Concept Paper

for a policy advisory group seminar on

South Africa, the SADC Economic Partnership Agreement, and Regional Integration in Southern Africa

Cape Town, South Africa

17 July 2018

Centre for Conflict Resolution (CCR), Cape Town, South Africa

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Introduction

The Centre for Conflict Resolution (CCR), Cape Town, South Africa, will host a one-day policy advisory group seminar at the Townhouse Hotel in Cape Town, on 17 July 2018, on the theme “South Africa, the SADC Economic Partnership Agreement, and Regional Integration in Southern Africa”.

Hosted in partnership with the Johannesburg-based Friedrich Ebert Stiftung (FES) South Africa office, the seminar builds on the work undertaken by CCR, since 2004, on region-building and regional integration in Southern Africa, including the leadership role of South Africa in the Southern African Development Community (SADC). As part of this endeavour, the Centre has worked with the South African, Namibian, and Tanzanian SADC Organ chairs and hosted 14 policy seminars on governance and security issues in the region, as well as published three books: Region-Building in Southern Africa: Progress, Problems and Prospects (2012); Region-Building in Africa: Political and Economic Challenges (2016); and The ACP Group and the EU Development Partnership: Beyond the North-South Debate (2017). The latter volume, in particular, provides a critique of the new Economic Partnership Agreements (EPAs) then in place, or being negotiated, between the European Union (EU) and the African, Caribbean, and Pacific (ACP) group of states, including the EU-SADC EPA signed in June 2016 and provisionally in force since October 2016. To a significant extent, the July 2018 Cape Town seminar seeks to continue the debates and discussions on the volume’s pages, with a view to making a concrete, policy-relevant contribution to ongoing implementation of the SADC EPA.

The seminar also builds on the Centre’s recent October 2017 policy meeting, which sought to assess the challenges and opportunities for business and civil society in the agro-processing sector (in particular, leather and leather products) in South Africa and the wider Southern and Eastern African regions, within the framework of South Africa’s region-building role. The meeting – attended by, among others, senior officials from South Africa’s Department of Trade and Industry (DTI) and Department of Agriculture, Forestry, and Fisheries (DAFF), as well as diverse national and regional non-state stakeholders – focused on crafting concrete recommendations to strengthen the capacity of the private sector and civil society to support regional integration efforts in Southern Africa – more specifically on the development of globally competitive regional value chains in agro-processing, particularly the leather and leather products sector, that can be a source of socio-economic growth, development, and employment for the region’s 281 million citizens.

The overarching aim of the July 2018 seminar is to provide a platform for knowledge-sharing and dialogue among key governmental, business, and civil society stakeholders on the issues raised by the SADC Economic Partnership Agreement; and to strengthen their capacity to engage with the challenges and opportunities presented by the EPA, concluded between the EU and six SADC countries – South Africa, Botswana, Lesotho, Mozambique, Namibia, and Swaziland. In this regard, the policy meeting aims to address a widely recognised need to ensure more effective civil society involvement in the implementation of the agreement. It will further focus on two key agriculture and agro-processing sectors: poultry and fisheries. In South Africa – SADC’s dominant economy – the agriculture and agro-processing sectors are important drivers of industrial development and job creation, while being a significant contributor to gross domestic product (GDP). For example, agriculture contributed 0.8 per cent (the largest positive amount) to South Africa’s GDP growth of 3.1 per cent in the fourth quarter of 2017. Moreover, over 183,000 people work in food-processing,

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1 This paper is written by Dr Fritz Nganje, Lecturer, Department of Politics and International Relations, University of Johannesburg; and Dr Moses Tofa, Senior Researcher, Centre for Conflict Resolution (CCR), Cape Town.


making it the country’s largest manufacturing sector in employment terms. Proactive involvement by business, labour, and civil society in these sectors is thus an imperative for EPA implementation – the agreement provides for liberalisation of about 80 per cent of EU-SADC EPA group trade – in a manner that supports national and regional socio-economic development objectives.

Generally speaking, the perceived imposition of the Economic Partnership Agreements has posed a major challenge to EU-Africa relations under the 2000 Cotonou Partnership Agreement between the EU and the ACP group. Key concerns across the continent have related to EU threats, during negotiation processes, to withdraw duty-free access for those countries that did not sign the EPAs; and the impact of the agreements on sustainable development and Africa’s regional integration efforts, given the lack of alignment between the EPA configurations and existing regional arrangements. SADC, in particular, is split across four negotiating regions, with the SADC EPA having been concluded only after 12 years of difficult negotiations and concern expressed, for example, by the Southern African Trade Union Coordination Council (SATUCC) at the limited involvement of trade unions and civil society in the process. In South Africa, the agreement has also provoked negative reactions from within the Congress of South African Trade Unions (COSATU), which previously rejected the interim EPA on the basis that it would contribute to fragmentation of regional and continental integration efforts, while citing the need to protect domestic workers when negotiating trade deals.

