

Partners in Progress

The EU/South Africa
Trade, Development and Cooperation Agreement
for the 21st century

DEVELOPMENT



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The full text of the EU/SA Agreement is available on the Internet:
<http://europa.eu.int/comm/dg08/index>

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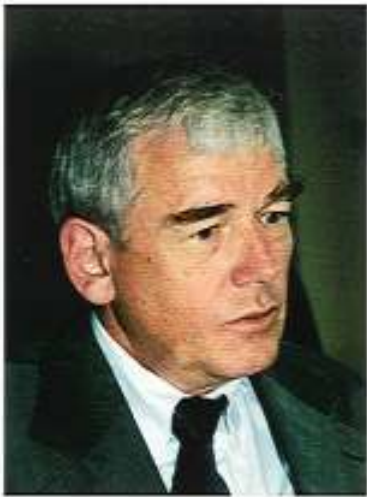
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Preface

South Africa's first democratic elections in April 1994 and the installation of the Government of National Unity headed by President Nelson Mandela marked the start of a new era in the EU's relations with South Africa. As moves toward political reform began in South Africa, the EU developed a strategy for supporting and consolidating the ongoing reform process.

In April 1997, South Africa became a qualified member of the Lomé Convention, the EU's longstanding trade and aid agreement with 71 African, Caribbean and Pacific nations.

In March 1999, after 4 years of long and sometimes difficult discussions, the EU and South Africa concluded negotiations on an historic Trade and Partnership Agreement to boost bilateral trade, development and political cooperation for the 21st century.

The present Agreement is one of the most ambitious cooperation agreements that the EU has ever concluded with a third country. It confirms both a clear determination by the EU to support the process of change and reform in South Africa and reflects both sides' desire to further expand their political, trade and cooperation contacts to the benefit of South Africa and, indeed, the Southern African region as a whole.

As the negotiations from the EU side were conducted and concluded under the capable leadership, on the EU side, of my predecessor Professor J. D. Pinheiro I hereby wish to pay a special tribute to him for his personal efforts and commitment to this process.

As new Commissioner for Development I will assure a smooth, complete and rapid implementation of this agreement as the necessary basis for promoting prosperity and fighting poverty with respect for democratic principles and fundamental human rights. The Agreement provides a solid ground for achieving these objectives.



POUL NIELSON

EU COMMISSIONER FOR DEVELOPMENT

1 Introduction

- ▶ The Trade, Development and Cooperation Agreement covers a wide field of cooperation. It includes:
 - Provision for a Free Trade Area
 - Financial assistance and development cooperation
 - Trade-related issues
 - Economic cooperation
 - Social and cultural cooperation
 - Political dialogue

The Trade, Development and Cooperation Agreement

Main TDCA components



- ▶ The FTA is the first negotiated after the Marrakech agreement under the rules of WTO, and the first concluded by the EU with a distant partner, which is itself a member of a customs union and in many ways to be considered a developing country. In response to these realities, the EU/SA Free Trade Area:
 - includes the agricultural sector, as well as all other sectors, with tariff liberalisation schedules based on the concept of negative lists,
 - is differentiated in coverage and asymmetrical in timing, and
 - contains several features that ensure a positive regional impact on the other countries of SACU (Southern African Customs Union) and SADC (Southern African Development Community).
- ▶ The outcome of the negotiations meets the requirements of WTO (Art. XXIV of the GATT of 1994). The coverage of the FTA will be around 90% of current trade between the Parties, divided as follows:
 - EU: full liberalisation of 95% of imports from SA by end of transitional period of 10 years.
 - South Africa: full liberalisation of 86% of imports from EU by end of transitional period of 12 years.



- ▶ To complement the EU/SA Trade, Development and Cooperation Agreement, the framework of EU/SA

cooperation will eventually include four more agreements, two of which have already been concluded:

Lomé Protocol	<ul style="list-style-type: none"> ▶ Signed in April 1997 ▶ Entered into force in June 1998
Science and Technology	<ul style="list-style-type: none"> ▶ Signed in December 1996 ▶ Entered into force in November 1997
Wine and Spirits	<ul style="list-style-type: none"> ▶ Currently being negotiated, to be concluded during 1999
Fisheries	<ul style="list-style-type: none"> ▶ Currently being negotiated, to be concluded by the end of 2000

Trade

The most prominent component of the bilateral agreement for trade, development and cooperation relates to the provision for the establishment, after a transitional period, of a Free Trade Area (FTA) between the EU and South Africa.

Trade between the EU and South Africa is estimated at about 18 billion Euros a year. The EU is South Africa's main trading and investment partner, accounting for over 40% of its imports, nearly 40% of its exports and over 70% of foreign direct investment.

The establishment of a free trade area will further strengthen this relationship, making South Africa one of Europe's preferred trading partners. The agreement responds to South Africa's request for improved access to the Community market, encouraging also South Africa's drive to open up to the global economy.

The reciprocal nature of the Agreement means products originating in the European Union will also have access to the South African markets on improved terms. In addition to an increase in the level of trade, the Agreement is likely to generate increased investment flows between the parties. This process will no doubt be enhanced by the simplification of trade processes and reduction in transaction costs engendered by the introduction of the Euro.

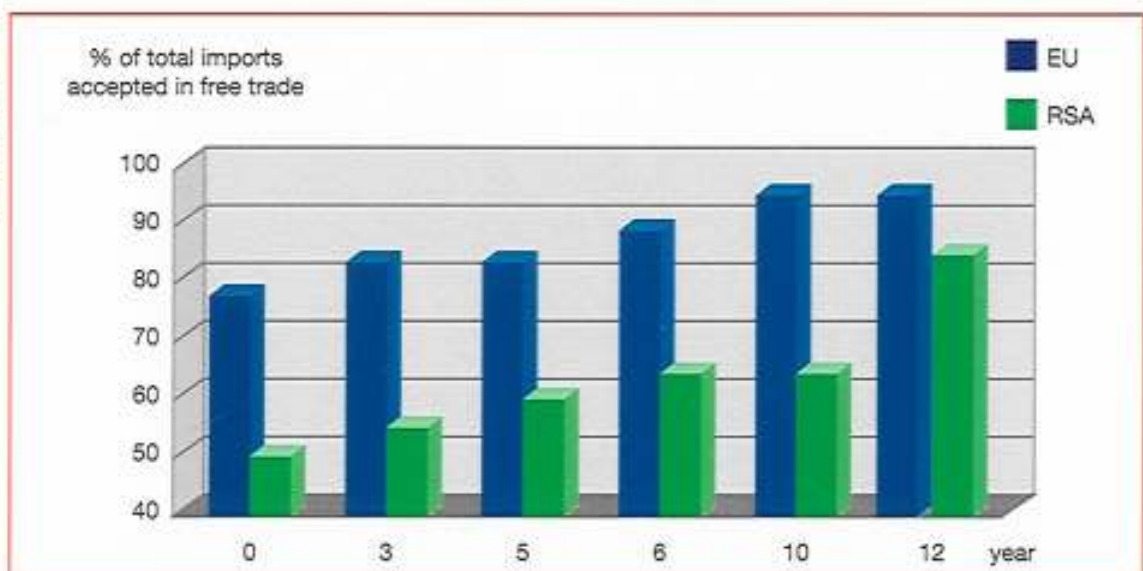
A Developmental FTA

While the focus of the FTA is on improving market access for exporters from both sides, the agreement also concentrates on promoting South African development.

The free trade area is characterised by the following key elements:

- *Asymmetry and Differentiation:* these concepts reflect the developmental focus of the agreement's trade provisions. In recognition of South Africa's economic restructuring efforts, the EU will open up its market faster and more extensively for South African products than it will ask South Africa to do for EU products. Specifically, the EU will liberalise about 95% of its South African imports within 10 years while the respective figures on South African side are around 86% in 12 years. Within these transitional periods, the bulk of liberalisation of industrial products on the EU side will take place in the first four years, whereas on the SA side tariff reduction for most industrial products will only start after six years.
 - *Support for Regional Integration:* the EU and South Africa have committed themselves to designing the free trade
- *WTO Compatibility:* the free trade agreement is in full compliance with the rules of the WTO and will cover "substantially all trade" between the two parties, without excluding any significant sector.
 - *Protection for sensitive sectors:* both partners have excluded certain products from the free trade agreement in order to protect vulnerable sectors. On the South African side products which are of specific interest to Botswana, Namibia, Lesotho and Swaziland, all of which are in a customs union with South Africa, have also been excluded.
 - *Integration of South Africa into the global economy:* the apartheid era left South Africa economically isolated from both its neighbours in the SADC region and the world at large. The free trade agreement will assist South Africa in its integration into the world economy by helping to promote increased growth and competitiveness, liberalising trade and encouraging investments.

