

Southern African Customs Union (SACU)



QUESTIONS AND ANSWERS

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What exactly is SACU?

SACU is a customs union – a legal arrangement for liberalizing trade in goods among the member states. A customs union has two important technical features; a common customs territory (goods are traded duty free among the member states), and a common external tariff (CET). The latter means that goods imported from countries that are not members of SACU will attract the same tariff irrespective of the port of entry into the customs union. The SACU members are Botswana, eSwatini¹, Lesotho, Namibia and South Africa.

SACU is notified to the World Trade Organisation, as WTO members are required to do under Article XXIV of the General Agreement on Tariffs and Trade (GATT). All SACU members are members of the WTO, and of the Southern African Development Community (SADC). They have also concluded other external trade agreements such as the SADC-EU Economic Partnership (EPA) Agreement. The African members of this arrangement are the five SACU states and Mozambique. SACU member states presently participate in the negotiations for establishing the Tripartite Free Trade Area (TFTA) and the African Continental Free Trade Area (AfCFTA).

When and how was SACU established?

In its present configuration, SACU dates back to 1910. This makes it the world's oldest functioning customs union. It was established as a pragmatic arrangement for the management of commerce, trade and fiscal relations among the territories in southern Africa then under the control of Great Britain.

The “constitution” of SACU is a binding international agreement of which the five members are the State Parties. It constitutes the legal framework for achieving the objectives of SACU and regulating trade among the member states and vis-à-vis third parties. The present SACU agreement entered into

¹ Swaziland was officially renamed eSwatini in April 2018, marking 50 years of independence.

force in 2004. It provides that SACU is an International Organization with legal personality.

What does SACU do and what are the benefits of having it?

The main benefit is duty-free trade in goods among the member states. SACU has a unique additional feature in that it is also an excise union. South Africa determines the rates of excise duty which are implemented by all member states. All customs and excise duties are paid into a common revenue pool and are then annually shared among the member states. This happens in terms of a formula linked (in the case of customs duties) to the value of intra-SACU trade in goods.

Intra-SACU trade also benefits from the fact that four of the five member states belong to the Common Monetary Area (CMA), which is a separate arrangement, but which contributes to important aspects of SACU's integration. Botswana's currency is linked to a basket of other currencies, of which the South African Rand forms part.

SACU is a well-integrated commercial space in which common rules apply with respect to many vital aspects of trade and doing business across internal borders. More than 50% of all intra-African trade takes place within SACU.

Does SACU have its own Institutions?

Yes, SACU has its own institutions – these are the Summit of Heads of State or Government, Council of Ministers, Customs Union Commission, Secretariat, Tariff Board, Technical Liaison Committees and an ad hoc Tribunal.

The Tariff Board and *ad hoc* Tribunal are not operational. The South African International Trade Administration Commission (ITAC) is currently responsible for managing the SACU CET and related matters such as tariff changes and trade remedies. This happens under special Council decisions adopted in 2004-2006.

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