THE STRATEGIC ROLE OF SARS CUSTOMS ON TRADE FACILITATION
AND REGIONAL INTEGRATION IN SADC

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DECLARATION

This work has not been previously accepted in substance for any degree and is not being submitted in candidature for any other degree

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Date……………..

STATEMENT 1

This treatise is being submitted in partial fulfilment of the requirements for the degree of Master in Business Administration.

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This treatise is the result of my own independent work/investigation, except where otherwise stated. Other sources are acknowledged by text references. A reference list is appended.

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I hereby give consent for my treatise, if accepted, to be available for photocopying and for interlibrary loan, and for the title summary to be made available to outside organisations.

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ACKNOWLEDGEMENTS

I hereby wish to express my gratitude to all the people who enabled the research to be successfully and timeously completed. Without the support, guidance and encouragement of certain individuals this would not have been possible and would like in particular to mention the following:

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THENJIWE DLAMINI

PRETORIA: in the Republic of South Africa, November 2010
ABSTRACT

The objective of this study is to determine the best SARS customs strategy that can be implemented as a tool to assist the facilitation of trade and Regional integration in SADC Region because the process of integration is facing many challenges.

A literature review of scholarly literature was conducted on regional integration of SADC that offered an international perspective on the experiences of other countries who have undergone similar experiences of integration and trade facilitation. With a historical background of Regional integration with the demonstration of SARS customs strategy that can be adopted to facilitate the process of trade and regional integration and, proposed future model and strategic plans to achieve the future goals.

Research methodology and design was done through the combination of the four research types classification in their order of sophistication except the predictive research. These are namely exploratory, descriptive, and analytical or explanatory researches and include deductive research. The compilation of data through questionnaires was employed.

The findings discussed in Chapter Five indicate that there are some gains that can be achieved by SADC members through free trade agreement. Recommendation from the study is that progression towards deeper integration requires the participation of the stakeholder and ownership at national level. The national and regional institutions require good governance.
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<td>BNLS</td>
<td>Botswana, Namibia, Lesotho &amp; Swaziland</td>
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<td>CET</td>
<td>Common External Tariff</td>
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<td>COMESA</td>
<td>Common Market for East and Southern Africa</td>
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CHAPTER ONE

The Problem and Research background

1.1 Introduction

Africa and certainly Southern Africa have not yet managed to harness the process of globalization and reap significant benefits from greater global integration. The 2007 Economic Report by UNECA on Africa identifies that one universal growth policies embedded in macro-economic stabilization and second-generation reform programs will not help African countries.

African countries besides sustaining macro-economic stability need to tailor their fiscal and monetary policies to promoting domestic investment, employment generation, and growth.

The South African Development Community comprises of fourteen member states. Before its formation in 1992, the block was called Southern African Coordination Conference (SADCC), and its focus was on functional cooperation in key sectors. The main objective of SADCC was to reduce dependence on apartheid South Africa. This cooperation was dominated by the frontline states whose focus was the political liberation of the region. The frontline states were Angola, Botswana, Mozambique Tanzania and Zambia. SADCC had decentralised structures, with different sectors allocated to each member state. The institutional framework of the organization comprised of the Summit, Council, and a Standing Committee of officials and a Secretariat. This structure was oriented towards a cooperative and not integrative approach.

The 1992 SADC Treaty redefined the SADCC to SADC and changed the organisation from a loose association towards a legally binding arrangement. Geopolitical changes included the independence of Namibia from colonial rule.
and the promise of a new dawn of democracy in South Africa. The end of the Cold War meant that there was a need to focus on responding to the challenges of globalization, competitiveness and enlarged regional markets. The treaty of establishing the African Economic Community was concluded in 1991 and the Regional Economic Communities (RECS) were perceived as a key development strategy.

The organisation began to address the agenda of development integration, focusing on infrastructure and efficiency barriers to development. Trade liberalization became pivotal as members became aware of regional imbalances among member states. The organisation continued to grow with the joining of Namibia in 1990, South Africa in 1994, Mauritius in 1995, Seychelles and Democratic Republic of Congo (DRC) in 1997. The size of membership of the SADCC and a tendency to expand were not necessarily conducive to a new integration approach.

This transformation from SADCC into SADC was not accompanied by the appropriate institutional framework for integration.

The restructuring process for SADC institutions started in 2001 through a slow process. 21 sectors were grouped into clusters under 4 directorates at the Secretariat level. The integration agenda was conceptualised under the Regional Indicative Strategic Development Plan (RISDP) in 2003. However, institutional challenges remained as the SADC was still rooted in a cooperative framework rather than a rule-based mechanism. In layman's terms the policy organs in the form of the Summit and Council, assumed the role of both a player and the referee in the integration game.

The Secretariat was not adequately transformed to suit the new approach. The decision to leave the task of driving integration to the national committees was
misguided since national governments had failed to drive integration. The Legislative bodies of the national parliaments were weak and there was no clear oversight by parliaments.

The SADC is organised to facilitate development and economic growth throughout the region. Its chief motivation is to build a larger, more significant market from which to compete in the global marketplace.

The main objectives of the SADC

The following are the main objectives of the SADC:

- Is to achieve the levels of policy harmonisation and resource rationalisation required for the complex task of regional economic integration.
- One important step is the creation of a SADC Free Trade Area (FTA), which was initiated in 2000. In the process of the creating of a full-fledged FTA, intra regional trade and investment is expected to grow significantly as the issues of market access, rules of origin and non-tariff barriers are resolved.

These regional initiatives have gained ground within the region; however the most prominent area remains the SADC. It is the only regional body in which all Southern African countries have membership.

It is believed that the SADC provides the best basis for successful regional integration and, more importantly, economic cooperation because of close involvement of South Africa as the largest economic region in the sub regional grouping.
South Africa is a respected member of the international community. It actively participates in the activities of international organizations that have been established to deal with global issues of concern from a Customs perspective.

The launch of SADC FTA was scheduled for the 17th of August 2008. This is the first step in a sequence of scheduled developments in the integration agenda of the region. The SADC Protocol on trade was signed in 2000. Currently the protocol is focusing on trade in goods, with the draft Protocol on trade in services still to be negotiated. The FTA is facing implementation problems and it remains a shallow integration of goods market only.

Member states are unwilling to lose their national sovereignty on trade policy. The development of regional trade in services can make a valuable contribution to development. The challenge is that it intrudes into national policy. The FTA must comply with applicable World Trade Organisation (WTO) rules. This can be achieved by compliance with Article XXIV of the General Agreement on Tariffs and Trade (GATT).

Another challenge is that member states are not at the same level of preparedness. Malawi, Mozambique, Tanzania and Zimbabwe lag behind. Non-Southern African Custom Union (SACU) members back-loaded their tariff preferences offers and are faced with a possible decline tariff revenue this year. Outside SACU, most intra-SADC trade takes place either under Common Market for East and Southern Africa (COMESA) or bilateral trade agreements.

After the trade protocol, some countries renewed dormant bilateral trade agreements or formed new ones. This illustrates that the trade protocol is not attractive.
1.1.1 The background of South African Revenue Services (SARS)

The South Africa Revenue Service (SARS) was established by legislation to collect revenue and ensure compliance with tax law. The vision of SARS is to establish an innovative revenue and customs agency that enhances economic growth and social development, and supports the integration of South Africa into the global economy in a way that benefits all citizens. SARS is an autonomous administrative organ of the state outside the public service but within the public administration (South African Revenue Service Act 37 of 1997).

SARS is a tax and customs administration with the primary responsibility of giving effect to the various tax, trade and industrial policies set by the Ministry of Finance and Departments of Trade and Industry respectively.

Regional partners can therefore, expect SARS Customs to:

- Provide guidance and leadership on regional activities and contribute to regional development;
- Be a well-coordinated and cooperative partner, which carries out risk analyses and experiments with joint certification and controls together with fellow-Customs authorities;
- Interact in a spirit of consultation;
- Secure access to and from world markets, which is especially true for landlocked countries that rely on South African ports and borders for imports and exports;
- Share experiences and expertise and contribute to the development of other administrations;
- Ensure regional blocs have a harmonised approach towards Customs matters.
The biggest challenge that SARS Customs is facing is an increased number of cross-border transport costs that impose a burden on the economy of South Africa and its regional partners this will inhibit regional trade and economic growth. The above Model depicted in figure 1 has been designed to enable SARS Customs to fulfill its mandate.

1.2 THE MAIN PROBLEM

A problem statement is a clear, precise, and succinct statement of the question or issue that is to be investigated with the goal of finding an answer or solution that could pertain to existing business problems where a manager is looking for a solution. This is within the realm of applied research (Sekaran, 2003:70).

The main problem, which this study aims to address, is the Facilitation of Trade and Regional integration in SADC that will enhance economic growth and social
development through analysing the best SARS Customs strategy for Regional integration.

The statement of the problem is thus defined

**How can SARS best apply their strategy on trade Facilitation and Regional integration for the benefit of the SADC region?**

**1.2.1 RESEARCH PROBLEM**

The research problem is to determine the Role and Strategies of SARS Customs, as an appointed agent of South African government in promoting trade and facilitation of Regional integration in SADC.

**1.3 SUB-PROBLEMS**

A sub-problem constitutes a logical sub area of the larger research undertaking. Each sub-problem can be researched as a separate sub-project within the larger research goal. The solutions of the sub-problems combine to resolve the main problem of research (Leedy, 1993:71).

The following sub-problems were identified due to their importance. To reach the aim of the research project in a manageable way that contributes to solve the problem.

**1.3.1 Sub-problem 1**

What role is played by SADC and SACU in promoting and simplifying trade in the Region?
1.3.2 Sub-problem 2

What are the potential barriers to implement Regional integration in the SADC region?

1.3.4 Sub-problem 3

What are the appropriate implementation strategies for implementing Trade facilitation and Regional Integration by SARS?

1.4 SIGNIFICANCE OF THE RESEARCH

The aim of this study is to determine the best SARS customs strategy that can be implemented as a tool to assist in the facilitation of trade and Regional integration in the SADC Region because the process of integration is facing many challenges.