Asymmetrical
and
differentiated
FTA



Coverage of the Free Trade Area

The agreement covers about 90 % of current bilateral trade between the EU and

South Africa. Specified by sector the figures are as follows:

▶ Percentage of zero duty imports from other party, by end of transitional period based on 1994/96 trade volumes

	AGRICULTURE	INDUSTRY	TOTAL
SOUTH AFRICA	81,0%	86,5%	86,3%
EUROPEAN UNION	61,4%	99,98%	94,9%

It should be stressed that these figures are probably too conservative: they are based on the trade flows exchanged in the period before the start of the mutual tariff elimination. They do therefore not illustrate the growth potential of currently non-traded goods that will generally be subject to free trade at entry into force of the Agreement.

To respect vulnerable and sensitive sectors on both sides - and within the Southern African region - a limited number of products have been kept outside the ambit of the free trade agreement.

▶ Main products excluded at EU side (list to be periodically reviewed)	▶ Main products excluded at SA side (list to be periodically reviewed)
<ul style="list-style-type: none"> ▪ beef ▪ sugar ▪ some dairy (incl. milk, butter, whey) ▪ sweet corn ▪ maize and maize products ▪ rice and rice products ▪ starches ▪ some cut flowers ▪ some fresh fruits (certain citrus, apples, pears, grapes, bananas) ▪ prepared tomatoes ▪ some prepared fruits and fruit juices ▪ vermouth ▪ ethyl alcohol ▪ some fish 	<ul style="list-style-type: none"> ▪ beef ▪ sugar ▪ some dairy (incl. milk, butter) ▪ sweet corn ▪ maize and maize products ▪ barley and barley products ▪ wheat and wheat products ▪ starches ▪ chocolate ▪ ice cream
<ul style="list-style-type: none"> ▪ unwrought aluminium 	<ul style="list-style-type: none"> ▪ petroleum and petroleum products ▪ some chemical products ▪ some textiles ▪ automotive
Total of 304 tariff positions, representing 3.4% of total imports from SA	Total of 120 tariff positions, representing 10.9% of total imports from EU

Some products are subject to only partial liberalisation. This is the case when the customs tariff is reduced rather than eliminated, or when tariff quotas come into play, which limit the reduction or elimination of tariffs to a given quantity of goods.

In addition to South Africa's commitment totally to liberalise 86.5% of its *industrial* imports from the EU, 2.9% will be partially liberalised. On the EU side, an additional 13% of *agricultural* imports will be liberalised partially, on top of the 61.4% subject to full liberalisation. These exemptions will be reviewed at a later date.

▶ Main products offered for partial liberalisation at EU side	▶ Main products offered for partial liberalisation at SA side
<ul style="list-style-type: none"> ▪ Several cut flowers (roses, orchids, chrysanthemums, proteas – 1,600 tons per year, half duty) ▪ Strawberries (250 tons per year, duty free) ▪ Several canned fruits (60,000 tons per year, half duty) ▪ Several fruit juices (5,700 tons per year, half duty) ▪ Wines (32 million litres per year, duty free) 	<ul style="list-style-type: none"> ▪ Footwear and leather (gradual tariff reduction, end-rate 10 or 20%) ▪ Some automotive (gradual tariff reduction, end-rate 6-11%) ▪ Several textiles and clothing (gradual tariff reduction, end-rate 5-20%) ▪ Tyres (gradual tariff reduction, end-rate 10 –15%)
<p style="text-align: center;">Total of 44 tariff positions, representing 1.7% of total imports from SA</p>	<p style="text-align: center;">Total of 2011 tariff positions, representing 2.8% of total imports from EU</p>



Because mutual trade in them is not fully liberalised, these products do not contribute to the formal coverage of the free trade area. In the world of economic operators, however, several of these concessions are extremely valuable, and they therefore represent a significant economic value.

Rules of origin

Like any preferential trade arrangement, the EU-South Africa agreement contains detailed rules of origin designed to ensure that trade preferences included in the deal are only applied to European and South African products.

Products are defined as of South African or EU origin in the following cases:

- ▶ When they are **"wholly obtained"** in either the EU or South Africa. Examples include agricultural products that are grown in either of the two regions.
- ▶ When they are not "wholly obtained", but have been **"sufficiently worked or processed"** (the materials used must undergo a change of tariff heading or sufficient value must be added to the product in the EU or South Africa) to be considered as originating in either the EU or South Africa.

The EU-South Africa rules of origin are very similar to those applied by the EU to most of its preferential partners, in particular the countries of Central and Eastern Europe, nations in the southern Mediterranean and also other developing countries benefitting from the Generalised System of Preferences (GSP).

However, at South Africa's request, some important differences have been agreed:

▶ Cumulation of origin

In order to make the application of the rules of origin easier and more flexible, trade agreements usually provide for the cumulation of origin of products from several countries. The EU-South Africa agreement accord allows, firstly, for **"bilateral cumulation"**. In other words, when applying the value-added rule to a South African product, the value of any EU materials used is counted to determine whether it meets the origin criteria. The same rule applies when defining the origin of EU products that include South African inputs.

Secondly, under the agreement, goods using material from other ACP countries are also defined as originating in South Africa – and therefore eligible for preferential access to the EU market - provided the value added in South Africa exceeds the value of the ACP materials. This is called **"diagonal cumulation"**.

Finally, a more flexible form of cumulation – known as **"full cumulation"** - applies to members of the South African Customs Union (SACU): Botswana, Lesotho, Namibia and Swaziland (BLNS). Products are defined as being of South African origin if the final stage of processing is undertaken in the country, regardless of the value added. Processing carried out in the BLNS countries is not regarded as conferring origin. As a result, South African clothing manufactures can use fabrics from the BLNS countries and still give their products a "Made in South Africa" label.

► Value-tolerance rule

As in the case of cumulation of origin, the value-tolerance rule allows for exceptions to be made to the normal rules of origin. This allows for products to be considered as originating in South Africa even if the origin rules have not been respected for some of the materials used. Under the standard rules applied by the EU to other preferential partners, a value tolerance of up to 10% of the value of the final product is allowed, with the exception of the textiles sector which has its own specific tolerance rules. A 15% leeway has been agreed for South Africa, with the exception of fishery products, tobacco products, alcohols and spirits – for which the maximum is 10% - and textile products.

► Fishery products

An exception to the standard rules of origin will become applicable as soon as the EU starts applying trade preferences to

South African fishery products. The exception relates to South African fishing vessels where fish caught by these boats will be considered to be of South African origin if at least 50% of the masters, officers and crew on board are South African, EU or ACP nationals. This is more favourable than other agreements that have a 75% nationality requirement for the crew and a 100% nationality requirement for masters and officers.

► Derogations

South Africa has the right to ask for derogations from the rules of origin requirements that it finds difficult to comply with. Such derogations are limited in time as well as in terms of quantities. Many of the EU's other preferential agreements do not provide for such derogations.



Commercial aspects

PHILIP LOWE, DIRECTOR-GENERAL
EU CHIEF NEGOTIATOR

"There are serious and long-term commercial benefits for both sides. Otherwise the agreement would not now be in place. The total value of our bilateral trade is now estimated at about 16 billion Euros per annum. There is certainly a lot of money wrapped up in this relationship and the possibilities of further potential are huge under this agreement.

"Indeed, a major feature of the pact is that both sides have tried to work for the liberalisation of sectors which will have the most potential impact in terms of developing comparative advantages. South Africa was anxious to ensure that its industrial sectors should extract maximum benefits from access to European markets - and this has been achieved. The EU equally is assured of substantial reductions in South Africa tariffs over this period. In fact the tariff reductions by South Africa in absolute terms are far greater than the tariff reductions agreed by the Europeans.