Against this backdrop, and in a context of declining growth, rising unemployment, and persistent inequality, the potential benefits of the SADC EPA have, at times, tended to be overlooked. The reality is more nuanced than dominant perceptions might allow, and the potential impacts of the EPA – positive and negative – remain weakly understood by key stakeholders. Aquaculture, for example, is an under-developed sector with potential for significant growth, especially if it can take advantage of the opportunities offered by the EPA. Meanwhile, the domestic and regional poultry industry faces myriad challenges, including weak competitiveness, making it crucial for the industry to understand and adapt to the potential impacts of the agreement, while continuing to engage in critical and constructive ways with government. Also, interests within SADC differ, and there is a need for greater dialogue and coordination between stakeholders – including business, labour, and civil society – across the region, with a view to ensuring that EPA implementation takes their varying concerns into account, while sustaining the pursuit of broader regional integration and development goals.

The CCR seminar thus seeks to situate the debates and discussions on the SADC Economic Partnership Agreement within the wider discourse on region-building and regional integration in Southern Africa; to promote a better understanding among diverse stakeholders of the implications of the agreement for the SADC and continental socio-economic development agendas; and to examine critically South Africa’s leadership role in these endeavours.

**Seminar Objectives**

Bringing together about 30 senior policymakers, academics, and business, labour, and civil society representatives, mainly from South Africa and the SADC EPA countries, the seminar will seek to achieve three key objectives:

- First, to explore the implications of the SADC Economic Partnership Agreement for the regional integration and development agendas in Southern Africa and Africa, including within the framework of SADC and the envisaged Continental Free Trade Area (CFTA);
- Second, to increase stakeholders’ knowledge and understanding of the concrete opportunities and challenges generated by EPA implementation for regional trade, industrialisation, and development, with a focus on agriculture and agro-processing; and
- Third, to provide a platform for critical and constructive engagement between key stakeholders such as civil society actors and the private sector, as well as senior government officials.

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5 These are the Southern African Development Community (SADC), the East African Community (EAC), Eastern and Southern Africa (ESA), and Central Africa.
1. Background: EPA Negotiations – Stakeholder Interests, Engagement, and Participation

The Economic Partnership Agreements negotiated between the EU and five African ACP groupings have generated much controversy within and outside of the continent. Much of this has focused on the implications of the EPAs for Africa’s efforts towards industrialisation, regional integration, and socio-economic development. However, the processes through which these agreements were negotiated and signed, including the underlying motivations and interests of the main parties, have not escaped scrutiny. The EU has rationalised the agreements mainly on the basis of an imperative to bring its trade relations with African, Caribbean, and Pacific group countries in line with the neo-liberal rules of the World Trade Organisation (WTO), which emphasise non-discrimination in international trade. This is reflected in the reciprocity-based trade regimes set up by the EPAs. But the EU has also viewed the agreements as a mechanism to improve ACP countries’ access to the European market, a view often justified by the observation that few developing countries benefited under the non-reciprocal preferential trade regime of the Lomé Conventions (1975–2000). For example, a 2003 Food and Agriculture Organisation (FAO) study found that many African countries had “underutilised or completely failed to utilise the beef, sugar and banana quotas allocated to them”. Moreover, it has been argued that the new EPAs are in line with calls from African leaders for “a fundamental shift from aid to trade and investment as agents of growth, jobs, and poverty reduction”.

With regard to the SADC EPA, the EU further holds that the agreement was necessary primarily to harmonise its trade arrangements with South Africa under the stand-alone 1999 Trade, Development, and Cooperation Agreement (TDCA) and with the common external tariff regime of the Southern African Customs Union (SACU), of which South Africa is the dominant economy. This positive view of the SADC EPA appears to be shared by several governments and stakeholders on the African side of the partnership. For example, despite initial misgivings about the way the negotiations were conducted, the South African government has hailed the EPA as a marked improvement in its trade relations with the EU. Likewise, key players in Namibia’s fishing industry lobbied Windhoek to sign the EPA for fear that failure to do so would cripple the industry.

However, some observers see the EPAs as a geo-political tool, which allows the EU to secure its economic and strategic interests in an increasingly volatile and competitive global political economy. The EPAs, it is argued, are motivated by the need for Europe to reposition itself amid shifts in the global economic landscape that have left hitherto dominant European economies almost playing second fiddle to emerging and fast-growing economies such as China and India. Thus, rather than the stated development goals, the EPAs are being used by Brussels to promote Europe’s economic interests and consolidate its position in Africa. Some have further argued that many African states agreed to the trade liberalisation agenda of the agreements, despite initial opposition, only out of fear of losing the preferential access to the EU market they enjoyed for their predominantly agricultural products under the Lomé Conventions. In this regard, the processes through which the EPAs were negotiated and concluded have come under criticism. The EU has been accused of exploiting its financial and economic leverage over Africa, as well as the lack of cohesion among African countries during the negotiation processes, to push through the EPAs despite stakeholder objections and reservations on account of their potential negative impacts. As John Akokpari has argued, the tight deadlines unilaterally imposed by the EU for concluding the negotiations, as well as the EU’s threat to

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withdraw preferential market access for countries that failed to meet these deadlines, placed enormous pressure on participating African countries to the point of creating tensions between governments and various societal groups. At the same time, African leaders as well must bear some responsibility for their failure to build cohesion and articulate a common position on the EPAs and the issues involved.

