



**REMARKS BY MS. PAULINA M. ELAGO, EXECUTIVE SECRETARY OF
SACU ON THE OCCASION OF THE 38TH PUBLIC DIALOGUE ON**

SACU AND NAMIBIA - THE FUTURE

13 JULY 2017, FURSTENHOF HOTEL, WINDHOEK

Director of Ceremonies,

Honourable Calle Schlettwein, Minister of Finance, Republic of Namibia,

Members of the Diplomatic Corps present,

Distinguished Invited Guests,

Representatives of the Media,

Ladies and Gentlemen,

Good Morning.

1. Allow me to express my sincere appreciation to the Agriculture Trade Forum and Friedrich-Ebert-Stiftung for inviting us to take part in this public dialogue and deliver introductory remarks.
2. As the Executive Secretary of SACU, I am delighted and encouraged that the members of the public are taking keen interests in matters related to SACU and its future. The number of participants attending this event speaks volumes about this.
3. SACU welcomes initiatives and discussions of this nature because they not only raise awareness about SACU Institutions,

its operations and programmes, but also creates a platform to dialogue, share knowledge and enhance understanding of SACU by the members of the public.

4. In fact, this particular event compliments SACU's own ongoing Roadshow Campaign, which has been staged in the SACU Member States since 2015. This campaign is designed to establish dialogue between SACU Secretariat and its stakeholders and develop a common understanding and partnership to enhance awareness and understanding of the Customs Union and its operations.
5. Therefore, I wish to thank you most sincerely for facilitating and availing this opportunity to dialogue on this important topic.
6. Before addressing the thematic topic before us, **“SACU and Namibia - the future”**, allow me to briefly highlight the evolution of SACU, with a special focus on its evolving roles and objectives since its formation over 100 years ago. This will enable us to contextualise all pertinent issues around the theme and help us to understand the future direction of our Organisation and its role in supporting the economies of its Member States including the Republic of Namibia.
7. As the oldest Customs Union in the world today, SACU arrangement was formalized in 1910. The political changes

following the independence of Botswana, Swaziland, and Lesotho necessitated a renegotiation of the 1910 Agreement, which culminated in the conclusion of the 1969 SACU Agreement. Further political and economic dispensation of the early 1990s warranted a complete renegotiation of the 1969 Agreement. This followed Namibia's independence in 1990 and democracy in South Africa 1994.

8. The 1969 Agreement lacked joint decision making, therefore it was necessary to take these developments into account and conclude a new Agreement. The SACU Agreement of 1969 was thus renegotiated with the aim to democratize SACU and address the needs of the SACU Member States more effectively. The result was a 2002 SACU Agreement, which sets out a broad framework for enhanced integration with clear mandate, objectives, institutions, financing procedures and joint decision making.
9. The 2002 Agreement provides for the following SACU institutions: the Council of Ministers, Customs Union Commission, the Secretariat, Tribunal, Tariff Board, National Bodies, and Technical Liaison Committees. The establishment of National Bodies is at different levels across Member States as they institute appropriate legislative framework. The Tariff Board and Tribunal have not been established.

10. A SACU Summit, composed of the Heads of States and Government, has also been institutionalised with amendments to the SACU Agreement, 2002, in April 2013.
11. As a customs union, SACU continues to maintain a Common External Tariffs (CET) on imports from outside of the Customs Area. Pending the establishment of the SACU Tariff Board, the Department of International Trade (ITAC) of South Africa was delegated to set the CET in consultations with relevant authorities in other Member States as an interim measure.
12. SACU Member States have also pursued a unified and coordinated approach to negotiations with third parties through the Common Negotiating Mechanism.
13. Since 2002, SACU has concluded several trade agreements with some of its key trading partners. These include: Preferential Trade Agreement with the MERCOSUR group of countries; Trade, Investment and Development Cooperation Agreement with the US; SACU-EFTA FTA and most recently, the Economic Partnership Agreement with the European Union. With the conclusion of these Agreements, the market access opportunities are now availed for the Member States and the private sector to take full advantage of.
14. Since 2002, the Customs Union has been evolving. Taking into account the regional and global developments, the SACU Heads

of States and Government adopted a new Vision for SACU in 2010, this being to be “*An economic community with equitable and sustainable development, dedicated to the welfare of its people for a common future*”. Consistent with the above-mentioned Vision, the SACU Mission is:

- To serve as an engine for regional integration and development, industrial and economic diversification, the expansion of intra-regional trade and investment, and global competitiveness;
 - To build economic policy coherence, harmonisation and convergence to meet the development needs of the region;
 - To promote sustainable economic growth and development for employment creation and poverty reduction;
 - To serve as a building block of an ever closer community among the peoples of Southern Africa;
 - To develop common policies and strategies for areas such as trade facilitation; effective customs controls, and competition; and
 - To develop effective, transparent and democratic institutions and processes.
15. The SACU Vision and Mission define the future of SACU and the ambition of the SACU Member States to deepen regional integration efforts and moving towards the establishment of an economic community.
16. SACU Vision and Mission constitute a clear response by the SACU Heads of State and Government to the regional and global developments and how they see the SACU of the future. More specifically, the Vision seeks to construct a position for SACU

within the multiplicity of regional integration initiatives such as SADC and COMESA and thus define the future of the Custom Union.

