



SACU's Trade Facilitation Programme: Talking Regional Customs Modernisation

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1. Introduction

- 1.1 As the world's oldest custom union, the Southern African Customs Union (SACU) was formally established in 1910. Its Member States are the Republic of Botswana, the Kingdom of Eswatini (formerly Swaziland), the Kingdom of Lesotho, the Republic of Namibia and the Republic of South Africa.
- 1.2 SACU has its Headquarters in Windhoek, Namibia. The SACU Secretariat is responsible for the day today administration of SACU. It also coordinates and monitors the implementation of all decisions of the SACU institutions. The Secretariat is also responsible for the coordination of the negotiation of trade agreements with third parties.
- 1.3 SACU's main objectives are to:
 - (a) facilitate the cross-border movement of goods between the territories of the Member States;
 - (b) create effective, transparent and democratic institutions which will ensure equitable trade benefits to Member States;
 - (c) promote conditions of fair competition in the Common Customs Area;
 - (d) substantially increase investment opportunities in the Common Customs Area;
 - (e) enhance the economic development, diversification, industrialization and competitiveness of Member States;
 - (f) promote the integration of Member States into the global economy through enhanced trade and investment;
 - (g) facilitate the equitable sharing of revenue arising from customs, excise and additional duties levied by Member States; and
 - (h) facilitate the development of common policies and strategies.
- 1.4 Currently, the SACU Work Programme is focused on the following Priorities as approved by the SACU Heads of State or Government:
 - (a) Regional Industrial Development Policy;
 - (b) Review of the Revenue Sharing Arrangement;
 - (c) Trade Facilitation;
 - (d) Development of SACU Institutions;
 - (e) Unified Engagement in Trade Negotiations;
 - (f) Trade in Services; and
 - (g) Strengthening the capacity of the Secretariat.
- 1.5 This Article focuses on SACU's Trade Facilitation Programme in general and more specifically, on the SACU Regional Customs Modernisation Programme.

2. Trade Facilitation in SACU

- 2.1 Generally, the Trade Facilitation process intends to reduce impediments and bottlenecks in cross-border trade and thus promote a seamless movement of goods between countries. Trade Facilitation encompasses the simplification, standardisation, and harmonisation of the procedures involved in international trade, as opposed to complex and burdensome procedures, which exacerbate the cost of trade transactions. It also enhances the process of clearance, release and movement of goods in transit and to destinations.
- 2.2 As a Customs Union, SACU is uniquely positioned to propel regional integration and achieve the objective of free and unhindered movement of cargo. The SACU region consists of two coastal countries, Namibia and South Africa, and three landlocked countries, Botswana, Eswatini and Lesotho. Namibian and South African ports handle a large number of vessels with cargo destined for the SACU region and beyond. There is therefore a need to consistently improve efficiency at the ports of entry for all modes of transport, i.e. land, sea and air. This will contribute to the “*just in time principle*”, competitiveness and comparative advantage of firms operating in the SACU region.
- 2.3 UNCTAD (2016) observed that: “*As trade has become more liberalized through lower tariffs and quotas, the focus of policymakers has shifted to other impediments to the cross-border movement of goods, particularly to those of an administrative and logistical nature. Transport connectivity, the quality of logistics services and border management all play growing roles as determinants of international trade flows. Trade facilitation has been identified as a tool for increased and smoother trade between countries*”. This is exactly what the SACU Trade Facilitation Programme seeks to achieve.
- 2.4 The behind-the-border rules, policies and regulations require constant revision to ensure alignment to international best practices. This includes maximum use of technology and upskilling government officials that are tasked to implement Trade Facilitation initiatives in the region. To leverage on new market access created through negotiated trade agreements with third parties, there is need to constantly develop solutions to ease access for businesses to information related to preferential market entry requirements for their products.
- 2.5 Consequently, the SACU Trade Facilitation initiatives seek to complement and also add value to the work being undertaken by the SACU Member States at the national, regional and international levels. In accordance with the SACU Agreement, 2002, the SACU Trade Facilitation Programme is guided by the need to: (i) facilitate the free movement of goods; (ii) freedom of transit and transport facilitation; (iii) Customs Cooperation; (iv) collaboration on monitoring the import and export of prohibited and restricted goods; (v) harmonisation of product standards and technical regulations within the Common Customs Area;

and (vi) support trade negotiations and implementation of trade agreements concluded with third parties.

- 2.6 Currently, the SACU Trade Facilitation agenda focuses on the implementation of a Regional Customs Modernisation Programme whose details are provided below.