One of the challenges is disagreement among the member states about the best way to achieve an integrated market for the region as was evident in the SADC meeting of July 2008. These bottlenecks are only a symptom of the ever present problem of a failed institutional transformation from SADCC to SADC in 1992. This transformation saw the redefinition of regional cooperation from a loose association towards a legally binding arrangement that seeks integration. This transformation was not accompanied by an appropriate institutional framework for integration. This research paper seeks to expose the extent of these difficulties.

SADC is attempting to achieve its integration objectives. The aim is to reach a conclusion that under the prevailing scenario, an integrated market for the region is unachievable.
1.5 RESEARCH METHODOLOGY

According to Vogt (1993:196), research design is the science and art of planning procedures for conducting studies to achieve the most valid findings. Determining the research design provides a detailed plan, which is used to guide and focus the research (Collis & Hussey, 2003:113).

In this section, the broader methodology that was followed in this study is outlined.

1.5.1 Research methodology

Research methodology in solving the main and sub-problems the following procedure was used:

1.5.2 Literature survey

Any previous research that has been conducted in this field was reviewed and the gaps, where possible, were identified.

1.5.3 Empirical study

Questionnaires and interviews were conducted at senior level within the SARS Customs strategic unit division. The data was collected, analysed and interpreted. The interview structure was both scheduled and ad hoc.
1.5.4 Gap analysis

An understanding and the need for Regional integration in SADC region were identified after the results were analysed and interpreted. The understanding and readiness for the application of SARS Custom strategy were identified.

1.6 KEY ASSUMPTIONS

The study will assist the organization in the following areas:

- Senior Management will participate in the research with the intention of bringing about positive change in their workplace and improvement in the strategic framework and understanding of the objectives of the SADC;
- The Executive of SARS will review a starting point in developing the new strategic direction for SARS Customs by understanding the mandate of SARS Customs against the background of the Government developmental agenda and the role of the State and SARS Customs in development;
- SARS Customs division will improve its strategic objective in terms of Regional Integration and the linkage to the Department of Trade and Industry (dti) Strategic objectives which is under the dti Medium term Strategic Framework 2009-2010, objective number five which states: “Contributing to Africa’s development and regional integration with the New Partnership for Africa Development (NEPAD)”;
- Management at the Head office Pretoria South African Revenue Service will want to implement the strategic tools in the Customs division as especially on the Strategic division unit to improve their role in Trade facilitation and Regional integration, and capacitating the unit to fulfill their mandate.

1.7 DELIMITATION AND LIMITATION OF THE RESEARCH
According to Collis and Hussey (2003:129), a limitation identifies a potential weakness in the research. Delimitation explains how the scope of the study is focused on one particular area. It is necessary to know precisely what the researcher intends and does not intend to do (Leedy, 1993:740). The following sections highlight some of the limitations and the scope of the research study that is focused on a particular area.

1.7.1 The organization

The research study is conducted in the Head Office – Pretoria of the South African Revenue Service.

1.7.2 The area within the organization

The business area that the study will focus on is the Customs Strategy unit, within the head office South African Revenue Service. Other business areas are mentioned due to the workflow but are not examined in detail.

1.8 DEFINITION OF KEY CONCEPTS

According to Leedy (1993:74), a term must be defined operatively; therefore, the definition must interpret the term as it is employed in relation to the project of the researcher.

The following glossaries of terms are included in this paper for ease of reference. Their meanings are consistent with the same interpretation contained in the Protocol on Trade as read with the Transit Regulation and Regional transit Customs Bond Guarantee Convention.

- "principal" means the person who, or through an authorised representative, requests permission, in a declaration in accordance with
the required customs formalities; to carry out a transit operation and thereby; makes himself responsible to the Customs authorities for the execution of a SADC transit operation;

- "carrier" means the person actually transporting goods in transit or in charge of or responsible for the operation of the respective means of transport;

- "certificate of guarantee" means a customs transit guarantee certificate which is issued to the principal by the customs office of guarantee;

- "container" means an article of transport equipment (lift-van, movable tank or other similar structure), and includes the following:
  - Fully or partially enclosed to constitute a compartment intended for containing goods;
  - Of permanent character and accordingly strong enough to be suitable for repeated use;
  - Specially designed to facilitate the carriage of goods, by one or more modes of transport, without intermediate reloading;
  - Designed for ready handling, particularly when being transferred from one mode of transport to another;
  - Designed to be easy to fill and empty; having an internal volume of one cubic metre or more;

- "customs office of commencement" means any port, inland or frontier customs office of a member State where the provisions of the Convention begin to apply;

- "customs office en route" means any customs office of a member State where goods are imported or exported in the course of a customs transit operation;
• "customs office of destination" means any port, inland or frontier customs office of a member State where the provisions of the Convention cease to apply;

• "customs office of guarantee" means a customs office where a customs Bond guarantee is lodged;

• dti refers to Department of Trade and Industry

• "designated representative" means any person in a transit member State designated by the principal to be collaterally responsible for the payment of import duties and taxes that may be levied by customs authorities of the transit member State; in the event that the transit goods go into home consumption or have not been accounted for to the satisfaction of the customs authorities:

• "goods" means all chattels personal other than things in action and includes wares, merchandise, mail emblems and industrial crops;

• "goods in transit" means goods being conveyed between two member States or between State and a third country and passing through another member State' or member States;

• "import duties and taxes" means customs duties and all other charges levied by reason of importation;

• "means of transport" includes:
  - Any railway stock, containers, coastal vessels not leaving the territorial waters of member States, lake and river vessels, road vehicles and aircraft; and
  - Pipe line and gas lines.

• "member State" means a member State of the Southern Africa Development Community;
• "person" means a natural or legal person;

• "Surety " means any person who gives an undertaking to the customs authorities of the transitor's member State to be responsible for the payment to the transit member States of import duties and taxes that may be levied by customs authorities in the event the transit goods go into home consumption or have not been accounted for to the satisfaction of the customs authorities;

• "SADC" means the Southern Africa Development Community States established by Article 2 of the SADC Treaty;

• "SADC customs transit guarantee" means a document on which the principal shall give to the customs authorities in a member State an undertaking, guaranteed by a surety, to pay import duties and taxes that may become liable should goods in transit go into home consumption or not be accounted for to the satisfaction of the customs authorities;

• "SADC transit document" means a customs declaration document (approved by the Council of Ministers to be utilised within the Community);

• SARS refers to South African Revenue services

• "Secretariat" means the Secretariat of the Southern Africa Development Community;

• "transit traffic" means the passage of goods including unaccompanied baggage, persons and their means of transport through the territories of the member States when coming from: or bound for other member States: or third countries and bound for other member States; or other member States and bound for third countries.

• "witness" means any person in whose presence the customs transit guarantee certificate is signed by the principal and the surety, who by his
signature on the same document certifies the authenticity of the document and the signature.

1.9 RESEARCH LAYOUT

The study is laid out as follows:

Chapter 1: Introduction

An explanation and background of the research topic is provided which is followed by the problem statement, significance of the research, its delimitations and a brief review of previous research in this field. The definition of terms used is provided and an explanation of research approach.

Chapter 2: Literature review/theoretical framework

In this chapter, the literature that was read is demarcated and discussed.

Chapter 3: Analysis of the SARS Customs strategic division framework

The current SARS Customs division strategic Framework is provided and discussed.

Chapter 4: Research design and methodology

A theoretical explanation on the methodology used to conduct the research is provided.

Chapter 5: Results

In this chapter, the results of the empirical study are presented and interpreted to draw conclusions. The main findings are highlighted
Chapter 6: Conclusion and recommendation

This chapter indicates whether the gaps identified in the literature have been filled and whether the research objectives have been attained. Recommendations for areas of further research are identified.

1.10 CONCLUSION

A definition, provided by Leedy (1993:11), describes research as a studious inquiry or examination, especially a critical and exhaustive investigation or experimentation having for its aim the discovery of new facts and their correct interpretation, the revision of accepted conclusions theories, or laws in the light of newly discovered facts or the practical application of such conclusions theories, or laws.

The importance of the research study can be viewed from the historical background of Trade Facilitation in South Africa by SARS Customs units through the vital roles of:

- Enhancing the economic growth of South Africa. This is done by supporting and facilitating legitimate trade through the application of risk management and modern Customs procedures, techniques and technologies. These ensure compliance with the export promotion schemes of South Africa;
- SARS Customs the first line of control at the borders to protect the South African economy and the wellbeing of society. This is done by protecting business from illegal and unfair trading practices such as smuggling, under-invoicing and dumping; and protecting society by detecting and keeping illegal, dangerous and unsafe goods out of the country;
- SARS Customs promotes South Africa as a safe and trusted trading partner and investment destination by securing the international trade supply chains through the application of international rules and standards and by cooperating with other Customs administrations and the private sector
The researcher proposes that the outcome of the research study would be shared with the SARS Customs managements, which are involved in the Strategy formulation and implementation.

The following chapter explains through a literature review the Regional integration and provides an introduction to the regional trade agreements. It will outline the three regional blocs in the analysis, SADC, Mercosur and the EU, with the focus on SADC. The overview provides a brief history and economic profile of each Regional Integration Agreement and highlights important features of each agreement. The three blocs chosen provide examples of regional blocs at different levels of integration, with the first two being in a developing country context and the EU, which is developed county. It will show how dynamic analysis has entered into the theoretical framework of new the economic geography of the SADC free trade area.
CHAPTER TWO

Regional Integration Trade Agreements and Three Regional bloc

2.1 Introduction

The first step is to conduct a Survey of scholarly literature that is accessible in the international arena on Regional integration to achieve the objectives of this study.

This chapter provides an introduction to the regional trade agreement and outlines the three regional blocs used in the analysis, SADC, Mercour and EU with the focus on SADC. An important feature of each agreement is the high level of internal economic disparity.

2.2 The state of development in Africa

Through the years, the development of the African continent has been scant. According to the Economic Commission for Africa (2004), most African countries are small with low incomes; their production structures are weak and constrained by variety of inadequacies. Conflicts are major problem in some countries, and economic and political reforms have only gradually taken hold.

