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OPENING STATEMENT BY SOUTH AFRICA, SPOKESPERSON ON BEHALF  
OF THE SOUTHERN AFRICAN CUSTOMS UNION (SACU) ON THE  
OCCASION OF THE 4<sup>TH</sup> WTO TRADE POLICY REVIEW OF SACU

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Your Excellency, Mr Atanas Atanassov Paparizov, Ambassador of Bulgaria and Permanent Representative to the WTO;

Distinguished Discussant, Your Excellency, Mr Alberto Pedro D'Alotto, Ambassador of Argentina;

Excellencies;

Heads of delegations;

Distinguished Delegates;

SACU colleagues;

Ladies and Gentlemen;

It is an honour and privilege for me to deliver this statement on behalf of the Southern African Customs Union (SACU) consisting of following Member States:

1. The Republic of Botswana
2. The Kingdom of Lesotho
3. The Republic of Namibia
4. The Republic of South Africa; and
5. The Kingdom of Swaziland

Chairperson,

At the onset, I wish to welcome all present here this week for the 4<sup>th</sup> Trade Policy Review of the Southern African Customs Union Member States. I further wish to thank the Chairperson, Ambassador Atanas Atanassov Paparizov for his Opening Remarks and I wish to recognise Ambassador Alberto Pedro D'Alotto, for agreeing to be the discussant for this 4<sup>th</sup> WTO Trade Policy Review of SACU.

I wish to also extend our gratitude to the WTO Secretariat for their assistance in preparing their Reports, as well as our Member States and our own SACU Secretariat for their work in preparing the Government Reports and coordination of inputs and responses to questions from WTO Members. I also wish to thank all WTO Members that shown an interest in this Review and for the questions posed to us in advance. We have endeavoured to answer all of these as per the timeframes in the procedural guidelines.

Ladies and Gentlemen,

SACU Member States are now undertaking its 4<sup>th</sup> Trade Policy Review, once again, as a Customs Union. We are of the view that the transparency exercise that the trade policy review promotes is of great value to all of us. We therefore re-affirm our commitment to submitting our trading regimes for review within the context of our obligations under the WTO. This commitment is consistent with the objectives of the Trade Policy Review Mechanism (TPRM) as provided for in Annex 3 of the Legal Texts of the WTO Agreements.

Chairperson,

I wish to remind Members that the Southern African Customs Union dates back to 1910, making it the oldest Customs Union in the world. Following the attainment of independence by the British Overseas Territories in the mid-1960s, a new Agreement was signed on 11 December 1969 by the sovereign states of Botswana, Lesotho and Swaziland (BLS), as well as South Africa.

However, the 1969 Agreement was a colonial construct with important elements missing, such as joint decision-making procedures, common policies, common institutions and institutional infrastructure. Around the time of the signing in 1994 of the Marrakesh Agreements, which heralded a new era of trade liberalisation, leading to the establishment of the WTO in 1995, some important political developments took place in Southern Africa with the achievement of independence of Namibia in 1990 and the attainment of democracy in South Africa in 1994.

To take advantage of these important global and regional developments, SACU Member States took a decision in 1994 to renegotiate the 1969 SACU Agreement to better reflect the prevailing political and economic environment. The objective of the SACU Member States was to have an international organisation with effective, transparent and democratic institutions, based on joint decision-making procedures, while also providing for a dispute settlement mechanism in the form of a Tribunal and the development of common policies.

In 2002, the process of renegotiating the new SACU Agreement was completed and the five SACU Member States signed a new and comprehensive Agreement in Gaborone, Botswana. This Agreement

entered into force on 15 July 2004 following its ratification by all SACU Member States. I wish to note that the 2002 SACU Agreement was also successfully considered by the Committee on Regional Trade Agreements at its 53<sup>rd</sup> sitting in 2009.