"But, in an agreement of this nature it goes without saying that, for both sides, liberalisation on this scale is accompanied by a limited degree of protection for those so-called 'sensitive' industries. In South Africa for example, the focus is particularly on the textiles industry and automobiles. On the European side, agriculture, particularly cereals, and cereal-related products, as well as certain fruits have been consistently highlighted."



ELIAS LINKS, AMBASSADOR
SA CHIEF NEGOTIATOR

"Securing a partnership with the EU, which is more defined and deliberate, was an important part of our motivation for this agreement.

"Obtaining market access was certainly important for us in both the industrial and agricultural sectors and we have done well in these areas.

"But what was also important for South Africa was that the liberalisation commenced as soon as possible, to avoid these benefits being eroded by other existing and future commitments. Thus the fact that tariff liberalisation will commence immediately as of January 1, 2000 is a very positive outcome. Indeed, for our part, while liberalisation is a basic thrust in our trade policy, this agreement, with its gradual liberalisation schedules, gives us the opportunity to do so in a structured and more organised fashion. It is a question of securing a market - not so much in terms of size - but making sure that your presence is felt and that your producers gain vital experience in selling abroad in new areas.

"But I think it is important for me to stress that the relationship is not just about market access. What South Africa needs, at this stage, is to be able to progress to a higher level of development and innovation. The so-called 'free trade area' will certainly provide much needed stimulus in this regard. But equally partnerships with the EU, especially in the field of science and technological know-how, are vital. Likewise, the development facet of the agreement also provides for crucial support not just in the fight against poverty but in enabling us to move on to further stages of economic restructuring and liberalisation."



The TDCA provides the legal basis for continued financial assistance for development activities at a substantial level for the duration of the Agreement. As the agreement is open-ended in character, this paves the way for long term development cooperation between the two sides.

The EU currently implements a large-scale development programme in SA under the European Programme for Reconstruction and Development (EPRD). The programme, with an average annual budget of 127.5 million Euros, is the largest single development programme in South Africa and one of the biggest implemented by the EU in any part of the world.

Further development assistance is provided through the multi-annual loan programme for South Africa (currently standing at about 150 million Euros a year) which is managed by the European Investment Bank. Guarantees have been made available to the European Investment Bank for this purpose and an amount of 375 million Euros has been reserved for the period until June 2000.

The aim of the EPRD is to assist the Government of South Africa in tackling the wide range of socio-economic problems resulting from the apartheid era. EPRD programmes are thus designed in close cooperation with the South African Government and the implementation of each project is carried out hand-in-hand with the relevant authorities.

The EPRD approach 1995-99

The first five years of the EPRD were marked by programmes to fight poverty and ease the living conditions of the poorest people. The axes of the cooperation are the following:

- ▶ *Basic Social Services:* the main objective was to improve the standard of living of the poor in historically disadvantaged communities. Particular emphasis was placed on primary basic and adult education and training, primary health care, HIV/AIDS and reproductive health, water and sanitation and housing.
- ▶ *Private Sector Development:* support was mainly targeted at small and medium-sized enterprises and addressed the gender issue by giving particular attention to the needs of women who play a key role in many of the informal business activities. Attention was also given to financial intermediaries such as banks and NGOs by encouraging them to offer their services to the disadvantaged population.
- ▶ *Good Governance, Democratisation and Human Rights:* assistance focused on restructuring and reorienting the public services; capacity-building in national and provincial departments, local governments, professional associations, etc. Cooperation also aimed at attaining a qualitative change in legal practice (restructuring of the judiciary system, training of judges) so that confidence in the legal system will prevail.

- ▶ **Regional Cooperation:**
The primary objective was to incorporate South Africa within the regional programmes being implemented through SADC. Focal areas of concentration included infrastructure and services as well as trade, investment and finance. Support was also targeted at capacity-building of the SADC secretariat.

The EPRD also takes into account the three following areas as cross-sectoral themes:

- ▶ human resource development,
- ▶ gender sensitivity,
- ▶ environmental protection and preservation.

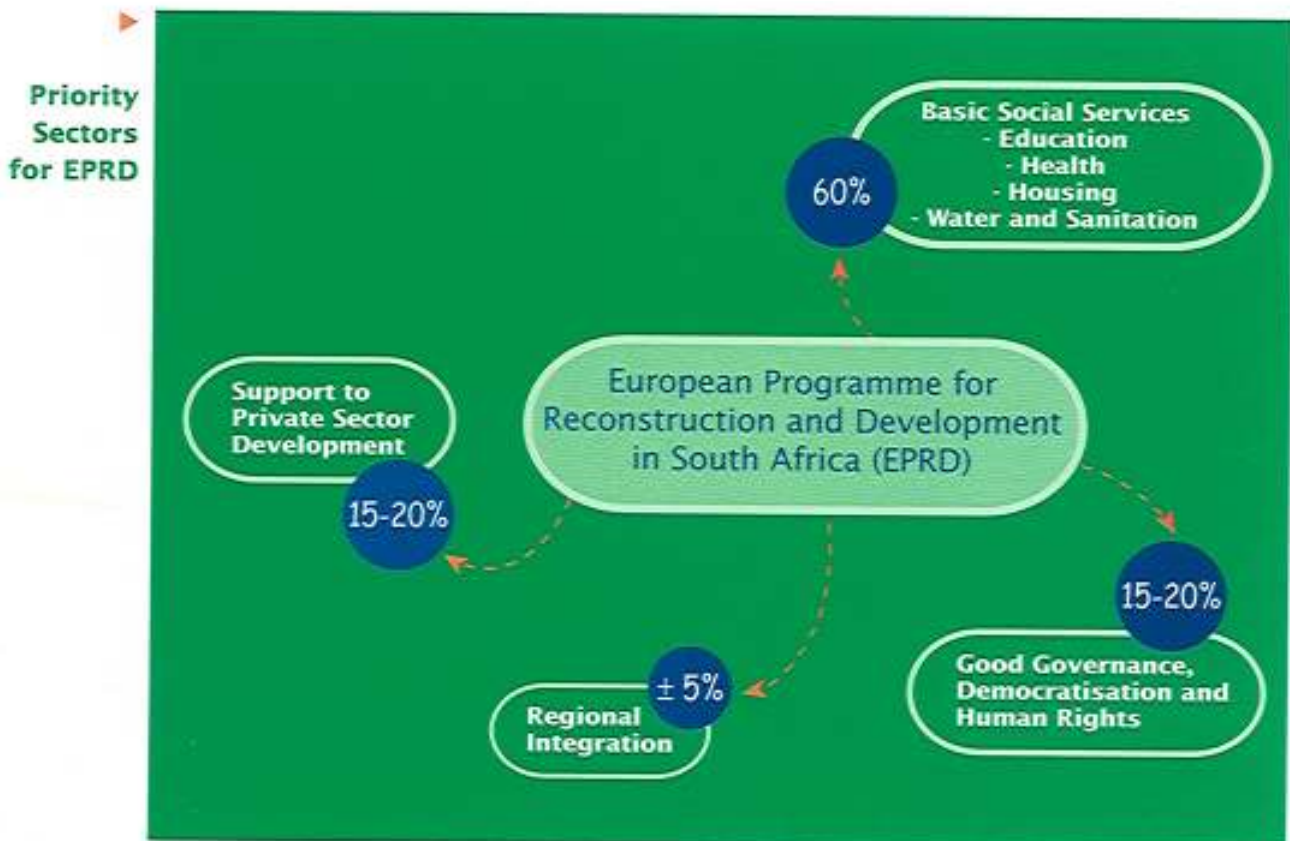
In total 500 million Euros were committed to the EPRD in South Africa for the period 1996 to 1999 (125 million Euros annually).

A New Approach from the year 2000: building capacity

During the coming years, poverty alleviation schemes will continue to be important in EU-funded development programmes in South Africa.

New priorities drawn up by both sides have a wider focus on development projects and programmes which can contribute to South Africa's harmonious and sustainable economic and social development and its integration into the world economy.

Also important is backing for the consolidation of a democratic South African society and a state governed by the rule of law in which human rights and fundamental freedoms are fully respected.





▲ Ms Chana Majake of the EU Foundation for Human Rights launching the EU-funded gender manual.