A related aspect of the EPA negotiations that has thus attracted strong criticism is their state-centric nature. The negotiations were essentially high-level government-to-government processes that, by and large, excluded many other important stakeholders, including business, trade unions, and broader civil society. Not surprisingly, the EPA negotiation processes were characterised by recurrent protests by diverse interest groups that objected to the agreements. In Ghana, for example, civil society groups under the banner of the Economic Justice Network (EJN) tried unsuccessfully to persuade the government from signing the EU’s so-called “stepping stone” EPA for fear that it would lead to the total collapse of Ghanaian industries. The exclusion of a range of stakeholders from the negotiations of the EPAs raises a number of challenges for the implementation of the agreements going forward. First, the exclusion has made it difficult for many stakeholders, especially those at the grassroots level, to be familiar with the agreement. Second, this has built an “exclusive foundation”, which makes it difficult for stakeholders at the periphery to support the implementation of an agreement they did not participate in formulating. Third, given that trade negotiations, by their nature, are complicated, tortuous, and offer little or no room for re-negotiation once they are signed, and taking into account the EU’s strong negotiating capacity, Africa needed to have been represented by strong – trained, knowledgeable, experienced, and multi-disciplinary – teams of negotiators. Some civil society actors in South Africa hold that African states were represented by weak negotiating teams and that more inclusive teams could have negotiated a better deal. The view has also been expressed that apart from their exclusion from the negotiation process, civil society stakeholders have not been sufficiently engaged since the signing of the EPAs.

2. The EPAs and Regional Integration Processes in Southern Africa and Africa

Although regional integration is seen by both the EU and African states as a core principle around which the Economic Partnership Agreements are built, there is a divergence in their understanding of, and approach to, regional integration, resulting in both the negotiating configurations and the contents of the EPAs posing a potential challenge to Africa’s integration project. The very act of negotiating separate agreements with individual groupings within the ACP has been interpreted by some observers as the modern version of the colonial policy of divide and rule, which not only undermines the collective bargaining power of these countries vis-à-vis the EU, but also comes with far-reaching consequences for efforts towards integration and development in the African, Caribbean, and Pacific regions. Of the five regional groupings around which the EPAs have been negotiated in Africa, only two (West Africa and the East African Community [EAC]) are aligned with existing regional economic communities (RECs). Meanwhile, SADC’s 16 member states are scattered across at least four separate EPA negotiating groups (see Table 1). Critics have inferred from this mismatch that the agreements present a stumbling block to regional integration efforts on the continent, pointing to the tensions created within RECs during the process of negotiating the EPAs.

In the case of Southern Africa, it has been argued that while the SADC EPA augurs well for efforts to strengthen the common external tariff regime of SACU, the agreement, in general, risks further undermining the broader regional integration drive under the auspices of SADC. This is in view of the fact that the region is still struggling to harmonise its regional integration agenda, as is evident in the enduring challenge of dealing successfully with the mechanics of progressing towards a free trade area and customs union, owing to the multiple and overlapping membership of member states in three

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15 Information obtained from consultations with relevant stakeholders, May 2018.
17 Comoros joined SADC in August 2017, increasing the grouping’s membership to 16.
RECs (SADC, SACU, and the Common Market for Eastern and Southern Africa [COMESA]). However, an alternative perspective holds that, while the geographic design of the EPAs may exacerbate the dynamics of multiple and overlapping membership of regional integration schemes in Africa, they cannot be blamed for the continent’s weak integration prospects. If anything, the EPA negotiation processes have exposed an enduring tendency for African countries to place their national interests over any regional integration commitments.

Table 1. Overview of EPA Configurations and Status of Agreements in Africa

<table>
<thead>
<tr>
<th>EPA Configuration</th>
<th>African ACP States Involved</th>
<th>Status of Agreement</th>
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<tbody>
<tr>
<td>Central Africa</td>
<td>Cameroon, Central African Republic, Chad, Congo-Brazzaville, Democratic Republic of the Congo, Equatorial Guinea, Gabon, and São Tomé and Príncipe</td>
<td>EPA with Cameroon signed in January 2009 and provisionally applied since August 2014. Contacts ongoing for accession to the EU-Cameroon EPA by other Central African countries.</td>
</tr>
<tr>
<td>East and Southern Africa</td>
<td>Comoros, Djibouti, Eritrea, Ethiopia, Madagascar, Malawi, Mauritius, Seychelles, Sudan, Zambia, and Zimbabwe</td>
<td>EPA with Madagascar, Mauritius, Seychelles, and Zimbabwe signed in August 2009 and provisionally applied since May 2012.</td>
</tr>
<tr>
<td>West Africa</td>
<td>All 15 ECOWAS member states: Benin, Burkina Faso, Cape Verde, Côte d’Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo; Mauritania; ECOWAS; and the West African Economic and Monetary Union (WAEMU)</td>
<td>Stepping stone EPAs with Côte d’Ivoire and Ghana signed in November 2008 and July 2016 respectively and provisionally applied since September and December 2016 respectively. Regional EPA initialled in June 2014 and signed by 13 West African countries in December 2014, except Gambia, Nigeria, and Mauritania.</td>
</tr>
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</table>

Note: Boldface indicates SADC member states.