Distinguished Ladies and Gentlemen,

as most of you would be aware, the 2002 SACU Agreement forms the basis for a collective review of the five Member States' trade policies. SACU is a fully-fledged Customs Union, with a Common External Tariff and free movement of goods amongst its Members. Four of its Members are also in a Common Monetary Area. The five SACU states are at different levels of economic development. Botswana and South Africa are classified as upper middle-income countries, while Namibia and Swaziland are considered as lower middle-income countries, and Lesotho is a least developed country. However, all SACU countries face common challenges relating to poverty, unequal income distribution and high unemployment rates.

The 2002 SACU Agreement is a comprehensive Agreement when compared to the previous Agreement of 1969. The main features of the Agreement can be summarised as follows:

1. ***Joint decision-making processes:*** The 2002 Agreement provides for clear decision-making processes whereby all SACU Member States are involved, with decisions taken based on consensus.
2. ***The establishment of common institutions:*** The Agreement establishes a number of common institutions, with the SACU Council of Ministers being the highest decision-making body in SACU,

supported by the SACU Commission, the Technical Liaison Committees and the SACU Secretariat, a permanent institution based in Windhoek, Namibia, responsible for the day-to-day administration of the Agreement. The Agreement further provides for the establishment of a SACU Tariff Board, which will be responsible for setting and implementing tariff policy. The Tariff Board will be supported in its work by National Bodies in Member States. Finally, the Agreement establishes an *ad hoc* Tribunal created to resolve any differences that might occur amongst Member States.

3. ***Revenue-sharing formula:*** The Agreement makes provision for a revenue-sharing formula that provides for the equitable sharing of revenue derived from customs and excise duties, taking into account the differing levels of economic development amongst SACU Member States.
4. ***Trade relations with third parties:*** The Agreement further provides for the establishment of a Common Negotiating Mechanism. As a Customs Union, SACU will have to ensure the integrity of the Common External Tariff. As a result, the Council decided that SACU should enter all trade negotiations with third parties as a bloc.
5. ***Development of common policies:*** The Agreement recognizes that economic integration cannot proceed in the absence of common policies. The Agreement therefore calls for the development of common or harmonized policies, or increased co-operation, in the areas of industrial development, agriculture and competition.

Since implementation of the revised SACU Agreement in 2004, a number of initiatives have been embarked on to further deepen integration in the Customs Union and to strengthen the cooperation that exist among the five Member States. To this effect, SACU has taken a decision to include a Summit of Heads of State and Government in its institutional arrangement. There have also been initiatives aimed at facilitating further integration, including the adoption of a new Vision and Mission for SACU, as well as a related 7-point priority work programme, which includes (i) regional industrialisation, (ii) establishing of institutions, (iii) review of the revenue sharing arrangement, (iv) trade facilitation, (v) unified engagement in trade negotiations, (vi) trade in services and (vii) strengthening the capacity of the Secretariat.

This work programme is aimed at promoting development integration within the Customs Union, enhance economic development, diversification, industrialization and competitiveness of Member States and promote the integration of Member States into the global economy through enhanced trade and investment. We believe that if the region is to develop faster and take advantage of regional integration and globalisation, Member States need to address the constraints facing the supply side of their economies, including those related to inadequate regional infrastructural linkages. This requires restructuring in Member States to be orientated to become more diversified economies and to significantly reduce Member States' over-dependence on primary commodities. This would also contribute to increases in the volume of intra-regional trade and SACU's integration into the global economy. The key objective is thus diversification of production particularly into higher value added products. There is also a need to invest in

infrastructure development to promote inter-connectivity between economies.

There has been notable progress in all areas including on the negotiation and conclusion of some trade agreements. A number of trade facilitation initiatives have also been launched and progress has been achieved in defining the parameters for the review of the revenue sharing arrangement.