- ▶ Support to democratisation, the protection of human rights and sound public management.
- ▶ The promotion of dialogue and partnership between public authorities and non-governmental development partners and actors.
- ▶ The fight against poverty, taking into account the needs of previously disadvantaged communities and reflecting the gender and environmental dimensions of development.
- ▶ The strengthening of local governments and involvement of civil society in the developmental process.

Future priorities:

- ▶ Support to policies, instruments and programmes aiming at the progressive integration of the South African economy into the global economic and trading environment.
- ▶ Help for job creation and the development of the private sector.
- ▶ Assistance for regional cooperation and integration, with special attention being given to providing support to the adjustment efforts required in SACU by the establishment of the EU-South Africa free trade area.
- ▶ Promotion of mutual general interest cooperation between EU and South African businesses.
- ▶ Improvement of living conditions and the delivery of basic social services.

▶ The EU promotes the principle of decentralised cooperation in its development programmes around the world. This approach to development gives decentralised agents such as non-governmental organisations and local authorities a key role in the conception and management of development programmes or projects. The European Commission and the Government of South Africa underlined their continued commitment to non-governmental organisations in a Declaration of Intent signed in 1995: *'The role of NGOs and Community-Based Organisations (CBOs) in development is essential in ensuring effective delivery and accountable processes as well as contributing to a healthy and diverse civil society'*.



The changing focus of EU development assistance to South Africa



PHILIP LOWE, DIRECTOR-GENERAL
EU CHIEF NEGOTIATOR

"The conclusion of the agreement comes at a very timely point in our development cooperation relationship. As we implement the agreement on January 1, 2000, we also embark on a new programme of development assistance with South Africa. And this commitment to development cooperation is now legally binding under the new agreement. The development chapters of the agreement give us a legal base for maintaining substantial levels of funding to South Africa and the Cooperation Council will give us a forum for debating long-term development issues and policy. This, at a time when many other donors are easing out of South Africa.

"So, at present we are evaluating our last five years - our successes, our failures, our impact in the development field. A huge task! But our experience has taught us much. Now we are gradually moving away from the early approach which saw us attempt to manage far too many diverse small projects with fairly limited resources. Rather, we are looking towards concentrating our focus on fewer large-scale programmes, in fewer sectors, which have widespread impact.

"This may even involve moving towards budgetary support. Our experience has shown us that our impact is then maximised, enabling us both to better manage the programme and to ensure that our funds are most effectively disbursed."



ELIAS LINKS, AMBASSADOR
SA CHIEF NEGOTIATOR

"The aim should be to move away from receiving aid. Developing countries should be given the capacity to assist themselves, to generate levels of economic growth which enable them to tackle poverty alleviation themselves. As far as the European Programme for Reconstruction and Development for South Africa is concerned, we follow a joint programming approach in which there has already been a shift from immediate poverty alleviation to providing structural support for capacity building. The South Africa-EU Science and Technology agreement is to some extent a move in this direction since it also allows South Africa to further build on what it has already developed in the field of Science and Technology.

"The provisions agreed under the TDCA, which delegate greater responsibility to the National Authorising Officer and deconcentrate power from Brussels to the delegation in South Africa are also moves which we supported wholeheartedly. They will enable us to implement the programme more efficiently and respond more effectively to the demands of the situation on the ground.

"This new phase in development cooperation will run in tandem with the TDCA - not replacing aid by trade as the mantra goes, but working hand in hand to ensure that South Africa exploits the maximum potential from both initiatives. Indeed the EU has already pledged its commitment to orienting new programmes, where possible, to closing the gaps or tackling the vulnerabilities exposed by the liberalisation process. This, in light of the various concerns which have been raised on the social and other implications of the agreement, is a crucial element of the ongoing discussions between the government and the EU on development cooperation into the next phase."

The agreement covers a wide range of other aspects, on top of the trade and development provisions that have been dealt with in the previous sections.

1. Political aspects

► **Essential element**

Respect for democratic principles and fundamental human rights as laid down in the Universal Declaration on Human Rights, as well as for the principles of the rule of law underpins the internal and international policies of the Community and of South Africa and constitutes an "essential element" of this agreement. The contracting parties also reaffirm their attachment to the principles of good governance.

It is agreed that if either party considers that the other has violated the essential element of the agreement, it may take "appropriate measures".

► **Political Dialogue**

The agreement establishes a regular political dialogue between the two sides, covering all subjects of mutual interest:

- support for democracy and the rule of law,
- respect for human rights and the promotion of social justice,
- creation of acceptable conditions to eliminate poverty and all forms of racial, gender, political, religious and cultural discrimination.

2. Trade-related aspects

► **Competition Policy**

The agreement includes provisions to prevent abuses by companies enjoying dominant market positions in either the EU or South Africa. This is meant to ensure free and fair competition between companies in both the EU and South Africa. There are provisions for consultations between the European Commission, which has the power to vet all mergers and acquisitions in the EU, and the South African competition authorities. The EU has promised to provide South Africa with technical assistance in the restructuring of its competition law and policy, including the exchange of experts, the organisation of seminars and training activities.

► **Intellectual Property**

Both the EU and South Africa promise to ensure an adequate and effective protection of intellectual property rights in conformity with the highest international standards. In case of problems in application of these rights, the agreement provides for urgent consultations between the two sides. In addition, there are provisions for EU technical assistance to help South Africa to prepare laws and regulations for intellectual property rights protection and enforcement.

► **Safeguard measures**

South Africa and the EU, (whichever is concerned), may take appropriate measures, under the conditions provided for in the WTO Agreement on

Safeguards, where any product is being imported in such increased quantities and under such conditions as to cause or threaten to cause serious injury to their domestic industry.

Likewise, surveillance or safeguard measures may exceptionally be taken by South Africa and the EU when a serious deterioration threatens the economic situation of members of the *Southern African Customs Union* or the European Union's outermost regions (notably the *Isle de Reunion*).

Exceptional measures of limited duration (**transitional safeguard measures**) may be taken by South Africa in the form of an increase or reintroduction of customs duties concerning infant industries or sectors facing serious difficulties caused by increased imports originating in the European Community as a result of the reduction of duties envisaged by the agreement.



► **Other trade-related aspects**

- The EU and South Africa are committed to ensuring that **government aid** to certain firms or for the production of certain goods that affect trade between the two sides is granted in a fair, equitable and transparent manner.
- Access to **government procurement contracts** will be regulated by a system that is fair, equitable and transparent.
- The two sides are to cooperate in the field of **standardisation, certification and conformity assessment** in order to remove technical barriers to trade and facilitate bilateral trade.
- Cooperation between the parties' **customs services** shall be promoted to ensure that the provisions on trade are observed and to guarantee fair trading.
- Cooperation in the field of **statistics** will be geared mainly to the harmonisation of statistical methods and processing of data on trade in goods and services.
- As regards the **free movement of capital**, the EU and South Africa allow all payments for current transactions to be made in a freely convertible currency and to ensure the freedom of repatriation of foreign direct investment and profits therefrom.
- In recognition of the growing importance of **services** for the development of their economies, the EU and South Africa underline the importance of strictly observing the GATS (General Agreement on Trade in Services) agreement.
- The two sides agree to apply the principle of unrestricted access to the international **maritime** market and traffic, based on fair competition on a commercial basis.
- The parties reconfirm that nothing in this agreement shall prejudice or affect the taking, by either party, of **anti-dumping or countervailing measures** in accordance with GATT and WTO rules.



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3. Economic aspects

The EU and South Africa agree to cooperate on a wide range of economic and industrial issues to

- diversify and strengthen their economic links,
- promote sustainable development in their economies,
- support patterns of regional economic cooperation,
- promote economic cooperation between small and medium-sized enterprises,
- protect and improve the environment.

► **Industry**

The parties aim to facilitate the restructuring and modernisation of South African industry while fostering its competitiveness and growth. The agreement provides for encouraging cooperation between European and South African economic operators, stimulating and diversifying output for the domestic and export markets and the promoting of the use of South Africa's human resources through facilitation of access to credit and investment finance and support to industrial innovation, technology transfer, training, research and technological development.

► **Investment promotion and protection**

Both sides will aim to establish a favourable climate to promote mutually beneficial investments, both domestic and foreign, especially through improved conditions for investment protection, investment promotion, the transfer of capital and the exchange of information on investment opportunities.