Critics of the reciprocal market access provisions of the EPAs have also argued that these could stymie the growth of intra-African trade by requiring countries in a given EPA grouping to reduce their tariffs on EU products to levels below those imposed on goods from African countries that are not part of the said free trade area with the European Union. However, this potentially adverse effect of the EPAs on intra-African trade could be offset by a continent-wide tariff reduction in the context of the envisaged African Continental Free Trade Area. From this perspective, the EPAs are seen to provide some impetus for African countries to renew their commitment to regional integration. With regard to Southern Africa, for example, the European Commission has expressed the hope that the SADC EPA, which is anchored in SACU, a fairly institutionally coherent and economically integrated core group, could become the engine for integration in the region. Even so, some observers have questioned the desirability and sustainability of regional integration processes that are driven by external dynamics and agendas. There is also an argument that by relaxing the rules of origin (RoO) for products that are eligible to access the EU market duty-free, the EPAs have the potential to stimulate the development of regional value chains and enhance the capacity of African states to collectively meet the EU’s stringent market access standards.

3. Regional Trade, Industrialisation, and Development: Potential Impact and Implications Under the EPAs

Unlike the Lomé Conventions, the EPAs give rise to a reciprocal preferential trade system, compatible with the rules of the WTO, that guarantees participating African countries greater access to EU markets in exchange for liberalising approximately 80 per cent of their trade with the European Union. As mentioned earlier, detractors of the Economic Partnership Agreements have pointed to both the strong-arm tactics of the EU during the negotiation process and the unequal power relations that have characterised the historical relationship between the EU and Africa, to argue that the agreements are little more than a neo-colonial strategy to dictate and capture the gains of African trade. Those who advocate this view argue, for example, that the trade liberalisation agenda of the EPAs will expose small African producers and traders to their highly competitive EU counterparts, stifling local production and contributing to job losses. Cheap imports from Europe, it is argued, also have the potential to undermine efforts towards industrialisation and economic diversification on the continent by eroding the trade gains that come with larger regional markets and the ability to develop regional value chains.

Some critics further contend that by causing African countries to create internal free trade areas prematurely, the EPAs negate the imperative for a gradual and differential tariff reduction approach that protects weaker producers and traders in regions with highly unequal economies such as in Southern Africa. This will result in, or exacerbate, the dynamic of skewed regional development. Consider, for example, the fact that the economies in both SADC and SACU are dominated by South Africa, which accounts for roughly 65 per cent of the regional gross domestic product. The EPA push for regional free trade areas with little regard for these disparities would only result in stifling the productive capacity of smaller economies like Mozambique. The loss of revenue from tariff cuts, as well as claims that certain provisions in the EPAs, such as the Most-Favoured-Nation (MFN) clause,

22 The African Continental Free Trade Area (CFTA) is expected to significantly reduce barriers to trade among African countries. However, its launch has been delayed, not least because Africa’s two largest economies – Nigeria and South Africa – have yet to sign the agreement.
23 Lwanda, “Can EPAs Strengthen Regional Integration?” p. 33.
25 Information obtained from consultations with relevant stakeholders, May 2018.
26 Karingi, Mevel, and Valensisi, “The EPAs and Africa’s Regional Integration”.
27 See, for example, Akokpari, “The EU and Africa”.
28 Transnational Institute, “Implications of EPA/FTAs”.
29 Lwanda, “Can EPAs Strengthen Regional Integration?” p. 23.
would circumscribe African countries’ policy space for development, have also been cited as potential adverse effects of the EPAs on development efforts in Africa. Similarly, some critics have made a link between the EPAs and the EU’s 2008 Raw Materials Initiative to argue that the former will not only undermine the sovereign rights of African countries over their natural resources, but also derail efforts towards beneficiation, thus preventing structural economic transformation on the continent.\(^{30}\) For example, available evidence suggests that, despite considerable access to duty-free tariff lines over the past decades, exports from SADC countries to the EU continue to be concentrated on raw materials and agricultural products.\(^{31}\)

Proponents of the EPAs, however, see the agreements as an opportunity that should be embraced by African countries wishing to industrialise and diversify their economies, as these give the continent legally guaranteed access to much-needed global markets. For example, in addition to making provisions for duty-free, quota-free imports from Botswana, Lesotho, Namibia, Swaziland, Mozambique, and to a large extent South Africa (about 98.7 per cent of imports), the SADC EPA also relaxes the EU’s stringent rules of origin, allowing producers in the region to source raw materials from third-party countries without losing preferential access to EU markets. In this regard, Article 6(2) of the Protocol of Origin makes provision for SADC EPA states to benefit from cumulation of origin with respect to materials that are subject to duty-free treatment in the EU under the latter’s free trade agreement with third countries. Likewise, Article 43 of the same protocol enjoins the EU to respond positively to requests from SADC EPA states for derogations from the Protocol of Origin for purposes of industrial development.\(^{32}\) These provisions are expected to benefit particularly the textile industry in countries such as South Africa or Lesotho that rely on imported fabric.\(^{33}\)

The agreement also commits the European Union and individual member states to providing financial and technical support to enable producers in participating countries to meet the EU’s health, sanitary, and packaging requirements, which have in the past provided justification for denying access to European markets. This is in addition to the EU’s promise to provide Aid-for-Trade funding that would assist African countries in adjusting to the short-term disruptions expected from, and develop the capacity and infrastructure needed for, the implementation of the EPAs. This assistance will be provided primarily through the European Development Fund (EDF), as provided for in the Cotonou Agreement, and the bilateral development cooperation instruments of EU member states. However, the EU has also committed to support the establishment of, and contribute to, an EPA fund that will be used to channel financial resources for implementing the agreement.\(^{34}\)

Barring any reneging on the part of the EU, supporters of the EPAs argue that these and other provisions in the agreements can only augur well for the industrialisation and economic development of the continent. In response to claims that the EPAs would flood African markets with cheap imports, and result in loss of revenue and policy space for home-grown development initiatives, advocates of the EPAs have forecast that full implementation of the agreements would lead to only a moderate reduction in overall tariff protection. They have also pointed to the many special provisions and safeguards built into the agreements, which can be invoked by African governments to protect their infant industries and meet special development needs.\(^{35}\) For example, the SADC EPA contains no less

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than five agricultural safeguards, “with more flexible activation clauses than those found in the WTO Agreement, that are intended to shield local producers from sudden inflows of larger quantities of EU goods”. The question is whether African governments and their constituencies can muster the will and astuteness to use these provisions to their advantage.

