



**Southern African Custom's Union**

**(SACU)**

**Presentation to University of Namibia Economic Students**

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**20 July 2007. Windhoek, Namibia**

**Member States: Botswana, Lesotho, Namibia, South Africa, and Swaziland**  
**[www.sacu.int](http://www.sacu.int)**

## Brief History

Formed in 1910

- Oldest surviving customs union, its original mandate was to facilitate trade between members and was between South Africa and the British government. On behalf of the protectorates
- Customs free zone with no import duties between members except domestic taxes
- Common external tariff (CET) and Common Excise Tariff(1969).
- Through the years apartheid South Africa had the prerogative both in-terms of its administration and policy making

## Brief History ctd...

### The 1969 Agreement

- With the independence of the protectorates in the 60's there was pressure to renegotiate the agreement hence the 1969 Agreement.
- Nonetheless South Africa retained control over tariff decisions but provided a guaranteed source of revenue for BLS.
- This agreement was initially regarded as satisfactory

### The 2002 Agreement

- The 1969 Agreement lacked joint decision making and lacked accountability especially on the side of South Africa
- It was relegated to resolving technical aspects
- The new agreement sets out a broad framework for enhanced integration with a legal personality and clear mandate, objectives, institutions, decision making and financing procedures.

# SACU Institutions

## Council of Ministers

- The highest Decision Making Body
- Composed of Ministers Responsible for Trade and Industry and Ministers of Finance.

## Customs Union Commission

- At the level of Senior Officials
- Provide advice to the Council of Ministers on technical issues across the spectrum of SACU work.

## Technical Liaison Committees

- At the level of technical aspects
- To provide advice to the Commission on technical issues pertaining

Customs, Transport, Trade and Industry, Finance  
and Agriculture

## The SACU Tariff Board

- A necessity in light of having a Common External Tariff
- Currently there exist different national bodies.
- Not yet operational- Jan 2008
- A road map for the establishment of the Tariff Board
- Members still developing the necessary infrastructure
- (e.g., legislative reform and establishing of national bodies)
- International Trade Administration of South Africa given a Mandate to act as SACU Tariff board.
- Administration of Common External Tariff, Tariff Investigations Regulations, Countervailing Regulations, Anti-dumping, Regulations, Safeguard.

## The Tribunal

- A roadmap for the establishment of a Tribunal-  
Jan 2009
- Its task would be the settling of disputes on unfair trade practices within **SACU** and giving legal opinion on cases referred from the tariff board.
- Rules based in line with DSU at the WTO
- Developing annex for its establishment since it is not catered for in the Agreement.

## The Secretariat

- Coordinating of SACU work
- organising and hosting of meetings
- Research and development of SACU policy papers
- Facilitate the implementation of Council decisions



## Future Areas of Competency

- Tariff Board and Tribunal based at the secretariat administratively although these will function independently as per mandate.
- Assist in the gathering and management of intra-SACU Trade Data.
- The management of the Common Revenue Pool

Based on a number of provisions in the agreement the Secretariat will play a more active role in SACU including some part in policy making.



# How Does SACU Operate

## Common External Tariff

- By virtue of being a customs union, SACU operates as a CET
- ITAC of South Africa is responsible for setting the CET in consultations with relevant authorities in other member states
- The necessity for centrally operated tariff board to curd time lags in terms of disseminating information

## Common Revenue Pool

- Agreement provides for a Common Revenue Pool
- All customs excise and additional duties paid in the CMP
- South Africa manages the pool for a transitional period
- Through a revenue sharing formula that includes a development component

# How Does SACU Operate ctd...

## Common Negotiating Mechanism

- To develop proper and common mechanism for trade negotiations
- Raise the profile of trade policy in the union
- To link SACU trade negotiations with to SACU policy harmonisation initiatives
- As a result ongoing negotiations with third parties may help in realignment of member's policies.
- To promote balanced economic growth within the union

These will be achieved by the establishment of a formal institutional structure through the pooling of ad-hoc resources and the possibility of appointing a chief negotiator. This is being done through a internationally bench marking exercise which currently underway.

