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PROPOSAL

From: Secretary-General of the European Commission,
signed by Mr Jordi AYET PUIGARNAU, Director

date of receipt: 22 January 2016

To: Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of
the European Union

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Subject: ANNEX to the Proposal for a Council Decision on the conclusion of the
Economic Partnership Agreement between the European Union and its
Member States, of the one part, and the SADC EPA States, of the other
part

Delegations will find attached document COM(2016) 18 final - Annex 3 - Part 1/4.

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Brussels, 22.1.2016
COM(2016) 18 final

ANNEX 3 – PART 1/4

ANNEX

to the

Proposal for a Council Decision

on the conclusion of the Economic Partnership Agreement between the European Union and its Member States, of the one part, and the SADC EPA States, of the other part

ANNEX

ANNEX II: Customs duties of SACU on products originating in the EU – Part 1

ANNEX II

CUSTOMS DUTIES OF SACU ON PRODUCTS ORIGINATING IN THE EU

PART I

GENERAL NOTES

1. Where a staging category is denoted by a letter, the concession or part of the concession as described in this ANNEX shall apply from the date of entry into force of this Agreement within the meaning of Article 113(2) or the relevant date of provisional application of this Agreement within the meaning of Article 113(4), whichever is the earlier, for goods originating in the EU and presented for customs clearance in, respectively, Botswana, Lesotho, Namibia, South Africa and Swaziland.
2. Where a staging category denoted by a letter is additionally denoted by an asterisk ("*"), the concession or part of the concession as described in this ANNEX shall apply from the date on which both conditions set out in Article 113 (5) and (6) have been met, for goods originating in the EU and presented for customs clearance in, respectively, Botswana, Lesotho, Namibia, South Africa and Swaziland.
3. Where the column of the Schedule in PART II entitled “Staging category” lists a customs duty instead of a staging category denoted by a letter, that duty as described in this ANNEX shall apply from the date referred to in paragraph 1.
4. Generic references to a category of goods in square brackets in Sections A and B only serve an indicative purpose. The product scope of each staging category is set out in the Schedule in PART II.
5. In addition to the requirements of Article 23(5), at the date of entry into force of this Agreement, South Africa shall notify to the European Commission its list of duties applied, on the day before the entry into force of this Agreement, to goods originating in the EU and listed as staging categories “B*” and “C*”. After notification, as provided for in this paragraph, South Africa and SACU shall make public such list according to their own internal procedures and within one month after the notification. The Trade and Development Committee shall, at its first meeting after notification and publication, adopt such list communicated by South Africa.

SECTION A

ELIMINATION OR REDUCTION OF CUSTOMS DUTIES

6. The following staging categories shall apply to the elimination of customs duties by SACU pursuant to Article 25(1):

- (a) customs duties on originating goods listed as staging category “A” in the SACU Schedule shall be eliminated on the date referred to in paragraph 1 of this ANNEX;
- (b) customs duties on originating goods listed as staging category "A*" in the SACU Schedule shall be eliminated on the date referred to in paragraph 2 of this ANNEX;
- (c) [*fish*] customs duties on originating goods listed as staging category “B*” in the SACU Schedule shall be gradually eliminated in accordance with the following provisions:
 - (i) on the date referred to in paragraph 2 of this ANNEX, each customs duty shall be reduced to 83 per cent of the South African customs duty applied to goods originating in the EU on the day before the entry into force of this Agreement;
 - (ii) on 1 January following the date referred to in paragraph 2 of this ANNEX, each customs duty shall be further reduced to 67 per cent of the South African customs duty applied to goods originating in the EU on the day before the entry into force of this Agreement;
 - (iii) one year after 1 January following the date referred to in paragraph 2 of this ANNEX, each customs duty shall be further reduced to 50 per cent of the South African customs duty applied to goods originating in the EU on the day before the entry into force of this Agreement;
 - (iv) two (2) years after 1 January following the date referred to in paragraph 2 of this ANNEX, each customs duty shall be further reduced to 33 per cent of the South African customs duty applied to goods originating in the EU on the day before the entry into force of this Agreement;
 - (v) three (3) years after 1 January following the date referred to in paragraph 2 of this ANNEX, each customs duty shall be further reduced to 17 per cent of the South African customs duty applied to goods originating in the EU on the day before the entry into force of this Agreement;
 - (vi) four (4) years after 1 January following the date referred to in paragraph 2 of this ANNEX, the remaining customs duties shall be eliminated.
- (d) Customs duties on originating goods listed as staging category “C*” in the SACU Schedule shall be gradually eliminated in accordance with the following provisions:
 - (i) on the date referred to in paragraph 2 of this ANNEX, each customs duty shall be reduced to 90 per cent of the South African customs duty applied to goods originating in the EU on the day before the entry into force of this Agreement;
 - (ii) on 1 January following the date referred to in paragraph 2 of this ANNEX, each customs duty shall be further reduced to 80 per cent of the