4. The SADC EPA Two Years On: Opportunities and Challenges

It is against this backdrop of controversy and scepticism that the provisional implementation of the SADC EPA over the past two years can be assessed, and its implications for regional trade, industrialisation, and development be understood. Many of the general criticisms against the EPAs have been directed equally to the SADC EPA. For example, civil society groups in the region have argued that the export tax clauses in the agreement are too restrictive, with the implication that they will deprive participating Southern African countries of an important policy tool to add value to their raw materials. There are also concerns that while the EPA accords Lesotho and Mozambique, as least developed countries (LDCs), no additional market access concessions, the policy space available to them to develop their local industries is severely curtailed by the EPA. In the case of Mozambique, civil society groups argue that the level of liberalisation mandated by the EPA – phasing out tariffs on 80 per cent of the country’s imports from the EU – is not commensurate with the country’s level of development or even WTO requirements for LDCs. Another criticism of the SADC EPA is that the agreement is silent on the EU’s more than $100 billion agricultural subsidies that allow European farmers to outsell their African competitors in both domestic and foreign markets.

With regard to South Africa, there are fears that the cost to the country’s economic development, of what is considered to be a marginal improvement in its access to EU markets under the EPA, is too high. South Africa is expected to benefit from enhanced market access for mainly agricultural products such as wine, sugar, fisheries products, flowers, and canned fruits. But critics argue that the trade-offs, which include removing tariffs from approximately 80 per cent of the EU’s exports to SACU, and a requirement for South Africa to provide additional protection to the EU’s Geographical Indications (GI), will be too costly for the economic development of South Africa and the region.

For their part, the architects and supporters of the SADC EPA have inferred a number of development spin-offs from the provisions of the agreement, in addition to making the case that the agreement has been designed to favour the participating Southern African countries more than the EU, taking into account differences in economic development. A major claim that has been made in this regard is that the SADC EPA has the potential to contribute to beneficiation and economic diversification in the Southern African states by providing guaranteed and generous market access to a variety of value-added goods, while also giving these countries cheap access to intermediate goods such as fertilisers to boost agricultural production. It is also argued that the infant-industry clause and various safeguards that are built into the agreement negate the assertion that the EPA would stifle the emergence of new industries in the region by exposing them to unfair international competition or that it robs governments of the policy space to steer development. It is also worth underscoring that the SADC EPA countries successfully objected to inclusion in the agreement of any binding commitment on trade in services and new areas such as investment, intellectual property rights, competition, and public procurement. Proponents of the EPA have interpreted this as an indication that the agreement does not tamper with the policy space for development of the SADC EPA signatories.

However, two years into the provisional implementation of the EPA, since October 2016, a number of issues have emerged that may undermine the development potential of the agreement for the region.

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38 See, for example, Berends, “What Does the EU-SADC EPA Really Say?”, pp. 467–471.
For instance, economic challenges appear to have encouraged protectionist tendencies among some EU member states, raising concerns that there may be attempts to roll back the EU’s market access commitments in the EPA. This may already be evident in disputes over the export of products such as citrus, as well as game and ostrich meat, to the EU, with producers in some European countries invoking non-compliance with phyto-sanitary standards to petition their governments to impose tariff and non-tariff barriers to the import of these products from the SADC EPA countries. For example, producers in the citrus sector in Spain have been lobbying their government and the European Parliament to reverse the concessions made to South Africa in the EPA on citrus imports, partly because of the threat from Citrus Black Spot. There is, however, an admission in the region that the SADC EPA countries, in particular South Africa, need to do more to improve the sanitary and safety standards of local products. The recent outbreak of listeriosis within the meat processing industry in December 2017 is testament to the shortcomings of sanitary and safety standards in the region (see also the section on the poultry industry later in this concept paper).

There are also concerns that the benefits that may accrue to sugar producers in the region from the enhanced market access granted under the SADC EPA will be eroded by expected strong competition from their European counterparts, following the abolition of EU quotas on sugar production in 2017. Another challenge that has come to the fore during the first two years of EPA implementation relates to the use of the quota for importing wheat from the EU duty-free. It has been observed that the 248,000 metric tons quota allocated to South Africa (out of the 300,000 metric tons allocated to SACU) has been monopolised by a few multinational companies, effectively preventing small- and medium-scale millers from benefiting from this concession.

