



## Ministerial Statement

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Minister of Trade and Industry

19 May 2010

*"An update on the EPA negotiations"*

*(Check against delivery)*

Over the past months, a number of important developments have occurred. It may be recalled that in our SADC negotiating group, four States namely Botswana, Lesotho, Mozambique and Swaziland signed the interim EPA (or IEPA) in mid-2009. Angola, Namibia and South Africa decided not to sign.

Thereafter, the European Commission, or EC, pushed for the notification of the IEPA to the World Trade Organization (WTO), and its ratification and implementation by those who signed. Doing so would certainly have resulted in the exclusion of Namibia from the current access that we have into the European market, and very significantly, also probably the break-up of the Southern African Customs Union, SACU.

Despite the serious strains within SACU, the five Member States made a strong effort to re-unite, and we proposed a way forward that would keep the SACU members together. We decided to call a meeting in early 2010 in South Africa to discuss the matter.

We had agreed that notification, ratification, and implementation of the interim EPA by those that have signed should not be prioritized unless progress has been made in addressing the internal and external unresolved negotiating issues that still exist which include the alignment of market access tariff offers, rules of origin issues, safeguarding the agreements reached during the Swakopmund meeting explaining the remaining unresolved issues and firm commitment from the EC with respect to the inclusion of these solutions in the final EPA.

We also stressed that we should focus from now on the negotiation of a final EPA that would include the safeguards that we seek and which could be supported by all parties. In these efforts we also obtained the support from Angola and Mozambique, the other two members of the SADC-EPA negotiating group.

Consequently, a letter was sent to the EU to strongly emphasise that from then on, there would have to be consultation, before, after, and between the meetings. We also requested a meeting with the new Commissioner to continue with negotiations on the EPAs. To our dismay, this was roundly and condescendingly rejected by the new European Trade Commissioner (Mr Karel de Gucht, who replaced Baroness Catherine Ashton).

At the recent SACU Summit in Windhoek, we had to regroup and consider our response. We agreed as SACU Members that we would once again need to carefully examine the risks that each Member State faces in signing or not signing. The meeting, at which each state will put up what they will

gain by signing or lose by not signing, is scheduled for the 18<sup>th</sup> June 2010 in Botswana.

After that meeting, there is a proposed summit of SACU Heads of State at which we will report comprehensively for the Heads of State to take the final decision.

All too often we are forced to sign agreements that eventually hound us. Take the example of the International Criminal Court. We signed the charter but now we feel that this court is only targeting African leaders. The US Secretary of State, Mrs. Clinton's visit to Kenya provides a telling illustration.

She 'urged' the government of Kenya to bring the people who have committed post-election atrocities to the International Criminal Court. A CNN journalist pointed out that the US had not signed the International Criminal Court's Charter allegedly because it is not good for the Americans, how could it then be good for the Kenyans? Her response was simply, "We didn't sign, Kenya did." Thus, my personal position on any agreement is that no agreement is better than a bad agreement. But if you have signed the bad agreement you must be ready to live with the consequences.

I do not wish to exaggerate the challenges that we are facing, but if the five member States of SACU cannot find a solution for this problem, it may well spell the end of the customs union as we know it now.

The solution is nevertheless not simply for Namibia to concede and sign the agreement. We cannot sign an agreement just for the sake of giving in to the demands of the other side. Signing holds serious economic and policy consequences for Namibia.

For example, if we sign, we would have to forfeit the policy option of using export taxes on raw materials as an important incentive for value addition to raw materials and as a potentially important new source of revenue.

This we are expected to do at a time when it is a national priority to diversify our sources of revenue to mitigate the declining revenues from SACU and tariff liberalization in general. At the same time our constituents are demanding tougher measures against the exports of raw materials.

We would also have to abandon our current system of infant industry protection, in favour of a much weaker system demanded by the EC. This requirement goes directly against our efforts to industrialize, and would leave several industries that are currently benefitting from such protection

completely exposed. We may have to wave goodbye to our dairy and pasta industries.

We would furthermore have to abolish all forms of quantitative restrictions on imports and exports if we sign. This would risk all our past achievements in horticultural and cereal production, as you know, we depended too much on the import of food in the past.

Our advances towards food security and rural development were made by creating secure markets for our producers, by restricting imports of fruit, vegetables and cereals.

I fear that all our past investments in the Green Scheme, horticultural marketing, grain storage, agricultural extension and value addition to food products would be lost and we would seriously disrupt rural economies and the livelihoods of thousands of small farmers. This alone is actually reason enough not to sign this agreement. We should not be expected, by anyone calling themselves our friends, to create such instability in our rural areas!