The main development challenges for Africa are the following:

a) Small domestic market

Of the countries of the African continent, 39 have fewer than 15 million people, and 21 fewer than 5 million. Small populations and low incomes limit the size domestic market. Despite growth in recent years, however, incomes remain low, with the bulk of the population in many countries living in poverty.

b) Production structures
Weak production structure that are caused by mainly low incomes and widespread poverty reflect the weak production structures and low productivity of many African economies. Key weaknesses include inadequate infrastructure, small physical and human capital stocks, and limited diversification in production and trade. These shortcomings have been caused by weak institutions, inappropriate policies, political instability and widespread conflict, stemming in part from the history of African and initial endowments.

c) Wide spread conflict and political instability
The wide spread of conflict and political instability in many part of African countries remain a tragic reality and constant threat as a result of weak democratic institutions, poor economic performance, and lack of political and civil rights. Political instability and conflicts, in turn, erode institutional capacity and worsen economic performance, thereby creating a vicious cycle.

d) Slow Progress on reforms
Many African countries embarked on significant economic and political reforms in the early 1990s, with markets being liberated and political competition being institutionalized. Further, popular participation in social and economic affairs has increased, and leaders have been held more accountable for their actions. Efforts are now shifting towards deeper forms of economic governance and faster poverty reduction. The South African government is a good example in the SADC community.

2.3 Four types of Regional Trade agreements

There are number of bilateral and multilateral agreement within Southern Africa (McCarthy, 1999:3). The origins of regional integration within Southern Africa can be traced back to the formation of the Southern African Customs Union (SACU) in the late nineteenth century. Subsequent agreements were largely focused on reducing dependence on first world countries and apartheid South
These agreements include SADC, COMESA and its predecessor, the PTA. These agreements tend to overlap each other, and in addition, contain a complex network of bilateral agreements resulting in conflict between the different organizations, especially with the current implementation of a free trade area in COMESA and in the SADC. This causes problems as a number of SADC members are also members of COMESA.

The following four trade agreements are discussed.

### 2.3.1 Customs union

The agreement by two or more countries to remove essentially all restrictions on mutual trade and set up a common system of tariffs and quotes vis-a-vis non-members (otherwise known as a common external tariff) is referred to as Custom Union (CU). This is a form of trade agreement that requires the region to adopt common external tariffs and completely eliminate integral trade barriers. This is seen in the Southern African Customs Union (SACU) involving Botswana, Lesotho, Namibia, South Africa and Swaziland.

The adoption of a Common External Tariff (CET) and joint quotas necessitates closer cooperation with respect to the sharing of customs revenues collected on non-member imports. Rules of origins are no longer necessary. When a CET exists, imports into the CU area face the same tariff in each CU-member country; hence, there is no incentive for the trans-shipment of imports between members.

### 2.3.2 Common Market

An example of a common market currently being implemented is the Caribbean Community and the Common Market (CARICOM).
A common market (CM) is considered as the first step towards a higher level of integration. Its main characteristic is the free mobility of the participants in the process of production. In addition to goods and services, capital and people move freely inside a CM. The benefits expected consist of further gains in efficiency through a more appropriate allocation of resources, i.e. capital moves to where the skills are and people move to where the opportunities beckon. In addition to the common external tariffs that denies a CU and to ensure the viability of a common market, uniform regulations regarding the movement of people and capital have to agreed upon by the members. This is the major task that requires over time, agreements on qualifications and the certification of workers from different member countries. Non tariff barriers have to be dismantled, structural adjustment policies have to be jointly reassessed, and distribution policies have to be harmonized, and finally fiscal and monetary policies will have to converge.

2.3.3 Free Trade Area

This is the most common form of integration and involves the elimination of tariffs among member countries. Each country maintains its own tariffs and protection policy vis-à-vis the outside world, thus requires street rules of origin. An example is NAFTA, incorporating the USA, Canada and Mexico.

An FTA can be limited to a number of sectors, thus retaining a high level of control at the national level and preventing exposure to competition in other sectors. The authority to decide how third parties are to be treated remains unaffected in an FTA, i.e. countries maintains independent trade policies. However, rules of origins (ROO) have to be agreed upon by members to determine which products can be transferred duty-free, and to ensure that it is only member countries that are enjoying such preferential treatment.
2.3.4 Economic Union

An Economic Union is the most comprehensive and high level form of regional integration where national economic policies and institutions are unified with supreme institutions having jurisdiction in all member countries. If a common currency is adopted the area becomes a monetary union. Each country, however, remains a separate political entity. The European Union is an example. (Radelet, 1997:3).

An Economic Union adds to the common market harmonized fiscal, monetary and labor market policies. Tax and monetary policies affect areas where business is located, and because labor policies affect migration patterns and production costs, these need to be streamlined among the members. Furthermore, various policies such as industrial policies distort competition among firms from different member countries.

It is necessary to form supranational institutions to achieve such a union that legislate the rules of commerce for the entire area, leaving the administration to national bodies, but with recourse to the supranational administrative tribunals to ensure the uniform application of these rules. In an economic union, supranational commercial law replaces national law. The final outcome of an economic union may be a political confederation with unified economic policies.

The various stage of economic integration have been outlined and it must be noted that there are some policy implications associated with moving along these stages.
To date, debate has largely focused on the move from FTA to customs union. Marius and Rylska (2002) indicated that both an FTA and a customs union have distinguishing characteristics that bring about significant policy implications. The distinctive feature of an FTA, with each county having its own external tariff application to the third countries, is the maintenance of ROO. The distinctive characteristic in a Customs Union is the common tariff applicable to the third countries.
The world is currently in the process of integrating its economies to reap the benefits that amass from being a global village.

In recent years, this phenomenon has been characterized by increased integration in trade, capital flow, and the movement of labor. This integration has occurred within and across various regions of the world. Indeed, regional trade agreements have become a major recurring feature of the global economy during the last half century (Pomfret 2006).

2.4 The three Regional Block

There are three regional blocs that are the focus of this research. The Regional Integration Agreements (RIAs) of SADC, Mercosur and the EU, which provide interesting cases for analysis and comparison. All three consist of members of radically different economic size and levels of development, and all are looking to further their integration.

The SADC is presently the least integrated as it is still in the process of implementing (FTA). Although there are a significant number of bilateral and other multilateral agreements within the bloc, progress towards FTA has been slow. The European Union is, by far, the most integrated bloc.

2.4.1. The Southern Cone Common Market (MERCOUR)

The treaty of Asuncion in March 1991 established the FTA of Mercosur between the countries of Argentina, Paraguay and Uruguay. In 1996, two other countries, Bolivia and Chile were included as associate members. These countries represent 230 million people with a combined DGP of US$570 billion (Mills, 2000:15, Taccone and Nouguerira, 2003:43). However, as with SADC, the economic balances is heavily in favor of two principle countries, Brazil and Argentina, which contribute 97 percent of the GDP of the full members (Mills, 2000:15).
Prior to the establishment of Mercosur, the current members had been involved in a number of failed regional integration agreements including Latin American Free Trade Association (LAFTA), the Andean Pact, the Central American Common Market and the Latin American Integration Area (LAIA) (Richards, 1997:136)

“The cause of failure of these initiatives has largely been attributed to the difficulties of integrating countries of radically disparate levels of development” (Richards, 1997:136).

The establishment of Mercosur was pre-dated by two highly important agreements between Brazil and Argentina. In 1986 a number of sectorally focused protocols were signed between the two governments which were solidified in the 1989 Treaty of Integration, Cooperation, and Development. This laid the foundation, and provides the direction, for a FTA to be established within the next decade (Richards, 1997:139).

The Regional integration in the Mercosur has been conducted in two distinct phases. The first phase, beginning in the early 1980s, formalized in 1990, and concluded in December 1994; saw the removal of tariffs on 85 percent of regional trade (Mills, 2000:14, Giannetti da Fonseca, 2000:63).

The second phase of implementing a customs union was envisaged in 2006 (Miils, 2000:14).

The two smaller countries, Paraguay and Uruguay both, entered Mercosur after long periods of inward-focus industrialization. As with the smaller countries in SADC, concerns were raised that integration with larger, more advance economies would lead to the de-industrialization of smaller countries and a shift back to reliance on primary good production and exports (Richards, 1997:144-145).
2.4.2. European Union (EU)

The European Union is at the forefront of contemporary regional integration practices, theory and researches. This is because the union is currently the most progressive and economically important integrated block of independent countries (McCarthy, 2002:5). An economic union has been established between all the countries involved with a monetary union existing among a number of key members.

The European Union is based on four founding treaties culminating in its establishment. These are the following:

- The European Coal and Steel Community (ECSC). This treaty was signed on the 18th of April 1951, entered into force on the 23rd of July 1952 and expired on the 23rd of July 2002. This agreement coincided with the expiry of the Marshall Plan and a desire with Europe to establish a permanent organization for economic and financial cooperation (Goodman, 1996:39);
- The European Economic Community (ECC). Signed in Rome on the 25th of March 1957, the treaty entered into force on the 1st of January 1958;
- The European Atomic Energy Community (Euraom), signed at the same time as ECC;
- The Treaty of European Union signed in Maastricht on the 7th of February 1992 and entered into force on the 1st of November 1993. With this treaty, a political and economic union was established among the member states, resulting in the European Union (World Bank, 2003).

France, Germany, Belgium, Italy, the Netherlands and Luxembourg were the founding member states. After four waves of accessions, membership has grown to a total of fifteen countries, with a further fourteen Eastern and Southern European countries set to join.
European Union policy is based on the premise that competitive markets lead to inequality, therefore, substantial redistributive funds are necessary to avoid agglomeration (Molle, 1997:429). Thus funds are created that are channeled, firstly, to traditionally underdeveloped regions, i.e those which are agriculturally orientated, have little manufacturing or service industry and which are deficient in infrastructure, and secondly, to regions of industrial decline (Molle, 1997:436).

The EU regional cohesion funds aim towards achieving a point where the ‘degree to which disparities in social and economic welfare between different region and groups within the Community are politically and socially tolerable’ (Molli.1997:429).

Similar to the SADC, the structure of trade from peripheral regions in the EU to the core countries consist largely of natural resource-based products and some traditional industry. However, integration has proceeded; and the share of new industry is increasing in peripheral country exports (Barry, 2002:6).