South African customs duty applied to goods originating in the EU on the day before the entry into force of this Agreement;

- (iii) one year after 1 January following the date referred to in paragraph 2 of this ANNEX, each customs duty shall be further reduced to 70 per cent of the South African customs duty applied to goods originating in the EU on the day before the entry into force of this Agreement;
- (iv) two (2) years after 1 January following the date referred to in paragraph 2 of this ANNEX, each customs duty shall be further reduced to 60 per cent of the South African customs duty applied to goods originating in the EU on the day before the entry into force of this Agreement;
- (v) three (3) years after 1 January following the date referred to in paragraph 2 of this ANNEX, each customs duty shall be further reduced to 50 per cent of the South African customs duty applied to goods originating in the EU on the day before the entry into force of this Agreement;
- (vi) four (4) years after 1 January following the date referred to in paragraph 2 of this ANNEX, each customs duty shall be further reduced to 40 per cent of the South African customs duty applied to goods originating in the EU on the day before the entry into force of this Agreement;
- (vii) five (5) years after 1 January following the date referred to in paragraph 2 of this ANNEX, each customs duty shall be further reduced to 30 per cent of the South African customs duty applied to goods originating in the EU on the day before the entry into force of this Agreement;
- (viii) six (6) years after 1 January following the date referred to in paragraph 2 of this ANNEX, each customs duty shall be further reduced to 20 per cent of the South African customs duty applied to goods originating in the EU on the day before the entry into force of this Agreement;
- (ix) seven (7) years after 1 January following the date referred to in paragraph 2 of this ANNEX, each customs duty shall be further reduced to 10 per cent of the South African customs duty applied to goods originating in the EU on the day before the entry into force of this Agreement; and
- (x) eight (8) years after 1 January following the date referred to in paragraph 2 of this ANNEX, the remaining customs duties shall be eliminated.

7. The following staging categories shall apply to the reduction of customs duties by SACU pursuant to Article 25(1):

- (a) customs duties on originating goods provided for in the items in staging category “AUTO18” in the SACU Schedule shall be 18 per cent ad valorem, on the date referred to in paragraph 1 of this ANNEX. It is understood that if the SACU MFN duties on products in this staging category originating in the EU were to be applied below 25 per cent, the matter will be revised;
- (b) customs duties on originating goods provided for in the items in staging category “PM5” in the SACU Schedule shall, on originating goods from the

EU, provide a 5 percentage point preference margin compared to the MFN applied rate, on the date referred to in paragraph 1 of this ANNEX;

- (c) customs duties on originating goods provided for in the items in staging category “PM40” in the SACU Schedule shall be those resulting from the progressive reduction that has taken place in line with the schedule below, on the date referred to in paragraph 1 of this ANNEX.

	Year 1 2000	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Textiles – clothing	40	37	34	31	29	26	23	20	(1)			
Textiles – fabrics	22	20	19	17	15	13	12	10	(1)			
Textiles- household	35	32	29	26	24	21	18	15	(1)			
Textiles – yarns	17	15	14	12	10	8	7	5	(1)			

- (1) In the period from year 8 to year 12, SACU would provide EU exports with a preference margin of 40 per cent compared to MFN applied tariffs.

8. Customs duties on originating goods provided for in the items in staging category “X” in the SACU Schedule shall be excluded from tariff reduction commitments.

SECTION B

TARIFF RATE QUOTAS (TRQS) FOR SPECIFIC GOODS

9. The TRQs granted by SACU under this Agreement shall be managed in accordance with the following provisions:
- (a) the TRQ shall be managed on a first-come, first-served basis for SACU as a whole, once SACU puts into place a customs management system to enable such TRQ management;
 - (b) pending the establishment of a TRQ management system at the level of SACU, the following arrangements shall apply:
 - (i) the TRQs shall be allocated amongst SACU States based on the historical trade as specified under each TRQ;
 - (ii) the TRQs shall be managed on a first-come, first-served basis, except for Namibia; and
 - (iii) on 1 September each year, any unused TRQ in a country allocation shall be made available for imports into any other member of SACU.
10. The TRQ that was applied to imports into South Africa of products originating in the EU under the TDCA that is granted under this Agreement under the same conditions, shall apply from the date referred to in paragraph 1 of this ANNEX. If the date referred to in paragraph 1 of this ANNEX corresponds to a date after 1 January and before 31 December of the same calendar year, the quantity of product imported into South Africa under the TDCA TRQ from 1 January of the year of the date referred to in paragraph 1 of this ANNEX until that date shall be subtracted from the quantity of product that may be imported into South Africa under the corresponding TRQ provided for under this Agreement.
11. Customs duties on goods entered in excess of the quantities listed in this Section, although not designated as such in the SACU Schedule, shall be treated in accordance with staging category "X" as described in paragraph 8 of Section A.
12. Notwithstanding Article 116, the Parties, at the request of either Party, shall review the administration of the TRQs, including with regard to their effectiveness in ensuring quota fill. The Parties may make recommendations to adjust the operation of the TRQs in the light of this review.
13. The following staging categories shall apply to TRQs granted by SACU pursuant to Article 25(1):
- (a) [*wheat and meslin*] the aggregate quantity of originating goods in staging category "D*" that shall be permitted to enter each calendar year duty-free, with effect from the date referred to in paragraph 2 of this ANNEX, is specified below:
 - Quantity
 - 300 000 metric tons

