

EXPLANATORY MEMORANDUM ON THE ECONOMIC PARTNERSHIP AGREEMENT BETWEEN THE EUROPEAN UNION AND ITS MEMBER STATES, OF THE ONE PART, AND THE SADC EPA STATES, OF THE OTHER PART

TITLE OF TREATY

Economic Partnership Agreement between the European Union and its Member States, of the one part, and the SADC EPA States of the other part.

Command Paper Number: 9663

SUBJECT MATTER

1. The concluded agreement represents the outcome of the Economic Partnership Agreement (EPA) negotiations undertaken by the European Commission (acting on behalf of the European Union and its Member States) with six countries who form part of the Southern African Development Community (SADC). The six countries are Botswana, Lesotho, Mozambique, Namibia, South Africa and Swaziland (now known as Eswatini)¹, and collectively they are known under the Agreement as the SADC EPA States. Angola also has the option to join the Agreement in the future, whilst other countries that form the Southern African Development Community form part of negotiating groups for other Economic Partnership Agreements in Central Africa or Eastern and Southern Africa which are separate to this Agreement.
2. The Agreement was signed by all parties including the UK on 10 June 2016. It has been provisionally applied since 10 October 2016 by the EU, Botswana, Lesotho, Namibia, South Africa, and Swaziland (now known as Eswatini). Mozambique began provisional application on 4 February 2018.
3. The Agreement was designated as a Multi Party Trade agreement between the EU and its Members and the SADC EPA States.
4. The UK Government is proceeding to ratify the EPA in line with agreed policy that the UK should continue to ratify third country agreements with the EU and which the UK has signed before the UK exits the EU. UK ratification of existing EU agreements is consistent with our support for the EU's trade agenda while we remain a Member State.

NATURE OF THE AGREEMENT

5. An EPA is a development-focused trade agreement which aims to promote trade and development. It provides for a Preferential Trade Agreement between the

¹ On the 10th June 2016, the EU signed an Economic Partnership Agreement (EPA) with the SADC EPA States, including Swaziland. The UK Government has since formally recognised the change in country name to Eswatini

SADC EPA States and the EU in line with World Trade Organization (WTO) rules, while supporting regional economic development and integration.

6. The key benefits of the Agreement are:
 - a) Supporting economic growth in the SADC EPA States
 - b) Supporting sustainable development in the SADC EPA States
 - c) Strengthening regional integration in southern Africa
 - d) Providing increased trade opportunities for the EU.
7. In the Agreement, the EU commits to providing immediate duty-free quota-free access to goods from Botswana, Lesotho, Mozambique, Namibia, and Swaziland (now known as Eswatini), as well as preferential access for 98.7% of goods from South Africa. In exchange, the SADC EPA States have committed to more gradual tariff liberalisation taking place over a period of up to 10 years. However, sensitive products are excluded from full liberalisation.
8. The Agreement allows for both parties to take measures to protect their markets in particular circumstances using the safeguard provisions in the Agreement. For example, the SADC EPA States can raise duties or impose quotas on EU imports that cause or threaten to cause disturbances in an economic sector or serious injury to a domestic industry.
9. The Agreement contains provisions on customs administration and trade facilitation which re-affirm that customs legislation and procedures will comply with existing international standards such as the World Customs Organisation (WCO). These provisions also provide for cooperation and coordination on customs matters between customs agencies.
10. The Agreement contains provisions on technical barriers to trade, including sanitary and phytosanitary (food safety, animal and plant health) measures. The aim of these provisions is to avoid unnecessary obstacles to trade as a result of technical regulations. Via these provisions both the EU and the SADC EPA States affirm their commitment to existing international agreements.
11. The Agreement provides a dispute settlement mechanism and the establishment of an EPA Committee in which both the EU and the SADC EPA States are equally represented.
12. The Agreement commits all signatories to working towards sustainable development, including upholding social and environmental standards. It also establishes a consultation procedure of environmental or labour issues and defines a comprehensive list of areas of collaboration on sustainable development matters. The Agreement sets up a range of joint institutions to monitor and assess the impact of the implementation of EPAs on sustainable development.
13. The EU has made a range of commitments in the Agreement on development support, so as to ensure that the Agreement is effectively implemented, and that the opportunities it offers can be fully realised.