2.4.2.1 The EU at glance

<table>
<thead>
<tr>
<th>1945-1959</th>
<th>The beginning of cooperation</th>
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<tbody>
<tr>
<td>1960-1969</td>
<td>A period of economic growth</td>
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<td>1970-1979</td>
<td>A growing community</td>
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<td>1980-1989</td>
<td>The fall of the Berlin Wall</td>
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<tr>
<td>1990-1999</td>
<td>A Europe without frontiers</td>
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</table>
2.4.3 The South African Development Community (SADC)

The Southern African Development Community (SADC) was initiated in 1980, primarily as a means of regional co-ordination, as opposed to trade integration, and was known as the South African Development Co-ordination conference (SADCC). The main goals of SADCC, as set out in the 1982 programme of action, were as follows: (Tsika1999:2)

- To reduce economic dependency especially, but not exclusively, in South Africa;
- To forge links to create an equitable sub-regional integration policies;
- To secure international co-operation for economic liberation and collective self reliance

There were nine initial members: Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe. The demise of apartheid in South Africa, and calls form COMESA for a merger the 1990s saw a re-modeling of the group.

This transformation included the renaming of SADCC as SADC, the Southern African Development Community, and an altered mandate to incorporate South Africa as an official trading partner in conjunction with the adoption of new trade policies. This resulted in the subsequent accession of five new members, Namibia, South Africa, the Democratic of Congo, Mauritius and the Seychelles, to bring the total members up to fourteen countries. As with the previous arrangement, in the new SADC, each member was assigned a sectoral responsibility, such as industry (Tanzania), food security (Zimbabwe), transport
and communications (Mozambique) and Finance (South Africa) (Ramsay, 2000).

However, the recent developments such as the irony Tanzania’s responsibility for industry and Zimbabwe for food security have seen consolidation of the 21 previously nationalized based co-ordination units into four directorates. These are centrally-based namely, trade and industry, finance and investment, infrastructure and services, food, agriculture and natural resources, and social and human development and special programme. As an advance to the initial ‘loose’ coordination arrangement of SADCC, the new SADC looked towards greater trade integration (Cartaneo, 1988:14).

There are a number of chronic factors that caused this enthusiasm, to be short-lived, as there was little progress during the early 1990. The lack of progress has been attributed to a number of chronic factors, namely, lack of political commitment of member state, organizational inefficiency and bureaucracy (Leister, 1992:4-5), poor capacity (Mills, 2003), and a focus in short-term national considerations (The Danish Ministry of Foreign Affairs, cited in Tsikata, 1999:2-3). Evidence of this lack of real commitment is the fact that, only 10 out of 21 SADC protocols initiated have been ratified (Mills, 2003:1).

The SADC agreed to form and FTA (Cattaneo, 1998:1). The most recent attempting at restructuring has seen the development of Regional Indicative Strategic Development Plan, and a re-organization of member subscriptions.

This, however, placed an unequal burden on the smaller countries leading to the Seychelles giving notice of membership, and the non-participation of the DRC due to financial arrears. The new formula-based subscription was devised based on the GDP size and ability to pay, with South Africa contributing 20 percent of the budget, while smaller countries pay a minimum of 5 percent (Mills, 2003:3).

Almost all countries in the region are heavily reliant on external trade, particularly of primary products to the developed world, especially the EU, with
trade values often exceeding GDP. With the exception of SACU, internal SADC trade generally represents a small proportion of the total trade of the countries involved. However, there are number of bilateral agreements within the region.

There are more than 14 bilateral trade agreements within SADC (Kabemba, 1998:4). The official position of the SADC is these trade agreements will remain in operation until superseded by the FTA.

2.4.3.1 Multiple and overlapping memberships in SADC region

The challenge of multiple memberships is a major cause for concern as conflict interest and varied commitment are stalling the regional integration process (Saurombe, 2006:13). Some members of SADC belong to one or more of the following regional trade areas; the Common Market for East and Southern Africa (COMESA), South African Customs Union (SACU) and the East Africa Community (EAC).

Consequently, no synchronized development agenda has been possible among SADC members. The fact that SACU is already a Customs union (CU) and SADC want to achieve the same status raises question of legality since according to WTO rules (GATT Article XXIV) a member state can belong to one CU at a time. The multiplicity of regulations and duplication of procedures create business uncertainties that hamper integration trade. If all the countries in SADC region belong to one existing regional organization, there may be less confusion. However, in a situation where membership is not uniform, or at least consistent with geographic delimitation, and where the agendas of different organization are inconsistent and work against each other, the situation becomes hopelessly confused. This duplication of membership has to be resolved before the realization of regional integration objectives.
2.4.3.2 The Southern African Customs Union (SACU)

SACU comprises of Botswana, Lesotho, Namibia, Swaziland (collectively referred to as the BNLS countries) and South Africa. Officially, SACU has existed in one form or another since 1889. The crux of the agreement revolves around the free trade of manufactured goods, the maintenance of a common external tariff against the rest of the world, and conformity of the BNLS countries to the tariff law of South Africa, although this has now changed marginally in the new SACU agreement (McCarthy, 2003, Cattaneo, 1998:8).

A new revenue sharing agreement was reached in 2002 after dissatisfaction by the member’s countries with the previous agreement formulated during apartheid years of South Africa (McCarthy, 2003, Hartenberg, 2000). Due to the overall dominance of the South African economy, the revenue sharing formula is geared towards the smaller BNLS countries to compensate them for lost customer revenue, trade diversion towards South Africa, loss of sovereignty and possible polarized growth biased towards South Africa (McCarthy, 2003:3-4).

Customs revenue constitute a major proportion of government revenue for the BNLS and, thus, been a key factor in the new agreement (World Bank, 1997:196-197). However, McCarthy (2003:6) argues that the issue of trade diversion is becoming less important because the external tariffs of SACU continue to be reduced.

The issue of polarization is more difficult to address, because great discrepancies in the economic power continue to exist. However, the relatively high growth rates, as discussed in term of manufacturing in SADC of the BNLS countries compared to other countries in SADC indicate, that these countries have not lose. Indeed, McCarthy (2003:5) shows how the SACU countries have benefited from the macroeconomic convergence and stability through their union with South Africa. It is argued that a success for SACU is essential to the further spread of regional agreement in Southern Africa, and particularly for
SADC (McCarthy, 2003:1). The SACU agreement shows the rest of Southern Africa how much smaller BNLS countries can successfully achieve their current levels of integration with the larger South Africa.

The extent of multiple memberships is illustrated in a Table 1

<table>
<thead>
<tr>
<th>Country</th>
<th>COMESA FTA</th>
<th>COMESA FTA</th>
<th>SACU ESA-EPA CONFIGURATION</th>
<th>SADC CONFIGURATION</th>
<th>SADC-EPA CONFIGURATION</th>
<th>EAC SADC</th>
<th>WTO SADC</th>
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<td>Angola</td>
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<td>Zambia</td>
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<td>Zimbabwe</td>
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Source: Journal of international Commercial Law and Technology vol. 4 issue (2009)

2.4.3.3 Continental integration as solution for growth in SADC

Over the years Africa has remained marginalized in the globalization process. However, the continent has recognized regional integration as a means to solving its development challenges, and for effective integration into the global economy.

According to the Economic Commission for Africa (2006), there has been considerable success in the regional integration process in Africa, although the results are mixed. According to the report, some advanced have been made in
trade, transport, communication, energy, knowledge sharing, free movement of people and peace and security. Customs union and other regional economic communities are establishing FTA for example, the SADC.

The record of regional integration in Africa is not good. As noted earlier, the large number of RIAs has done little to expand intra-regional trade. The reason for this poor performance may be that the arrangements did not alleviate the real issues that constrain regional trade.

Essentially, an RIA aims to reduce the transaction cost of trade. The barriers to trade that raise transactions cost can be classified as border or behind-the-border barriers. A regional free trade arrangement addresses a specific border constraint, namely the import tariffs, by allowing duty-free trade in goods between the member states.

The tariffs are undeniable an important barrier but it can be questioned whether it is the important one. It is important to analyses them systematically but there is abundant anecdotal evidence that the aggravation experienced at borders is perhaps onerous. This barrier might arise because of management problems at border crossings or because documentation and procedures are not standardized. For some landlocked Africa economies, the aggravation is exacerbated by the requirement of multiple border-crossings for goods in intra-regional trade. While this constraint is likely to be more important for trade with the rest of the world, there are cases with the regions where intra-regional trade requires more than one border crossing. For example, shoes manufactured in Lesotho are transported through three borders crossing if destined for Angola or Zambia.

In addition to border barriers, many other constraints exist in African economies that increase the transaction cost of trade. Geography plays a role. The limited availability of navigable inland waterways and the cheap transport this allows, means the logistical costs of trade in goods are high. This is exacerbated by poorly developed transport systems, characterized by low per capita densities.
of rail and road transport infrastructure which in colonial times was designed to transport primary product to port. Poorly developed cross country connections are the result (McCord e al., 2005:37).

Geography and poor transport policies are not the only behind –the border cause of high transaction cost. The lack of skills and capital to establish sophisticated modern communication systems, combined with small business communities that do not allow financially viable business publication, mean that business news and the information required for informed decision making is not readily available (Colleen and Venable, 2008:30).

Although these barriers constrain trade with the rest of the world, it needs to be emphasized that their impact on trade in the region is particularly pernicious. Trade in the region requires extensive diversification and consequently, the development of new market.

The relevance of identifying border and behind- the- border barriers to trade becomes obvious once it is realized that free trade area agreement or customs union as a formal arrangement only address one barrier, the import tariff. The other barriers require efforts by participating government that go beyond what is conventionally provided for in these integration arrangements.

A first step would be the removal of the barriers to integration trade. The development of the transport links through coordinated investment in transport infrastructure (roads, rail and port facilitates). Investment in communication services, and standardization and simplification of customs procedures at borders could have substantial impact on the transaction cost of regional trade, thus, complementing tariff liberalization in encouraging trade.

Regional coordination and formal integration arrangement can contribute in this regard, but these should be modest in design and strong on commitment and implementation. Most important is that development ‘starts at home’; expanding the production frontier of an economy must be seen as a national priority.
2.4.3.4 Possibility for a Common Market by 2015

A Common Market is a Customs Union, with harmonized regulation and policies on free movement of factors of production. The SADC Protocol on the Movement of Persons has not been signed and it remains a problematic issue for member states. There is an absence of a SADC collective standing on labour mobility. The Protocol on the movement of persons has not been subjected to intense regional discussion by SADC member Heads of States recently. There is great doubt whether there is the political will to push the process.