► **Information Society**

The EU and South Africa will cooperate in the area of information and communication technology. This will include support for the development of satellite technology in the Southern African region, a dialogue on different aspects of the information society, including regulatory aspects and communications policy and the dissemination of new information and communication technologies. There are also provisions for the promotion and implementation of joint research in the information technology sector.

►
Minister of
Trade and Industry
Alec Erwin
and former European
Commissioner
for Development
Professor
João de Deus Pinheiro



► **Other aspects of economic cooperation**

- Cooperation to **develop, diversify and increase trade** and to improve the competitiveness of South African production on domestic, regional and international markets.
- Cooperation in the creation of legal, administrative, institutional, technical, tax and financial frameworks for the setting up and expansion of **small and medium-sized firms**.
- Cooperation to improve the access of South Africans to affordable, reliable and sustainable sources of **energy** and to support Southern African efforts to exploit locally-available energy resources in an efficient and environmentally-friendly manner.
- Cooperation to support and promote policy measures that improve health and safety standards in the **mining industry** as well as conditions of employment and to cooperate on mining and minerals technology research and development.
- Cooperation to improve South Africans' access to safe modes of **transport** and to facilitate the flow of goods in the country through the development of intermodal infrastructure networks and transport systems.
- Cooperation to develop a competitive South African **tourism industry** as a generator of economic growth, employment and foreign exchange earnings.
- Cooperation to promote harmonious **rural development** in South Africa and the sustainable management and use of its **fisheries** resources.
- Cooperation to establish systems of mutual information on domestically-prohibited and dangerous products and to help increase **consumer awareness** through information and education.

4. Social, cultural and other aspects

► **Social cooperation**

The EU and South Africa will engage in a dialogue on social cooperation, which shall include questions relating to the social problems of post-apartheid society, poverty alleviation, unemployment, gender equality, violation against women, children's rights, labour relations, public health, safety at work and population.

The parties recognise their responsibility to guarantee basic social rights, which specifically aim at the freedom of association of workers, the right to collective bargaining, the abolition of forced labour, the elimination of discrimination in respect of employment and occupation and the effective abolition of child labour. The EU and South Africa confirm that pertinent standards of the ILO shall be the point of reference for the development of these rights.

► **Other aspects**

- Cooperation to protect the **environment** through pollution control and the rational use of renewable and non-renewable natural resources;

- Cooperation to promote a thorough knowledge and better understanding of **cultural diversities** within South Africa and the EU;
- Cooperation to promote and encourage the mutual exchange of **information**, including cooperation in the field of press and the audio-visual media.
- Cooperation in the fight against **drugs** and **money laundering**;
- Cooperation to protect the processing of **personal data**;
- Cooperation to improve the mental and physical **health** of populations, with special focus on the prevention and control of HIV/AIDS and other sexually transmitted diseases.

5. Institutional Provisions

A Cooperation Council will ensure that the agreement operates effectively and its objectives are pursued in the best possible way. There are also provisions for regular contact between both Parliaments as well as between the Economic and Social Committee of the European Community (ECOSOC) and its South African counterpart, the National Economic Development and Labour Council (NEDLAC).



The Lomé Convention is a unique trade and development partnership. It is a cooperation agreement between the European Union and the ACP Group of African, Caribbean and Pacific countries, with 71 ACP (including South Africa as a qualified member) and 15 EU members.



The Lomé Protocol

Institutions of the Lomé Convention

South Africa participates fully in the institutions of the Lomé Convention, allowing for a permanent dialogue between EU and ACP governments and with the European Parliament.

- ▶ **The ACP/EC Council of Ministers** manages the Lomé Convention at the government level and is the ultimate decision-making institution.
- ▶ **The ACP/EC Committee of Ambassadors** (based in Brussels) monitors ACP-EU Cooperation and has certain powers delegated by the Council of Ministers. It meets more often than the Council of Ministers.
- ▶ **The ACP/EC Joint Assembly** consists of a representative from each ACP State and an equal number of Members of the European Parliament. It meets twice a year. The Joint Assembly serves as a forum for discussions and as a stimulus to ACP-EU cooperation.

The Convention is the central vehicle for cooperation between the European Union and sub-Saharan Africa. In June 1998 South Africa joined the Convention as its 86th member, on what is called a “qualified basis”. South Africa’s membership adds an important new dimension and impetus to that cooperation, particularly within the

Southern African region, where South Africa plays an especially important role.

EU and ACP countries are currently negotiating a successor to the Lomé Convention which will come into force as of March 2000.

1 Terms and conditions of South Africa's membership

South Africa is not a full member of the Convention. In order to avoid any possible adverse effects arising from South Africa's accession, certain articles of the Convention are not applicable to South Africa.


The most significant of these is the exclusion of South Africa from the general trade regime and special trade protocols of the Convention. The Lomé system of non-reciprocal trade preferences was specifically designed to assist the development of some of the world's poorest countries. The decision to exclude South Africa from the Lomé trade regime was taken because of the dual nature of the South African economy, which in certain respects is more like that of a developed rather than of a developing country. South Africa's trade with the European Union has instead been defined by the bilateral agreement.

South Africa's accession to the Convention is governed by a special Protocol, setting out the terms and conditions of membership.

Membership of the Lomé Convention does give South Africa important opportunities for cooperation and integration with the ACP states, which in turn will assist South Africa in redressing its historically isolated position, both at an international level and vis-à-vis its neighbours in the SADC region.

As a member of the Convention, South Africa can participate in tenders for projects in all ACP countries (amounting to Euro 7.5 billion) for projects financed from the 8th European Development Fund (EDF). It can also fully participate in all institutions of the Lomé Convention.

Main terms of South Africa's accession to the Lomé Convention	▶ Articles Applicable to South Africa	▶ Articles not applicable to South Africa
	<ul style="list-style-type: none"> ▪ Technical, cultural and social Cooperation ▪ Regional Cooperation ▪ Eligibility for tenders for the 8th European Development Fund (EDF) (but excluding the preferential ACP treatment) ▪ Industrial development ▪ Investment promotion and protection ▪ Participation in the institutions of the Convention - the Joint ACP/EC Council of Ministers, the Committee of Ambassadors and the Joint Assembly 	<ul style="list-style-type: none"> ▪ The General Trade Arrangements ▪ STABEX (System for the Stabilisation of Export Earnings for Agricultural Products) ▪ SYSMIN (System for Stabilisation of Export Earnings for Mining Products) ▪ Structural Adjustment Support ▪ EDF resources (except in the case of refugee assistance)¹ <p><small>¹ South Africa preferred to receive continued financial assistance through the European Programme for Reconstruction and Development, which is funded directly from the Community Budget.</small></p>



The EU-South African agreement as a model for a new EU arrangement with African, Caribbean and Pacific (ACP) countries ?



PHILIP LOWE, DIRECTOR-GENERAL
EU CHIEF NEGOTIATOR

"Certainly, the agreement with South Africa points the way to what, in our view, could be a model for a development agreement with some regions in the ACP grouping.

"This could include provisions to improve the regulatory environment for trade and investment on a joint basis. And the reduction of tariff and other non-tariff barriers to trade between the EU and ACP countries would be backed up with development assistance allowing the recipient country or regions to develop a more coherent economic strategy. But it is worth noting that among the 71 members of the Lomé Convention today, South Africa accounts for 50% of all ACP trade with the EU.

"So the scale of any individual national or regional agreement the EU could conclude with another ACP country is almost certainly going to be smaller than that of the EU-South Africa agreement."



ELIAS LINKS, AMBASSADOR
SA CHIEF NEGOTIATOR

"The EU was not willing to grant South Africa full accession to the Lomé Convention because it argued that South Africa was not a typical ACP country. Indeed, the levels of development in the ACP group differ to such an extent that one model is not appropriate as an example for the entire group of 71 states.

"The EU-South Africa agreement cannot therefore be used as an exact model for ACP countries as it cannot be replicated in its entirety. But there are certainly elements which both the EU and the ACP should examine in the context of their negotiations. To a certain extent our agreement will serve as a forerunner for the new Lomé dispensation, given that the practical effects of the EU-South Africa agreement will become visible over the next four years or so."



