



KEYNOTE ADDRESS DELIVERED BY TSWELOPELE MOREMI

EXECUTIVE SECRETARY OF SACU AT THE SAIIA ROUNDTABLE

ONE HUNDRED NOT OUT: WHAT FUTURE FOR SACU?

THURSDAY, 20 MAY 2010,

SOUTHERN SUN HOTEL, PRETORIA, SOUTH AFRICA

Mrs. Elizabeth Sidiropoulos, National Director of the South African Institute of International Affairs

Mr. Peter Draper, Trade Programme Head of the South African Institute of International Affairs

Distinguished panellist and speakers

Distinguished Invited Guests

Members of the Press

Ladies and Gentlemen

I am greatly honoured to address this roundtable today. I want to thank the South African Institute of International Affairs for the invitation extended to me. Let me also honour the important work the Institute is doing in creating awareness on the regional integration initiatives in Southern Africa and their implications on our respective national economies. In this regard, I want to congratulate you on the initiative you have taken to organize today's event, which I believe deals with a very important question, namely the future of SACU as a regional economic integration organization.

Ladies and Gentlemen

SACU, the oldest Customs Union in the world, recently launched the celebration of its 100 (hundred) years of existence when the SACU Heads of State and Government met in Windhoek on 22 April 2010. 100 years of SACU's existence is a remarkable achievement given the history of the region and an extraordinary milestone. However, we are at the same time acutely aware of the challenges facing the Organization. It is for that reason that we have adopted a theme for the centenary celebrations that is meant to inspire us to remain focussed on the task ahead of us.

The theme of the centenary commemoration ***“Implementing a Common Agenda Towards Regional Integration in Southern Africa”***, points toward the challenges facing SACU and the resolve required to deal with them. It points toward the need for the collective action to address these

challenges and to ensure SACU's continued adaptation to emerging regional and global integration imperatives. Allow me therefore to share with you my views as to what the future holds for SACU.

However, before I do that, I want to point out that I do not share some of the views as outlined in the background documentation to this meeting, especially relating to the possible "downgrading" of SACU. It is true that SACU has been put under enormous strain owing to both internal and external pressures, in particular the different views concerning the equitable distribution of revenues and the Economic Partnership Agreement (EPA) negotiations with the European Union (EU). However, these tensions led to a process of introspection in SACU, which started two years ago in Kasane, Botswana, with a retreat of the SACU Council of Ministers to address these matters and sketch the way forward for the Organization. That retreat was followed by another important Council meeting in September 2009 in Swaziland. At both these meetings the SACU Member States recognized the value of this Organization. However, they also acknowledged that in moving forward, SACU has to be consolidated in order to position it to play a more effective role in the Southern African region. At the same time they recognized that SACU also has to change the way it has been doing business. More importantly, they recognized the need for a shared common vision and the need for a meeting of the SACU Heads of State and Government to provide strategic political direction. It is in this context that the recent SACU Heads of State and Government meeting took place. At that meeting, the Heads of State and Government expressed their conviction that SACU can be a vehicle for deeper development integration both within itself and within the Southern African region and gave a clear indication that they believe in the future of SACU by signing a SACU Vision and Mission, which launches SACU into the future. In addition, the aim is to create an even closer union which will allow SACU to serve as an engine for regional integration and development in Southern Africa. I hope you will agree with me that this ambition shows the clear recognition of the Member States to SACU's

potential and importance as an organization, which can contribute to regional economic development and integration.

Ladies and Gentlemen,

Even though the establishment of SACU was based on the need by a colonial power for a workable trade and customs sharing arrangement among territories that it controlled, over the years SACU has shown the flexibility to adapt to changing circumstances. In this way, the 1910 Agreement remained in force until the independence of the three High Commission Territories, when it was renegotiated to take into account the changed political environment, leading to the 1969 SACU Agreement. With the political changes that took place in 1994 in South Africa, the accession of Namibia to the agreement after attaining its independence in 1990, and the developments in the global trade environment following the establishment of the WTO, all the SACU Member States agreed to negotiate a more comprehensive agreement, based on democratic principles and common institutions. As a result, the Agreement was renegotiated starting in 1994, leading to the new 2002 SACU Agreement, which became effective on 15 July 2004.

When the Member States embarked on the road towards reforming the organisation and establishing a new SACU based on a renegotiated Agreement, they did so in order to bring about a fresh start. The Member States were also desirous to deepen their integration into the global economy through common policies. This implied a new *modus operandi* within SACU.

The evolution of the Union over time and reflected through the various Agreements has been underscored by the desire of the Member States to modernise and deepen the integration arrangement. It also forged a new set of values and new institutional arrangements among the Member States.

In summary, therefore the 2002 SACU Agreement introduced a number of important institutional changes to the previous arrangement and transformed the Customs Union into a new organization, with a strong emphasis on common institutions and common policies, based on the principles of effectiveness, transparency and democracy in decision-making. The Agreement further 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.

Chairperson,

However, during the last couple of years, SACU has faced several challenges with the implementation and interpretation of the Agreement, which have slowed down the process of integration amongst the five Member States. In addition, SACU has also been confronted with challenges relating to its integration into the regional and global economy, as envisaged by the Agreement.