Unfortunately, the SADC Secretariat in Gaborone, which coordinates trade and regional integration initiatives, does not have the legal basis to ensure accountability, compliance and the enforcement of decisions. It is submitted that this would pose a serious challenge on SADC achieving its goal of a Common Market by 2015. The effects of brain drain within and outside the region is being felt, with minimal or no effort at all to address the problems. South Africa is the main beneficiary of brain drain in the region.

The SADC Finance and Investment Protocol have not been spared by these delays. Slow progress means that member states cannot remain current to the growing regional economy. Pressure is coming from rising oil and food prices (and a global scarcity) and unresolved questions of stability in Zimbabwe. A lack of collective planning has made member states appear helpless in the face of the Zimbabwe economic collapse. The talk of a rescue package by SADC was an informal discussion in the media. South Africa is economically the strongest in the region and has close ties with Zimbabwe but failed to intervene.

2.4.3.5 The proposed Monetary Union for 2016 and Regional Currency by 2018

The desire for a monetary union by 2016 is a farfetched dream for SADC. Rigorous preparation by all member states is crucial for this to be realized. There is need for macroeconomic convergence of the key indicators such as
inflation, GDP and deficit ratios. These developments will require a substantial loss of monetary and relative fiscal sovereignty. This cannot be imagined under the current scenario of inflation figures of 4 million percent in Zimbabwe while South Africa and Botswana have their inflation under control in single figures. The SADC needs to create a supranational authority for effective surveillance and enforcement of a common central bank (Saurombe 2009:103).

2.4.3.6 Place of dispute Settlement in Regional integration Agenda

In the words of Mike Moore (2000), former Director General of the WTO, dispute settlement is the ‘backbone of multilateral trading system’. The private sector in the region is unlikely to make any adjustments to their long term strategic planning as a result of international trade agreements, unless such agreements are backed up by strong, rule-based and an objective third-party adjudication system. Developing countries have, over the past decades, increasingly embraced and appreciated the benefits of trade liberalization and regional integration. The adoption of a rules based dispute resolution system is a logical institutional extension of this tendency. As a result the SADC is situated within a broader global trend, among developing countries, towards economic co-operation and the establishment of rule-based institutions to manage these systems. To date, the implementation of Annex VI by SADC member states has been slow.

No disputes have been filed yet. This state of affairs is most likely a result of the limited internal resources and experience of member countries in this respect, and due to the still politicized climate prevalent within the SADC. The vast majority of countries feel that a trade dispute is not simply a byproduct of increased beneficial trading relations, but an unfriendly act. This is an attitude which is characteristic of a young and inexperienced regional organization. The absence of disputes, however, does not point to a lack of interest by SADC member states in the DSM. Recent cases show a grievance by Zambia against Zimbabwean imports as a mere tip of the iceberg (Gandidze, 2002).
2.5 Outstanding issues and challenges

There is inadequate internationalization of agreed integration objectives at national level. Regional economic integration issues are not part of a national policy framework. Few parliaments in the regions have a strong regional integration portfolio. At the Conference on Regional Parliamentary-Civil Society Conference in Trade and Integration held in 2007, parliamentarians complained that they are uninformed about issues relating to trade and regional integration.

Parliaments in the region do not accept the negotiating mandate. Negotiations about trade and integration are shrouded in secrecy and, in many instances the conclusion of such agreements are approved by executive mandates where the State President signs the Bill or Protocol without it being tabled before parliament.

In instances where the parliament exercises oversight over the executive, the ruling parties have a majority in parliament resulting in the processes being reduced to rubber stamps. The South African experience serves as a good example. The Parliament is well equipped to process all legal instruments that are brought before it but the weakness is that the ruling African National Congress (ANC) has more than two thirds majority rendering opposition views useless (Saurambe:2009:104). Parliamentary role in SADC is crucial. They need a legal basis to monitor regional integration. They need to be sufficiently and accurately informed of government policies and contribute to negotiating positions in advance.

Parliamentarians need to be afforded an opportunity to question the relevant ministers and negotiators on matters of regional integration. The institutional framework is inadequate, particularly in relation to compliance and enforcement issues to ensure the credibility of a rules-based integration framework. The ratification process for protocols takes time, with member states finding no need to exercise urgency. The SADC lacks a supra-national authority to enforce decisions. As a result, implementation problems are left to political organs such as the Summit of the Heads of States and the Council. This approach will not accelerate integration. There are no mandatory, transparent, accountable and
predictable mechanisms for the monitoring and enforcement of regional standards on integration.

The region lacks effective leadership and champions. After 1996, the region expected South Africa to take a leadership role in both the economic and political fronts. The opposite has happened with South Africa preferring to have close economic ties with the EU (TDCA agreement), United State of America (SA-USA free trade agreement) and the emerging forces of Brazil and India. Multiple memberships retard the emergence of leadership and implementation of agreed protocols. The Secretariat has no legal basis to ensure accountability, on the enforcement of decisions. It has not been transformed to be one of the drivers of the integration agenda.

The SADC has insufficient technical and analytical support to help with the regional integration agenda. There is a lack of policy think-tanks especially in the area of assessing the feasibility of integration ambitions and measuring progress in the regional integration efforts. There is no drive to mobilize regional resources towards integration objectives. There is a lack of a broad-based understanding and support for integration. The Integration Agenda forms a small part of parliamentary discourse and debate. Participation of the private sector and civil society in the Integration Agenda is recognized, but inadequate.

Generally, most SADC member states treat civil society like opposition political parties even though they advocate for constructive opposition. The extent of informal trade in the region has always been underestimated. This can be a resource that can be exploited for the better understanding of the need for regional integration.

2.6 Challenges to integration

Although some success have been registered in integration in the various REC’s integration in Africa has been and continues to be marred by significant
challenges, which are making the process an extremely difficult to attempt. The challenges are as follows:

2.6.1 Limited Capability and inadequate funding

The REC’s success at deep regional integration is limited by inadequate capability, insufficient and unpredictable funding, poor remuneration for staff members and weak capacity. Funding problems emanate from the lack of increase in funding in line with the expanded mandate of the regional economic communities; the delays in payment of assessed contributions by member states, and their increased financial obligations due to multiple of RECs, these have resulted in weak staffing in the RECs secretariats and a consequent lack of programmatic visibility. In addition, the secretariats are not able to implement proactive activities such as monitoring the state of implementation by member states. The lack of supranational authority to enforce commonly agreed decisions reinforces these weaknesses, with, sanctions seldom imposed on member countries in breach of agreements.

Multiple and overlapping membership

For strategic and political reasons, many African countries belong to more than one regional economic community as depicted on table 1. The structure of REC varies, but they all share a common objectives, the reduction of trade barriers among member countries by creating common, larger economic space. Focus has, therefore, been on the establishment of FTAs. However, according to the Economic Commission for Africa (2006), the complex patchworks resulting from multiplicity and overlapping membership in RECs raises considerable problems for policy and programme coordination and harmonization. Drawbacks that this’ spaghetti bowl’ of regional trade agreements creates include the following:

- Unhealthy rivalry for donor funds and duplication of efforts;
- Inconsistent objectives and conflicting operational mandates;
- Increased cost of membership in RECs;
- Fragmented economic spaces and approaches to regional integration.
i. Little complementarities across economies

The overall low level of effective demand has hindered regional integration in Africa. Although the number of conflicts has decreased and growth has resumed across much of the continent, poverty levels remain high and purchasing power remains low in most regions. There is little manufacturing industry in Africa, reducing the degree of complementarities among and across economies. The limited degree of intra-firm trade in Africa may be explained by the unsophisticated nature of existing industries in most part of the continent. Weak transport and communication infrastructures and lack of skilled workforce further constrain integration.

ii. Few stronger regional focus

Experience, especially in Europe, shows that regional integration is more likely to succeed if one country serves as an institutional leader and regional paymaster. European integration was successful largely because the willingness of France and Germany to serve in this role. However, in Africa, most regional economic communities lack this kind of leadership and very few countries are willing to serve as paymaster. Countries are seldom willing to compromise on important treaties or to persuade others to agree.

iii. Limited domestic constituency

Another major challenge is the creation of multi-stakeholder constituency for regional integration in member countries. African governments have often remained the principal advocates of regional integration. This is the stark contrast to other region such as Europe and North America, where corporate groups have emerged to support integration. This is in contrast to Africa, where a mature business constituency for regional integration is lacking and few private citizens
are aware of the anchor institutions of regional integration as an arena for policy activism in most parts of the continent.

It can be noted that the ultimate success of regional integration in Africa may not necessarily entail the reduction of tariffs and linear movement from lower forms of integration like FTA to customs union, and to higher forms of integration like an economic and monetary union, although these stages may seem attractive and workable, and they have worked for other regions like Europe but not acceptable to Africa.

The Linear model may be essential to attain concrete integrating of the African continent but there is a lot of ground work that has to be done. It must be noted that the reduction and harmonization of tariffs alone does not directly impact on areas such as infrastructural development, service delivery and regulatory reform. These are all vital towards the attainment of development and integration on the African continent. Therefore, deliberate joint efforts towards the attainment of these areas are essential at a regional and continental scale. Hence, if Africa is to address its development challenges while becoming more competitive as a continental bloc, efforts have to be made towards the integration of various sectors such as trade, agriculture, money and finance, transport and communications, and industry and energy.

1. Trade and Market integration

The persistence of tariff and non-tariff barriers is not the only impediment to trade and market integration. Other constraints, which have to be addressed, included structural deficiencies, limited product diversification, and lack of market information on member countries. Hence, efforts are needed to streamline the various trade agendas, harmonize procedures such as cross-border clearance of cargo and investment codes, and remove unnecessary programme duplication to unify regional market.
2. A framework for monitoring the progress of countries towards macroeconomic policy convergence and monetary integration must be established. The monitoring and commitment institution must be vested with the authority to sanction countries that are not in compliance with convergence criteria or protocols. Such commitment institutions’ include an autonomous central bank, a court of justice, a parliament and the like. Some regional economic communities are beginning to create these institutions, but there is a need to strengthen and coordinate them for possible establishment at the continental level.

3. There has been little convergence of transport programmes and efforts across regional economic communities despite the fact that they share common objectives such as improving infrastructures links between countries and mobilizing investment for infrastructure construction, rehabilitation and improvement. There is a need for upgrading transport infrastructure and increasing connectivity within and between regional economic communities. In addition, transit facilitation and documentation and procedures along major transport corridors must be improved.