There are other reasons which I will not elaborate on now, such as the most favoured nation treatment demanded by the EU at the cost of future South-South trade relations; the unacceptable definition of parties that would create conflicts in how we operate in SACU and SADC, and so on. It is for fear of the destabilizing effects that measures such as these would have on our economy, that we have not been able to sign the IEPA.

Remarkably, for almost all of these problems, we have already negotiated solutions with the EC, at Swakopmund as a matter of fact. The EC, for reasons known best to them, have steadfastly refused to properly safeguard these solutions, either by making amendments to the IEPA, issuing a strong joint declaration, or by guaranteeing their inclusion in the final EPA.

We are currently trading with the EU, and we get the benefit of duty free, quota free market access, by virtue of having initialled the interim EPA. This was so arranged to enable the EU to meet their obligations under the Cotonou Agreement with the ACP countries, namely that "no one should be worse off" as the result of the EPA negotiations.

Some may think that we are "free riding" in the European market. This, I absolutely reject. The contrary is true. Our market is full of European products – let me add, heavily subsidized products, such as long life milk, cheese, butter, chocolate, rice, wheat, wine, beer and other processed agricultural products, imported on terms that we never agreed to. This is because the EU concluded a free trade agreement with South Africa, the so-called TDCA or

Trade and Development Cooperation Agreement in 2004, which Namibia never endorsed, a right which we have in the SACU agreement. EU goods cross our borders from South Africa because of the free flow of goods within SACU. It is the EU that has been free-riding in our market since the TDCA was concluded.

It was in fact Namibia that insisted that South Africa be included in the EPA negotiations in order to regularize the situation, to do away with the TDCA, and to bring all SACU member states back into a single trade agreement with the EU. This would also ensure the alignment of the TDCA and the SACU tariffs to re-establish a common external tariff for the customs union.

We also need to consider the over-arching threat of preference erosion. These duty-free and quota-free market access conditions that we are given by the EU may ultimately not be worth the concessions that we have to give in return. Let us not for one moment believe that we are getting the duty-free, quota-free access for nothing. First, we have to make economic governance concessions and secondly we have to open our own market to the EU. In the meanwhile, the EU is negotiating free trade agreements with other parts of the world including countries that are able to compete with our exports, such as the Latin American beef producers and south East Asia.

A further issue that concerns me greatly, is that no one, including my counterpart Ministers in Europe, can tell me how long we would have to live with the interim EPA. Will it be one year or two years or much longer? This raises considerable uncertainty and could make a world of difference to us. This is one aspect that the European Union simply must clarify if we were to even consider signing the interim agreement.

We have played a constructive role throughout these negotiations. We have pressed, also through our declaration made at the time of initialling the IEPA that solutions must be found for the unresolved issues in the interim EPA.

Other negotiating configurations have not signed EPAs, yet we seem to be singled out for rebuke for not doing so. We see this in our media all the time. Is this perhaps part of the tactics of divide and rule and playing us off against our fellow African countries? Bulldozing a member country and so-called partner? Surely we should not condone this.

We face this predicament for highly artificial reasons. Our sister country Angola, to mention an example, also has not signed the interim EPA, but is not under pressure. Angola enjoys the Everything-But-Arms market access given by the EU to all Least Developing Countries.

In our case, the European powers and others simply divided our GDP by our population, and classified us as a Middle Income Country. Thus by ignoring our dualistic economy, and the real prevalence of rural poverty, this artificial status is now jeopardizing our ability to trade with Europe.

Imagine that an oil producing country such as Angola or Nigeria have LDC status, while Namibia, with a majority of poor citizens, is required to make serious economic policy concessions and offer reciprocity in market access in order to trade with the EU.

Furthermore, I will point out that I had a meeting with my counterparts from EU and I talked about the classification of countries. Although it is not part and parcel of the current negotiations about IEPA, I told them that it does have a bearing on the country's economic and political fortunes.

A case in point is the current system of export of beef to the EU. It was a bad agreement as it forced Namibia to discriminate against the majority of the population. The privilege of exporting was limited to 2% of the farmers who live south of the red line. Thus, the majority of farmers were left out and majority of the cattle stock was not tapped. Such a situation had the potential of creating a political crisis in the country

The way forward remains uncertain. Our officials will meet next week their counterparts in Brussels to try to bring the negotiations back on track, and to get support for the solutions that we have proposed.

Many people speculate whether the EC will now move to exclude us from their market – even though we are still negotiating. I will not join in such speculations, but I trust that all concerned would realize how serious the impact of doing so would be on our exporters and our economy – but especially on our relations with the EU.

I call on our friends in Europe not to abandon us and to work with us towards a lasting solution. After all, the EPA is about partnership towards the shared goals of poverty alleviation and economic development. Let's not use bully tactics or old colonial arrogance. Let's be partners who are equal in sovereignty.

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