



**OPENING REMARKS BY EBRAHIM PATEL,
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INDUSTRY
AND MINISTER OF TRADE, INDUSTRY AND COMPETITION,
REPUBLIC OF SOUTH AFRICA**

28 AUGUST 2020

**VIRTUAL MEETING
SACU MINISTERS' OF TRADE AND INDUSTRY ON THE AFCFTA**

**Honourable Ministers and dear colleagues,
Madam Executive Secretary,
Senior Government Officials of the Member States,
Officials of the SACU Secretariat,
Ladies and Gentlemen,**

I wish you all a Good Morning

1. It is my honour and privilege to welcome you all to this Meeting of the SACU Ministers of Trade and Industry. The objective of this Meeting is to engage on policy and strategic issues relating to the integration of our region into the African Continent.
2. Let me first thank you Colleagues for taking time off your busy schedules to allow us to deliberate on how best our region can forge closer ties with the rest of Africa and make the African Continental Free Trade Area (AfCFTA) a reality.
3. Allow me to express our appreciation to the Executive Secretary, Ms. Paulina M. Elago and her team for making the arrangements and providing the necessary support to convene our Meeting today.

Colleagues

4. You will recall that the SACU Council of Ministers agreed that we should meet as SACU Ministers of Trade and Industry to deliberate on the policy and strategic issues relating to SACU's approach towards the AfCFTA. Today's meeting is an opportunity for us to

forge a unified vision for SACU, that can guide our national positions and the work of our officials in the AfCFTA process.

5. Turning to our Agenda, I trust that we will be able to have an integrated discussion that covers 4 related and connected areas, namely the overall policy framework that includes industrialisation, the SACU offer on the AfCFTA, SACU's approach on the outstanding rules of origin and the proposal by the AU Trade Commissioner on the way forward and the starting date for trading under the AfCFTA.
6. The AfCFTA raises a number of questions that go to the heart of policy and strategy.
7. The first question is what we want to achieve from the Continental Free Trade Area.
8. When we as a group of countries championed the idea of a CFTA, we had at the centre of our vision the idea of an industrialised Africa.
9. Today, our continent has 17% of global population, but 3% of global trade and only 2% of global manufacturing. We are largely exporters of raw materials to the rest of the world; and importers of value-added manufactured goods and services. Across our continent, this is our common reality - in which our national circumstances differ only in degree. So if the vision of the AfCFTA is to promote a 'Made in Africa' platform, then we need to focus on the mechanics of deepening our industrial base.
10. We import too much from the rest of the world; we grow and manufacture too little on our continent; and we therefore trade too little. The Covid-19 crisis highlighted this, with shortages of PPEs, ventilators and medication.

11. The AfCFTA can change this but it could also, if we do not take care, simply become at worst, an opportunity for transshipment, in which products made in Asia, the Americas or Europe are simply re-labelled in one of the countries in the Free Trade Area; or at best only basic transformation takes place on the continent, with real value-addition still centred outside Africa. Such outcomes will trap Africa at the bottom rung of development and will betray the promise of the CFTA.
12. But to deepen the levels of industrialisation, as each of us know, is hard work and it requires that we actively attract investment and provide an environment for industry to flourish. Industrial policy measures and partnerships with the private sector become critical.
13. It means expanding infrastructure, particularly transport and logistics, so that goods can flow easily between countries. It requires improving border formalities and creating a single physically-integrated market. It needs work on the financial and payment systems that underpin a free-trade area.
14. The second question flowing from the AfCFTA is the appropriate future role of SACU.
15. The AfCFTA has the potential to reduce the value of SACU, as each of our countries increasingly tap opportunities elsewhere on the continent; or it can bring us closer together as a centre of manufacturing and innovation, together gearing up our productive capacities to provide goods and services to the rest of the continent; and integrating our value-chains so that we have critical mass.