In the area of communication, efforts currently being made by some regional groupings, such as COMESA in its regional telecommunications network, SADC with its Regional information infrastructure programme need to be enhanced. In addition, lessons learnt by such groupings must be adopted by other RECs.

4. Across Africa and within RECs energy generation is poor, and distribution remains highly uneven, despite being blessed with ample energy resources. However, energy remains vital for international trade competitiveness and regional integration. African economies are unlikely to expand production or improve their international competitiveness if they continue to lack adequate energy supplies.
2.7 Resources for Integration

The SADC has limited resources to realize regional economic integration as discussed in this paper. There is over-donor dependence in the region. The situation is such that if the EU withdrew its funding, the whole SADC Secretariat based in Botswana will lose their jobs. This causes the SADC to be in a compromised position with regards to Economic Partnership agreements (EPAs) with the EU. The EU can exercise its economic muscle and force SADC into signing EPAs that are detrimental to the regional economic agenda.

This has already happened when it is realised that the SADC is signing the EPAs as a divided pack of SADC-EPA and ESA-EPA. The EPAs are silent on the Regional Indicative Strategic Plan and the whole integration agenda.

The rigidity of the EPA negotiations ignores the history of SADC and more importantly, its future progression. The fact that the EU holds the balance of power, owing to the financial contributions they offer in these negotiations, is well established. Member States participation in the SADC processes is relatively donor driven. Member states delegations to important regional integration meeting often rely on donation for travel and subsistence. Delegates are often labeled unprepared and not serious in these crucial meetings, with some going for holiday and shopping sprees at the host cities. SADC’s mobilization of own resources is possible but the challenge is how.

2.8. Recommendations and conclusion

However, the situation is not hopeless for the SADC since it can mobilize its own resources. A robust agenda can be put in place to ensure effective implementation of the integration agenda through appropriate institutional mechanisms that discourage lip service. The regional infrastructure can be improved and deeper integration can be realized.
Conclusion

The SADC has a viable regional economic trade agenda that requires effective implementation of appropriate institutional mechanisms that discourage lip service. The regional infrastructure requires improvement and technical capacity need to be enhanced. The progression towards deeper integration requires the participation by stakeholder and ownership at national level. The national and regional institutions require good governance. Ultimately, improved political commitment and effective leadership is required to assure regional integration prospects.

According to the Economic Commission for Africa (2004), regional integration can help overcome some of these problems:

- Regional integration arrangement can help African Countries overcome constraints arising from small domestic market, allowing them to reap the benefits of scale of economics, stronger competition, and more domestic and Foreign investment. Such benefits can raise productivity and diversity production and export.

- Regional integration can help make reforms deeper and less reversible. Regional integration arrangements can provide a framework for coordinating policies and regulations, help ensure compliance, and provide mechanisms of collective restraint.

- The similarities and differences of African countries could make regional integration beneficial. Many African countries share common resources, such as rivers, and problem such as HIV/AIDS and low agriculture productivity. They exhibit important differences, particularly in their resources endowments. For example, some have well-trained workers, some have rich oil mineral deposits, and some have excellent academic institutions and capacity for improving research and development. By pooling their resources and exploiting their comparative advantage,
integrated countries can devise common solutions and use resources more efficiently to achieve better outcomes.

- Regional integration arrangement can help prevent and resolve conflict by strengthening economic links among African Countries and by including and enforcing rules on conflict resolution.

In chapter two an introduction to the regional trade agreement has been defined through exploring different trade agreements, three regional bloc with a main focus to SADC.

Chapter three will review the current state of SARS strategy; it is intent in Regional integration and trade facilitation as mandated by the South African government.
CHAPTER THREE

3.1 Introduction

Governments, business, citizens and region and cooperation partners all have expectations of Customs. These expectations are derived from an understanding of the policies of government and ongoing interaction with SARS stakeholders.

This drive for efficiency and productivity is a core feature of the new South African government and was a central theme of the State-of-the-Nation Address in 2009 by President Zuma. It has been concretized in a new performance monitoring and evaluation approach throughout government in which all – from Ministers to messengers – are judged on their outcomes.

SARS as an agent of Government needs to ensure that it has the values, ethics and conduct that will reinforce its position in society as a credible tax administration that is fair, honest, trustworthy and transparent. How SARS collect the revenue is just as important as how much they collect.

It also means that SARS employees must be exemplary in the overall campaign of government to fight corruption and unethical behavior by public servants. SARS should embrace this opportunity to play a significant role in taking this campaign forward.

This chapter will focus on the proposals of SARS for the future strategic policy direction of Customs based on the international, regional and national drivers that are fundamentally impacting on the environment in which SARS Customs operates.
3.2 Government

3.2.1 Background

South Africa is a constitutional democracy with a relatively diversified economy but which is characterized by a dualism due to apartheid which led to distorted and unequal income distribution, in 2004, Government was mandated in 2004 to halve the poverty and unemployment by 2014. ASGI-SA aims to achieve the 2014 vision and recognizes the central role of an assertive and coherent industrial policy.

In response, the Minister of Trade and Industry released the National Industrial Policy Framework in 2007 that aims, amongst others, to facilitate economic diversification and move into a traditional trade-able goods in services that compete in export markets and against imports.

Since 1994, the South African economy underwent substantial high-level restructuring, notably with the respect to trade. The import-substitution approach of the apartheid era was replaced by outward-focus trade liberalization strategy with a view to making the economy more productive and efficient. This strategy aimed at shifting the dependence on raw material export to higher value added manufacturing exports. The strategy relied on a reduction of tariffs, the phasing out of subsidies, promoting investment, export promotion and SMME development.

South Africa introduced a number of export promotion incentive schemes, including: the Duty Credit Certificate Scheme, the Motor Industry Development Program (MIDP), the Sector Assistance Scheme (SSAS), Export Marketing & Investment Assistance Scheme (EMIA) and the Industrial Development Zones (IDZ) Program. These incentives are managed by the Department of Trade and Industry, but are administered by SARS Customs.
SARS Customs as per the new government administration under the Leadership of President Zuma with its developmental agenda has to be responsive to these changes to contribute to the growth of the South African economy and trade. Globalization is results in an increasingly complex world. South Africa is part of a world that is inter-connected as reflected by expanded flows of goods, people, capital, information and technology. It is becoming easier to conduct business internationally. This provides the country with the opportunity to fast-track economic growth and development through increased international trade.

At the same time, these developments have created opportunities for criminal activity that presents risks to the economy and society and can undermine gains already made.

After the attacks of 9-11 and elsewhere, the attention of the global community is focused on the security of international trade supply chains. These are the connections that enable the international movement of goods between and through countries. Global economic integration and liberalization initiatives have made it easier for legitimate trade. The vulnerability and abuse of supply chains may erode both national economic and social security, on the one hand, yet the need for supply chain efficiency to fuel economic growth has resulted in a range of new international, regional and national responses.

As a result of these and other developments, SARS have experienced a period of unprecedented change. Customs is managing an increasingly complex range of risks at the border, while the volume of goods, people and craft entering and leaving South Africa continues to grow.

Effective and efficient border regulation contributes to a wide range of outcomes, spanning health, public safety, the economy, the environment, and cultural heritage. It ensures South Africa meets its international obligations in
matters such as the import and export of strategic goods, and the facilitation of passengers and their effects.

Customs is at the forefront of the fight against smuggling, terrorism, fraud and drugs. SARS is committed to delivering South African Government objectives of closing the tax gap, improving customer service, strengthening South African borders and producing efficiency savings.

**Figure 3.2.a: SARS Custom’s role in the ports of entry**

The challenge ahead of SARS Custom is to ask provide an answer to the following question responsibly and pragmatically:

a) **How best can SARS Customs serve People of South Africa and South Africa as a country?**
The following is proposed on collective a responses and SARS will implement policies and strategies that will optimally enable SARS Customs to find the suitable approach. This will require:

- Building a firm understanding of client based on a risk accreditation
- Encouraging traders and other economic operators to enlist for accreditation and provide facilitation benefits
- Utilizing third party information and mutual administrative assistance to enable proactive risk management.
- Establishing chain of custody, information and reporting

3.2.3 Interpretation of Mandate

The starting point in developing the new strategic direction for SARS Customs is to understand the mandate of SARS Customs against the background of the developmental agenda of the government and the role of the State and SARS Customs in this development.

The broad mandate of SARS Customs is to administer international trade. It is however the responsibility of SARS Customs to examine this mandate and provide it further depth and focus.

South Africa is a developmental state and this implies that the state regards its responsibilities exceeding the minimalist role of providing security, protecting property rights, enforcing private contracts and allowing individuals to take advantage of market opportunities, (Tabellini, 2004).

South Africa as a developmental state, it is recognized that the Government has the responsibility to provide public goods, reduce inequalities in income and opportunities and contribute to economic development. In other words, “no state, no development”, (Bates, 2005).

There is a growing recognition that the real difference with respect to success or failure in economic development is made by, amongst others, the creation of
appropriate policy and legal frameworks that are enforced by a competent and effective state institutional infrastructure (Fukuyama, 2004).

How does SARS Customs support the imperative of economic development and other objectives such as entrenching the constitutional democracy, within the context of current and emerging drivers and the changing role of Customs?

SARS Customs understands its mandate as fulfilling its “traditional” responsibilities of securing state revenue through the imposition of Customs duties and other taxes.

SARS has to support constitutional democracy of South Africa by becoming a governmental service provider for socio-economic development by protecting the economy, business and society.

On the import side, SARS has to ensure a level playing field by controlling market access. This entails ensuring compliance with South African trade policies and laws and other laws on the admissibility of goods into South Africa. Specific risk areas include under-valuation, misclassification of high-duty goods and origin fraud and the smuggling of these and prohibited goods either through designated ports of entry or other parts of the border.

On the export side, SARS Customs has a role to play in encouraging legitimate exports. In the first instance, SARS has to promote South Africa as a safe trading partner and a sound trade and investment location by, implementing international Customs standards to assure trading partners that the trade supply chains are secure. Specific risk areas include abuse of VAT zero-rating through round-tripping and ghost exports; the smuggling of goods from South Africa such as currency, abalone and cannabis; and the use of South Africa as a trans-shipment hub for illegal goods such as narcotics destined for other countries.