3. Regional Customs Modernisation Programme

- 3.1 The SACU Regional Customs Modernisation Programme receives technical support from the World Customs Organisation (WCO), and funding from the Swedish International Development cooperation Agency (SIDA). The Programme aims to support Customs Administrations to implement common customs systems, procedures and processes to ease the cross-border movement of goods, whilst strengthening collaboration and cooperation amongst them. It also seeks to address impediments faced by traders, harmonisation of policies and procedures and behind the border measures.
- 3.2 The Customs Modernisation Programme has been implemented in two phases. Phase I commenced in 2008 and was completed in 2013; and Phase II commenced in February 2014 and is planned for completion at the end of December 2018.
- 3.3 The SACU Customs Modernisation Programme focuses on the following four areas:
- (a) **Customs Legislative Framework**, that seeks to facilitate the development and implementation of common legal instruments to support IT Connectivity; Preferred Trader Programme and Risk Management and Enforcement;
 - (b) **Risk Management and Enforcement**, which aims to enhance risk management and enforcement capabilities through the development and implementation of common strategies and methodologies to combat illicit trade in the region;
 - (c) **IT Connectivity**, that seeks to establish real time IT systems interface between the SACU Member States, through inter-connected Customs Systems. This will allow the automated exchange of import and exports trade transactions;
 - (d) **Trader Partnerships**, which aims to develop and implement the “Preferred Trader Programme” as a basis for an Authorised Economic Operator scheme; and the establishment of a platform for dialogue between the public and private sectors. The objective of the Preferred Trader Programme is to recognize traders that are compliant with the Customs laws through expedited movement of goods, and less physical and documentary inspections.
- 3.4 Some of the tangible deliverables and achievements recorded to date under the Customs Modernisation Programme, include the development of the following:
- (a) the SACU Regional Customs Policy;

- (b) the Model Bilateral Arrangement to facilitate the automatic exchange of information;
- (c) the Stakeholders 'Engagement Strategy for the Preferred Trader Programme;
- (d) the Preferred Trader Programme Training Manuals on Risk Management and Audit for Customs Officials;
- (e) the Internal and External Manuals for the Preferred Trader Programme to guide Customs Officials and Traders on the implementation of the Programme;
- (f) the Regional Legislative and Administrative Customs Frameworks to facilitate the automated exchange of information through IT Connectivity amongst the SACU Member States; and
- (g) the Regional Customs Strategies and Administrative Framework to facilitate a common application of methods to identify, manage and deter illicit trade. This enabled a successful conclusion of the three Joint Customs Enforcement Operations targeting alcohol, tobacco, and textile and clothing.

3.5 The implementation of the above frameworks and tools is expected to have long term and positive impact on cross-border trade in SACU. Some of the results attained so far include the following:

- (a) real-time connectivity between the South African Revenue Services (SARS) and Swaziland Revenue Authority IT Systems. It is expected that by March 2019 there will be full connectivity in SACU. Further, the tools developed for IT connectivity would serve as a model for similar initiatives in other regional economic communities.)
- (b) all Members States are presently implementing modern Customs laws, which replaced the 1964 Customs law;
- (c) 76 traders have been accredited in the SARS Preferred Traders Programme as at November 2018, and more are in the process of getting their compliance recognition status by other administrations;
- (d) a common training programme has been adopted to ensure that all Member States' officials apply similar approaches in the accreditation of traders; and
- (e) successfully undertook three Joint Customs Enforcement Operations between 2014 and 2018, targeting illicit trade in alcohol, tobacco products, clothing and textile and most recently illicit trade in pharmaceutical products. Through these operations the following results were attained:

- (i) ***under Operation Texo on clothing and textile***; there was a revenue prejudice estimates at R3 953 683 whilst 71 transactions were mis-declared and a further 71 transactions were recorded for tariff mis-classification;
 - (ii) ***under Operation Gryphon on tobacco and tobacco products***; there was a revenue prejudice estimates at R229 483 358; and
 - (iii) ***under Operation Topliq on tobacco and alcohol***; there was a revenue prejudice estimated at R79 682 948; 14 arrests for smuggling cigarettes and tobacco; and seizures of 9 400 cigarette master cases and 40 000 litres of un-denatured alcohol.

- 3.6 The envisaged benefits to the SACU region upon the full implementation of the Customs Modernisation Programme, include but are not limited to: (i) predictability and transparency in the procedures and legislative requirements; (ii) improved and strengthened cooperation and collaboration amongst the Customs Administrations; and (iii) sustainable customs reform and modernization efforts in the region.

- 3.7 The successful implementation of the Customs Modernization Programme will greatly improve and enhance cross-border trade flows in the SACU countries. Both the public and private sectors stand to benefit from efficient and seamless border management systems with reduced instances of fraud and illicit trade, non-compliance. It will also lead to enhanced competitiveness as faster clearances at ports of entry or exit will improve the speed with which products reach their final consumer.

- 3.8 Going forward, and during the coming year, the SACU Customs Modernisation Programme will seek to achieving the following:
 - (a) full implementation of the national Preferred Trader Programmes in Botswana, Eswatini, Lesotho, and Namibia, as well as the Regional Preferred Trader Programme;
 - (b) fully operational IT Connectivity between all the SACU Member States;
 - (c) development of the legislative framework to facilitate mutual recognition of traders;
 - (d) full automation of the Customs Risk Management Systems; and
 - (e) continued capacity building and training for the Member States and the SACU Secretariat.

- 3.9 Beyond the Regional Customs Modernisation Programme, SACU is currently reviewing its Trade Facilitation Programme with the objective of strengthening the existing cooperation and collaboration in order to enhance border efficiencies. The expected outcome from this process is a Comprehensive SACU Trade Facilitation Programme that is all encompassing and inclusive of the key Stakeholders that are mandated to facilitate cross border movement of goods.

- 3.10 It is envisaged that the SACU Trade Facilitation Programme will focus on, but not limited to, some of the following key areas:
- (a) coordinated Border Management, for example, One Stop Border Post;
 - (b) implementation of initiatives to address the behind the border issues such as No-Tariff Measures; and
 - (c) implementation of cross-border initiatives to address issues related to compliance with trade Standards as well as the Sanitary and Phytosanitary Measures.
- 3.11 The work on the review of the SACU Trade Facilitation Programme is envisaged to be concluded in December 2019.