- *SACU offer to SADC*
- *SACU offer to the US*
- *SACU offer to Mercosor*
- *SACU offer to EFTA*
- *SACU and the WTO (notification to the WTO)*
- *SACU and China*
- *SACU and India*

# SACU Policy Harmonisation

The 2002 SACU agreement recognises the need to develop common policies amongst the members on

- industrial development (Article 38),
- agriculture (Article 39),
- competition policies (Article 40),

## Industrial Policy Framework

### Objective:

- To achieve balanced economic development and deal with the effects economic polarisation and with the industrial concentration.
- Enable a revision of the current tariff structure and implication for the industrialisation process
- Guide selective intervention and consider infant industry protection needs.
- Consider geographic location of economic activity across international frontiers

*How the SA National Industrial Policy framework could take account of the individual BLNS industrial policies?.*

# Common Agricultural Policy

## Objective:

- Cooperate on agricultural policies in order to ensure the coordinated development of the agricultural sector within the common customs area.
- Adoption of common tariffs on agric products and elimination of all existing NTBs
- Harmonisation of import policies
- Greater co-ordination of export marketing
- A well articulated agricultural policy could
  - ❖ boost agric exports in member states.
  - ❖ improve agricultural productivity through technical progress and
  - ❖ develop more rational production systems that would employ resources more effectively.
  - ❖ guarantee stable and acceptable farm incomes to farmers-ensure a fair standard of living for farmers and farm workers-
- Policies on food security- strategies towards collective self reliance in dampening the effects of food security

# Harmonisation of Competition Policies

## Objective:

- Rests on the developmental linkages between competition and trade.
- Policies formulation falls within the remit of individual Member States but these should be complementary
- Provide for some policy action to address private practices that are acting to restrict trade in goods
- The formulation of national competition laws and capacity for implementation especially for BLNS
- Capacity for domestic legal structures necessary to form the basis for enforcement cooperation in the competition law

## SACU and Regional Integration

- SACU notes that the attainment of the full SADC FTA by 2008 and the envisaged SADC Customs Union in 2010 would have an impact on the different Member States of SACU. SACU is therefore cognizant of the need to deal proactively with the process of its consolidation and is prepared to contribute its experience to the process leading to the SADC wide Customs Union. As SADC is currently undertaking studies on the appropriate model for the SADC Customs Union, SACU is preparing to provide input into this process and to articulate its position on the proposed SADC Customs Union.
- Task Team on Regional Integration with the principal mandate to look at the impacts of such a customs union to SACU members and how SACU should position itself in this process.
- As the oldest customs union and having up to now the most comprehensive tariff phase down in SADC, SACU sees itself forming the nucleus of a SADC based customs union.



# Challenges

**The main challenge is around cross border movement of goods**

- Electronic data interchange
- Single administration document
- Codes not uniform
- Capacity building-same training manuals
- Joint border controls- Customs Cooperation.

## Revenue Management

- Location of the pool
- Management
- Trade data collection
- SACU revenue pool may decline considerably due to trade liberalization process EPAs, WTO etc



# Macro-economic Convergence

- SACU countries are at different stages in the formulation policies which are focused on macroeconomic stability and the pursuit of pro-poor policies.
- Trade and sound macroeconomic policies-Sound monetary and fiscal policy and well functioning capital markets are indispensable for trade
- Both the old and new SACU agreements are silent on this issue
- Cooperation on harmonisation of taxation might also be necessary if preferential tax treatment is given to promote the inflow of capital and prevent

## Other Issues

- The SACU Agreement is essentially a trade agreement in goods, other issues pertinent to trade are not addressed by the agreement e.g. no annex in trade in services, intellectual property and Singapore issues.
- These are prominent issues in terms of bilateral trade negotiations
- While having a common external tariff differences still remain on some import policies especially pertaining to wheat flour, milk and milk powder

**THE END**