

**UPDATE ON THE IBSA TRILATERAL CO-OPERATION:
WORKING GROUP ON TRADE**

Prepared by the Bilateral Desk, ITED, the dti
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In March 2005 South Africa hosted the 2nd IBSA Ministerial Commission where a group of senior officials from various government departments participated outlined from Brazil and India. The IBSA Ministerial Commission is composed of various subcommittees including one on trade and investment. During this meeting a Working Group on Trade and Investment was established at the recommendation of the Senior Officials meeting held in New Delhi in December 2004 and was chaired by **the dti**.

Amongst others, issues that were discussed was the convergence of PTA's / FTA's, co-operation on non-tariff measures, co-operation in the G20 and WTO, hosting of future seminars as well as customs procedures.

Subsequent to this meeting, Minister Mpahlwa attended a meeting of IBSA Trade Ministers on 19 March 2005 in New Delhi at which an agenda for advancing trade issues was discussed. Amongst other issues the three Ministers agreed to explore the feasibility of a Trilateral FTA (T-FTA) between SACU, India and Brazil. In addition, Ministers committed to a meeting in August whereby the parties will begin a process that will facilitate discussions around the envisaged FTA.

In this regard Brazil hosted the 2nd meeting of the Working Group on Trade & Investment. During this meeting the parties had a useful exchange of preliminary views on a number of technical issues on a T-FTA, including challenges and mechanisms for evolving the PTA processes into a T-FTA. The parties identified that trade facilitation issues, such as customs co-operation and technical standards, could provide an important foundation for trilateral negotiations.

Subsequently, India hosted the 3rd meeting of the Working Group on Trade where the proposal of an IBSA FTA was further explored.

UPDATE ON DEVELOPMENTS

In March 2006 Brazil hosted a Ministerial where the parties had discussions on mechanisms that will assist in enhancing trade. The areas included the envisaged Trilateral FTA, Co-operation on SME's, Trade Facilitation, proposal on a trilateral customs co-operation, proposal on co-operation on mutual recognition and conformity assessment as well as development of renewable energy sources.

- The parties took note of the decision by Mercosur countries to propose the establishment of a working group to focus on the elements of the envisaged Trilateral FTA. In this regard Argentina has forwarded a proposal to SACU as well as India on the establishment of the Working Group. The Working Group on trade will draft the terms for the study

which is expected to be tabled in a period of twelve months, with a periodic review to be done quarterly.

- With regard to SME's a two-pronged approach was discussed focusing on those companies seeking export markets, and also those companies that are emerging and targeting local market development.

As a first step, it was decided to undertake a comprehensive study to identify sectors ready-to-export and sectors with significant export potential for stimulating joint ventures. The study should also include information on how to do business, comparative advantage in the respective countries, fairs and exhibitions to be held in these countries, areas of joint training programmes, etc

For a uniform approach, it was agreed that a common Terms of Reference (ToR) would be prepared and the ToR (draft ToR to be prepared by Brazil in 2 weeks) would be finalized within a month through mutual consultations. Further, an effort would be made to complete the study before the IBSA Summit scheduled to be held in September 2006. It was also agreed that in developing the capacity of small & micro enterprises, catering primarily to the domestic market, the experience of all IBSA countries would be shared and opportunity for training would be leveraged.

- The parties agreed to expedite the bilateral customs co-operation agreements between them and as such further agreed that a trilateral mechanism will be considered once a decision has been taken on the envisaged T- FTA. The understanding is that the basis of the bilateral will be similar to what would have to be undertaken in a trilateral nature.
- In developing alternative sources of energy Brazil and India have been successful in developing the bio-fuel as well as wind energy respectively. In this regard it was agreed that South Africa will host a seminar that will focus on the commercial elements of renewable energy sources. In addition to this the seminar will also provide an opportunity for knowledge transfer for policy makers as well tradability for the business community.
- The parties agreed to further explore the trade barriers and as such a sub group on Standards and technical regulations will be established.
- In terms of bridging the information gap the parties agreed to upload relevant information pertaining to trade on the IBSA website. In addition to this, the parties agreed to publish an IBSA magazine bi-annually and the chair will undertake to publish the magazine.
- During consultations with business as well as at the business forum it was acknowledged that the existing IBSA Business

Council has failed to yield the desired outcome and as such a decision was taken to consider a new model, which will include representatives of the respective industry associations instead of individual business people. Furthermore it was agreed that the Business Council would consider tangible projects to be tabled at the upcoming IBSA Summit scheduled for September 2006.