With respect to trade negotiations specifically, Chairperson, I wish to indicate that SACU Member States continue to undertake trade negotiations with third parties as a collective. This is a legal requirement given our common external tariff. SACU has therefore negotiated common tariff offers with third parties and has thus far signed Free Trade Agreements (FTAs) with the Southern African Development Community (SADC) and the European Free Trade Association (EFTA) and a Preferential Trade Agreement (PTA) with the Member States of the Southern Common Market (MERCOSUR). The SADC and SACU-EFTA FTAs already entered into force, while the SACU-MERCOSUR PTA is yet to be implemented as ratification on the part of MERCOSUR is still pending. In addition, we have signed a Trade, Investment and Development Cooperation Agreement with the USA aimed at facilitating increased trade between the two Parties to the Agreement.

We are further also engaged in negotiations with India towards a PTA. As a collective, SACU is also involved in negotiations towards a Tripartite Free Trade Agreement between the Common Market of East and Southern Africa (COMESA), the Southern African Development

Community (SADC), and the East African Community (EAC), while negotiations towards a comprehensive Continental Free Trade Agreement involving all African Countries was launched in June 2015. Finally, SACU Member States as part of the SACU EPA Group have recently finalised the Economic Partnership Negotiations with the European Union and it is anticipated that the Agreement will be signed and ratified by October 2016. Our guiding principle in negotiating all these trade agreements has been adherence to the WTO provisions that apply in this regard.

Ladies and Gentlemen,

speaking of the WTO, it is important to observe as well that SACU Member States are having common tariff bindings to a large extent. There are only a few exceptions to this, and SACU has, with the assistance of the WTO Secretariat, embarked on an initiative to harmonise those bindings. SACU also applies common trade remedies and implements a common tariff setting mechanism. Further work to improve the institutional mechanisms and institutional infrastructure in SACU is ongoing.

Chairperson,

Trade reforms have continued over the last few years. Despite the outbreak of the financial crisis in 2008, the simple average applied MFN tariff remained stable at around 8 percent since the last trade policy review in 2009 as attested by the latest WTO Secretariat Report. It is noteworthy that SACU increased the percentage of duty-free tariff lines from around 54 percent in 2009 to 56 percent in 2015. Despite our varied levels of development, the shares of SACU's WTO agricultural products and WTO NAMA products attracting a zero tariff in 2015 are 40

percent and 58 percent respectively. In light of this and other features of our trade regime, we do not concur with the assertion made in the Secretariat Report that the SACU Common External Tariff remains complex.

Although SACU's trading partners have stayed mainly the same since 2010, the percentage of trade with Asia and Africa has increased substantially.

Deepening global economic interdependence has meant that SACU's economic prospects and resilience to external shocks is often severely tested. This has been most evident during the recent economic crisis which has had a disproportionate impact on SACU given the relatively small size of our economies. The International Monetary Fund projects the global economy to grow by 3.1 percent in 2015 and increase moderately over the coming few years. For SACU, the average growth for the period 2012-2014 is recorded at around 2.3 percent. SACU countries have had to contend with the impact of deep declines in commodity prices, volatile exchange rate fluctuations and falling export demand that are attributable to the global trade slowdown.

Against this background, it is our view that developing countries, including SACU Member States must be able to use all legitimate, legal policy space provided by WTO rules as necessary to protect their economies.

In our view, the recent crisis has served to underline the importance of our programmes to pursue and deepen industrial development,

infrastructure development and economic integration in SACU, within our region and across the African continent.

Chairperson, I wish to thank Members of the WTO for the interest shown in SACU and specifically for the large number of questions received. Nine countries submitted questions in advance, while another eleven countries have submitted since the deadline. In total we received over five hundred questions. We have sought to provide comprehensive answers to all of the questions received before the deadline. It should be noted that we received a number of questions in Spanish and we were not in a position to answer those without an official translation into English. We will endeavour to provide answers to these questions during this week and all the questions will be answered within the prescribed period of one month as provided for by the rules of procedure. We look forward to a fruitful exchange in this regard.

In conclusion, I would like to once again thank all delegations and the Secretariat for all your time and effort in participating in SACU's 4<sup>th</sup> trade policy review, and for already making this exercise a success.

I thank you.