

**SACU OFFER TO EFTA AND EFTA PROPOSAL ON RULES OF ORIGIN TOWARDS THE  
REVIEW OF THE SACU - EFTA FREE TRADE AGREEMENT (FTA)  
SUBMISSION BY BUSINESS UNITY SOUTH AFRICA (BUS)**

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**Background**

BUSA 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. BUSA'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, BUSA represents the views of its members in a number of national structures and bodies, both statutory and non-statutory. BUSA 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 made a tariff request on industrial goods to SACU and a proposal for a new and simplified set of Rules of Origin (RoO).

An agreement to align SACU - EFTA with the SADC EPA agreement on both tariffs and RoO has been reached at Nedlac NAMA Task Team and Teselico and by SACU senior officials. These are the processes that informed the South African position on the SACU – EFTA FTA Review.



In the December 2017 SACU consultation meetings held in Johannesburg, SACU Member states decided on a process to review the EFTA proposal on RoO for each tariff code. The outcome is reflected in the document: SACU EFTA PSR – SACU Analyses – NAMA Working Document. This approach led to some SACU RoO proposals that are not in line with the agreed SACU principle of an EFTA - EPA alignment. BUSA/ Business did not receive this Working Document with the SACU positions in time for any consultations with members.

### **BUSA Position and Motivation**

On the response to EFTA NAMA tariff request, business reiterates its support for the SACU principle of aligning the SACU tariff offer to EFTA to the existing trading arrangement with the European Union (EU) through the SADC-EU EPA.

In responding to the outcome of the December 2017 SACU discussions on EFTA RoO proposal BUSA's position is as follows (in respect of NAMA products):

1. Business does not support the 70% value of import material throughout the proposal. This rule goes against the efforts by SADC to industrialise as outlined in the SADC industrialisation strategy.
2. On the outcome of the SACU discussions to respond to certain product specific rules proposal, identified by the dti, business submits its proposal as outlined below.
  - Ex Chapter 40 – CTH (current EFTA and EPA) except for...
  - 40.12 - Change in tariff sub-heading (CTSH) rule, namely, "Manufacture from materials of any sub-heading except that of the product" as in the EPA RoO. The EFTA proposed rule is not practical.
  - Ex 25.04 - The rule as in the SADC - EPA.
  - Chapter 39 – A chapter rule is to be inserted in the Working – CTH subject to BUSA consultations.
  - Insert: Plastic waste (39.15) is to be wholly obtained.
  - Chapters 28 – 38 Business proposes to simply align EFTA RoO with EPA as agreed at Nedlac and mandated by the SACU senior officials.
  - Chapter 46 – Business supports alignment with EPA or the existing EFTA rule or the rule as per the SADC Annex on RoO.
  - Chapter 48 – Business proposes a CTH rule without an alternative rule.
  - Chapter 50 – 63 Business proposes an alignment of the EFTA RoO with EPA as agreed at Nedlac and mandated by the SACU senior officials.



- Ex Chapter 64 - Business supports the EPA or SADC rule as they are more developmental.
- 64.06 – Business proposes a rule as applied in SADC.
- Chapter 65 – Business proposes the CTH rule.
- Chapter 82 – Business supports the CTH rule without the alternative now proposed by EFTA
- Chapter 96 – Business supports the CTH rule without the alternative now proposed by EFTA

### **Conclusion**

Business' main position remains in support of the Nedlac and SACU senior officials position of responding to the EFTA NAMA tariff request to SACU and EFTA proposal on Rules of Origin by aligning the EFTA tariffs and RoO to the EPA agreement.

In response to EFTA tariff request, business is in support of the SACU principle of aligning the SACU tariff offer to EFTA, to the existing trading arrangement with the European Union (EU) through the SADC-EU EPA.

Business is responding to the proposals that emanated from the December 2017 SACU consultation meetings, the results of which we did not have for consultation with members. However, if a SACU member country can motivate a specific provision, this can be considered.

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 for further engagements.