One of the key challenges amongst IBSA countries are barriers to trade, and this has been identified as a major mechanism for enhancing trade. In this regard the dti has to engage the relevant stakeholders including EIDD and SABS in order to identify mechanism that will assist in eliminating trade barriers. Furthermore the dti will engage BUSA in order to develop a work programme for the current year.

The decision on the establishment of the working Group on the envisaged T-FTA will broaden the scope for interaction as it is planned to be an inclusive process to involve all SACU member states as well as Mercosur countries.

COMMENTS

At the last meeting of the Working Group it became clear that the focus has been on the envisaged Trilateral FTA and as such it was recommended that the Working should broaden the agenda and focus on other areas of mutual interest.

Since the inception of the Working Group on Trade, discussions have focused on an envisaged T- FTA but it is clear that this is a complex undertaking that requires deeper consideration.

At the last meeting, it was agreed that the Group consider other areas of co-operation, including customs procedures. One of the key challenges amongst IBSA countries are barriers to trade, and this has been identified as a major mechanism for enhancing trade. In this regard the dti has to engage the relevant stakeholders including EIDD and SABS in order to identify mechanism that will assist in eliminating trade barriers. Furthermore the dti will engage BUSA in order to develop a work programme for the current year.

An IBSA Presidential Summit is scheduled for September in Brazil. During the Summit several outcomes are expected including consideration of the envisaged IBSA FTA, Study on SME's, report on renewable energy sources as well as programme or co-operation amongst business.

ATTACHMENT A Work Programme for 2006

The Working Group agreed to work closely to identify opportunities for co-operation amongst IBSA countries including encouraging interaction within the IBSA Business Council. In light of this objective the Working Group agreed on the following programme for 2006:

- Initiate a process of the envisaged T- FTA
- Recommendation for an intent to be considered during the upcoming Ministerial in March
- Proposal on harmonization of standards as well as conformity assessments programmes (MRA)
- Customs procedures
- Develop mechanisms to address commercial disputes
- Co-operate in the financial sector in particular banking
- Co-operate in the multilateral for a in the context of the WTO as well as South – South co operation
- Develop capacity building programmes
- Develop Youth Entrepreneurship programmes
- Co-ordinate trade related issues within other working groups ie. tourism, energy in particular renewables as well as in agriculture (agro -processing)
- Co-operation on SME's
- Develop a programme on Research and Development
- Proposal for the development of a transshipment hub
- Co-operation on intellectual property, e-governance, ICT

Progress Report on NEPAD
Prepared by the NEPAD Unit - the dti
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1. INTRODUCTION

NEPAD is now in its 5th year since inception. NEPAD has been well received internationally as a framework that can lead to sustainable development for the continent. It is without a doubt that NEPAD, if well implemented can drive Africa's growth and can halt the marginalisation of the continent in the global economy.

ITED's NEPAD Unit is key in driving **the dti's** participation in NEPAD. The following projects have been highlighted for implementation in this financial year.

2. DISCUSSION

2.1 NEPAD Implementation Strategy of South Africa (NISSA)

South Africa has a responsibility towards aligning its development agenda within the NEPAD framework in order to contribute to socio-economic growth on the continent. This necessitated a need to develop a national NEPAD Strategy that will guide South Africa's future engagements with NEPAD. As one of the two lead Departments on NEPAD **the dti** is partnering with the DFA in the development of the strategy. **The dti's** Africa Development Strategy will be the key contribution by the Department to the process.

In this regard, a NEPAD National Strategy Workshop was held in Port Elizabeth from 4-6 December 2005. The purpose of the workshop was to develop a draft implementation strategy. Subsequently, a follow up workshop was held from 19-21 April 2006 in Johannesburg in consultation with business, labour and civil society groups to source their views and inputs on the NEPAD Implementation Strategy.

2.2 Africa economic development strategy

The dti is in the process of finalising its Africa Economic Development Strategy. Comments from Cabinet are currently being incorporated into the strategy to ensure that it has regional dynamic for South Africa's engagement with the continent. Once finalised the strategy will be submitted to EXBO for approval and then submitted to Cabinet.

2.3 Joint action plan with NEPAD Secretariat

South Africa is at an advantage in that it has the NEPAD Secretariat in its boundaries. In ensuring effective contribution of the country to continental development, it is vital to engage the NEPAD Secretariat and agree on a joint action plan that will ensure that where **the dti** is able to assist it can render the necessary support to the Secretariat in the implementation of its mandate.