▲ Thabo Mbeki, the then Deputy President of South Africa, signs the guest book in the ACP House in Brussels, December 1997

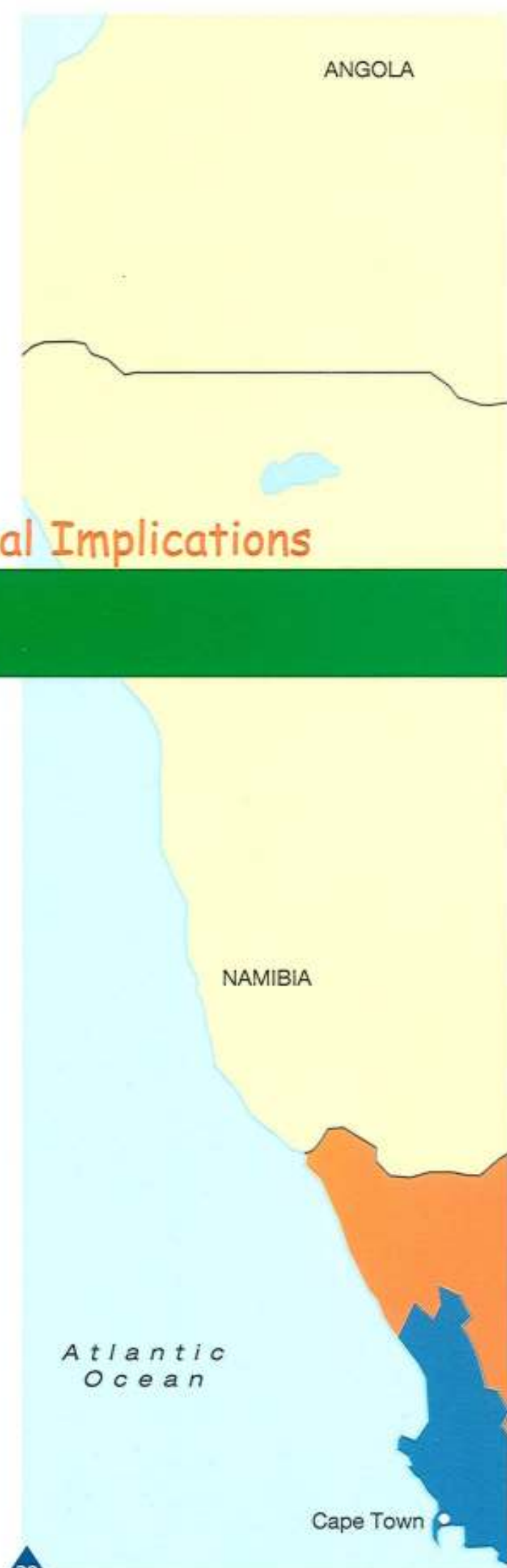
The negotiation of a long-term cooperation agreement between the European Union and the Republic of South Africa is also an important new step in strengthening EU - Southern African relations.

The agreement has been designed with a strong regional component, so that it can benefit both South Africa and the Southern African region as a whole.

Regional Implications

The benefits of the EU-South Africa agreement will have a three-way impact on South Africa's neighbours. First, there are the benefits accruing to members of the Southern African Customs Union (SACU). Secondly, there are advantages for the members of the Southern African Development Community (SADC). And, thirdly, the agreement will also have an impact on members of the Lomé Convention.

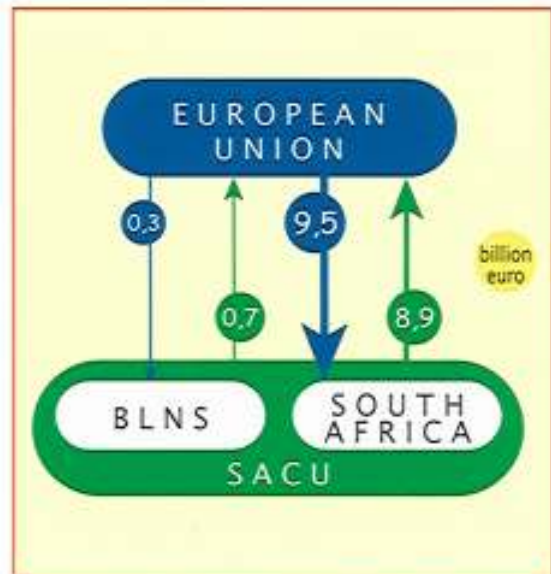
For South Africa's immediate neighbours in Botswana, Lesotho, Namibia and Swaziland (the BLNS states) the provisions concerning the establishment of a Free Trade Area between the European Union and the Republic of South Africa will be especially significant, since these countries belong to a customs union (SACU) with South Africa.





1 ▶ BLNS exports to the European Union

The trade relationship between the BLNS countries and the EU is well-established. As members of the Lomé Convention, Botswana, Lesotho, Namibia and Swaziland have preferential access to the EU market for their exports. Botswana, Namibia and Swaziland also benefit from the special Trade Protocols for Beef and Sugar. This will remain unaffected by the FTA between the EU and South Africa and will be renegotiated within the post- Lomé framework.



2 ▶ BLNS liberalisation of imports

Due to the characteristics of SACU, imports from the EU into the BLNS countries will in practice fall under the common SACU regime, which is the same for South Africa and the BLNS.

SACU's common external tariff is relatively high. As South Africa reduces duties and tariffs on European goods, consumers in the BLNS countries will secure access to lower-cost products. Companies, especially small and medium-sized ones, will also benefit by getting access to a wider selection of more competitively-priced materials and equipment.

The rules of origin legislation of the EU-South Africa agreement grants BLNS products full cumulation. As a result, the market for BLNS components in South African production is likely to increase.

3 ▶ BLNS protection for sensitive sectors

Sectors of the economy, in South Africa and other SACU countries, which might suffer adjustment costs from the gradual opening-up to competition with EU producers, have been granted continued protection. For example, beef and sugar

are excluded from the free trade area. Furthermore, the agreement allows a safeguard clause that can be invoked in case increased imports from the EU would seriously threaten the economic situation in BLNS countries.

4 BLNS customs revenue

The budgets of the BLNS countries currently rely heavily on customs revenue from the common SACU pool account. As with any trade liberalisation programme, the free trade agreement will undoubtedly lead to a decrease in this source of income.

However, there is already acknowledgement within SACU that this present system of financing is inefficient and unsustainable. In order to promote long-term economic growth, the SACU countries need to move towards other sources of income – with or without the creation of the EU-South Africa free trade area.

The EU is ready to assist the BLNS countries in implementing fiscal reform in the same way as it supports other structural adjustment programmes in the region.

As the tariff dismantlement schedule is generally “backloaded” on the South African side – meaning that cuts in duties will come towards the end of the transitional period rather than at the start – the cuts in customs revenue occur gradually. Still, the EU has not ruled out a support package to alleviate possible transitional difficulties.

The signing of the Multi-Annual Indicative Programme in Cape Town, May 1997.
Left, former EU Chief Negotiator Philippe Soubestre and right, South African Deputy Finance Minister
▼ Gill Marcus





The 14 member countries of the Southern African Development Community (including the five members of SACU) also stand to be affected by the creation of an EU-South Africa free trade area. Most SADC nations are highly dependent on their ability to export to South Africa, the region's biggest and most powerful economy – and are anxious to step up their trade with the country.

The SADC trade protocol signed in Maseru in 1996 makes it clear that member countries cannot offer trade benefits to a third country without extending them immediately to all SADC nations. As such, any trade concessions obtained by the EU under the free trade agreement with South Africa have to be extended to all SADC members. This ensures that SADC

countries will secure better access to the South African market.

The EU has indicated that it would be in favour of South Africa opening its market *first* to its SADC neighbours before extending similar preferences to the EU.

SADC countries other than the BLNS retain their own customs tariffs, which fully apply to products coming from the EU. Their customs revenue will thus not be affected by the establishment of the EU-South Africa free trade area. The risk of EU products entering freely into SADC markets through the South African backdoor can also be contained through customs: the SADC trade preferences only benefit products originating in the region.



As the EU and ACP countries negotiate a future trading arrangement to replace the 25-year old Lomé convention, inevitably, the EU-South Africa agreement is seen by some as a possible source of inspiration - perhaps even a model - for Europe's future relations with other ACP countries.

