



SACU Regional Conference Summary

29 July 2011

Emperor's Palace, Johannesburg

Implementing a Common Agenda towards Regional
Integration in SACU

Regional Integration

1. We have heard this morning that Regional Integration makes sense for Africa and Southern Africa and needs to be pursued at all fronts with more vigour and renewed urgency. However, we have also noted that Regional integration in Africa is more often than not driven by Political Imperatives rather than economic and business parameters. There is therefore a need to have a relook at the model of integration (integration paradigm) to have a more holistic and inclusive approach involving business and private sector
2. We were also informed that the Expansion of SACU Membership is not a viable proposition at this stage, from both a BLNS perspective as well as a non-SACU perspective - the reasons being the uncertainty around current and future developments in the Customs Union, the lack of or slow implementation of the provisions in the SACU Agreement, such as the development of common policies, conclusion and implementation of trade agreements with third parties, failure to establish institutions such as the tariff board, national bodies and tribunal and the unresolved issues regarding the revenue sharing arrangement.
3. It was recognised that deeper and wider integration remains essential for the future of SACU, especially given its new Vision to move towards an economic community, but that this can only be achieved if the scope and coverage of the SACU Agreement expands to also include the critical areas of services, investment, competition, government procurement, trade facilitation and other new generation and behind-the-border issues, without which the real potential of the Member States' economies cannot be unlocked, increased efficiency and competitiveness and development objectives will not be achieved.
4. We were also reminded that the linear approach to regional integration is not necessarily the best approach in modern times to attain deeper integration.
5. Finally, on the topic of regional integration, we were asked to determine what exactly the common agenda is. In other words, are all SACU Member States having the same understanding and expectations with respect to regional integration?

Regional Industrial Development Policy

6. The conference was of the view that industrial polarisation and agglomeration in SACU is a cause of major concern and deliberate policy decisions are therefore required to correct this. A Regional Industrial Policy supported by critical tools, such as incentives and development funding, have been mentioned to support regional industrialisation, specifically industrial development, in BLNS.

7. Views were expressed that horizontal dimensions of industrialisation should be prioritised in order to ensure access to resources, services, infrastructure and knowledge as these are essential components of industrialisation, improve competitiveness and drive efficiency throughout the industrial landscape. Vertical considerations, such as identifying and supporting sectors/winners, is not going to improve competitiveness and ensure development across the sub-region in an arrangement where unbalanced economic development and skewed industrial capacity already exist.
8. The conference noted that the current regional integration agenda does not have a pro-poor component and the importance of an industrialisation approach that is all-inclusive with the rural sector and small-scale entrepreneurs also on board was emphasised.
9. The conference mentioned the need for increased private - public dialogue, not only at the national level, but also at regional level, as Government should not lead the industrialisation initiative in the region but rather support and facilitate it.
10. Cross-border collaboration and value-chain development have been recognised as important milestones in the regional industrialisation context, but it was emphasised that a holistic approach is required to unpack the potential at a regional level. Deliberate policies, strategies and political interventions are therefore required to attract investment and industrial development in the smaller Member States.
11. The Conference emphasised that regional industrial incentives are critical as these act as a magnet for investment in the region. It has emerged throughout the discussions that there is therefore a need to review the Revenue Sharing Arrangement against the backdrop of the new SACU Vision of deeper integration and equitable and balanced economic development for all its members.
12. An all inclusive industrial policy, which takes into account other production sectors, such as agriculture, mining, forestry, fisheries, etc. is essential to ensure the region's full production potential is achieved.
13. Finally, on the topic of Industrialisation, the Conference was reminded of the pitfalls that exist, in particular when it is NOT approached from a market conforming or pro-integration point of view.

Revenue Sharing Arrangement

On the theme of revenue sharing arrangement, I would like to highlight the following issues;

14. There was an observation that emphasis on the revenue sharing arrangement has come at high price, taking away focus from the wider regional development and trade facilitation issues e.g. non-tariff barriers, industrial development among others.

15. It was further noted that due to the volatile nature of revenue from trade taxes there is need to focus on the economic performance of Member States.
16. It was also noted that there is a need to resolve the underlying political underpinnings of the relationship between the five Member States in the context of the review of the revenue sharing arrangement. In this context it was observed that the debate on the review of the revenue sharing arrangement is not going to be an easy one.
17. There are some important lessons to be learnt from the EU experience, given the similarities in the structure of the regional economies which are all characterised by large and small economies. Some reflections on the institutional architecture of the EU as well as the utilisation of common resources will be important as we review the revenue sharing arrangement.

Cross-Border Infrastructure

18. There was an observation that the development of cross border infrastructure is critical in ensuring that the regional ambition for industrialisation is attainable. In SACU the importance of transport infrastructure was highlighted given that three SACU Member States are landlocked and the desire to access regional markets, promote regional supply and value chains and promote regional development. The need for engagement on the services sector that allows competitive access to cross border infrastructure is also essential.
19. It was further noted that transport and energy infrastructure are priorities in the southern Africa region and play a critical role to support regional integration and hold enormous potential for unlocking economic benefits for the region. Energy and transport are also crucial as SACU seeks to promote regional industrial development.
20. It was also noted that that a regional approach to infrastructure needs to be guided by a clear Vision of where the region see's itself and requires the necessary institutional architecture and capacity to support implementation.
21. In conclusion, the recurring theme of private sector involvement was again emphasised. The need and value of strong Public Private Partnerships and private sector engagement was demonstrated. The role of private sector financing was also highlighted as necessary to ensure the success of cross border infrastructure projects.