This will entail a dialogue with the Secretariat to agree on areas of cooperation around policy development and technical assistance. **The dti** with its COTII institutions has

expertise in different areas and this can be used to develop a capacity building programme for the continent and to encourage peer learning by interested parties.

2.4 The dti NEPAD Forum

The Forum is aimed at consolidating **the dti** and its agencies' contribution to NEPAD. Different stakeholders within **the dti** have some involvement in NEPAD or continental initiatives. However, the approach has been fragmented. The aim of the Forum is to ensure monitoring mechanisms are in place to evaluate what the department is doing with regards to NEPAD.

The Forum will also be the responsible body to ensure the implementation of the Joint action plan with the NEPAD Secretariat.

2.5 Analysis and alignment of external commitments to NEPAD

The international partners have been keen in participating in Africa's development. However in most circumstances their support has been running parallel to NEPAD e.g. TICAD, AGOA, FOCAC, EPA's, India-Africa etc. The responsibility of the Department is to ensure alignment of these programmes to the continent's development agenda as agreed to by Africans. The aim is to ensure that the development partners support the implementation of NEPAD and do not propose new programmes that may end up hindering the success of NEPAD.

The analysis will be in the form of a research paper for each of the key programmes. **The dti** will also through participation in multilateral forum ensure that the implementation of NEPAD is at the center of proposed programmes by development partners e.g. EU/AU joint implementation matrix.

2.6 African Peer Review Mechanism (APRM)

South Africa is currently undergoing review and is in the process of compiling its Country Self Assessment report. Consultations were held with various stakeholders to co-ordinate inputs under the four thematic areas of the report. The reviews undertaken as part of the APR process look at four specific areas:

1. Democracy and Political Governance
2. Economic Governance and Management
3. Corporate Governance and
4. Socio-Economic Development

The dti has made inputs largely in relation to the themes of Economic Governance and Management and in the area of Corporate Governance. The dti attended the APRM Discussion sessions which took place from 4-7 April 2006 at the Indaba Hotel, where civil society members, the key private sector and public sector representatives were present. The dti attended sessions on Corporate Governance and Economic Governance and Management where Technical Support Agencies submitted draft reports following the receipt of submissions from all stakeholders.

The African Institute of Corporate Citizenship was appointed by the Research sub-committee of the National APRM Secretariat as a Technical Support Agency in the thematic area of Corporate Governance. The South African Institute of International Affairs was appointed by the by the Research sub committee of the APRM National Governing Council as the Technical Support Agency in thematic area of Economic Governance and Management.

Subsequently a meeting was held on the 16th of May 2006 to consolidate the Programme of Action on the thematic areas of Economic Governance and Management and Corporate Governance. The document is currently being finalised and will be circulated amongst the relevant stakeholders.

The Country Support Mission (CSM) would be in South Africa from 11 - 27 July 2006. The launch(handover) of the Country Self Assessment Report is tentatively scheduled for 12 July 2007.

2.7 Rationalisation and harmonisation of the Regional Economic Communities (REC's)

Economic integration in Africa is one of the issues that are central to intra-Africa trade, investment and sustainable development of the continent. The dti has developed position papers that have been used and in most cases adopted by the AU in addressing the issues around integration. One of the key issues is overlapping membership which is a major impediment to the process of integration within the framework of the Abuja Treaty. Furthermore, the dti called for the moratorium to halt the recognition of new REC's not including the REC's and sub REC's in the table below.

Building blocks recognised by African Union as RECs	Other African Regional Economic Organisations
Arab-Maghreb Union (AMU / UMA)	Central African Economic and Monetary Community (CEMAC)
Community of Sahel-Saharan States (CEN-SAD)	Economic Community of Great Lakes Countries (CEPGL)
Common Market for Eastern and Southern Africa (COMESA)	Indian Ocean Commission (IOC)
East African Community (EAC)	Mano River Union (MRU)
Economic Community of Central African States (ECCAS / CEEAC)	Southern African Customs Union (SACU)
Economic Community of West African States (ECOWAS)	West African Monetary and Economic Union (UEMOA)
Intergovernmental Authority on Development (IGAD)	
Southern African Development Community (SADC)	

The dti convened a Roundtable on 19 May 2006 to initiate discussions on a coherent approach to regional integration in Africa, with particular focus on SADC and SACU. The Roundtable was chaired by the Deputy Minister Rob Davies. It is expected that this process will evolve towards defining a comprehensive South African strategy to regional integration in Southern Africa.