17. With this Vision, SACU Member States have decided to position SACU at the centre of regional integration agenda and ensure that the Organisation “serves as a building block for close economic integration” in the Southern African Region. To achieve this Vision and Mission, this requires the transformation and re-invigoration of the current Customs Union to an Organisation that is able to face the current and future developmental challenges of the region while remaining relevant and generating benefits for its members.
18. SACU Vision also represents a paradigm shift away from a focus on a mere revenue sharing arrangement to one that seeks to promote industrial development, as an overarching objective of SACU and thereby contributing to the development and diversification of the economies of the member States. To this effect, the development of effective policy tools and regional cooperation mechanisms that will contribute to regional industrialisation, constitutes a key element of the SACU Work Programme.

19. Following the adoption of the new Vision and Mission in 2010, the SACU Heads of State and Government have approved the following Priority Areas:
- i) Regional Industrial Development Policy;
 - ii) Review of the Revenue Sharing Arrangement;
 - iii) Trade Facilitation;
 - iv) Development of SACU Institutions;
 - v) Unified Engagement in Trade Negotiations;
 - vi) Trade in Services; and
 - vii) Strengthening the capacity of the Secretariat.
20. I should point out that the recent developments both at the global and regional levels, some of which have a great impact on the multilateral trade governance structure such as increased populism and anti-globalisation; as well as the lack of common approaches to how we implement the Priority Areas in SACU, have prompted SACU to undertake some self-introspection with a view to reinvigorate the SACU Work Programme.
21. In this regard, I am pleased to inform this August gathering that following a self-introspections by the SACU Member States and discussions at the Ministerial and Summit levels, the SACU Council has approved a Work Programme, which was also endorsed by the Heads of States and Government at their recent Summit held on 23rd June 2017, in Swaziland.

22. The Work Programme comprises the following:
- (a) a review and development of a suitable architecture for tariff-setting, rebates, duty drawbacks and trade remedies;
 - (b) a review of the Revenue Sharing Formula based on the principle that “no member State should be worse off” and the long-term management of the Common Revenue Pool;
 - (c) the establishment of a Stabilisation Fund and exploring the feasibility of a financing mechanism for regional industrialisation;
 - (d) identifying financing options for regional projects; and
 - (e) the development of public policy interventions to promote and align industrial development and value chains.
23. Furthermore, the work above will, in some instances lead to a review of some aspects of the SACU Agreement, 2002, to facilitate the development of SACU economies. This however can only be done once there is consensus on specific topics.
24. The implementation of the Work Programme will be spearheaded by the two Ministerial Task Teams on Trade and Industry, and on Finance, to facilitate the urgent implementation of the Work Programme. In terms of the institutional set, the Ministerial Task Teams will report to the Council of Ministers, which in turn reports to the Summit.

Senior officials will support the work of the Ministerial Task Teams.

25. In addition to endorsing the Work Programme, the Heads of States and Government also reaffirmed their commitments to SACU and the important role it plays in the economies of the Member States. This is in recognition of the fact that SACU is not only a source of significant revenue for most of the Member States, but through the free movement of goods, SACU can help build regional value chains, and thereby propel the region to tap into global value chains.
26. It is against this background that the SACU Summit directed the Ministerial Task Teams to prioritize industrial development and develop concrete cross-border projects to promote industrialization to ensure that the region is able to optimise economic benefits to withstand global economic shocks.
27. The new Work Programme is to be implemented over the next twenty-four months.
28. I should note that the work and the negotiations that will follow among the Member States will not be easy, however this will be necessary to ensure that SACU remains relevant and responsive to the needs and the development challenges of all the member States.

29. As a Secretariat, we stand ready to support the Member States to execute the Work Programme and ensure that SACU indeed became a vehicle for development in support of the economies of the Member States, going forward.

Ladies and Gentlemen,

30. We are all aware that the Namibian Government regards and attaches great importance and priority to regional integration efforts. This is in recognition of the fact that regional integration offers the most credible strategy and approach for tackling its development challenges including the industrialisation drive. Increased and expanded market within SACU offers one route to overcome the disadvantages of economic smallness, which characterise all the BLNS. In 2015, Namibia's GDP was estimated at R147 billion, Botswana, R167 billion, Lesotho R25 billion, Swaziland R52 billion and South Africa R3.9 trillion. Individually, these economies are too small, on their own, to attract any major investment in the increasingly globalised economy.
31. By belonging to SACU, Namibia has access to a single market of over 61 million people and a combined GDP of R4.384 trillion in 2015. Thus, SACU offers unlimited access to a wider market for the export of their goods and to some degree services within

which traders and investors can take advantage of economies of scale.

32. In order to exploit and maximise its benefits from SACU and other regional integration initiatives in general, Namibia would need to:

- a) Develop a clear strategy towards regional integration and ensure policy coherence and the mainstreaming of regional integration across all sectors of the economy. Such a strategy will articulate and ensure policy coherence between national policies and regional initiatives.
- b) Accelerate efforts towards economic diversification to broaden its industrialise base so as to take advantage of the SACU growing market as well as the market opportunities that are being created with the conclusion of new trade agreements;
- c) Ensure full implementation of ongoing programmes especially trade facilitation and regional customs modernization programmes.
- d) A clear articulation of Namibia's interests and positions to inform the discussion that will now ensue under the approved work programme.

33. Through such efforts, these could propel the country to be able to optimise economic benefits arising from its membership to SACU and other trade arrangements concluded with third

parties. In turn, this should stimulate growth and strengthen the country's ability to withstand global economic shocks.

34. In conclusion, allow me to once again thank the Agriculture Trade Forum and Friedrich-Ebert-Stiftung for organising this dialogue. This dialogue came indeed at an opportune time as SACU enters yet another phase in its history with a view to reposition and transform itself not only to remain relevant but to be responsive to the development needs of its Member States in the face of regional and global developments.

35. I thank you for your kind attention.