More broadly, the case has been made that a major impediment to reaping the development benefits of the SADC EPA is the lackluster attitude of regional leadership towards efforts to develop the region’s industrial capacity. This argument rests on the premise that while the EPAs can stimulate regional industrialisation, particularly through relaxed RoO, the responsibility to develop sector-specific value chains lies with state and non-state actors within the region. However, even in the context of the 2015 SADC Industrialisation Strategy and Roadmap, there is an evident lack of political will on the part of governments to cede sovereignty over their industrial strategies to a regional authority. Thus, while the SADC EPA may contribute to industrial development in a relatively cohesive SACU, the same cannot be said of the broader SADC region characterised by parallel and sometimes competing industrial policies. This is where South Africa, as Southern Africa’s economic hub, can assume the role of a champion of regional industrialisation, encouraging national governments to appreciate the long-term benefits of a regional approach to industrial development, and incentivising the private sector to invest in developing sector-specific regional value chains.

5. The SADC EPA, and Agriculture and Agro-Processing in Southern Africa: Case Studies of the Regional Fishing and Poultry Industries

Arguably, the agriculture and agro-processing sector has the biggest stake in the SADC EPA, given that this sector accounts for most of the region’s exports to the EU. Not surprisingly, most of the new market access that accrues from the SADC EPA relates to agriculture and agro-processing products. South Africa, in particular, stands to benefit from improved market access for fisheries products as well as 32 other agricultural products, including a significant improvement in the wine quota (110 million litres duty-free compared to 48 million litres previously); new market access for sugar (150,000 tons duty-free) and ethanol (80,000 tons duty-free); as well as improvement on duty preference for South African exports of flowers, some dairy and fruit products, as well as canned fruit.

40 Information obtained from consultations with relevant stakeholders, May 2018.
41 Information obtained from consultations with relevant stakeholders, May 2018.
among others.\textsuperscript{42} Meanwhile, as part of the SADC EPA, the smaller states of Botswana, Lesotho, Namibia, Mozambique, and Swaziland, whose economies depend heavily on the agriculture sector, were able to secure a specific agricultural safeguard that protects their infant industries from competition from EU producers for a period of 12 years.\textsuperscript{43} For its part, the EU will benefit from new market access for products such as wheat, barley, cheese, meat products, and butter, among other concessions.

**Fisheries Sector**

As signatories to the agreement, Namibia and Mozambique retain the duty-free, quota-free access to EU markets they enjoyed for their fisheries products under the Everything But Arms (EBA) initiative. According to the Confederation of Namibian Fishing Associations, the extension of this zero tariffs market access under the SADC EPA is expected to contribute significantly to the development of the fishing industry as well as employment in these two countries. Namibia, for example, exports about 70 per cent of its hake, and close to 100 per cent of its monk fish, to the EU, providing a source of livelihood to over 9,000 people.\textsuperscript{44} In the case of Mozambique, however, doubts have been expressed about the potential of the EPA to improve the plight of the fishing industry in that country in the context of endemic illegal fishing. Mozambique relies heavily on its fishing industry both for foreign reserve income and to meet its domestic demand for food. However, it is estimated that the country loses up to $65 million every year because of illegal fishing.\textsuperscript{45} Some observers have inferred from the example of Mozambique that EU support to SADC coastal countries in curbing the tide of illegal, unreported, and unregulated fishing would do more in increasing export revenue and creating jobs than any trade deal, while mitigating negative environment impacts. This argument is partly built around claims that fisheries agreements implemented between the EU and island nations in the Pacific during the 1990s generated seven times more value for European states than for the island nations.\textsuperscript{46}

From the perspective of South Africa, the full and reciprocal liberalisation of all relevant tariffs on fisheries products under the SADC EPA is seen as a major improvement in its trade relations with the EU under the TDCA (which the former replaces). Despite its immense economic potential in terms of agro-processing and job creation, the South African fishing sector currently accounts for only 1 per cent of the country’s GDP. The EPA allows duty-free access for South African fish products, including hake and abalone, that were excluded under the TDCA, to the lucrative EU market of over 500 million consumers. Given the increasing demand from the EU for fish, this enhanced market access has the potential to bolster South Africa’s under-developed fisheries sector, while opening up value-addition in a sector that holds much promise.\textsuperscript{47} Aquaculture (fish farming), in particular, is an emerging and under-developed sector, with the South African government having identified it as an area of expansion. Taking full advantage of these concessions would, however, require a concerted effort from all the major stakeholders in this sector – including government and business – to not only devise measures to boost the competitiveness of the industry, but also meet the EU’s demanding requirements that regulate the export of fish products to its market. Furthermore, the sector faces challenges such as overfishing and associated environmental impacts, climate change, illegal fishing, and the development of small-scale commercial fisheries. An active role for civil society, alongside an involved fisheries sector, is thus vital for South Africa and its SADC peers to take full advantage of the opportunities offered by the EPA, while ensuring that this does not undermine environmental sustainability.

