

SOUTHERN AFRICAN DEVELOPMENT COMMUNITY



**Draft Activity Matrix
For the SADC Customs Union Road Map**

1. Introduction

1.1 According to the RISDP, the preparatory work for the establishment of the SADC Customs Union will commence in 2007, which is provided in Chapter 3 of the RISDP.

1.2 The process leading to a customs union does not necessarily mean that SADC has to attain a fully-fledged free trade area first although it is a good transition. Negotiations for a Customs Union can start before substantially all products are traded under an FTA regime.

1.3 However, of greater concern is the proliferation of Customs Unions in the region. Most SADC Member States enjoy dual membership of regional organizations that aim to establish Customs Unions. No one country can belong to two Customs Unions and eventually Member States will need to declare their configuration preference.

2. Institutional Framework of a Customs Union:

2.1.1 For the customs union programme to be consolidated, the following institutional framework needs to be put in place:

- A Customs Union Task Force composed of customs, trade, finance and economic development experts to spearhead preparation, coordination and implementation of the Customs Union and to provide guidance on customs Union studies.
- At national level, an inter-departmental task team with a designated focal point to spearhead preparation and coordination of customs union activities.
- Ministerial Task Force as constituted by the Summit to monitor and make decisions on issues arising out of the negotiations.

3 Administrative Modalities of the Customs Union

3.1 The form, legal status and mandates of the SADC Customs Union need to be negotiated and agreed by Member states. The Customs Union can be administered in different forms and the following are possible administrative options:

- *A Customs Union Secretariat, or an apex body that will centrally coordinate and direct customs procedures and practices, trade policy, commercial policy, external trade regulations, safeguard measures, transit operations, investigations, trade dispute settlement, audits and fraud control among other things.*
- *Appointment of a board of commissions to run different areas i.e. the tariff commission to deal with tariff amendments and rates, the customs union commissioners board to deal with day to day Customs union operations etc.*
- *A horizontal structure where each member States maintains its administrative structures and mutually cooperate with each other.*

4. Revenue Collection and Sharing Mechanism

4.1 Member States need to agree on the revenue collection and sharing mechanism. Other predecessors to the customs union have employed various mechanisms, including:

- Establishment of a revenue pool, under this arrangement Customs duty or equivalent is collected at port of entry into the Customs Union and deposited into a common account where it will be distributed to Member States either through an agreed formula or according to amount collected for that Member state.

5. Legal Framework

5.1 Common Tariff Nomenclature and Common External Tariff

5.1.1 A Common Tariff Nomenclature and a Common external tariff is a pre requisite for a customs union. There is need to bring every Member State's Tariff Nomenclature in line with the Harmonized System latest amendments. All SADC Members are now using HS 2002 and would soon need to update to be in line with the HS 2007 amendments.

5.1.2 There is also need to agree on a CET for third country imports into the CU territory.

5.2. Common Customs Legislation, practices and procedures

5.2.1 Mutual trust of Member states customs administrations is built on having common interpretative rules of legal provisions governing movement of goods into and within the customs territory. In order to have the same interpretation of the rules, legislation, regulations practices and procedures should be the same, hence the need for a common customs legislation, practices and procedures for a strong customs union.

5.3 Common Valuation System

5.3.1 Trade statistics and revenue collection is based on the value of the goods being imported into the customs territory. To ensure a common standard measure the valuation system of member states must be the same. The WTO has come up with an internationally accepted valuation system for customs purposes. All Member States would be encouraged to accede to the WTO valuation system to attain uniformity of measurement.

5.4 Common Trade Remedy Measures

5.4.1 A CU will need common measures to protect domestic industry. Measures taken by one Member State should be applicable though out the Customs Union. These measures deal primarily with injury to domestic industry, and include safeguards, antidumping, subsidies, and countervailing and dispute settlement. A common approach to these measures safeguards the industrial base of the SADC

region more importantly in a CU. A study that will facilitate the drafting of Common Trade Remedy Regulations is imperative.

5.5 Common Technical Trade Regulations (SQAM, SPS, TBTs etc)

5.5.1 Removal of tariff barriers is not an end in itself but only one of the components in a global picture of barriers to trade. Technical Regulations (TBTs, SPS), which by their very nature are meant to facilitate trade and protect domestic industry, are increasingly becoming a hindrance to trade because of in appropriate use.