16. To achieve this outcome means we need a unifying SACU vision and a very practical plan of work, a matter which we can discuss in more detail during the course of today's meeting. It means lifting ourselves above the daily irritants in any trading relationship and that we shift the focus of our private sectors away from a zero-sum game in which they lobby national governments for narrow gain, into one where they see the opportunities of building value-chains across national borders.
17. The third question is how to address the challenges that are delaying the operationalising of the AfCFTA.
18. These relate to a number of issues, including tariff offers and rules of origin as well as the delays in a number of countries ratifying the AfCFTA. Nigeria, the largest country by population on the continent, has not yet ratified the treaty. It has cited concerns with both transshipment itself; and the implications of the level of ambition that would be required to meet the 90% tariff liberalisation target, given these challenges. Both within SACU and elsewhere on the continent, a number of ratifying Member States have not yet finalised their offers. Discussions on rules of origin have yielded agreement on most products; but a few sensitive sectors not yet been concluded.

Dear colleagues

19. With respect to work on SACU's offer to the AfCFTA, I am informed that our officials, supported by the Secretariat have undertaken extensive technical work which has brought us to broad consensus on 86,6% of tariff lines but we have not yet achieved consensus on

the 90% target; and while most rules of origin have been agreed, there are still a number of gaps covering sectors that are important to member states.

20. The critical issue is how to ensure that we are able to finalise matters such that we can commence trading on 1 January 2021, the new date proposed by the AU structures. Commissioner Muchanga has put forward a proposal in this regard, seeking to bank the areas of agreement and commence trading on such agreed areas of rules of origin; and progressively expand the areas of agreement and add these additional tariff-lines to the new trading regime.
21. The meeting today may wish to give consideration to this proposal to forge a common minimum denominator at the AU based on the initial tariff offers with the view to broadening our ambition at a later stage. This will enable implementation by all while continuing to address the outstanding work. I believe this will allow us to inject the momentum in the AfCFTA whilst ensuring a win-win outcome for all of us.

Colleagues

22. I am further informed that the African Union Commission (AUC), has already scheduled a number of virtual Meetings of AfCFTA negotiating institutions next month. The Negotiating Forum is convening virtually as we are meeting today while its Report will be presented to the Committee of Senior Officials on the 15th September 2020. Honourable Ministers, South Africa has been nominated and elected as the Chair of the AfCFTA negotiating

structures for the next 12 months. We count on your usual support in leading the AfCFTA Negotiation process forward.

23. The African Ministers of Trade (AMOT) will also convene on the 30th September 2020. I am further advised that among others, the issues to be considered at these Meetings include the Roadmap for conclusion of outstanding AfCFTA negotiations on tariff liberalisation, schedules of specific commitments on trade in services and Rules of Origin. I trust that the outcome of our discussion will also serve as preparations for these meetings.

24. The finalisation of the outstanding work I highlighted earlier is imperative to prepare for the commencement of trading under the AfCFTA preferential trading regime on 1st January 2021. In this regard, the AU Assembly of Heads of State and Government that will endorse the final work is tentatively scheduled for 5th December 2020 under the stewardship of His Excellency Cyril Ramaphosa, the President of the Republic of South Africa. As a region, we therefore need to take the lead in the AfCFTA process in order to safeguard, not only the regional strategic interests, but to also consider the collective Continental interests and thereby ensure a win-win outcome for the continent as a whole.

Colleagues

25. Considering the above developments, it is important that we maintain our cohesion, unified engagement and unity of SACU in

negotiations with third parties as entrenched in our Common Negotiating Mechanism and Article 31 of the SACU 2002 Agreement.

26. As an outcome of our Meeting today, it is important that we emerge with a Policy Framework that sets out our common vision and clear strategies to guide our engagements and that of our Senior Officials as they continue to engage in this process going forward.
27. I therefore invite you, Honourable Ministers, to deliberate on the matters before us and to provide the necessary political and policy guidance on the way forward.
28. I wish to advise that our Executive Secretary will take us through the revised agenda, which includes a report on the process for the appointment of the WTO Director General, added as an item at the request of Botswana; and a proposal to combine items 4 and 5, as they relate essentially to the same matters.
29. I believe that with an open, focused and strategic discussion, we should be able to conclude our Agenda expeditiously. With these few remarks, I wish the Meeting fruitful deliberations. I now request the Executive Secretary, Ms Paulina Elago, to make her remarks.

Thank You.