

EFTA-SACU Free Trade Agreement

Background

The member states of the European Free Trade Association (EFTA) and the Southern African Customs Union (SACU) negotiated a free trade agreement (FTA) in order to improve their relationship and market access. The agreement was signed in June 2006 and came into force on 01 May 2008. EFTA member states do not have mutual agricultural policies and therefore they were unable to develop one agricultural offer to SACU. Instead each individual EFTA state (Switzerland and Liechtenstein signed one agreement) had to sign an agreement with SACU which gave rise to three complimentary bilateral agreements covering basic agricultural products falling within HS chapters 1 to 24.

The main agreement covers all products falling within chapters 25 to 97 of the harmonised system. Processed agricultural products and products classified by the WTO as agricultural products, but falling outside chapters 1 to 24 are also included in the main agreement. This resulted in four agreements that all form part of the instruments establishing the agreement between SACU and EFTA.

The agricultural trade balance between EFTA and SACU were in favour of SACU for the period 2006 to 2008. The main products exported to EFTA were grape wine $\leq 2 \ell$ (220441) and meat and edible offal, fresh, chilled or frozen (020890). The main imports from EFTA were: food preparations (210690), chocolate and preparations containing cocoa in blocks, slabs/bars not exceeding 2 kg (180631).

Benefits and opportunities

In terms of the main agreement, SACU enjoys immediate duty-free access into EFTA for all products covered by this agreement, with the exception of processed agricultural products. SACU enjoys access that is the same as that enjoyed by the European Union in terms of its respective agreements with the different EFTA States.

SACU and the Switzerland-Liechtenstein Agreement

Through the bilateral agreement SACU exporters have better market access for canned oranges, mandarins and apricots to the Swiss market. They also face duty-free access for canned peaches, grapefruit and lemons. SACU had a positive trade balance with Switzerland for the period 2006 to 2008. SACU's

main exports to Switzerland in 2008 were meat and edible meat offal, fresh, chilled or frozen (020890) and grape wine in $\leq 2 \ell$ (220421). The imports from Switzerland were food preparations (210690), chocolate and food preparations containing cocoa in blocks, slabs/bars, not exceeding 2 kg (180631).

SACU and Iceland Agreement

SACU secured duty-free access for all canned fruit, fruit juices, wine, grapes, citrus and apples into Iceland. Improved access is not limited to the above mentioned only. SACU has a positive trade balance with Iceland for the period 2006 to 2008. The main exports to Iceland were grape wines in $\leq 2 \ell$ (220441) and grape wines in containers $\leq 2 \ell$ (220421) in 2008. The main imports from Iceland for the same period were grapes fresh (080610) and fish-liver oil and their fractions refined or not, but not modified chemically (150410).

SACU and Norway Agreement

SACU exporters face duty-free access for canned fruit—pineapples (2009.20), pears (2008.40), apricots (2008.50), peaches (2008.50) and mixtures (2008.92.01), except for those classified under other (2008.92.09) at 20% of the most favoured nation rate. SACU maintained a positive trade balance for the period 2006 to 2008. The main exports to Norway were bovine cuts boneless, frozen (020230) and grape fresh (080610) in 2008. The main imports from Norway were mucilages and thickeners, modified or not derived from vegetable products (130239) and salmon prepared or preserved, whole or in pieces but not minced (160411).

The free trade agreement between SACU and EFTA should result in improved market access for potential exporters of agricultural products from both sides. It is still too early to tell if SA exporters are taking full advantage of the establishment of the free trade area. The year-on-year growth in exports is marginal, with the exception of exports to Norway compared to the growth of SA imports from EFTA states.

It is important to note that rather than tariff preferences there are other issues, that can be used to restrict trade.

The agreement has provisions on the following issues, i.e. rules of origin, sanitary and phytosanitary measures (SPS) and, amongst others, technical regulations, standards and conformity assessment.



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