5.5.2 Technical barriers come in the form of Standards, quality assurance, health and security measures, plant protection etc. There is need to harmonize Member States TBT measures where feasible, develop a system of equivalence or legislate nationally for mutual recognition of each others trade remedy regulations. At regional level there is now need to develop a framework for harmonization of technical regulations.

5.6 Development of Customs Union Protocol

5.6.1 Establishment of a customs union requires an enabling legislation that provides the legal framework and administrative structure and procedures. Member States forming a customs union require a binding contact that governs both the political and technical obligations of each contracting party. The development of a Customs Union Protocol will be the first step in setting up a custom union with out which there will be no foundation for the union.

6. Studies and Consultancies

6.1 To facilitate the process of establishing a SADC Customs Union the following short term consultancies and are recommended:

- a) Development of a SADC Customs Union Protocol
- b) A study on the legal institutional frame work for the administration of the Customs Union – Administrative structure and Revenue collection and sharing mechanism
- c) Revisit the study of on the potential conflict by Member States with dual membership of regional organization pursuing the same agenda.
- d) A study of alternative source of revenue in the event there is substantial loss of revenue by Member States resulting from adopting the Common External Tariff (revenue impact and alternative sources).
- e) Drafting of a Common Tariff Nomenclature
- f) Categorization of products in the tariff nomenclature and drafting of a Common External Tariff structure for purposes of determining the tariff rate applicable to the category e.g. Raw materials, Capital goods and merit goods 0 - 5%, Intermediate goods/consumables 10% - 15% Finished goods 25% - 30%.
- g) Drafting of a Common Customs Management Act

7. Activity Road Map.

Key intervention Area	Key Tasks/Activities	Milestone/performance indicators	Responsibilities	Deliverable
1. Establishment of Task Force Teams	<p>1.1. Set up regional Customs Union Task Force.</p> <p>1.2 Establishment of National SADC Customs Union Task Teams and their Liaison /Focal Points.</p> <p>1.3 Set up a core unit/team at SADC Secretariat to coordinate Customs Union programme and to provide technical advice.</p>	Establishment of Task Teams at national, regional and secretariat levels by December 2007.	SADC Secretariat & Member States	Task teams both at National, Regional and Secretariat
2. Development of a SADC Customs Union Agreement	<p>2.1. Drafting of a Customs Union Agreement</p> <p>2.2 Convene meetings to negotiate the draft Customs Union Agreement</p> <p>2.3 Facilitate adoption and implementation</p>	<p>2.1.1 Draft Customs Union Agreement by June 2007</p> <p>2.2.1 Complete negotiation of the draft Customs Union Agreement by 2008</p> <p>2.3.1 Adoption of Customs Union Agreement by 2009 and implementation by 2010</p>	<p>Secretariat: Facilitate process Draft framework</p> <p>Member States: Provide information Adopt position Implement</p> <p>Cooperating Partners Provide technical cooperation and technical assistance</p>	Customs Union Agreement Adopted

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3. Development of a Customs Union Administrative structure	<p>3.1 Commission study on the administrative structure of the Customs Union</p> <p>3.2 Convene meetings to negotiate the recommended alternative administrative structures of a Customs Union</p> <p>3.4 Facilitate adoption and implementation</p>	<p>3.1.1 Final report of the study submitted by 2007</p> <p>3.1.2 Negotiations on the Customs Union Structure complete by 2008</p> <p>3.1.3 Adopted Customs Union Administrative structure by 2009 and implementation by 2010</p>	<p>Secretariat: Facilitate process Draft framework</p> <p>Member States: Provide information Adopt position Implement</p> <p>Cooperating Partners Provide technical cooperation and assistance</p>	Agreement on the administrative structure of a customs Union
4. Establishment of a revenue collection and sharing mechanism	<p>4.1 Commission study on the Revenue collection and sharing mechanism</p> <p>4.2 Convene meetings to negotiate the recommended revenue collection and sharing mechanism</p> <p>4.3 Facilitate adoption and implementation</p>	<p>4.1.1 Final report of the study submitted by 2007</p> <p>4.1.2 Negotiations on the Revenue collection and sharing mechanism complete by 2008</p> <p>4.1.3 Mechanism by 2009 and implementation by 2010</p>	<p>Secretariat: Facilitate process Draft framework</p> <p>Member States: Provide information Adopt position Implement</p> <p>CPS: Provide technical cooperation and assistance</p>	Agreement on revenue collection and sharing system
5. Establishment of a SADC Common Tariff Nomenclature (CTN)	<p>5.1. Drafting of SADC CTN</p> <p>5.2 Convene workshops to negotiate the draft SADC CTN</p> <p>5.3 Adoption of CTN</p>	<p>Draft SADC CTN adopted</p> <p>Complete negotiation of the draft SADC CTN</p>	<p>Secretariat: Facilitate Draft framework</p> <p>Member States: Provide information Adopt position Implement</p> <p>CPS: to provide technical cooperation and assistance</p>	<p>CTN blueprint adopted</p> <p><i>CTN blueprint adopted by SCCC & Approved by Ministers of Trade (17th SMT, August 2005). Process to ensure implementation at national level underway.</i></p>

