

EU statement at the Trade Policy Review of SACU, 04&06 November 2015

Statement by Ambassador Marc Vanheukelens

I would like to extend a warm welcome to the SACU Delegation, led by Ms. Niki Kruger as the Head of Delegation of South Africa and spokesperson for the SACU countries as well as to the heads of the delegations of Botswana, Lesotho, Namibia, and Swaziland gathered today for their review. I would also like to thank the WTO Secretariat for their comprehensive reports and the Discussant, H.E. Mr. Alberto Pedro D'Alotto (Argentina), for guiding us in our discussions.

It is somewhat of a challenge to make a statement that covers both the regional organisation – SACU – as well as its individual Members. SACU is the oldest Custom Union in the world, yet the institutional set-up, the level of development and the geographical characteristics of each SACU Member are quite different.

The reports show that generally speaking growth has not been sufficient in several of the SACU Members reviewed. The reports also reveal that the cause of this lacklustre growth can be traced back to the financial crisis or to international developments, such as the evolution of commodity prices. Other factors seem to include – naming only a few - the energy supply (for example in South Africa or Lesotho) or the need to strengthen certain institutions (which seems quite important for Botswana and Lesotho).

One of the priorities of SACU Member States is to diversify their economies, to broaden their export base, and to move up the value chain away from pure reliance on commodities. The EU has also noted their commitment to address major regional and social inequalities, poverty, health, education and the policy measures aimed at attracting investment.



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We strongly support SACU and its Members in these policy objectives and believe that this Trade Policy Review will contribute to shedding light on how to obtain them.

The EU is of the view that the Economic Partnership Agreement concluded in July 2014 should help in this regard, not least because it includes a development chapter that can guide trade-related assistance in a number of key areas for trade and investment. From 2007 to 2013, cooperation with SACU members under the European Development Fund and the EU Budget amounted to about 1.4 billion euros. The European Investment Bank contributed with a roughly equivalent amount of 1.4 billion euros during that period. As a result, a number of key areas of national development strategies were supported. We hope to sign our bilateral agreement in 2016. During the negotiations, the EU-SACU relationship has proven to be strong. I would like to express my thanks to my colleagues of SACU for these achievements.

The EU is by far SACU's biggest import partner and its second export partner. No less than 28% of all SACU's imports originates from the EU and SACU ships 16% of all its exports to the EU. South African exports to the EU are diversified, but we recognise - as do the reports for this review - that the other SACU Members have a narrower export base and that diversification is a key objective.

We note that trade facilitation is an important area and we are keen to know where the individual SACU Members stand in terms of notification of their category A commitments and how far has the process had gone towards the ratification of the Trade Facilitation Agreement.

Mr Chairman, in our advanced written questions, we have raised a number of issues. Let me group them into three categories.

- **Investment-related measures.** Improving the business climate is a condition to attract more Foreign Direct Investment. It is not limited to investment laws and Bilateral Investment Treaties, even if those are indeed quite fundamental. Public procurement, local content requirements, the role of the institutions, the consultation of stakeholders, and the role of State Owned Enterprises in relevant markets are important as well. Naturally, investment is also dependant on infrastructure and a reliable and affordable energy supply.

- **Import licenses, import levies and export taxes.** In a number of cases, the EU is of the view that there are disproportionate or burdensome requirements that constitute obstacles to trade. We would like to hear more about your reasoning for the appropriateness of these measures.

- **The functioning of SACU.** The EU would be interested to know more about the Members' views on the perspectives for SACU. For example, we raised questions on competition enforcement at

regional and national level, on the link between the Common External Tariff and some applied tariffs, and on the prospects for a reform of the revenue sharing formula.

Addressing all these issues will keep us busy during the two days of the review. Nevertheless, in our view, discussing these matters could lead to decisions that would bring improvements to the business environment and investment climate in SACU.

Let me conclude, Mr Chairman, by wishing on behalf of the EU all the success and benefit to the full to the SACU and its individual Member States with this Trade Policy Review.