Tailor-made to respond to the needs of South Africa, the EU/SA Agreement was not intended to be a model for broader relations between the EU and the ACP countries. There are indeed significant differences between this agreement and the proposal made by the EU to the ACPs to enter into Regional Economic Partnership Agreements (REPAs). The proposal for REPAs involves negotiating agreements with regional groupings, when the EU/SA agreement was negotiated with a single country. South Africa is clearly

more developed than the majority of the ACP countries. And in the case of South Africa, the rules of WTO had to be taken very seriously. More flexibility may be available when it comes to a vast group of developing economies, many of which are least-developed countries.

But it is true that both the EU/SA agreement and the proposed REPAs schemes are attempting to address similar issues and to satisfy the same broad objectives; providing stable trading conditions, which requires that the new trading regimes be fully compatible with WTO rules; reconciling trade liberalisation with developmental concerns, by way of substantial support for structural reforms; and linking regional integration to broader integration into the global economy.

Impact of the agreement on the Southern African region

PHILIP LOWE, DIRECTOR-GENERAL
EU CHIEF NEGOTIATOR

"Both the EU and South Africa have been anxious to associate the other members of South African Customs Union (SACU), Botswana, Lesotho, Namibia and Swaziland (BLNS countries) with the progress made in their bilateral relations. This is because essentially liberalisation of EU imports into South Africa is also liberalisation of our imports into these countries. The fear has been that the impact of the TDCA on these countries will be devastating for their already fragile economies. If that were to be proved the case, EU has already committed itself to provide assistance to assist these countries adapt to the changes.

"But the impact studies we have undertaken show that this will not, in fact, be the case. It would seem that agreement will be of considerable benefit to these countries. Not only in encouraging companies to use facilities in BLNS or in South Africa to export to the EU but also by allowing imports into the SACU areas of the most competitively available European raw materials and indeed equipment and cheaper goods for consumers.

"But even should things go wrong, there are plenty of safeguards on both sides. We have our obligations under Lomé and South Africa likewise has its commitments. Any serious negative impact on a specific sector and both parties have the facility to enact safeguard clauses which will protect the industry of the country concerned."

ELIAS LINKS, AMBASSADOR
SA CHIEF NEGOTIATOR

"It is important to emphasise that South Africa's future economic prosperity and that of the Southern African region are intertwined. We see the South African economy as part and parcel of the SACU economies. Our common external tariff means that from a global perspective, any trade relations adjustments as a result of the agreement with the EU will have a fundamental impact on all of these countries.

"Thus one of the premises of our negotiations with the EU was that nothing in the agreement should harm the region's interests. Products which were sensitive within a regional context were either excluded from liberalisation or back-loaded. In addition, regional safeguards were built into the agreement as well as a regular review process in order to monitor the impact of the agreement on the region.

"We have, I think, done our best to ensure that our BLNS colleagues have been both informed and reassured. Often critics have highlighted the problems which could arise in the BLNS states, as a result of this agreement. Less often do we hear about the positive and long-term spin-offs for these states of this unique bilateral agreement between an African nation and the world's largest trading bloc."

The signing of a Trade, Development and Cooperation Agreement with the new South Africa is the latest step in a Community policy that has its roots in the mid-Seventies. South Africa was one of the very first cases where the European Community managed to develop common political positions in an area of foreign policy.



History of EU/SA Cooperation

1 Code of Conduct (July 1977)

In a response to the Soweto bloodshed of June 1976 the EC decided to introduce a Code of Conduct for European companies with a presence in South Africa. This provided guidelines on how to do business in an apartheid environment, and stressed the need for equal pay, access to education and health, non-discrimination at the working place, and the recognition of Trade Unions.



Package of restrictive and positive measures (September 1985)

In July 1985 the South African government announced the state of emergency in a large number of districts in South Africa. The UN Security Council adopted a resolution which called for economic sanctions. The EC ministers adopted on 10 September a twin-track policy of restrictive and positive measures, to hasten the abolition of apartheid through economic, diplomatic and moral pressure combined with active support for the process of peaceful change within the country.

The restrictive measures included a strict embargo on trade in arms and military

cooperation with South Africa, the discouragement of cultural, scientific and sporting contacts and the cessation of oil exports to South Africa.

The main positive measures taken – at the initiative of the EP - were the decisions to implement a Special Programme to assist the victims of apartheid within South Africa, and to increase financial support for the countries of the Southern African Development Coordination Conference (SADCC) that had suffered from South African destabilisation.

Second package of restrictive measures (September 1986)

In 1986 the civil protest in South Africa increased. An additional package of restrictive measures was announced by EC ministers in September 1986, including

a ban on new investments and the suspension of iron and steel imports from South Africa.

Lifting of sanctions (1991-1994)

In February 1990 the ANC and other political parties were unbanned. Nelson Mandela was released from prison after 27 years of detention.

The EC responded by a gradual lifting of the sanctions. In February 1991 the investment ban was dropped. In early 1992 several other sanctions were

removed. The sanctions relating to the military sector were the last to be lifted between late 1993 and May 1994.

The budget of the Special Programme for the victims of apartheid increased year after year, growing from 10 million ECU in 1986 to 90 million ECU in 1993.

5 Joint Action (October 1993)

In December 1993 the South African Assembly approved a new (interim) constitution and preparations began for the elections in April 1994.

The European Council of 29 October 1993 identified relations with South Africa as one of the areas for joint action under the Common Foreign and Security Policy.

In this context the Commission took the responsibility for the coordination of an EU electoral assistance programme, that included - *inter alia* - voter education programmes, the establishment of an European Electoral Unit in South Africa, and the training and management of 312 European observers.

6 Package of immediate measures (April 1994)

In April 1994 South Africa celebrated its historic first democratic elections. On 10 May, Nelson Mandela was inaugurated as the new president of South Africa. On 18 April, in an instant response to the successful election process in South Africa, the EU Council of Ministers adopted a "package of immediate measures".

The Berlin conference (5-6 September 1994) on regional cooperation between the EU and SADC highlighted the regional perspective. After the conference it was more evident than ever that any structure for future cooperation between the EU and SA should include a strong regional component.

The 1994 package

The package of immediate measures included:

- An offer to negotiate a simplified agreement quickly in order to have a legal basis for the development of cooperation,
- Improved market access, through granting the benefits of GSP to South Africa.
- Encouragement of and technical support to the process of regional economic cooperation;
- Promotion of EU investments in small and medium-sized enterprises in SA, through the instruments of ECIP (European Community Investment Partners) and BC-Net (Business Cooperation Network);
- Continuation of the Special Programme for SA at a substantial level of expenditure;
- Introduction of a political dialogue between the EU and the new government of SA.



AFP

▲ ANC President Nelson Mandela casts his vote in the first democratic elections in South Africa on 27 April 1994

7 Simplified Cooperation Agreement (October 1994)

A first simplified cooperation agreement between the EU and South Africa was signed by Commissioner Brittan and Vice-President Mbeki in October, and approved by the EU Council in December 1994. It is an elementary text, which basically contains a mutual undertaking to cooperate in all the areas of respective competence.

This agreement provided the necessary framework for EIB operations in South Africa. A Council Decision granting a

Community guarantee to the Bank against losses under loans for projects in South Africa was taken in March 1995, and renewed since then.

The simplified agreement is explicit in its aim to promote economic cooperation in a regional, Southern African, context. It contains a strong human rights and suspension clause.



8 Start of negotiations for a long-term framework for Cooperation (June 1995)

In October 1994, South Africa formally accepted the EU invitation to work towards a comprehensive and long-term relationship. Deputy President Thabo Mbeki requested the EU Presidency in November 1994 "to open negotiations with a view to establishing the closest possible relationship with the Lomé Convention." South Africa also asked that negotiations "should cover a possible agreement with the European Union on specific elements that might more appropriately be accommodated outside the Lomé Convention, to the benefit of the existing Lomé members and South Africa itself".

In reply, the EU Council adopted in June 1995 detailed Negotiating Directives for a

twin track approach aimed at:

- a) a Protocol to the Lomé Convention covering terms and conditions of South Africa's accession to the Convention, and
- b) a bilateral Trade and Cooperation agreement between the European Community and South Africa, which should include provisions for a mechanism leading to the establishment of a Free Trade Area.