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6. Establishment of a SADC Common External Tariff	<p>6.1. Product Categorization.</p> <p>6.2 Drafting of SADC CET</p> <p>6.3 Commence negotiations on the CET.</p> <p>6.4 Adoption of CET</p>	<p>6.5.1 Draft Product Categorization Framework by 2007</p> <p>6.5.2 Commence Negotiations on the Product Categorization Blueprint by 2007</p> <p>6.5.3 Commence negotiations on CET by 2008</p> <p>6.5.4 Adoption of CET by 2009</p>	<p>Secretariat: Facilitate process Draft framework</p> <p>Member States: Provide information Adopt position Implement</p> <p>Cooperating Partners Provide technical cooperation and technical assistance</p>	<ul style="list-style-type: none"> • Draft blueprint developed • CET Adopted <p><i>Draft blueprint developed by SCCC & noted by Ministers of Trade (18th SMT) who urged CU Task Force to use the documents & add value to the frameworks.</i></p>
7. Development of a SADC Community Customs Act	<p>7.1. Drafting of SADC Model Customs Act</p> <p>7.2 Development of a Community Customs Act</p> <p>7.3 Facilitate adoption and implementation of Community Model Customs Act</p>	<p>Draft SADC Model Customs Act by 2007</p> <p>Commencement of development of the Community Customs Act by 2007</p> <p>Adoption of the Community Act by 2008</p>	<p>Secretariat: Facilitate process Draft framework</p> <p>Member States: Provide information Adopt position Implement</p> <p>Cooperating Partners Provide technical cooperation and technical assistance</p>	<ul style="list-style-type: none"> • Draft Model Act adopted • Approved Community Customs Act <p><i>Draft Model Act adopted by SCCC. Ministers of Trade (18th SMT) noted draft SADC Model Customs Act as a benchmark document to facilitate harmonisation of national customs laws. 18th SMT recommended that draft be presented to Ministers of Finance</i></p>

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8. Development of common fiscal policies	<p>8.1 Commission study on conditions for granting duty exemptions and other duty relief measures, conditions and rules for incentive regimes (Rebates)</p> <p>8.2 Convene workshops to negotiate the recommended conditions of granting duty exemptions and other duty relief measures, conditions and rules for incentive regimes (Rebates)</p> <p>8.3. Facilitate adoption and implementation</p>	<p>Final report of the study submitted by 2007</p> <p>Negotiations on the conditions of granting duty exemptions and other duty relief measures, conditions and rules for incentive regimes (Rebates) complete by 2007</p> <p>Adopted conditions of granting duty exemptions and other duty relief measures, conditions and rules for incentive regimes (Rebates) by 2008 and implementation by 2010</p>	<p>Secretariat: Facilitate process Draft framework</p> <p>Member States: Provide information Adopt position Implement</p> <p>Cooperating Partners Provide technical cooperation and technical assistance</p>	Agreement on common fiscal policies
9. Development of common Trade remedy Measures and regulations	<p>9.1 Commission study on Trade Remedy measures and regulations</p> <p>9.2 Drafting of common trade remedy measures and regulations</p> <p>9.3 Convene workshops to negotiate draft Common Trade Remedy measures and Regulations</p> <p>9.4 Facilitate adoption and implementation</p>	<p>Study report complete and submitted by 2007</p> <p>Drafting process complete by 2007</p> <p>Negotiations on the proposed drafts complete and adoption by 2008</p> <p>Implementation and monitoring by 2009</p>	<p>Secretariat: Facilitate process Draft framework</p> <p>Member States: Provide information Adopt position Implement</p> <p>Cooperating Partners Provide technical cooperation and technical assistance</p>	Approve trade policy remedy measures and regulations

