

EFTA RULES OF ORIGIN PROPOSAL TOWARDS THE REVIEW OF THE SACU - EFTA FREE TRADE AGREEMENT (FTA)

SUBMISSION BY BUSINESS UNITY SOUTH AFRICA (BUS A)

December 2017

Background

BUS A is a confederation of business organisations including chambers of commerce and industry, professional associations, corporate associations and unisectoral organisations. It represents South African business on macro-economic and high-level issues that affect it at the national and international levels. BUS A's function is to ensure that business plays a constructive role in the country's economic growth, development and transformation and to create an environment in which businesses of all sizes and in all sectors can thrive, expand and be competitive.

As the principal representative of business in South Africa, BUS A represents the views of its members in a number of national structures and bodies, both statutory and non-statutory. BUS A also represents businesses' interests in the National Economic Development and Labour Council (NEDLAC).

Introduction

Southern African Customs Union (SACU) Member states signed a free trade agreement with the European Free Trade Association (EFTA) States, Iceland, Liechtenstein, Norway and Switzerland on 26 June 2006. The SACU- EFTA FTA which entered into force on 1 May 2008 is currently under review.

Under the review, EFTA submitted a proposal for a new and simplified set of Rules of Origin (RoO). This matter was discussed at the NEDLAC NAMA Task Team and Teselico committee meetings and a South African position was agreed.

BUSA Position and Motivation

- Business is in agreement with the initial South African position and SACU set principles for the review of the SACU-EFTA RoO.
- The product specific rules should be as close as possible to the rules in existing trade agreements, in particular the SADC – EU Economic Partnership Agreement (EPA) to facilitate administration for both government and SACU traders.
- The new set of rules should not be more stringent than the existing SACU-EFTA and the EPA rules. In cases where an EFTA proposed rule is more stringent than or different from the existing SACU – EFTA rule, an existing rule should remain, unless a SADC - EPA rule for the same tariff line is more favourable and therefore constitutes a SACU proposal for that particular tariff line. A completely new set of SACU – EFTA rules may also have an adverse effect on existing trade agreements, in particular the recently implemented SADC - EU EPA.
- We also agree that some of the proposed rules are more stringent than the existing ones, e.g. proposed versus existing chemical sector tariff line rules. Business is not in agreement with this.
- A line-by-line review may lead to a longer review which puts enormous strain on available resources. The SACU set principles to harmonise the set of rules for European countries adequately address the process' resource constraints.
- An alternative rule proposed by EFTA of a 30% local content (70% value of imported material) is inconsistent with the industrial strategy for South Africa, SADC and the continent. The low value addition requirement proposed by EFTA is a threat to job creation endeavours of member states.

Conclusion

BUSA appreciates the opportunity provided by **the dti** for business and Nedlac social partners to contribute to the work towards the review of the SACU - EFTA FTA. Should **the dti** have further questions in this regard, BUSA is available to engage further.