

Have agreed as follows:

TITLE I

General Objectives, Principles and Political Dialogue

Article 1

Objectives

1. The objectives of this Agreement are:

- (a) to provide an appropriate framework for dialogue between the parties, promoting the development of close relations in all areas covered by this Agreement;
- (b) to support the efforts made by South Africa to consolidate the economic and social foundations of its transition process;
- (c) to promote regional cooperation and economic integration in the southern African region to contribute to its harmonious and sustainable economic and social development;
- (d) to promote the expansion and reciprocal liberalisation of mutual trade in goods, services and capital;
- (e) to encourage the smooth and gradual integration of South Africa into the world economy;
- (f) to promote cooperation between the Community and South Africa within the bounds of their respective powers, in their mutual interest.

Article 2

Essential Element

Respect for democratic principles and fundamental human rights as laid down in the Universal Declaration on Human Rights, as well as for the principles of the rule of law underpins the internal and international policies of the Community and of South Africa and constitutes an essential element of this Agreement.

The Parties also reaffirm their attachment to the principles of good governance.

Article 3

Non-Execution

1. If either Party considers that the other has failed to fulfil an obligation under this Agreement, it may take appropriate measures.

2. Before doing so it shall supply the other Party, within 30 days, with all relevant information required for a thorough examination of the situation, with a view to seeking a solution acceptable to the Parties.

3. In circumstances of particular urgency, appropriate measures may be taken without prior consultations. These measures shall be immediately notified to the other Party and shall be a subject of consultations, if the other Party so requests. These consultations shall be convened within 30 days from the notification of the measures. If no satisfactory solution is found, the Party concerned may avail itself of the procedure relating to the settlement of disputes.

4. The Parties agree, for the purpose of the correct interpretation and practical application of this Agreement, that the term "circumstances of particular urgency" in paragraph 3 means a case of the material breach of the Agreement by one of the Parties. A material breach of the Agreement consists in:

- (i) repudiation of the Agreement not sanctioned by the general rules of international law, or
- (ii) violation of the essential element of the Agreement, as described in Article 2.

5. The Parties agree that the appropriate measures referred to in paragraph 1 of this Article are those taken in accordance with international law and in the selection of these measures, priority must be given to those which least disturb the functioning of this Agreement.

Article 4

Political Dialogue

1. A regular political dialogue shall be established between the Parties. It shall accompany and help consolidate their cooperation as well as contribute to the establishment of lasting links of solidarity and new forms of cooperation.

2. The political dialogue and cooperation are in particular intended to:

- (a) promote greater mutual understanding between the Parties and a greater convergence of views;
- (b) enable each party to consider the position and interests of the other;
- (c) encourage the support for democracy, the rule of law and the respect of human rights;
- (d) promote social justice and help create the necessary conditions to eliminate poverty and all forms of discrimination.

3. The political dialogue shall cover all issues of common interest to the Parties.

4. The political dialogue shall take place whenever necessary, notably:

- (a) at ministerial level;
- (b) at the level of senior officials representing South Africa, on the one hand, and the Presidency of the Council of the European Union and the Commission of the European Communities, on the other;
- (c) taking full advantage of all diplomatic channels, including regular briefings, consultations on the occasion of international meetings and contacts between diplomatic representatives in third countries;
- (d) where appropriate, by any other means or at any other levels to be agreed between the Parties which would make a useful contribution to consolidating the dialogue and increasing its effectiveness.

5. In addition to the bilateral political dialogue provided for in the previous paragraphs, the Parties shall take full advantage of, and contribute actively to, the regional political dialogue between the European Union and the countries of Southern Africa, with a view in particular to promoting lasting peace and stability in the region.

The Parties shall also participate in the political dialogue in the larger ACP/EU framework, as foreseen and laid down in relevant ACP/EC Treaties.

TITLE II

Trade

SECTION A

General

Article 5

Free-Trade Area

1. The Community and South Africa agree to establish a Free Trade Area (FTA) in accordance with the provisions of this Agreement and in conformity with those of the WTO.
2. The FTA will be established over a transitional period lasting, on the South African side, a maximum of 12 years and, on the Community side, a maximum of 10 years starting from the entry into force of the Agreement.
3. The FTA covers the free movement of goods in all sectors. This Agreement will also cover the liberalisation of trade in services and the free movement of capital.

Article 6

Classification of Goods

On the Community side, the combined nomenclature of goods shall apply to the classification of goods imported from South Africa. On the South African side, the harmonised system shall apply to the classification of goods imported from the Community.

Article 7

Basic Duty

1. For each product, the basic duty to which the successive reductions set out in the Agreement are to be applied shall be that effectively applied on the day of entry into force of the Agreement.
2. The Community and South Africa shall communicate to each other their respective basic duties, in accordance with the standstill and rollback commitment agreed between the Parties, and the agreed derogations to these principles, as set out in Annex I.
3. In cases where the process of tariff dismantlement does not start at the entry into force of the Agreement (notably the products listed in Annex II, lists 3, 4 and 5; Annex III, lists 2, 3, 4 and 6; Annex IV, lists 3, 4, 7 and 8; Annex V; Annex VI, lists 2, 3 and 5; Annex VII) the duty to which successive reductions set out in the Agreement are to be applied shall be either the basic duty referred to in paragraph 1 of this Article, or the