If the date referred to in paragraph 2 of this ANNEX corresponds to a date after 1 January and before 31 December of the same calendar year, the TRQ quantity, which shall be applicable for the remainder of that calendar year, shall be reduced *pro rata* to the remaining number of days of that calendar year.

Products under this TRQ may only be imported through the ports of Walvis Bay in Namibia, and Durban and Richards Bay in South Africa.

Products imported under this TRQ and destined for final consumption in South Africa shall only be allowed to enter from 1 February to 31 October.

Products imported under this TRQ and destined for final consumption in Namibia shall only be allowed to enter from 1 March to 30 November.

- (b) [*barley*] the aggregate quantity of originating goods in staging category "E*" that shall be permitted to enter each calendar year duty-free, with effect from the date referred to in paragraph 2 of this ANNEX, is specified below:

Quantity

10 000 metric tons

If the date referred to in paragraph 2 of this ANNEX corresponds to a date after 1 January and before 31 December of the same calendar year, the TRQ quantity, which shall be applicable for the remainder of that calendar year, shall be reduced *pro rata* to the remaining number of days of that calendar year.

- (c) [*cheese*] the aggregate quantity of originating goods in staging category "F*" that shall be permitted to enter each calendar year into South Africa duty-free, with effect from the date referred to in paragraph 1 of this ANNEX, is specified below:

<u>Year</u>	<u>Quantity (metric tons)</u>
2015	7 250
2016	7 400

After 2016, the quantity shall increase by 150 metric tons per annum.

By way of exception, with effect from the date referred to in paragraph 1 of this ANNEX until the date referred to in paragraph 2 of this ANNEX, goods subject to this TRQ classified under tariff lines 04061000, 04062000, 04064000 and 04069099 shall be permitted to enter into South Africa at an in-quota duty of 50 per cent of the MFN applied rate.

With effect from the date referred to in paragraph 2 of this ANNEX, the aggregate quantity, as specified in this paragraph, of originating goods in this staging category, shall be permitted to enter each calendar year into SACU duty-free.

- (d) [*pig fat*] the aggregate quantity of originating goods in staging category "G*" that shall be permitted to enter each calendar year duty-free, with effect from the date referred to in paragraph 2 of this ANNEX, is specified below:

Quantity

200 metric tons

If the date referred to in paragraph 2 of this ANNEX corresponds to a date after 1 January and before 31 December of the same calendar year, the TRQ quantity, which shall be applicable for the remainder of that calendar year, shall be reduced pro rata to the remaining number of days of that calendar year.

- (e) [*cereal based food preparations*] the aggregate quantity of originating goods in staging category "H*" that shall be permitted to enter each calendar year at a customs duty of 25 per cent of the MFN applied rate, with effect from the date referred to in paragraph 2 of this ANNEX, is specified below:

Quantity

2 300 metric tons

If the date referred to in paragraph 2 of this ANNEX corresponds to a date after 1 January and before 31 December of the same calendar year, the TRQ quantity, which shall be applicable for the remainder of that calendar year, shall be reduced pro rata to the remaining number of days of that calendar year.

This TRQ is only applicable to products imported in packaging of 5kg or more.

Originating goods in staging category "H*" shall only be sold for use in a manufacturing process. The manufacturing enterprise shall be identified on the commercial documents by the consignee or the purchaser in SACU.