On 30 June 1995 Commissioner Pinheiro presented, on behalf of the Community, the details of the EU proposals to his South African counterpart, Minister of Trade and Industry Trevor Manuel.



9 Presentation of trade offers (March 1996 and June 1997)

Although good progress was made on the non-trade aspects of the negotiations, it took both South Africa and the EU a long time to develop their negotiating positions in the area of trade.

In September 1995 South Africa formally accepted the objective of a possible Free Trade Area with the EU, on the understanding that "nothing is agreed until everything is agreed".

In March 1996 the EU Council adopted a second mandate, which contained more detailed proposals for an EU/SA Free Trade Zone. The Free Trade area would – on the EU side – not involve a certain number of agricultural products.

It was only in January 1997 that South Africa formally presented its own negotiating position, supplemented by a more detailed trade offer made in June 1997 under the responsibility of the new Trade Minister Alec Erwin.

In the meantime, negotiations on the Lomé Protocol for South Africa were concluded and approved in April 1997. A bilateral EU/SA Science and Technology Agreement was already signed in December 1996.

10 Negotiations concluded (March 1999)

In November 1997 Minister Alec Erwin presented a detailed line-by-line trade offer. In January 1998, Professor Pinheiro tabled his corresponding offer. During a series of negotiation rounds that took place in 1998, the parties managed to narrow the gap between the respective positions. After 21 rounds of talks, the negotiating parties reached an *ad referendum* compromise on the sidelines of the World Economic Forum in Davos in late January 1999. After minor modifications, the EU's Heads of State and Government meeting in Berlin in March 1999 finally approved the agreement.

The agreement was signed in Pretoria on 11 October 1999, and will provisionally enter into force on 1 January 2000.



The political significance of the EU/SA Agreement

PHILIP LOWE, DIRECTOR-GENERAL
EU CHIEF NEGOTIATOR

"The changeover from Apartheid created unique circumstances and the European Union wanted to respond in a unique way. That was why the possibility of access to the Lome Convention for South Africa was, in many ways, an inappropriate response to the country's needs. Not only were we dealing with a dual economy - where first and third worlds met on a daily basis - but the immensity of the task facing South Africa's new government required a more tailored approach by the European Union. A bilateral agreement which would enable us to foster this special relationship, this unique partnership between the European Union and South Africa was the right move.

"And so, people often ask, if that was the case, why did it take so long?

"Politically speaking, I think the European Union's commitment to South Africa was not in doubt. The 15 Member States have, from the start, been prepared to give privileged access to South Africa in an effort to boost the economic changes and consolidate the political development in the country.

"It may, however, also be fair to say that the more technical, sensitive and controversial aspects of such a complex and important bilateral agreement were perhaps clouded at the time that this process started. South Africa, for its part, also battled to secure a clear mandate on trade issues at an early stage. So, while it appears that talks took a laborious four years, in reality we are talking about 18 months of concrete negotiations - a time period we can all be proud of, considering the complexities of this accord.

ELIAS LINKS, AMBASSADOR
SA CHIEF NEGOTIATOR

"While South Africa enjoys good relations with the individual Member States of the European Union, this agreement obviously elevates the relationship to a higher level - one which formalises South Africa's relationship with its most important trading, investment and development partner.

"Critics of the agreement have described it as a one-sided pact. But anyone who has watched the negotiations closely over the last few years would agree that this is far from the case. My counterpart, Philip Lowe himself has gone on record as saying these were the toughest, meanest talks he has ever had to chair! And we should be proud of this.

"Yes, the agreement brings infinite benefits to South Africa. Yes, the European Union continues to provide us with hundreds of millions of rand in development assistance annually. But, we too have much to offer them. The new South Africa has taken very brave and innovative decisions on how best to do things in many areas. It has a constitution which applies principles that other countries have been hard-pushed to implement. Our position on issues of political significance, whether in terms of trade liberalisation or human rights and democracy have set extremely high standards for both ourselves and for the rest of the world.



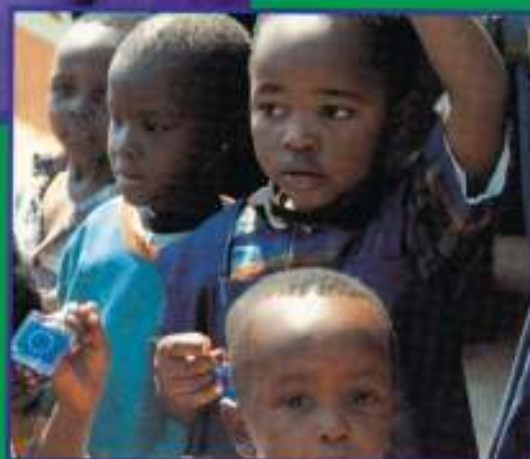
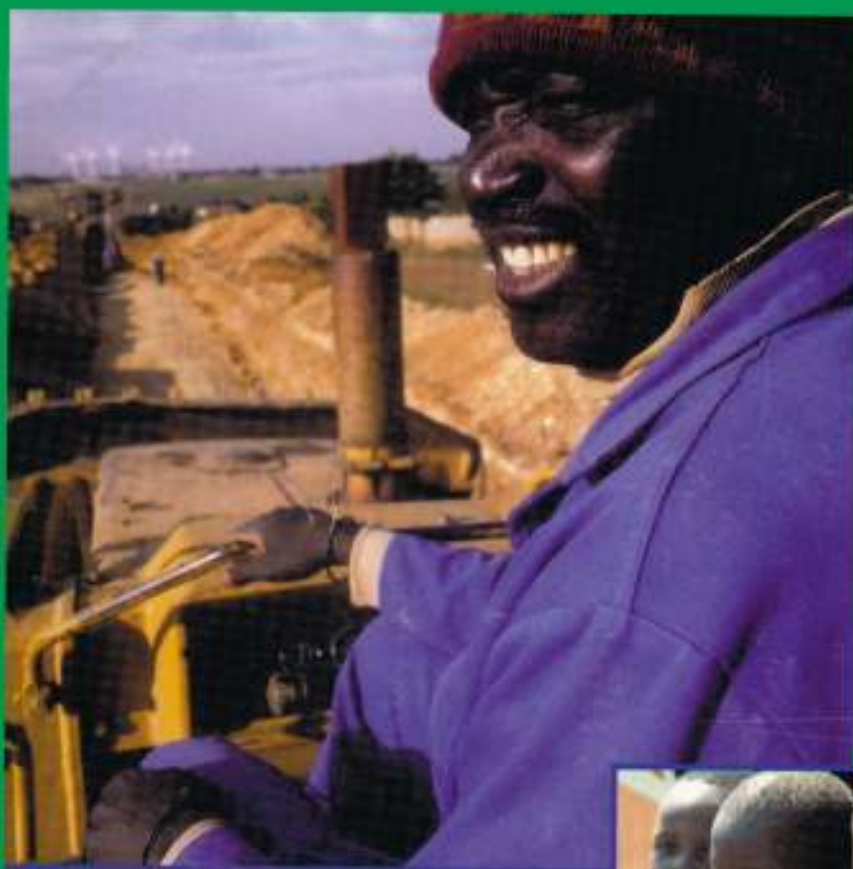
PHILIP LOWE, DIRECTOR-GENERAL
EU CHIEF NEGOTIATOR

"As you so often hear us say, the EU is already South Africa's largest trading partner, its most important foreign investor and, with our development programme running at about 127.5 million Euro per annum, the largest aid donor to the country. These links are not arbitrary. They are not short-term. Across the board, they underline our commitment to South Africa in trade, development and political terms. And so, the agreement simply serves to consolidate this existing relationship."



ELIAS LINKS, AMBASSADOR
SA CHIEF NEGOTIATOR

"And in the same way that we, in South Africa, are anxious to consolidate our place in the international arena and improve links with Europe and its partners, we must remember that the European Union is equally eager to secure a solid foothold in its relations with the African continent. South Africa has a strong and powerful voice both in the region and within the ACP grouping, and this is increasingly important in today's world. With this agreement we are also set to act as the economic engine of the region, pushing towards the kind of economic growth on the continent that the European Union and other international players have been promoting for years now. This agreement thus allows the European Union important privileged access to the region and all that is associated with it."



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