

INTERVIEW

Bridges Africa talks to Thuto Mathetsa, a trade negotiator from Lesotho



Thuto Mathetsa

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The views expressed in this interview are strictly those of the author.

African countries and the EU have missed many deadlines in concluding an EPA. What will be different in 2014?

Ultimately, it is more important to strike a meaningful deal than just a quick deal. What may make the difference in 2014 is more frequent engagements to address progress on the outstanding issues. Major decisions and compromises may need to be made by both parties, especially on the policy-related differences. However, time is important, because some countries fear losing their preferential market access to the EU if the EU withdraws the Market Access Regulation 1528 by 1 October 2014, as it has announced it intends to do.

The negotiations have progressed substantially, but there are still some sticky issues such as export taxes. Can you explain briefly the current state of play on export taxes and the SADC EPA Group's position on this matter? What are possible options to move the negotiations on this issue forward?

The two parties have different policy objectives with respect to export taxes. The EU's Raw Materials Initiative suggests that its policy objective is to manage a risk of supply shortages for raw materials identified as critical, a situation that could be exacerbated by the imposition of export taxes on EU-bound raw materials. The SADC EPA group, which consists of developing countries and LDCs, wants to maintain sufficient policy space to enable them to introduce export taxes on raw materials to address revenue or industrialisation needs if necessary. A deal can only be reached by compromise between these two positions.

The need to maintain policy space is often put forward as one of the key reasons for retaining export taxes as an instrument of industrial policy. Yet, there is very little evidence from Africa that export taxes have been effective in fostering industrial activities. Why then would the Group insist on removing or amending the clause on export taxes?

The reasons for low levels of industrialisation in Africa may differ from country to country and could include lack of capacity or political instability. If the objective is to industrialise, there is a possibility that export taxes may become necessary to support industrialisation. I have chosen to give a theoretical response here, because I believe it is not a matter of evidence but of the right to policy space, especially given the current state of poverty in most African countries. This argument should hold for most, if not all, the SADC EPA countries.

The SADCEPA Group argues that the most-favoured nation (MFN) clause could affect future trade deals with emerging partners, since they would have to automatically extend to the EU any new preferences they grant to their new partners. But, how could the Group offer better market access to a new partner by undertaking to liberalise imports of goods that it considered 'sensitive' in the case of the EPA?

Theoretically speaking, it would seem sensible to say that, if better market access can be offered to a new partner, the sensitivity of the product must be minimal or would fade away. However, the argument made by the SADC EPA group is valid because, in reality, trade is very dynamic and at any given time, before making trade policy decisions, it is important to look at various implications and the possible trade-offs that could be made

Definition:

Cumulation should be considered as a feature of non-reciprocal preferential trade arrangements. The core objective of cumulation is to allow LDCs to combine originating materials without losing the originating status of the materials and to jointly share materials or production.

Source: WTO

We understand that cumulation and fisheries (especially for Namibia) are the main stumbling blocks with regard to rules of origin. What are the possible solutions in that area?

There will not be a big problem in resolving issues that require only technical solutions. However, for those issues that have policy implications, it will be necessary for both sides to consider some trade-offs to arrive at a balanced deal. The SADC EPA side may try to persuade the EU, as the more developed partner, to be more accommodative. At the same time, the EU has expressed a strong policy stance on some of these issues, so it is difficult to predict whether or not there will be a deal on these issues. The issues related to fisheries are being addressed bilaterally between Namibia and the EU, and reports indicate that a deal on those issues may be close. Namibia seems comfortable with the current status of negotiations while awaiting responses from the EU side.

The SADC EPA group faces a number of overlapping regional formations that complicate the integration agenda. How best can the EPA commitments be articulated with the Tripartite Free-Trade Area (FTA)?

In principle, it would be easy to advocate for all countries negotiating the Tripartite FTA to consider granting among themselves even better deals than they have entered into with the EU under the EPAs. This would include removing most barriers to trade (including the trade facilitation agenda) and having even simpler obligations, such as in the case of rules of origin. However, in practice, there could be more issues than just the principle of having a better deal among one another as neighbours. In various platforms of regional integration in Africa, concerns have been raised about the poor quality of products for certain sectors; weak regulatory environments (e.g. standards); and circumventions due to the poor control/enforcement capacities of various African countries.

Perhaps if the countries negotiating the Tripartite FTA could use the capacity-building opportunities provided under the EPAs to improve their situations with respect to policy and legislation and administrative and productive capacities, as well as the quality of products, it would be more possible for them to be more open to one another as African neighbours and in the process to contribute towards eliminating the complications caused by the overlapping memberships in regional blocs.

What is the best way to cope with the fiscal challenges in the region, especially for countries, such as Swaziland and Lesotho, that are very dependent on SACU revenue-sharing arrangements?

First, these countries need to invest in building the capacity of the relevant authorities to accurately collect revenues, even as the collectable revenue continues to decline. This will include programmes aimed at ensuring proper enforcement on granting of preferential market access and the ability to detect and avoid serious cases of fraud, such as in the areas of customs valuations, classification, and origin. For this purpose, these countries could leverage the development cooperation provided for under the EPAs to build this capacity and thus protect the remaining propensity to collect.

Second, the development cooperation provided for under the EPAs could also be used to finance projects aimed at boosting economic activity, especially targeting local communities in order to improve income generation and revenue from within these economies.

Finally, even though these countries are less developed, they have natural resources and a lot of unexplored sectors for development, such as tourism and other services. These countries could ensure that economic activity based on the extraction and use of natural resources is regulated much more carefully so as to avoid erosion of revenues from these countries and to create wealth within them.