SARS Customs with respect to transit has to prevent diversion of goods into the South African market by ensuring that goods entering the country on a transit basis actually leave the country. SARS Customs is tasked to ensure compliance
with duty suspension schemes such as rebate facilities and the Motor Industry Development Program (MIDP) where the payment of duty is suspended or where another revenue benefit is provided if prescribed requirements are complied with. As part of this function, SARS Customs is in a position to advise other Government Departments on the development and adjustment of schemes to improve export competitiveness whilst ensuring that users comply. SARS Customs is an economic law enforcement authority that supports the promotion of South Africa as a trade and investment location and the protection of the economy and society from crime and fraud that flow from the cross-border movement of goods.

Figure 3.2.b: SARS Customs operation’s Model

SARS Customs understands its mandate as follows:

- As a partner in enhancing South Africa economic growth. This is done by supporting and facilitating legitimate trade through the application of risk management and modern Customs procedures, techniques and technologies, and to ensure compliance with South African export promotion schemes.
• The first lines of control are at the borders to protect the South African economy and the wellbeing of society. This is done by protecting business from illegal and unfair trading practices such as smuggling, under invoicing and dumping; and protecting society by detecting and keeping illegal, dangerous and unsafe goods out of the country;

• To promote South Africa as a safe and trusted trading partner and investment destination by securing our international trade supply chains through the application of international rules and standards and by cooperating with other Customs administrations and the private sector.

3.3 Where is SARS Customs today?

This section describes the recent evolution of SARS Customs by focusing on recent developments and initiatives and concludes by describing the status quo. This sets the scene by providing a point of reference to enable a gap analysis between the current state and the future business model.

Figure 3.3.1 Customs Business model

Source: SARS Customs green paper: 2009
Challenges

South Africa is a developmental state and the key challenge facing Government is eradicating poverty and under-development by:

- Achieving higher rates of economic growth and development;
- Expanding the public works programme;
- Successfully transforming the second economy and introducing targeted interventions to grow the first economy.

Other key Government objectives include:

- The further entrenchment of democracy in South Africa;
- Securing the safety and security of all South Africans;
- Building a strong and efficient democratic state;
- Contributing to the victory of the African Renaissance and the goal of a better life for the people of Africa and the rest of the world.

The table below demonstrates the proposed links between Government Program of Action and the proposed new SARS Customs outcomes.

Table 3.1

<table>
<thead>
<tr>
<th>Key Government Goal</th>
<th>Government’s Expectation of SARS Customs</th>
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<tbody>
<tr>
<td>Economic growth and development</td>
<td>• Cooperate and work with other Government agencies to contribute to the expansion of South Africa’s trade</td>
</tr>
<tr>
<td></td>
<td>• Contribute to the promotion of South Africa as a sound investment destination</td>
</tr>
<tr>
<td></td>
<td>• Keep out illegal goods and goods traded on an unfair basis (level playing field)</td>
</tr>
<tr>
<td></td>
<td>• Maximizing ports of entry as developmental nodes (facilitation and security)</td>
</tr>
<tr>
<td>Safety and security</td>
<td>• Protect citizens from dangerous and unsafe goods imported goods</td>
</tr>
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</tbody>
</table>
| Strong and efficient democratic state providing strong social services | • Build a strong, assertive, competent and forward-looking Customs administration  
• Apply the country’s laws at the border in an effective manner, collect revenue (duties and taxes)  
• Provide an efficient service in line with Batho Pele |
| Development of Africa and global cooperation | • Provide assistance to build strong Customs and Revenue Administrations in Africa  
• Administer regional economic integration arrangements |

### 3.3.2 STRATEGIC FRAMEWORK

The key strategic drivers point to the need for major reform in SARS Customs. SARS assimilation rate needs to be improved as a result of legacy issues and the absence of a clear strategic vision (outcomes), clearly linked to key interventions. This means that SARS Customs need to increase its capacity to make timely adjustments that translate into operational impact.

The core issue in the business model is designing the new functional and institutional models required. However to decide on the most appropriate design, the SARS Customs strategic framework should be established on the basis of the following five questions:

- What is the “pinnacle” which guides decision-making on goals and priorities? (The “Higher Purpose”)
- Why does SARS Customs exist? (The “Role”)
• What are the broad results SARS Customs is seeking to achieve on behalf of Government? (The “Outcomes”)
• What are the broad goals SARS Customs seeks to achieve to support achievement of its outcomes? (The “Strategic Goals”)
• What behaviors are SARS Customs staff expected to exhibit in undertaking their work? (The “Core Values”)

The following strategic framework is proposed based on the identification of current and emerging global, regional and national developments as well as stakeholder expectations.

**Higher Purpose:**
The pinnacle guides decision-making on goals and priorities. It aims to enhance the prosperity and security of South Africa and the integration of South Africa into the global community. This lead to the role of a First line of control to secure economy and society by administering the movement of goods into, from and through at and between Ports of entry. A SARS customs strategic outcome is of Trade facilitation, Economic and Community Protection and
border security. All these can be achieved through living the values of servicing the country, vigilant, assertively with integrity and professionalism.

3.3.3 Stakeholders Expectations

a) Regional partnerships

SARS is actively working towards the development and implementation of regional agreements and initiatives to promote the seamless movement of legitimate goods. This requires SARS Customs to:

- Contribute to the activities of the AU, SACU and SADC to support regional economic integration;
- Implement electronic Customs corridors to support priority continental trade corridors. SARS will build on the successful implementation of the Trans- Kalamari Corridor (TKC) project that have resulted in the faster processing of goods through standardized documentation and procedures;
- Establish joint Customs controls and one-stop border posts at major ports of entry, including SACU ports of entry and with Mozambique and Zimbabwe;
- In SACU, work with other partner administrations to strengthen external border controls and review the level of intra-SACU border controls and address smuggling and the abuse of SACU measures, specifically relating to second-hand motor vehicles and rebate provisions;
- In SADC, work towards the introduction of a regional transit system which includes a single bond guaranteeing system and support the development of the SADC Customs Union;
- Deploy SARS officers at strategic locations in the region such as the SACU Secretariat, the SADC Secretariat and in countries to support strategic initiatives;
• Provide assistance with capacity building to other administrations in Africa and, in particular, Southern Africa.

b) Business

Business requires protection from unfair international trading practices. The smuggling of goods, under-invoicing and tariff misclassification create an uneven playing-field as the objective is to evade the payment of Customs duty and VAT. These activities result in eroding the competitiveness of South African businesses affect bottom-lines and result in job losses.

Another dimension is duties to protect sensitive or fledgling industries that are evaded through these practices. Traders, on the other hand, require the quick and simple processing of goods. They want imported goods to reach their shelves or manufacturing plants expeditiously and exports to reach their export markets with as little “friction” as possible. Viewed holistically, businesses require Customs to:

• Develop strategic partnerships (facilitate trade transactions);
• Ensure short and predictable release times;
• Apply simple, predictable Customs controls and procedures;
• Ensure level playing fields (apply procedures in uniform way placing operators on an equal footing);
• Work with other agencies to develop a single entry point for Customs declarations and other regulatory formalities;
• Enhance trader compliance so as to lighten control and enhance trade facilitation;
• Be a functioning and listening institution.

c) Citizens

Customs is responsible for controlling international trade with the aim of keeping dangerous goods out of the country and ensuring that goods meet certain
quality and safety standards. The smuggling of weapons and narcotics across borders is a risk to society. Consumers require protection from inferior products. A recent example is the detection of counterfeit cigarettes that were smuggled into the country and made from tobacco unfit for human consumption. Society requires Customs to prevent the importation or smuggling of counterfeit or expired medicines, illegal waste shipments and dangerous goods. Other requirements are an administration that is focused on providing a good public service and contributing to economic development.

**d) Smarter border management:**

SARS will change the traditional border control model and introduce effective interventions to mitigate risks and enable swift continuation of the movement of goods and travelers. Customs activities at the border should focus on admissibility and those that can best be performed at ports of entry. SARS Customs will significantly strengthen its Customs control capability and visibility to manage the risks associated with the increased flow of goods, craft and people. This requires SARS Customs to:

- Develop modal port of entry control models and standard operating procedures;
- Develop a total border strategy aimed at improving security both between and at ports of entry and extend the security zone beyond the physical borders;
- Improve the definition and description of Customs Controlled areas and the management of Customs Controlled Areas that includes defining the perimeter and controlling access and the integrity of such areas;
- Deploy a highly mobile, properly-trained, Customs Border Control teams organized along paramilitary lines with law enforcement powers (including the power of arrest and carrying firearms) and develop a marine and air capability to support intensified border control operations;
- Perform inspections using non-intrusive detection equipment. SARS is currently in the process of acquiring modern, state-of-the-art scanners to
ensure that the movement of contraband and smuggled goods is
detected without hampering the movement of legitimate goods;

- Bring screening and intervention rates for cargo and passengers in line
  with international best practice;
- Introduce techniques and technology to track high-risk consignments;
- Improve screening of inward and outward passengers and their luggage
  at international airports, including luggage screening before collection by
  passengers and preventing currency smuggling;
- Improve controls over cross-border rail transportation and incoming
  international mail;
- Introduce a proactive drug detection capability;
- Move activities that can be undertaken away from the border such as the
  capturing of entries to other locations;
- Work with airport and port companies to provide adequate facilities for
  SARS Customs;
- Actively engage with the other Government agencies through
  interdepartmental structures to ensure a coordinated approach towards
  the strategic and operational management of ports of entry.

e) International trade administration

SARS will facilitate the movement of legitimate goods by making compliance
easier and minimal enforcement intervention. This is achieved whilst ensuring
compliance with complex rules applicable to the cross-border movement of
goods. Its requires SARS Customs to:

- Strengthen its transactional audit capability and especially in respect
  classification, valuation and origin;
- Strengthen professional legal and audit capacity to monitor compliance
  with international trade instruments and national schemes (e.g. MIDP,
  DCCs, etc) and advise the DTI on their operation and required improvement
  and adjustments;
• Undertake technology modernization to ensure that SARS systems are supportive of the new operating model;
• Consider the possibility of creating a pro-active role for Customs in the administration of trade remedies. A proactive approach is proposed whereby SARS Customs, based on its monitoring of international trade detect and investigate unfair trade practices such as suspected dumping within the legal framework of the DTI;
• Establish Customs laboratories to undertake testing for classification and other purposes;

f) Improved understanding of clients

According to the World Bank, each day lost in transport delays at a border is equivalent to a tax of 0.5%. Increasing the efficiency of Customs reduces costs and increases trade. High transport costs and border crossing delays thwart development in poor landlocked developing countries by greatly undermining their export competitiveness. In 2003 it was estimated that average delays at Beit Bridge cost the same as sending a shipment from Durban to United States. This places exporters in landlocked countries in Southern Africa such as Botswana, Lesotho, Malawi, Swaziland, Zambia and Zimbabwe at a disadvantage in accessing global markets and their consumers.

