



**European Union**  
**Delegation of the European Commission to Namibia**

The Head of Delegation

Windhoek, 6 December 2007

**PRESS RELEASE**

**Commission working toward conclusion of Interim EPA including Namibia**

**The European Commission is trying to prevent that exports of Namibian products face higher customs duties on import into the European market from 1 January 2008, when a derogation granted seven year ago by the WTO for the current tariff preferences comes to an end. It considers that it is possible to remove the remaining hurdles delaying the initialling by Namibia of an interim Economic Partnership Agreement, so joining Botswana, Lesotho, Swaziland and Mozambique that initialled it on 23 November. Thus, all medium income countries in Eastern and Southern Africa, except for the time being South Africa, would be member of an EPA.**

In a press statement dated 5 December the Ministry for Trade and Industry has indicated **four provisions** in Interim EPA that have so far prevented Namibia from initialling it, namely a "most favoured nation" (MFN) clause, the limitation of export taxes, infant industry protection and the free circulation of goods. It is the view of the European Commission that all four concerns could be rapidly resolved.

**1. MOST FAVOURED NATION CLAUSE (MFN)**

The **MFN Clause** is not a new addition to the negotiations. A similar clause has for many years been part of the Cotonou Agreement and before that of the Lomé Conventions. In the flexible form proposed for the EPA this clause leaves ACP countries **totally free** to negotiate with other developing countries whatever trade treatment they wish.

The EU is offering totally duty free quota free access for ACP products from 1<sup>st</sup> of January; therefore no better treatment is or will ever be possible. In return, all the EU expects from the MFN clause is that the ACP countries do not discriminate against EU products by applying an import duty higher than that on imports from other developed countries, or from competitive new players, which have a share of more than 1% in annual world exports. (In practice this currently includes Brazil, India, Russia and China). This is in our view a question of basic fairness. This clause will not pre-empt

SADC EPA countries negotiating space with other countries but contribute to a balanced outcome fully integrating the principles of special and differential treatment.

## **2. EXPORT TAXES**

On **export taxes**, the European Commission is fully aware of the important fiscal role such taxes presently have in Namibia. The EU proposal leaves Namibia and the other SADC EPA States, except South Africa<sup>1</sup>, totally free to maintain all existing ones and even to increase them or add new ones, when required for reasons of public revenues, protection of the environment or of infant industry and subject only to consultations. The European Commission strongly supports the objective of diversifying production and increasing local value added. In that regard, through its development co-operation with Namibia and together with the European Investment Bank, several opportunities have been created and continue to be funded, while more can be expected in the future.

## **3. INFANT INDUSTRY PROTECTION**

The European Commission negotiators have also accepted an **Infant Industry Protection** clause consistent with the SACU Treaty. This would apply over 15 years for all LDCs and 12 years for the other ACP states, including Namibia. A further extension before the expiry of that period can be decided by the EPA Joint Council. Unlimited Infant Industry Protection would only draw very pessimistic assumptions on the development prospects of the partner countries.

## **4. FREE CIRCULATION OF GOODS**

The MTI statement refers to an EU demand for the **free circulation of goods**. By free circulation of goods, we mean that EU goods exported to the SADC EPA countries should pay the applicable customs duties only once, not every time they are in transit through a country or when they are re-exported between SADC EPA countries. It is our understanding that this is perfectly possible already now on the basis of existing customs legislation and indeed it is already the normal situation. This is not a new request but a safety clause proposed since the very beginning of the negotiations to facilitate intra-regional trade and transport and prevent risks of trade distortions. The same principle has always been applied in the EU for ACP or any other imported goods.

## **5. FULL RESPECT FOR NATIONAL SOVEREIGNTY.**

The European Commission fully respects the national and regional competences of its partners for the implementation of the SACU or SADC trade provisions. The EPA principles, which have been accepted by other SACU and SADC members, prevent any partner interfering with national and regional sovereignty of the other side.

Deciding whether and when to sign an international agreement such as the interim EPA is obviously the exclusive privilege of each State. The European Commission has never imposed an ultimatum and remains open to include improvements where the region concerned so agrees. The deadline of 31 December 2007 is a well known constraint since

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<sup>1</sup> South Africa would not receive under EPA the same totally duty free treatment as the other ACP States, therefore specific arrangements are necessary.

the Cotonou Agreement and the WTO waiver on its trade provisions date were respectively signed and granted in 2000.

## CONSEQUENCES

In order to avoid the negative impact of the end of the Cotonou trade regime on 31 December 2007 on ACP trade, the European Commission is making every possible effort to put in place the substantially improved EPA tariff preferences, rules of origin and other agreed provisions on 1 January 2008 for those ACP countries that have initialled an interim EPA<sup>2</sup>. Several legal and administrative steps have to be taken in order for the custom offices to implement this new preferential treatment on 1 January. Therefore, ACP countries that will only initial the interim EPA at a later stage, face the risk of not being granted duty free access for their products into the EU immediately on 1<sup>st</sup> January but only from a later date.

The European Commission hopes that Namibia will be in a position to initial the interim Economic Partnership Agreement. This would ensure continued and even increased competitiveness of Namibian goods in the EU market and avoid a loss of markets, which have taken great effort and time to create. It is therefore essential to find a solution without further delays.

The European Commission and the SADC-EPA countries have confirmed their commitment to continue negotiations on all issues next year with a view to conclude a full EPA. Therefore, by initialling the interim agreement, Namibia will prevent a disruption of trade, while maintaining the space for further discussions on the matters raised by the Government.,

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<sup>2</sup> Responding to ACP requests, the EU SADC EPA States interim EPA includes also several new provisions e.g. on development cooperation, sanitary and phytosanitary measures and technical barriers to trade.