

SACU, Moz negotiations on Brexit to continue

Negotiations to ensure uninterrupted trade between the Southern African Customs Unions (SACU), Mozambique and the United Kingdom will continue as uncertainty continues over Brexit, says Trade and Industry Minister Rob Davies.



Minister of Trade and Industry, Rob Davies

There were two main issues outstanding in our quest to establish a parallel Economic Partnership Agreement (EPA),” said the minister.

South Africa, as part of the SACU group of countries, together with Mozambique, has been in negotiations with the United Kingdom (UK) to try to negotiate preferential trade agreements after the British exit (Brexit) from the European Union (EU).

Davies said not all outstanding negotiation issues were concluded. The sticking issues revolved around sanitary and phytosanitary legislation (certificates, which are issued to individual exporters) as well as cumulation under the rules of origin.

The rules of origin facilitator defines cumulation as a provision that allows considering goods obtained in or processing taking place in one free trade agreement (FTA) member country as originating in another.

Parties were stuck on the issue of cumulation, and an agreement was still not reached at the ministerial meeting between SACU and Mozambique, as well UK Junior Trade Minister George Hollingbery.

“The proposal of the British was that all the certificates, except for established listings... would be rolled over for one year, after which the British would decide on their own system,” Davies said.

For established listings, these would be recognised for six months and then there would be another six months renewable. Davies said the UK would only be able to withhold these certificates on reasonable grounds.

SACU and Mozambique, said Davies, argued for a one-year extension on everything.

“We wanted to know what the reasonable grounds would be for withholding [the certificates]. We were told that there would be a letter coming from the Department of Agriculture and... we said we need to see that letter and see if it gives adequate comfort.”

The group is yet to receive the letter.

The other issue is that the UK wants SACU and Mozambique to recognise full cumulation on anything they have from the EU, which the group can concede for a period of time but not in perpetuity. However, under the EPA, the group does not get cumulation in reverse.

“They [the UK] want full cumulation, we had quite a lot of discussion with Minister Hollingbery around that,” said the minister, adding that the UK’s intention is to ensure continuation with the arrangements of the EU.

At the meeting, the UK acknowledged that what they were asking is “something different.”

At the end of the day, Davies said, that was the red line and they would not budge.

Clause on the current EPA

The UK’s standpoint has some implication for the group, as a result of a clause in the current EPA with the EU. This means that if the group offers Britain anything better, this would have to be extended to the rest of the EU.

“If we were to agree to the British proposal in this regard, we would be bound to extend it to the rest of EU and I think we need time to consider our position on that. This is the position of the group as a whole - not just that of South Africa, so we left the discussion there,” said Davies.

Withdrawal agreement and implications for parliament

Last week, the British parliament voted on the Withdrawal Agreement and subsequently voted that they would not accept a withdrawal without an agreement. They also voted to ask for an extension to the leave the EU at the end of June, as opposed to the 29 March 2019 deadline.

“That extension is not just dependent what the British want but also on what the EU is prepared to agree to,” said Davies.

The Withdrawal Agreement entails no transition period from the time the UK leaves the EU and EU laws would stop applying immediately to the island nation.

South Africa was initially hopeful of concluding a deal before the National Assembly is dissolved on Wednesday ahead of the elections on 8 May.

“... The possibility of us putting down something through this fifth Parliament has basically passed. We have lost that opportunity but we still think that there are a number of possibilities that will ensure that we don’t have a serious interruption of trade with the UK.”

While a lot of uncertainty still remains, the UK is scheduled to have another vote on the Withdrawal Agreement this week.

If there is a Withdrawal Agreement in place, the UK will leave the bloc next Friday. However, all existing trade agreements between the EU and third parties will continue to be applied as is until the end of 2020.

During this time, the UK is expected to negotiate a trade agreement with the EU, which would ultimately affect SACU and Mozambique's options.

However, if the UK is granted extension until the end of June, then there will be time for South Africa's sixth Parliament to meet and consider the agreement.

"We agreed that we will continue to discuss these issues while we await clarification on the interpretation of the reasonable grounds on which the UK would not recognise the establishment listings," said Davies.

In the meantime, the group will analyse the matter as well as formulate a response on the cumulation matter.

Tariff schedule

The UK has published its schedule of tariffs that it will charge countries if it leaves the EU without any agreement.

The SACU and Mozambique group's preliminary analysis of the tariffs is that except for 469 products or tariff lines, their products will enter the UK duty free. These products will include agricultural exports like fruit.

"But there would be items in the 469 products that would apply to items that we export. That would include vehicles and components -- that would be the big one for us. They would also include fish and meat. All of the other countries would have products that would not be treated as well as they currently are," explained Davies.

If the UK leaves without an agreement, then they would revert to the schedule that was put in by the EU into the WTO (World Trade Organisation) in the 1990s.

In a number of cases, the tariffs would be higher than what would be charged under the EPA.

Responding to a question on whether the negotiations are worth being pursued, Davies said SACU and Mozambique are trying to replicate the rules of origin that the group currently has in the existing EPA.

"Our conclusion was that the first thing we need to do is to do a deep dive. It's not just whether or not the individual products in our trade with the UK could cause us a problem, but it also could be the implications of extending the same to the EU -- that's the issue."

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