\textsuperscript{43} Mpfo Tebele, “EU and SADC Sign EPA Deal to Safeguard Agriculture Sector”, *The Southern Times*, 11 June 2016.
\textsuperscript{44} Towers, “Agreement with EU Crucial to Viability of Namibia’s Fishing Industry”.
\textsuperscript{46} Breedt, “How the EU Could Spur African Growth”.
Poultry Sector

The implications of the SADC Economic Partnership Agreement for the poultry industry in the region are similar in some ways to those obtaining for the fisheries sector. The poultry industry in the SADC EPA states, but notably South Africa, faces many challenges, including the effects of the Avian Flu outbreak, outdated infrastructure, high input costs, and having to compete with cheap imports from countries like Brazil and the United States (US). Even so, the industry is believed to hold great employment and agro-processing potential in the context of the EPA, which allows participating states to export poultry meat and poultry products to the EU market free of duty. However, the agreement does not do away with the EU’s strict sanitary and phyto-sanitary (SPS) standards for meat and meat products (including poultry products), which need to be complied with to gain market access. Currently, none of the SADC EPA states are listed as eligible for poultry exports to the EU in terms of the compliance system followed by the European Commission. This means that in order for the SADC EPA countries to take advantage of the duty-free access to EU markets for their poultry products, they have to first work towards meeting the health standards of the EU.48

The competitiveness of the local poultry industry vis-à-vis chicken products from the EU has also emerged as a key issue in the implementation of the SADC EPA. In South Africa, the local chicken industry has accused EU producers of dumping cheap products in the South African market, causing some local producers to close their plants or retrench workers. In 2015, the South African Poultry Association (SAPA) made representations to South Africa’s International Trade Administration Commission (ITAC) demanding a 37 per cent safeguard duty on European bone-in chicken imports under the TDCA. In December 2016, the South African Department of Trade and Industry approved a provisional 13.9 per cent safeguard on EU chicken imports, pending the outcomes of a comprehensive ITAC investigation into EU chicken imports into South Africa.49 This safeguard measure expired in July 2017. With the coming into force of the SADC EPA in October 2016, ITAC was obliged to conduct a new investigation under this new trade framework, the results of which have been submitted to the regional Council of Ministers established in accordance with Article 15 of the Cotonou Agreement. While local chicken producers are advocating for permanent safeguard measures, an alternative view argues that such interventions will only create disincentives for the local poultry industry to modernise itself and become globally competitive.50

6. The Role of Civil Society and the Private Sector in Shaping EPA Implementation

Civil Society

EPA implementation, if it is to be successful in terms of delivering the gains for development and regional integration envisaged under the agreement, needs to involve a diversity of stakeholders who play different but complementary roles.51 In principle, the parties to the SADC EPA appear to have recognised the importance of engaging civil society in the implementation, monitoring, and evaluation of the agreement.52 For example, Article 7 of the agreement recognises the role of civil society in promoting ownership, participation, and dialogue in its implementation. Although civil society groups were largely absent in the EPA negotiating process, the state parties have since taken active steps to strengthen the engagement of civil society with the agreement. For example, in October 2017, a SADC-EU EPA High-Level Civil Society Forum was convened in Johannesburg, South Africa, bringing together representatives from constituencies such as business, labour, research organisations, and broader civil society. The meeting aimed to familiarise the different stakeholders with the EPA and to explore the role that they could play in its implementation, while also creating a platform for

50 Information obtained from consultations with relevant stakeholders, May 2018.
51 Information obtained from consultations with relevant stakeholders, May 2018.
52 Deborah Martens et al., “Civil Society Meetings in EU Trade Agreements: Recommendations and Lessons for EPAs”, Briefing Note no. 93 (Maastricht: European Centre for Development Policy Management [ECDPM], 2016).
them to share best practices on stakeholder monitoring and participation.\textsuperscript{53} In addition, in March 2018, the SADC-EU EPA Outreach South Africa initiative conducted outreach activities in Lesotho and Swaziland, through which it sought to engage stakeholders on issues such as dispute resolution, application of safeguards, application of cumulation provisions under the EPA rules of origin, compulsory and private standards, customs cooperation, and, more important, the involvement of civil society in implementing the EPA.\textsuperscript{54}

However, the text of the agreement itself does not provide for mechanisms, institutions, or modalities for civil society engagement, including in monitoring and evaluation processes. According to the 2017 High-Level Civil Society Forum event report, “the EPA created joint institutions to monitor all aspects of trade, but left open how civil society would participate”.\textsuperscript{55} The lack of institutions, mechanisms, and modalities for civil society participation and engagement makes it difficult, for example, to establish a formal, common, and coordinated civil society platform for engagement with various stakeholders in the implementation of the agreement. Addressing the issue of EPA monitoring and civil society involvement has thus emerged as a key concern since the provisional application of the agreement, requiring critical discussion and debate, ahead, in particular, of the first meeting of the Joint Council – the primary institution responsible for overseeing the implementation of the EPA – scheduled tentatively for November 2018.

Despite the aforesaid challenges, there is a shared view that civil society can play an important role, in particular, in ensuring implementation of the agenda for sustainable development that is embedded in the EPA. Article 6 obligates the parties “to promote the development of international trade in a manner that contributes to the objective of sustainable development”. Civil society in Southern Africa has a track record of advocating for inclusive and sustainable development. It is further vital that trade policies are accountable, balanced, and progressive; that economic initiatives are open, transparent, and inclusive; and that a full range of views are heard in the implementation of the SADC EPA, for the agreement to deliver real benefits in terms of improving the lived reality of people and communities in the region. In this regard, civil society can make several key contributions, such as ensuring broad-based representation of citizen voices and stakeholder interests in the agreement’s implementation; consulting, mobilising, and promoting engagement between stakeholders; engaging with the state parties on issues raised by various non-state stakeholders; creating linkages and platforms between the EU and SADC exporters, importers, and producers;\textsuperscript{56} as well as bringing small and larger businesses together.\textsuperscript{57}