Some of the key challenges the organization is or was facing include the following:

- The absence of a common SACU Vision and Mission;
- Slow progress in the establishment and effective operationalisation of the outstanding institutions like the SACU Tariff Board and the Tribunal;
- Limitations in the 2002 SACU Agreement with increasing demands to broaden the scope of the agreement to include areas such as Trade in Services, Finance and Investment, Government Procurement, Environment, Market and Monetary Integration;
- Sustainability of the current revenue sharing arrangement, specifically in view of the challenges arising out of the global financial crisis;
- Slow progress in the development of common policies as mandated by the Agreement; and

- Positioning SACU within the regional integration context in Southern Africa.

Ladies and Gentlemen, Distinguished Invited Guests,

As I indicated earlier, these challenges are being acknowledged and have forged a consensus that a renewal of the 2002 SACU Agreement is needed. The adaptability and responsiveness of the Organisation to both external and internal political and economic realities represent some of the greatest strengths and successes of SACU. It bears testimony to the ability of the Member States to implement reform measures when required in order to serve the interests of all Member States, its people and the region.

SACU has made significant progress in promoting both regional integration and the integration of Member States into the global economy. Regionally, SACU is the only fully functioning Customs Union, with free movement of goods between Members and a Common External Tariff. The 2002 Agreement, when fully implemented, characterises SACU as more than a Customs Union because it already addresses issues of common policies, harmonisation, coordination and cooperation in various trade facilitation and investment policies. SACU has also negotiated several trade agreements with third parties as a bloc, specifically the SADC Trade Protocol, with EFTA, the USA and MERCOSUR, which is an indication of its commitment to integrate with the rest of the world, thereby advancing economic development in the region.

It is with these strengths and challenges in mind that the Heads of State and Government have adopted a SACU Vision and Mission that sets out the future of the organization and should ensure its existence beyond the current 100 years. The SACU Vision and Mission statement point the direction towards SACU's future by agreeing that SACU should become an economic community with equitable and sustainable development, dedicated to the welfare of its people for a common future.

Developing a SACU Vision and Mission is our response to the developments that are happening at the regional and continental level. The Vision seeks to construct a position for SACU within the plethora of integration initiatives currently taking place within the region and defines a future form for the Organisation moving forward. The Mission clearly identifies what is needed for SACU to achieve the aim of forming the nucleus for regional integration within Southern Africa.

However, agreeing on a Vision and Mission on its own will not be sufficient to guide the organization into the future. Attaining our objectives will require committed leadership, a shared vision and dedication by all stakeholders. Recognising this, the SACU Heads of State and Government agreed to institutionalise the meeting of SACU Heads of State and Government and agreed that they should meet again towards the end of July this year to give effect to the decisions taken in Windhoek. Member States are fully aware that this process will be a long and challenging one, but they remain committed towards SACU as an institution, notwithstanding these challenges.

Finally, it is important to acknowledge that SACU is fully aware that the Customs Union is not just about revenue sharing. Issues of trade facilitation, harmonisation of policies, and cooperation among Member States to harness investment in the region are equally important. This is the principle that the new SACU Vision and Mission underscores.

Distinguished Ladies and Gentlemen;

As you can deduct from what I have said so far, SACU has started a process of introspection and renewal. One can ask what should inspire this process and how should the contemporary challenges be tackled? As I indicated recently during the meeting of the SACU Heads of State and Government, I believe the following are important consideration:

- Having evolved out of a colonial arrangement, SACU has adapted to new needs and conditions over time and remained able to offer an effective mechanism of intergovernmental cooperation. The regional stability displayed by the SACU region over time should be a paramount guiding principle in whatever is decided.
- All the Member States have close relationships based on a common history, and a common legal and administrative tradition. These are important features of our cooperation in SACU and should facilitate our endeavour to find solutions to practical problems, while continuing to cooperate and work together.
- Democratic governance is an important part of the 2002 Agreement and should be strengthened.
- We still have to fulfil the promise and expectations contained in the 2002 SACU Agreement. Our people, the business community and the international community are aware of these aspects and require from us to work diligently to achieve our aims and objectives.
- We should acknowledge that the 2002 SACU Agreement emphasises promotion of trade among Member States, which is a primary role of a customs union, and this needs to be highlighted more. We need to emphasize the important role SACU can play in facilitating economic growth and business development. There is a need for a concerted effort to promote SACU as a viable organisation to the business sector to facilitate and promote trade in the region and play a vital role in regional trade integration. In this respect, we have recently launched a Customs Reform and Modernization programme with the assistance of the World Customs Organisation. This programme focuses on the development of a regional customs policy, legislative reforms, creating trade partnerships and developing standard operating procedures across the entire region.
- Finally, we should not lose sight of the fact that SACU is not an end in itself. It is an instrument for advancing economic development and growth, and for promoting deeper regional integration. Ultimately it is about the improvement of the lives of the people of the five Member States. Therefore,

SACU's success or failure should be measured by the extent to which the Member States succeed in utilizing this Organization as an instrument for achieving these objectives.

In conclusion,

It is my sincere belief that the recent and up-coming meeting of Heads of State and Government will go down in history as occasions signifying the recommitment of the political leadership to define SACU's future role and a collective determination to move the Union forward. I am therefore confident about the continued existence of the organization, albeit within a different context, as a modern agreement forming the basis for closer regional economic integration within the Southern African region.

I thank you for this opportunity and trust that you will enjoy fruitful deliberations, hoping that they will provide an important input into resolving the challenges we are facing.