



Statement of Ms. Tswelopele C. Moremi, Executive Secretary of
the Southern African Customs Union (SACU) at the Launch of
the World Trade Report 2011 in Geneva, Switzerland

20 July 2011

Roundtable 1: Deep Integration and Preferential Trade Agreements

Chairperson

Distinguished panellists

Distinguished Delegates

I wish to start by expressing my deep appreciation to H.E Mr. Pascal Lamy, Director General of the World Trade Organisation (WTO) for inviting the Southern African Customs Union (SACU) Secretariat to this very important occasion to launch the World Trade Report 2011 and for the opportunity to contribute to the debate around Preferential Trade Agreements and deeper integration. I also wish to congratulate the WTO Secretariat for the excellent publication, which constitutes a very useful reference on the present state of Preferential Trade Agreements, containing many useful insights.

This discussion could not have come at a more opportune time, when many countries and regions are moving towards deepening integration with the view to promote trade, increase economic growth, expand employment creation opportunities and address many other development challenges.

Deeper integration, through Preferential Trade Agreements, is however not an end in itself. It brings about challenges, that include the necessity to improve trade among ourselves, and to align our institutions, regulatory frameworks and policies to the rules of the multilateral trading system.

Chairperson, the first observation to make is that SACU's establishment in 1910 preceded the establishment of the multilateral trading system, i.e. GATT 1947. Therefore as far as we are aware, SACU as the oldest Customs Union is also the oldest preferential trade agreement. This occasion therefore also provides a unique opportunity to share the experience of the Southern African Customs Union (SACU) on how SACU has evolved into a regional trade arrangement, as well as how we have been moving from focusing on tariff reductions to issues that touch on the harmonization of our domestic policy, both internally and *vis-a-vis* third parties.

Small economies and PTAs

Indeed deeper integration, particularly through Preferential Trade Agreements, constitutes a major channel for small economies with small populations and differing levels of development, which are

seeking to gain access to external markets; liberalize their own markets; and secure long-term links with strategic partners. These are some of the characteristics of the countries that comprise SACU.

The World Trade Report 2011

Chairperson, even though the multilateral trade system is viewed as the most economically efficient way to ensure global participation in international trade, the World Trade Report 2011 however points out, that preferential trade agreements have been on the increase and even more strikingly, their scope has broadened to include “behind-the-border issues”. To me, this is an indication that countries are seeking to collaborate in policy areas that were previously not addressed at regional and across-regional level.

SACU's experience

Chairperson, from SACU's experiences in trade negotiations with third parties, increasingly, issues such as investment, trade facilitation, competition policy, and government procurement, as well as issues related to the regulation of the environment and the protection of labour rights are being proposed for inclusion in the scope of preferential trade agreement negotiations. In recognition of this, SACU is considering a review of the 2002 Agreement to take into account, *inter alia*, the broadened scope of preferential trade agreement negotiations.

Challenges for LDCs and Developing Countries

The Report also points out that, while the proliferation and deepening of PTAs is creating vast opportunities for least developed and developing countries to modernize and upgrade production for greater economic efficiency, it is also posing a serious challenge for policy makers, as they must deal with an increasing number of complex issues with limited administrative and technical resources both for negotiation and implementation.

In my view, the donor community can provide support to develop capacity to address supply-side constraints and to improve trade negotiating and implementation capacity. The Aid for Trade Initiative is very important vehicle to achieve this.

Chairperson, the Report also points out that: “In order for PTAs to operate smoothly, certain national policies need to be harmonized or rendered mutually compatible to facilitate business activities in the partner states to PTAs.” This clearly requires deeper forms of integration than merely tariff liberalization and includes strengthening of institutions, trade facilitation initiatives, rules of origin and alignment of domestic regulations and technical standards.

Evolution of Integration in SACU

Chairperson, coming back to SACU, being one of the oldest Customs Union in the world, our region’s economic integration had to evolve over time to deal with changing political regional and global economic

realities. The 2002 SACU Agreement marked a turning point in regional integration dynamics and provided important institutional and policy changes to the previous Agreement. The 2002 Agreement, which has been notified to the WTO, will, when fully implemented, characterise SACU as more than a preferential trade agreement, because it also addresses issues of common policies, harmonisation, coordination and cooperation in standards, and includes various trade facilitation and related policy provisions. The Agreement therefore represents a framework for deeper integration amongst its five Member States, as well as the possible extension thereof beyond the current borders of the Customs Union. From our experience, I can confirm the observation of the Director-General of the WTO, that the approach that SACU has followed in deepening integration and negotiations of preferential trade agreements was indeed motivated by a desire for deeper integration rather than market segmentation. I also welcome and support the call by the Director-General for a healthier and more stable trading environment, where alternative trade policy approaches are mutually supportive and balance equitably the needs of all nations.

SACU and Preferential Trade Agreements

As part of an effort to access external markets and integrate globally with other economies, SACU has concluded several trade agreements with third parties, amongst other the SACU-EFTA Free Trade Agreement, the SACU-MERCOSUR Preferential Trade Agreement. These negotiations demonstrate SACU's commitment to integrate with the rest of the world, advancing economic development through trade, investment and technology transfer. In line with the topic of debate

today, I want to emphasize that all of these agreements reflect a move to deeper regional trade integration and cover issues beyond tariff reduction to include policy related and behind-the-border matters.

SACU and the Multilateral Trading System

Chairperson, SACU Member States are the founding members of the WTO and have been active in the launch of the Doha Development Round and the subsequent negotiations. They have done this, recognizing the enormous potential of trade liberalization in advancing economic growth and development especially for LDCs and developing countries. It is therefore with much disappointment to come to the realization that the Doha Round is not realizing the desired outcome. SACU remains committed in its support for the multilateral trading system and it is our hope that a deal can still be achieved.

Conclusion

Significant liberalisation, particularly through tariff reduction and quota elimination has occurred, at the multilateral, regional and bilateral levels, however the traditional instruments of trade policy, tariffs and quotas, have become less important. What is also clear is that the modern trade agreements are becoming comprehensive in nature and extend well beyond trade in goods, where the traditional trade barriers had featured more prominently. The focus is shifting increasingly to addressing behind-the-border issues, with policy issues increasing on the development agenda.

Our own experience in the Southern African region, with SACU having evolved over a 100 years, is that regional integration has historically constituted an integral part of development strategies. To further illustrate the importance of deeper integration to SACU Member States, SACU Heads of State and Government met in 2010 in Namibia for the Centenary Celebrations of the Customs Union, and adopted a new Vision for the Customs Union to deepen integration to an Economic Community. Heads of State and Government also adopted a new strategic work programme, containing several key priority areas of work to achieve this Vision, amongst others, regional industrialization, establishing common institutions, revenue sharing, unified engagement in trade negotiations, trade facilitation and cross-border infrastructure initiatives.

Despite the challenges and changing landscape over the past hundred years, the five SACU Member States showed resilience and endurance, able to adapt to the ever-changing economic, social and political landscape and continued to deepen its integration. As a result, an integrated SACU can now also play a supporting role in deepening regional and continental integration, in particular in the Southern African Development Community.

Chairperson, I conclude my remarks by once again thanking you for the opportunity to be part of this event here today and look forward to the discussion.

I thank you for your attention.