



Overview of SACU

History, Current Programme and Challenges

SADC Heads of Mission Conference
Tshwane, 17 January 2007

Ms. Tswelopele Moremi
SACU Executive Secretary

Member States: Botswana, Lesotho, Namibia, South Africa, and Swaziland
www.sacu.int

Introduction

- Welcome opportunity to inform on latest developments concerning SACU since renewal through 2002 Agreement
- Share programmes SACU is implementing
- Share challenges facing

History

- Established in 1910
- Renegotiated in 1969 and again 1994 – changing political and economic situation in region
- Comprises of 5 countries
- Customs free zone with a Common External Tariff
- Uruguay Round and WTO – trade liberalisation – generated need to strengthen SACU

The 2002 Agreement

- New legal framework
- Modern rules-based dispensation
- Broad framework for enhanced integration
- Key features include:
 - ✓ Creation of effective democratic institutions and joint decision making
 - ✓ Provision for dispute settlement
 - ✓ Provides for adoption of common policies
 - ✓ Revenue Sharing Mechanism

Structure of the Organisation

- Well-functioning institutions prerequisite for an effective organisation
- **Council of Ministers**
 - Ministers of Finance and Ministers Responsible for Trade and Industry.
- **Customs Union Commission**
 - Senior Officials – Finance and Trade and Industry
- **Technical Liaison Committees**
 - Technical officers
- **SACU Secretariat**

Structure of the Organisation ctd.

- Additional institutions:
- Tariff Board
 - ❖ Recommendations to Council on the level and changes of customs duties, rebates refunds etc.
- The Tribunal
 - ❖ Responsible for disputes regarding interpretation or application of Agreement; or any issue referred to it by Council
- Will create balance in exercise of responsibility and promote democratic decision-making
- Important role in consolidation of SACU

SACU Work Programme

Trade Facilitation

- Adopted 5 customs initiatives:
 - ❖ One stop border post arrangement
 - ❖ Single Administrative Document;
 - ❖ Joint Border Controls – cooperation programme;
 - ❖ electronic data interchange;
 - ❖ capacity building

- Working with the WCO to develop a Customs Reform and Modernisation Program

SACU Work Programme cont...

Trade Facilitation continued

- Anticipated that implementation of these initiatives will
 - ❖ reduce transactions costs
 - ❖ Create more predictable environment for conducting trade in SACU
- Implementation pace slower than expected – varying levels of capacity in Member States to implement and finance programs
- Increasing reliance on donor funding

SACU Work Programme cont...

Revenue Management

- Common Revenue Pool
 - ❖ 3 component revenue distribution formula
- Revenue sharing – critical role in supporting economic development of SACU Member States.
- Trade liberalization – customs revenue potentially decreasing
 - ❖ Challenge to identify alternative revenue sources
- Ongoing deepening regional integration in SADC CU – debate on future revenue sharing within SACU and SADC needed

SACU Work Programme cont...

Regional Integration

- 2002 Agreement provides for integration beyond trade
- Watershed – development of common policies
- SACU is proactively consolidating by building the remaining institutional structures
- Technical studies in support of these processes

SACU Work Programme cont...

Regional Integration continued

- Level of macroeconomic convergence provides platform for further integration with rest of Africa
- Important contribution to development of regionally integrated economic space – spirit of Article 6 of Abuja Treaty
- SACU willing to share its experience as a CU to constructively contribute to debate on SADC CU model.

SACU Work Programme cont...

Regional Integration continued

- Level of macroeconomic convergence provides platform for further integration with rest of Africa
- Important contribution to development of regionally integrated economic space – spirit of Article 6 of Abuja Treaty
- SACU willing to share its experience as a CU to constructively contribute to debate on SADC CU model.

Policy Development & Research

- **2002 SACU Agreement requires development of:**
 - ❖ Common industrial policies and strategies,
 - ❖ Harmonization of agricultural policies ,
 - ❖ Cooperation on competition policies, laws and regulations ,
 - ❖ Developing policies and instruments to address unfair trade practices.

Policy Development & Research cont...

- Efforts to develop new or harmonize existing regional policies.
- Challenge to reconcile socio-economic interests and priorities of Member States
- Common policies should take account of Member States:
 - ❖ differences in development,
 - ❖ vulnerability to third party imports
 - ❖ tariff revenue implications.
- Different perceptions and objectives.

Policy Development & Research cont...

- Common policies should be supported by strategies that address needs of individual Members.
- Policies should aim to respond to common goals and objectives of SACU.
- Main challenge is speed of developing common policies.
- Critical for SACU consolidation – forms fundamental pillar of an effective regional organisation

SACU Work Programme cont...

Trade Negotiations

- Fundamental aim of 2002 Agreements is to integrate SACU into world economy through trade negotiations
- Negotiate as a unit – integrity of CU, specifically Common External Tariff (CET)
- Mandates the development of a Common Negotiating Mechanism.
 - ❖ Provide formalized structure for trade negotiations

SACU Work Programme cont...

➤ Trade Negotiations cont...

- Trade Negotiations where this principle was upheld
 - ❖ SACU-EFTA FTA
 - ❖ SADC Protocol on Trade
 - ❖ SACU-MERCOSUR PTA
- SADC-EU EPA negotiations posed significant challenges to this principle.
- Efforts underway to address these challenges
 - ❖ Ensure integrity of CET
 - ❖ Addressing Member States interests in their trade with the EU

Trade Negotiations cont...

- Major challenge – different configurations for EPA negotiations in region
- Important to ensure that existing and future economic arrangements contribute to deepening of regional economic integration

Final perspectives on regional integration

I THANK YOU