- (f) [*pork*] the aggregate quantity of originating goods in staging category "I*" that shall be permitted to enter each calendar year, with effect from the date referred to in paragraph 2 of this ANNEX, is specified below:

Quantity

1 500 metric tons

This aggregate quantity shall be permitted to enter each calendar year at a customs duty set in accordance with the following provisions:

- (i) on the date referred to in paragraph 2 of this ANNEX, each customs duty shall be reduced to 87.5 per cent of the MFN applied rate;
- (ii) on 1 January following the date referred to in paragraph 2 of this ANNEX, each customs duty shall be further reduced to 75 per cent of the MFN applied rate;
- (iii) one year after 1 January following the date referred to in paragraph 2 of this ANNEX, each customs duty shall be further reduced to 62.5 per cent of the MFN applied rate;

- (iv) two (2) years after 1 January following the date referred to in paragraph 2 of this ANNEX, each customs duty shall be further reduced to 50 per cent of the MFN applied rate;
- (v) three (3) years after 1 January following the date referred to in paragraph 2 of this ANNEX, each customs duty shall be further reduced to 37.5 per cent of the MFN applied rate; and
- (vi) four (4) years after 1 January following the date referred to in paragraph 2 of this ANNEX, each customs duty shall be further reduced to 25 per cent of the MFN applied rate.

If the date referred to in paragraph 2 of this ANNEX corresponds to a date after 1 January and before 31 December of the same calendar year, the TRQ quantity, which shall be applicable for the remainder of that calendar year, shall be reduced pro rata to the remaining number of days of that calendar year.

- (g) [*butter and other dairy fats*] the aggregate quantity of originating goods in staging category “J*” that shall be permitted to enter each calendar year, with effect from the date referred to in paragraph 2 of this ANNEX, is specified below:

Quantity

500 metric tons

This aggregate quantity shall be permitted to enter each calendar year at a customs duty set in accordance with the following provisions:

- (i) on the date referred to in paragraph 2 of this ANNEX, each customs duty shall be reduced to 87.5 per cent of the MFN applied rate;
- (ii) on 1 January following the date referred to in paragraph 2 of this ANNEX, each customs duty shall be further reduced to 75 per cent of the MFN applied rate;
- (iii) one year after 1 January following the date referred to in paragraph 2 of this ANNEX, each customs duty shall be further reduced to 62.5 per cent of the MFN applied rate;
- (iv) two (2) years after 1 January following the date referred to in paragraph 2 of this ANNEX, each customs duty shall be further reduced to 50 per cent of the MFN applied rate;
- (v) three (3) years after 1 January following the date referred to in paragraph 2 of this ANNEX, each customs duty shall be further reduced to 37.5 per cent of the MFN applied rate; and
- (vi) four (4) years after 1 January following the date referred to in paragraph 2 of this ANNEX, each customs duty shall be further reduced to 25 per cent of the MFN applied rate.

If the date referred to in paragraph 2 of this ANNEX corresponds to a date after 1 January and before 31 December of the same calendar year, the TRQ quantity, which shall be applicable for the remainder of that calendar year, shall be reduced pro rata to the remaining number of days of that calendar year.

- (h) [*ice cream*] the aggregate quantity of originating goods in staging category “K*” that shall be permitted to enter each calendar year at a customs duty of 50 per cent of the MFN applied rate, with effect from the date referred to in paragraph 2 of this ANNEX, is specified below:

Quantity

150 metric tons

If the date referred to in paragraph 2 of this ANNEX corresponds to a date after 1 January and before 31 December of the same calendar year, the TRQ quantity, which shall be applicable for the remainder of that calendar year, shall be reduced pro rata to the remaining number of days of that calendar year.

- (i) [*mortadella bologna*] the aggregate quantity of originating goods in staging category “L*” that shall be permitted to enter each calendar year duty-free, with effect from the date referred to in paragraph 2 of this ANNEX, is specified below:

Quantity

100 metric tons

If the date referred to in paragraph 2 of this ANNEX corresponds to a date after 1 January and before 31 December of the same calendar year, the TRQ quantity, which shall be applicable for the remainder of that calendar year, shall be reduced pro rata to the remaining number of days of that calendar year.

Products under this TRQ shall be accompanied by a certificate, in English or with an official translation into English, attesting that the product is in conformity with the specification of the geographical indication “mortadella bologna,” made with natural casing, and is imported from and originates from Italy.

PART II

TARIFF SCHEDULE OF SACU

RELATION TO THE COMMON NOMENCLATURE OF SACU

The provisions of this Schedule are generally expressed in terms of the common nomenclature of SACU as contained in the customs and excise tariff, and the interpretation of the provisions of this Schedule, including the product coverage of subheadings of this Schedule, shall be governed by the Rules of Interpretation, Section Notes, Chapter Notes and Subheading Notes of the common nomenclature of SACU. To the extent that provisions of this Schedule are identical to the corresponding provisions of the common nomenclature of SACU, the provisions of this Schedule shall have the same meaning as the corresponding provisions of the common nomenclature of SACU.

[SACU schedule to be attached here]