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10. Impact assessment	<p>10.1 Commission Impact studies on degree of conflict resulting from dual membership to organizations pursuing common agenda, level of revenue losses as a result of adopting a common external tariff,</p> <p>10.2 Convene meetings to negotiate on recommendations emanating from the studies</p> <p>10.3 Facilitate adoption and implementation</p>	<p>Final reports of the studies submitted by 2007</p> <p>Negotiations on the recommended way forward complete by 2007</p> <p>Adopted Positions by 2008 and implementation by 2010</p>	<p>Secretariat: Facilitate process Draft framework</p> <p>Member States: Provide information Adopt position Implement</p> <p>Cooperating Partners Provide technical cooperation and technical assistance</p>	Adopted recommendations on the way forward
11. Harmonization of other customs regulations e.g. Customs Valuation	<p>11.1. Identify other Customs regulations for harmonization</p> <p>11.2 Development of harmonized regulations for the Customs Union</p> <p>11.3 Facilitate adoption and implementation</p>	<p>Inventory of other customs regulations for harmonization completed by 2007</p> <p>Draft harmonized regulations complete by 2008</p> <p>Adoption of common regulations by 2009 and implementation by 2010</p>	<p>Secretariat: Facilitate process Draft framework</p> <p>Member States: Provide information Adopt position Implement</p> <p>Cooperating Partners Provide technical cooperation and assistance</p>	<ul style="list-style-type: none"> • Harmonized Customs regulations for the CU adopted

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12. Establishment of regional customs transit bond guarantee system	<p>12.1. Develop a Regional transit Management System</p> <p>12.2 Convene meetings and workshops to negotiate drafts</p> <p>12.3 Facilitate adoption and implementation</p>	<p>Drafts Agreements and regulations for transit management system completed by 2005</p> <p>Complete negotiation on Agreements and regulations for transit management system completed by 2006</p> <p>Adopted and implemented Agreements and regulations for transit management system by 2007</p>	<p>Secretariat: Facilitate process Draft framework</p> <p>Member States: Provide information Adopt position Implement</p> <p>CPs: Provide technical cooperation and technical assistance</p>	<ul style="list-style-type: none"> Adopted of Regional Transit Management System <p><i>Adopted by SCCC Ministers of Trade (18th SMT) noted that a pilot run to test the system to be conducted in one of the corridors. To be presented to Ministerial Task Force for Approval</i></p>
13. Capacity building	<p>13.1 Drafting of training Modules</p> <p>13.2 Convene training workshops for both customs officers and stakeholders</p> <p>13.3 Monitoring cascading of training at national level</p>	<p>Approved training modules by 2007</p> <p>Trained officers and stakeholders – continuous process</p> <p>Continuous process</p>	<p>Secretariat: Facilitate process Draft framework</p> <p>Member States: Provide information Adopt position Implement</p> <p>CPs: Provide technical cooperation & technical assistance</p>	<ul style="list-style-type: none"> 12 Regional Training Modules adopted 6 Training Workshops on the Modules Conducted
14. Information and communication technology	<p>14.1 Develop interface software and facilitate interfacing of member states computer systems</p> <p>14.2 Computerize transit procedures</p> <p>14.3 Develop data bases and data interchange system</p> <p>14.4 develop Wide Area Net infrastructure</p>	<p>Developed interface software and installed completed by 2007</p> <p>Computerized transit procedures adopted & implemented by 2007</p> <p>Developed data bases by 2008</p> <p>Wide Area Network installed by 2008</p>	<p>Secretariat: Facilitate process Draft framework</p> <p>Member States: Provide information Adopt position Implement</p> <p>CPs: Provide technical cooperation & technical assistance</p>	<p>Use of IT as a strategic resource</p>