

**Committee on Regional Trade Agreements**

**SOUTHERN AFRICAN CUSTOMS UNION**

Weighted Average Tariff Rates and Customs Duties Collected

Note by the Secretariat

1. In the context of "[t]he evaluation under paragraph 5(a) of Article XXIV of the general incidence of the duties and other regulations of commerce applicable before and after the formation of a customs union", paragraph 2 of the Understanding on the Interpretation of Article XXIV of the GATT 1994 (the Understanding) directs the Secretariat to calculate "the weighted average tariff rates and customs duties collected" and elaborates on the approach to be used.

2. As applied to the case of the Southern African Customs Union (SACU) whose members are Botswana, Lesotho, Namibia, South Africa, and Swaziland, the outcome of the mandated calculations will consist of two sets of comparable figures:

- Import-weighted average tariff rates: one reflecting the situation before the 2004 Agreement and another reflecting the post-2004 situation.<sup>1</sup>
- The corresponding estimated values of customs duties collected.

3. The Committee on Regional Trade Agreements, through its Chairman, has instructed the Secretariat to perform those calculations, on the basis of information provided by the parties and according to the methodology described below.

Data and methodology used in the calculations

4. The following data were used in the calculations:<sup>2</sup>

- (a) Tariff rates, by tariff line, for Botswana, Lesotho, Namibia, South Africa, and Swaziland:

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<sup>1</sup> The SACU, which has been in existence since 1910, was renegotiated in 1969 and 2002. The 2002 Agreement entered into force on 15 July 2004 and was notified to the WTO on 25 June 2007. Members of the SACU have applied a common external tariff since 1 July 1910.

<sup>2</sup> South Africa's tariff schedule for 2001-2003 was taken from the WTO-IDB; its 2004 tariff schedule was taken from the UNCTAD TRAINS database, as this data was not provided to the IDB, nor was it available from the South African authorities. Other SACU members' tariff schedules were available from IDB (2002, except Lesotho) or UNCTAD (2001). As the tariff schedules were the same among SACU members each year, the missing reporter/periods were filled in using South Africa's IDB tariff schedules. According to the Parties, there may have been differences on very few lines due to the time lag in making amendments.

- (i) Pre-2004 situation:
  - Botswana, Lesotho, Namibia, South Africa, and Swaziland: MFN applied rates at 1 January 2003.<sup>3</sup>
- (ii) Post- 2004 situation:
  - Botswana, Lesotho, Namibia, South Africa, and Swaziland: MFN applied rates as of 1 January 2004.
- (b) Average of imports, in value and quantity and by tariff line, into Botswana, Lesotho, Namibia, South Africa, and Swaziland, from WTO partners (except those with which these five countries maintained contractual preferences as of 15 July 2004),<sup>4</sup> for the 2001-2003 period.<sup>5</sup>
- (c) Concordance table matching 2003 and 2004 tariff schedules.<sup>6</sup>

5. The calculations were done in accordance with "the methodology used in the assessment of tariff offers in the Uruguay Round" (see paragraph 2 of the Understanding) and the following definitions:

- (a) Average tariff rates
  - (i) *Pre-2004 situation*: average of individual SACU members' MFN applied tariff rates in 2003, weighted by aggregated 2001-2003 import values of the parties.<sup>7</sup>
  - (ii) *Post-2004 situation*: average of individual SACU members' MFN applied tariff rates, weighted by aggregated 2001-2003 import values of the parties.
- (b) Customs duties collected: estimates derived from the average tariff rates obtained under (a) and annual average import values in 2001-2003.

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<sup>3</sup> *Ad valorem* equivalents (AVEs) submitted by South Africa were used when available. Tariff lines subject to mixed duties (containing a specific duty rate and an *ad valorem* part) in South Africa's schedule were converted to AVEs using the *ad valorem* part only. For less than a hundred lines, it was necessary to calculate the unit value (using South Africa's trade only) to produce the AVE. If the specific duty was the same in 2004, the AVE for 2001-2003 was used for the 2004 tariff.

<sup>4</sup> The following trade flows were excluded: intra-SACU trade flows; imports from SADC (Angola, Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe); in the case of Swaziland, imports from COMESA (Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, Zimbabwe); in the case of South Africa, imports from EC(15).

<sup>5</sup> South Africa's imports for 2001-2003 were taken from the IDB. For Botswana, Namibia and Swaziland, imports were taken from COMTRADE. In Lesotho's case, a two-year average was used as data was only available from COMTRADE for 2001-2002.

<sup>6</sup> Prepared by WTO Secretariat.

<sup>7</sup> COMTRADE data at six digits was pasted into the corresponding tariff lines, splitting trade equally among tariff lines where necessary. The same procedure was used for the non-matching imports from South Africa. Imports in HS Chapters 98 and 99 were discarded.

Results of the calculations

6. Major parameters underlying the results are shown below:

	Average imports in 2001-03* (US\$ million)	National weighted average tariff rates**		Average customs duties collected in 2001-2003*** (\$ million)	
		Pre-2004	Post-2004	Pre-2004	Post-2004
Botswana	376	6.87	6.64	26	25
Lesotho	140	15.35	14.93	21	21
Namibia	252	6.15	5.67	15	14
South Africa	15,008	5.00	4.75	750	713
Swaziland	69	15.2	14.60	10	10
SACU	15,845	5.20	4.94	824	783

Source: WTO Secretariat.

\* Total imports (incl. petroleum), annual averages. (See paragraph 5(b) above).

\*\* Based on rates described in paragraph 5(a) above and 2001-03 import weights.

\*\*\* Annual averages. Estimated on the basis of 2001-03 import values and average tariff rates.

7. The mandated calculations for the SACU, according to the described methodology and on the basis of available data, brought out the following results:

	Pre-2004	Post-2004
Weighted average tariff rates	5.20%	4.94%
Average customs duties collected	\$824 million	\$783 million

Source: WTO Secretariat.