The SADC EPA requires parties “to continuously monitor the operation and impact of this Agreement through appropriate mechanisms and timing within their respective participative processes and institutions”. Civil society can play a key role in monitoring and evaluating the implementation of the agreement at all levels – grassroots, national, and regional – around its economic, social, and environmental dimensions (such as economic inclusion, gender, social justice, poverty eradication, labour standards, environmental protection, use of resources, regional trade and integration, development cooperation, and compliance with obligations), as well as its alignment with the United Nations (UN) Sustainable Development Goals (SDGs). However, the parties have yet to establish a monitoring and evaluation mechanism, though efforts are ongoing (since December 2017) for the development of such a system. This endeavour is vital. Furthermore, given that the state parties to the EPA meet on an ad hoc basis, civil society has the potential to provide more regular monitoring and evaluation of the agreement, which is also independent of political interference and influence.\textsuperscript{58}


\textsuperscript{56} SADC-EU EPA Outreach, “SADC-EU Economic Partnership Agreement High Level Civil Society Forum”.

\textsuperscript{57} Information obtained from consultations with relevant stakeholders, May 2018.

\textsuperscript{58} Information obtained from consultations with relevant stakeholders, May 2018.
It is important to note that the negotiating process for, and implementation of, the SADC EPA has been accompanied by a fair amount of negative coverage and sentiments relating to perceived adverse effects of the agreement on regional integration, development, and industrialisation. This has the potential to discourage some stakeholders from engaging and participating in EPA implementation processes. Civil society, especially think tanks and research institutions, can play a critical role in terms of separating facts from fiction by undertaking evidence-based research on the challenges and prospects of the EPA; and improving knowledge and understanding about the agreement by providing information on its provisions in simpler and more accessible ways; and, in so doing, help to move the debate and discussion beyond controversy. However, for civil society to be able to play a constructive role in the implementation of the EPA, it needs to better understand the agreement, especially its sustainable development provisions; enhance its own capacity to engage more effectively with various stakeholders, especially national governments and relevant EPA decision-making structures; develop its roots in grassroots constituencies; and cooperate and coordinate within the sector to increase its weight in terms of expertise and impact.

The Private Sector

The private sector is a key stakeholder and beneficiary of the SADC Economic Partnership Agreement, mainly because trade liberalisation has implications for the competitiveness and sustainability of businesses in the region, but also because it is at the coalface of the investment, production, and trade that are the subject of the agreement. In this regard, the views, priorities, aspirations, and active involvement of the private sector in the implementation of the agreement are indispensable. It is perhaps in recognition of the centrality of the private sector to the realisation of the overarching goals of the SADC EPA that Article 1(b) of the agreement identifies as one of its objectives the need to “support the conditions for increasing investment and private sector initiatives and enhancing supply capacity, competitiveness, and economic growth in the SADC EPA States”. The EPA thus recognises the critical need to develop the private sector, to improve the trade and business environment, and especially to support small and medium enterprises in the agriculture, fisheries, industry, and services sectors. Since 2016, there have been various efforts to engage the private sector with a view to gathering information on its role in the implementation of the agreement, as well as to mobilise and promote its participation. For example, the 2017 SADC-EU EPA High-Level Civil Society Forum engaged the private sector, as have the activities of the SADC-EU EPA Outreach initiative in different countries.

However, the productive involvement of the private sector in the SADC EPA countries in the implementation of the agreement depends, to a large extent, on public-private efforts to deal with the host of supply-side constraints that face export-oriented businesses in the region. These include the high costs of doing business associated with the region’s weak infrastructure network, as well as its unfavourable regulatory framework; poor trade facilitation; and virtually non-existent or weakly developed regional value chains, resulting in a situation where the region continues to export mainly commodities and unprocessed goods to the EU. Moreover, the dominance of South Africa–based parastatals and multi-national enterprises in the regional economy risks creating a situation where the benefits from the EPA may not trickle down to small-scale businesses. The example cited earlier of a few big companies monopolising the quota for duty-free wheat imports from the EU, to the exclusion of small- and medium-scale millers, speaks to this risk. There is thus a need for interventions to develop the technical capacities of small and medium enterprises, including those in key agro-processing sectors such as poultry and fisheries, with a view to enhancing their ability to take advantage of the opportunities provided by the EPA and to comply with the general health and safety

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59 Nick Charalambides, “The Private Sector’s Perspective, Priorities and Role in Regional Integration and Implications for Regional Trade Arrangements”, Discussion Paper no. 66 (Maastricht: ECDPM, September 2005).
requirements for exports to the EU, while also modernising these sectors to become competitive against imports from the EU (and elsewhere).\textsuperscript{60}

7. Dissemination

After the July 2018 Cape Town seminar, a six-page policy brief, documenting the key recommendations from the meeting, will be produced by CCR and widely disseminated to about 1,500 recipients in the Centre’s electronic distribution database, which includes, among others, foreign embassies in South Africa; foreign, trade, and defence ministries in Southern Africa; the SADC Secretariat; SADC governments; SADC parliaments; universities; and civil society organisations. The policy brief will also be made publicly available on the Centre’s and FES’s websites. The document will thus serve as a concrete resource that can be used by policymakers, scholars, and civil society activists in their work on regional integration in Southern Africa in various ways, ranging from research and teaching to policy analysis and advocacy.