



## ***Customs Duty and Market Access***

(PRJ-0254-2020)

### ***SAMPRO***

***Quarter 2 2020/2020*** (April 2020 till June 2020)

## **Project goals**

### **Goal 1 - Bilateral and Multilateral Trade Agreements and Negotiations**

#### ***Achievements***

1. In 2019 and 2020, the focus on trade negotiations shifted from negotiations with first world countries to trade within the Africa continent. The focus is on the following agreements:

- || The African Continental Free Trade Area (AfCFTA) which includes 54 African Countries; and
- || The Tripartite Free Trade Agreement (T-FTA) which includes some trade blocks within Africa.

2. Timelines on the AfCFTA The following timelines have been adopted by the Trade Ministers:

- || At the end of September 2019, the member states submitted their Schedules of Tariff Concessions covering 90% of the tariff headings and they agreed to scale tariffs down immediately;
  - || The remaining 10% (i.e. the 7% Sensitive and 3% Exclusion products) was finalised by the end of 2019;
  - || Tariff headings (0402.10) skimmed milk powder, (0402.20) full cream milk powder, and (0405.10) butter are the dairy products which fall under the Exclusion product list;
  - || That by January 2020, all the schedules were finalized and submitted; and
  - || The agreement should have been implemented by June 2020, but due to the Covid-19 pandemic, the implementation date is postponed.
3. Aspects such as market access, scaling down of import tariffs and rules of origin should be handled with caution not to be flooded by cheap import and highly subsidised dairy products caused by government intervention. The project commented on rules of origin and a report was submitted to the Agricultural Trade Forum.
4. The general objectives of the agreement are to
- Establish a liberalised market through multiple rounds of negotiations;
  - Create a single market, deepening the economic integration of the continent;
  - Move towards the establishment of a future continental customs union;
  - Achieve sustainable and inclusive socio-economic development and structural transformations within member states;
  - Enhance competitiveness of member states within Africa and in the global market;
  - Encourage industrial development through diversification and regional value chain development, agricultural development and food security; and
  - Resolve challenges of multiple and overlapping memberships.

***No Non-achievements / underperformance has been reported***

## **Goal 2 - Interaction with International Trade Administration Commission (ITAC)**

### ***Achievements***

#### **Protection against the import of UHT milk**

5. The preliminary evaluation was done and captured in a non-confidential report for consideration by the UHT Milk Work Group. The report was discussed with UHT manufacturers during a meeting that was held in March 2019.

6. The work shop took notice:

a) That no import of full cream UHT (0401.20.07) took place between August 2018 to March 2019; and

b) Concluded that ITAC should be requested to provide information regarding the process to be followed in respect of an application for Safeguard duties in respect of Article 35 of the EPA agreement; as well

c) As whether any criteria other than the criteria mentioned in Article 35, will be used.

7. Informal discussions about Article 35 took place and a formal letter was forwarded to ITAC to get clarity if there are any guidelines for the implementation of Article 35 of the EPA agreement once the import trigger levels for full cream UHT are exceeded in a particular year.

8. Subsequent to this development, DAFF held several interdepartmental meetings with the DTI, SARS and ITAC on this matter during which implementation guidelines were developed and agreed upon at national level. The proposed guidelines were shared with its SACU partners during the SACU internal technical meeting whereby SACU Member States committed to provide comments by 27 September 2019. Draft guidelines for the implementation of Article 35 of the EPA agreement were published in the Government Gazette and comments were submitted to ITAC.

9. The South African negotiators (Dept Trade industry And Agriculture) are busy negotiating the guidelines with the EU and we hope to have a conclusion by the 3rd quarter of 2020.

### ***No Non-achievements / underperformance has been reported***

## **Goal 3 - Export Certification**

### ***Achievements***

10. With the outbreak of Foot and Mouth disease (FMD) early in January 2019, most of South Africa's trading partners have introduced an interim ban on importation of all animal and animal products. All import permits and Veterinary Health certificates had to be renegotiated.

11. The continuation of trade in safe commodities has been prioritised. Safe commodities include any product that has been processed in such a way that the FMD virus, should it be present, will have been destroyed.

12. However, each importing country retains the right to determine its appropriate level of protection and exporters are urged to obtain import requirements via their contact points in the importing countries.

13. In the interim, the Department of Agriculture, Land Reform and Rural Development (DALRRD) has successfully negotiated the revision of veterinary health certificates for processed dairy exports and 90% of South Africa's historical export market has been re-opened.

14. While (DALRRD) was waiting on the approval of a disease containment zone and the re-establishment of the previous FMD-free zone without vaccination status (excluding the FMD control zone and the disease containment zone) the FMD-virus has spread to the Molemole area during the first week in November 2019.

15. This new outbreak will definitely hamper trade in dairy products and some of the trading partner countries have already placed an embargo on trade in animals and animal products.

DALRRD has already started renegotiation with the trading countries.

16. No exports took place since the implementations of lockdown in the middle of March 2020. Export certification only restarted again in Phase 3 of the lockdown.

### ***No Non-achievements / underperformance has been reported***

#### **Goal 4 - Import Monitoring**

##### ***Achievements***

17. The following monthly import and export tables and quarterly reports were submitted:  
Monthly January to December 2019 January to May 2020  
Quarterly January to March 2020

### ***No Non-achievements / underperformance has been reported***

#### **Goal 5 - Membership of and participation in the National Animal Health Forum (NAHF)**

##### ***Achievements***

18. The project manager participates in the meeting of the forum and focus on trade related issues.

19. Since the announcement of the FMD outbreak, the Customs and Market Access Project of Milk SA has been in continuous contact with the Animal Health Directorate of the Department of Agriculture Land Reform and Rural Development (DALRRD) and the National Animal Health Forum (NAHF). On 23 January 2019, a meeting took place between the Project of Milk SA and the Import-Export Unit of the Directorate Animal Health to share information and discuss the status of the outbreak and further actions needed.

20. The NAHF, of which Milk SA is a member, immediately after the announcement of the FMD outbreak, contacted the Government and three task teams have been set up to address the outbreak, namely:

- FMD Technical Task Team (The CEO of the MPO is a member of the task team);
- FMD Trade Task Team (Undersigned is a member of this task team); and
- Communications Task Team.

21. All the media briefs and press releases were forwarded to the industry by Milk SA and we will continue to do this.

22. Dr Chris van Dijk was nominated by the Board of Directors of Milk SA to serve as a Director on the NAHF and he also serves on the FMD Technical Task Team.

23. The project manager has attended numerous meetings with the veterinary officials and the meetings of the FMD Trade Task team.

24. A decision was taken by Milk SA that as from 2020 the membership fees for the NAHF will be split 50/50 between the Research and Development Project and the Customs and Market Access Projects of Milk SA.

### ***No Non-achievements / underperformance has been reported***

## **Income and expenditure statement**

Income and expenditure statement	<a href="#">CORFIN151 Std Qtr (2) Fin report - Project Advances.xlsx</a> <a href="#">Customs Duty 2Q Fin.pdf</a>
Unnecessary spending during period	No

## Popular Report

[Customs 2nd qtr pop report 2020.docx](#)

## Additional documentation

No file has been uploaded

## Statement

Levy funds were applied only for the purposes stated in the contract	Yes
Levy funds were applied in an appropriate and accountable manner	Yes
Sufficient management and internal control systems were in place to adequately control the project and accurately account for the project expenditure	Yes
The information provided in the report is correct	Yes