000 in Cotonou, Benin.
EC	European Community
EDF	European Development Fund, the EC development financing mechanism for the ACP under the Cotonou agreement
EPA	Economic Partnership Agreement
ESA	Eastern and Southern Africa – group of 16 countries negotiating the EPA
EU	European Union
Lomé Conventions	Predecessor to the Cotonou agreements first signed in Lomé, Togo in 1975
Quota	A limit on the quantity of goods that can be imported
RPTF	Regional Preparatory Task Force – providing a developmental input to the EPA negotiating process
SADC	Southern African Development Community
SACU	Southern African Customs Union
SIA	Sustainability Impact Assessment, a study commissioned on the likely impacts of EPAs
SPS	Sanitary and Phytosanitary Standards, measures to protect human, animal and plant health and life
Tariff	A customs duty or charge on imports
TBT	Technical Barriers to Trade
TDCA	Trade and Development Cooperation Agreement between the European Community and its Member States and the Republic of South Africa
Trade in Goods	Trade in physical goods like agricultural products and machinery
Trade in Services	Trade in services like insurance, training and marketing
WTO	World Trade Organisation