14. In addition, the Agreement contains bilateral provisions between the EU and South Africa on the protection of geographical indications. The EU protects numerous South African products, including wine names and rooibos tea. In return, South Africa protects more than 250 EU names, including Scotch whisky and stilton cheese.
15. In the years 2014-2016, bilateral trade between the UK and the SADC EPA States averaged £8,890m, of which £4,102m was in exports and £4,788m was in imports. Between 2014 and 2016, trade with the SADC EPA States averaged 0.9% of total UK international exports and 0.7% of UK imports. Currently, the main trading partner for UK companies is South Africa, accounting for 90% of UK exports to the SADC EPA States and 95% of imports.

MINISTERIAL RESPONSIBILITY

16. The Secretary of State for International Trade has primary responsibility for trade policy. The Secretary of State for International Development has primary responsibility for development matters. Given the provisions of this EPA, other Secretaries of State with an interest in this policy area include the Secretaries of State for Foreign and Commonwealth Affairs and Environment Food & Rural Affairs as well as the Chancellor of the Exchequer.

POLICY CONSIDERATIONS

(i) General

17. The Agreement represents the outcome of the EPA negotiations undertaken by the European Commission (acting on behalf of the European Union and its Member States) with the SADC EPA States.
18. EPAs aim to promote increased trade and investment by putting our trading relationship on a more equitable, mature and business-like footing, supporting sustainable growth and poverty reduction. The UK is a long-standing supporter of EPAs, and continues to support the EU's agenda. The Agreement is consistent with the UK's objectives in trade policy for free, fair and open markets and also with wider policy goals, including in terms of development policy.
19. The UK Government is committed, in line with agreed government policy, to ratify and implement this Agreement which is designed to increase trade and act as a driver for economic and social development.
20. Until exit negotiations are concluded, the UK remains a full member of the EU and all the rights and responsibilities of EU membership remain in force. During this period, the Government will also continue to negotiate, implement and apply EU legislation, including implementation of EU third country agreements. The Government is fully committed to supporting EU FTAs (including EPAs) whilst we remain EU members. The Government therefore proposes to move ahead with ratification.

21. The UK and European Commission negotiating teams have agreed, and reflected in the draft Withdrawal Agreement, that the UK is to be treated as a Member State for the purposes of international agreements during the Implementation Period. The EU will formally notify other parties of this approach in due course. We will be engaging with third countries to ensure that trade with them will not be disrupted on the day of leaving the EU.
22. This policy is also consistent with the UK seeking continuity in its current trade and investment relationships post exit, including those covered by EPAs and other trade agreements.

(ii) Financial

23. There are no direct financial implications for the UK as a result of this EPA. UK Businesses may face some increased competition from Southern African firms. These impacts are expected to be negligible as the major goods exports of the SADC EPA States are generally not goods produced by British firms.
24. The UK Exchequer will receive less income from customs duties as a result of reduced tariffs on imported goods. Again this impact is expected to be negligible.

(iii) Reservations and Declarations

25. None.

IMPLEMENTATION

26. The Agreement will need to be specified as a Community Treaty by Order in Council in accordance with section 1(3) of the European Communities Act 1972 in order to have legal effect in the UK. Further new legislation is not currently envisaged.
27. The Government has published a separate Explanatory Memorandum in conjunction with the laying of a Specification Order Statutory Instrument (SI).

CONSULTATION

28. The European and International Development Parliamentary Scrutiny and Select Committees were consulted on the proposals relating to signature, provisional application and conclusion of this Agreement in 2016.
29. Throughout these EPA negotiations, DIT and its predecessor departments (including the Department for Business, Innovation and Skills (BIS)) along with the Department for International Development have actively engaged and consulted with business, overseas officials in SADC EPA states, British Non-Governmental Organisations (NGOs), across Government, and have represented agreed policy to the European Commission.

A handwritten signature in black ink, appearing to read 'George', with a stylized, cursive script.

GEORGE HOLLINGBERY, MINISTER FOR TRADE

DEPARTMENT FOR INTERNATIONAL TRADE