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## Press Statement

### Developments in SACU - 5 years into the implementation of the 2002 SACU Agreement

1. The 15<sup>th</sup> of July 2009 marks five years since the entry into force of the 2002 SACU Agreement. During this period, the Organization has made progress in a number of areas such as institutional development, policy development and trade relations with third parties.
2. At an institutional level progress was made with the development of operational policies and procedures for SACU institutions established under the 2002 Agreement such as Secretariat, Council of Ministers, the Commission and the Technical Liaison Committees.
3. At a Policy level, this period saw the implementation of a new Revenue Sharing Formula, several policy related studies commissioned to provide insight to SACU Member States on their policy development
4. SACU's relations with third parties saw the conclusion of trade agreements with third parties which include the SACU - EFTA Free Trade Agreement - implemented on 1 May 2008; SACU-MERCOSUR Preferential Trade Agreement whose expected implementation date is 1 January 2010, SACU - USA TIDCA

signed in July 2008 and the SACU - INDIA PTA which is currently being negotiated.

5. Overall, while progress was made in these areas, the first five years of implementation of the Agreement also proved that the journey to strengthening regional integration is not one without challenges. Since the entry into force of the 2002 SACU Agreement, SACUs internal and external environment has had a bearing on the pace of implementation of the 2002 Agreement.
6. The challenges facing the Organization have to be seen within the context that the 2002 SACU Agreement is a framework agreement and as such, it only outlines the key tenets which have to be in place for the proper functioning of the Customs Union. At the same time the 2002 Agreement provides for a clear break from the past way of doing business in SACU. The implementation of the new agreement requires a more robust engagement among the Member States in order to arrive at a common vision on the future of the organization.
7. The 2002 Agreement, introduced a rules-based dispensation premised on a customs union that is aligned to a 21<sup>st</sup> century global trading environment, with all its related demands. The 2002 Agreement introduced a new revenue sharing formula, joint institutions, common policies, mechanism for settling disputes and a common approach to negotiating with third parties. Implementing the provisions of the 2002 Agreement that seek to put in place these new elements of the Customs Union has had to be preceded by a thorough analysis of how this will work in practice including the preparation of detailed operational Annexes, which have had to be agreed, adopted and ratified by all parties.

8. In addition to the ongoing challenges of implementing the Agreement, there have been continental and global dynamics since the entry into force of the 2002 SACU Agreement, which have presented a combination of opportunities and challenges.
9. At the continental level, there has been an increased call for deeper integration and trade liberalization in order to promote economic growth and development through trade and investment creation. This has resulted in the decisions for deeper regional integration and the unveiling of roadmaps for the establishment of Customs Unions in both SADC and COMESA; all of which have implications for SACU Member States as they are also members of these organizations. A critical consideration in this instance is the fact that technically, a country cannot belong to two customs unions.
10. In addition, this period saw increased efforts to streamline the activities of Regional Economic Communities (RECs), resulting in the formation of the COMESA-SADC-EAC arrangement, which recently announced plans to establish a tripartite FTA. All of these developments have meant that SACU has to rethink its strategy for engaging with the region, whilst at the same time focusing on consolidating the implementation of its 2002 Agreement.
11. At the global level, the expiry of the WTO waiver on the Cotonou agreement meant that a WTO-compatible, reciprocal, replacement regime, in the form of an Economic Partnership Agreement (EPA) had to be negotiated. A challenging factor for SACU was the fact its members were party to two separate trade agreements. (The TDCA and the Cotonou Agreements). There was therefore a need to harmonize these two trade regimes with the EU, in

order to adhere to the objectives of the Customs Union, which are a Common External Tariff in relation to trade with 3<sup>rd</sup> Parties and the free movement of goods among its members. The EPA negotiations came with a tight deadline of 31 December 2007, which was linked to the expiry of the WTO waiver. The key principles for the EPAs are **reciprocity**, differentiation, deeper regional integration and coordination of trade and aid.

12. Adherence to the key principles of the EPAs highlighted some of the key issues that SACU faces in consolidating its integration arrangement, which include the importance of a harmonized approach in ensuring the cohesiveness and proper functioning of the Customs Union through the completion of common institutions such as the Common Negotiating Mechanism (CNM) and the development of common policies, strategies and trade negotiation positions.
13. In addressing these challenges a SACU Ministerial Retreat was held on 29 August - 1 September 2008 at Kasane, Botswana. The purpose of the Retreat was to take stock of the implementation of the 2002 SACU Agreement and to identify the challenges facing the organization.
14. This historic Ministerial recognized that while SACU is in its infancy stage in the implementation of the new Agreement, the renewed identity of SACU has been challenged internally as a collective and externally by regional and international developments. In this respect, the Retreat recognized that the integrity of the Customs Union is paramount and must be nurtured.
15. The Kasane Ministerial Retreat concluded that because of SACU's long existence together with the fact that in many respects it has served the interests of the Members well; it should be consolidated in order for it to play a more meaningful role in deepening regional integration. The Member States recommitted themselves to the SACU Agenda and recognised that the process of consolidating and strengthening integration is complex, and

may require further engagement among the Member States to take stock of emerging challenges and agree on common strategies for addressing these. The Retreat noted the importance of developing a long-term vision for SACU, which will guide the organization moving forward.

16. The Kasane Retreat was a major step in the process of dealing with the challenges facing the organization. The current challenges faced by the organization provide a unique opportunity for the Member States to use the long history and vast experience of collaboration to make SACU a better institution; that will accommodate the needs of the Member States while at the same time responding and aligning itself to the unfolding continental and global dynamics.

17. The 15<sup>th</sup> July 2009 not only marks the fifth year since the 2002 SACU Agreement came into force it also marks the handing over the Chairmanship of SACU from Lesotho to Namibia. The SACU Agreement provides for the rotation of Chairmanship amongst the Member States in alphabetical order for a period of 12 months. The Secretariat is committed to providing full support to the incoming Chair, Namibia, to facilitate engagement amongst Members States in addressing the emerging challenges facing SACU as a collective.

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SACU Secretariat

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