3.4 Different institutional designs have emerged

There are varying forms of administrative organization of Customs emerging. The organization of Customs at administrative level is not uniform. At the administrative level, the merger of Customs and Inland Revenue administrations mainly took place in some African, European and Latin American countries. These mergers were driven by the political need for efficiency (e.g. Denmark); effectiveness (e.g. Belgium, Netherlands, Latvia and Columbia) or both efficiency and effectiveness (e.g. Canada and UK). In other recent cases, political needs have dictated that Customs become part of a
broader security agency. This model was adopted in the United States and Canada. In the UK it was recently announced that Customs and Immigration would join forces at the border but remain separate institutionally.

Broadly speaking, three types of Customs models can be discerned: “The so-called “Civilian” model. In this model, the emphasis is placed on Customs as an administrative service operating in a predominantly decriminalized environment. This is found in most Anglophone African countries. The focus is on compliance management as opposed to enforcement, to support revenue collection. Officers do not have law enforcement powers, are unarmed and do not have a border control presence.

The so-called “Paramilitary” model. In the case of countries where this model is applied, the Customs administration is usually classified as paramilitary and examples are Italy, Hungary, Senegal, Portugal and Mozambique. These administrations are structured along military lines but execute Customs functions. The focus is strongly on enforcement and officers have full law enforcement powers e.g. power to arrest, and are armed. They undergo intensive training, along military lines, have a military ranking system and wear uniforms resembling those of the armed forces. These administrations usually have a strong border control outlook and have a stronger anti-smuggling focus, and are not limited to high-duty goods.

The so-called “Law Enforcement” and “Hybrid” models. These models share characteristics of both the previous two models but in different permutations. They are used in Australia, China, France, New Zealand, Pakistan and most South East Asian and Middle Eastern countries. These models have features of both the paramilitary model (e.g. powers of officers, type of training etc.) and focus on compliance management. The emphasis is on the application and enforcement of laws at the border. The difference between administrations utilizing these models is with respect to emphasis. The “weighting” is determined by a number of factors, including national imperatives, policy preferences and compliance levels.
The hybrid models are a mixture of enforcement and civilian units within one administration. Again, it should be emphasized that depends on the weighting given to enforcement and compliance, respectively. Some, most or all officers will be uniformed, armed and have the power to arrest appropriate to their functions whilst others, such as post clearance auditors, do not require this to execute their duties.

3.5 SARS Customs in the future

The strategic drivers and comparative analysis clearly point to fundamental shifts that have and are taking place in the Customs operating environment. The following trends and changes are already discernible.

Customs is a central part of the globalization process and a catalyst to enhancing the competitiveness of countries and companies. It is no longer only a collector of state revenues at the border but is responsible for administering international trade and securing the economy and society. This requires that Customs should have a good understanding of the international trade policy and legal framework and the ability to support international trade negotiations. The mandate of Customs has expanded and is expected to play a part in improving security, in strengthening the internal market and in supporting public service.

Customs matters no longer revolve around money alone. The unique focus, competencies and skills of Customs administrations mean that they are ideally positioned to take on more responsibilities for example, with the creation of the Custom Border Post and a total border control philosophy, the new agency is responsible for all regulatory controls performed at the border, including agricultural inspections. Global security concerns are compelling Customs to safeguard borders. Customs is being recognized as the first line of control for screening goods and passengers and detecting illegal importations.

- They are the gatekeepers tasked with guarding against dangerous or illegal activity that that might threaten national socio-economic wellbeing;
In a number of cases, Customs is taking the lead role at borders and have the supporting legal authority;

- Trade liberalization does not mean that the role of Customs is diminishing
- Even in times of extensive international trade liberalization, restrictions and controls are necessary to give effect to trade and industry policy objectives;
- At the same time, Customs is required to protect society against the importation of dangerous and harmful goods;
- In the case of RTAs i.e. Customs Unions and Free Trade Areas which are aimed at liberalizing trade between the territories of the participating countries, the responsibilities of Customs actually increase;
- If multilateral and regional trade arrangements result in revenue reductions, VAT and other taxes must still be assessed. The Federal Ministry of Finance, Germany, “The Federal Customs Administration”, (2005) and imposed tax on imported goods as a means of both raising taxes and leveling the playing field vis-à-vis imported goods;
- The proliferation of RTAs, each with their own unique rules, and the greater emphasis on developing rules for “behind-the-border” issues are necessitating new skills and a new professionalism in Customs.

A further control function is to prevent unfair competition from goods diverted into the domestic market e.g. duty suspended goods that are supposed to be moved in transit. Customs authorities are increasingly anticipating and responding to developments taking place in the outside world. Customs administrations should review all important developments and ensure an appropriate Customs response. These reviews should be undertaken on a regular basis and become a way-of-life;

Customs is paying heed to the demands of the state and the corporate sector, and those of private individuals. In its capacity as a Government service, Customs operates within the framework of the constitutional state. The interests of the corporate comprise effectuating an increase in efficiency. Customs
authorities need to work more rapidly in to avoid frustrating just-in-time deliveries. They should work towards reducing the pressure of burdens on the corporate sector by simplifying procedures and ensuring that the once-only provision of data becomes a workable possibility for businesses.

Customs authorities are working more closely with fellow-Customs authorities and other enforcement and investigation organizations. Countries are entering into arrangements to safeguard and streamline the movement of goods between their territories. There is a renewed emphasis in Customs on entering into network arrangements that entail the sharing of data and information.

The emphasis is placed on automation, risk management and intelligence to facilitate the movement of legitimate goods and to focus resources in high-risk areas. As part of this approach, Customs require the advance electronic transmission of data and are introducing client accreditation programs. An overall, holistic control approach is being adopted by some Customs to broaden the scope by focusing on international trade supply chains in securing and facilitating the import, export and transit movement of goods. The attention is also shifting to export and transit controls instead of mostly focusing on import control.

Discussions are taking place on production-to-destination approaches. Focus is placed on the role of Customs in screening people including departing passengers. The range of the Customs function, therefore, is expanding and deepening.

Second-generation international Customs standards that are deeper and more prescriptive are emerging.

The first generation of international Customs norms, e.g. on valuation and classification of goods and related matters, were aimed at creating an international platform and common language to facilitate the cross-border movement of goods. However, within both the WTO and WCO a renewed emphasis is placed on the development of more comprehensive norms and
standards, including the “behind-the-border” measures. Customs require additional resources. The added workload and complex functions that must be executed by Customs point to the need for additional resources.

The focus is on the acquisition of systems and equipment such as scanners. This affects the training and retraining of staff and motivates the need to create a new Customs Professional.

The Customs administrations of major and significant economies have started to adapt in response to the new environment. The national policy objectives of these countries have become more responsive to the new international environment and they have introduced functional and institutional changes to align Customs with those new national policy objectives. The expectation of the international community is that South Africa will take a leading role in Africa to embed the new Customs philosophy and will assist other administrations.

3.6 Conclusion

SARS Customs is the first-line of control at the borders to secure the South African economy and society by administering the movement of goods into, from and through South Africa at and between the ports of entry.

Chapter four will deal with the description of research methodology and research instruments of this analytical study in more detail that will involve the techniques of data collection.
CHAPTER FOUR

Research Methodology and Analysis of Data

4.1 Introduction

This chapter presents the research assumptions, methodology and strategy applied in this research study. The chapter defines the rationale for selecting the proposed methodologies including their strengths and weaknesses based on literature reviews from previous studies.

The main problem, which this study aims to address, is the Facilitation of Trade and Regional integration in SADC that will enhance economic growth and social development through analysing the best SARS Customs strategy for Regional integration.

To determine how best SARS can apply their strategy on trade Facilitation and Regional integration for the benefit of SADC region

The research main problem was subdivided into three sub-problems as follows:

1.3.1 Sub-problem 1

What role is played by SADC and SACU in promoting and simplifying trade in the Region?

1.3.2 Sub-problem 2

What are the potential barriers to implement Regional integration in the SADC region?

1.3.4 Sub-problem 3

What are the appropriate implementation strategies for implementing Trade facilitation and Regional Integration by SARS?

Sub-problems one up to two - have been covered during the Literature review in chapter two, and sub-problem three is covered on chapter three which
highlights the SARS strategy on Trade facilitation and Regional integration in the SADC.

The research study has two parts. The first part is to conduct review of scholarly literature and specific Regional integration literature related to the South African context. The second part is the examination of results relative to the sub-problems.

In an attempt to resolve the sub-problems, a decision about the use of a survey research method to address the main problem statement was taken because the use of employee attitude surveys is becoming increasingly common, both as a method of research across various social disciplines and as a practical technique of human resource management. Yet, while there are numerous articles, books and manuals on the technical aspects of conducting such surveys, there is relatively little contemporary theory about why public service organisations conduct surveys or the extent to which they are organisational change interventions (Hartley, 2001:184).

According to Rossi and Freeman (1982:90), a survey is a systematic collection of information from large study groups, usually by means of interviews or questionnaires administered to samples of units in the population. It is a system for collecting information to describe, compare, or explain knowledge; attitudes and behaviour (Fink, 1995:1). Both descriptive definitions were applied in the systematic investigation of this research study.

4.2 TYPES OF BUSINESS RESEARCH
According to Sekaran (2000:7), research can be undertaken for two different purposes. One is to solve a current problem faced by the manager in the work setting, which demands a timely solution. Such research is called applied research. The other research is basic research, or fundamental research, which is used to compile knowledge and to develop a deeper understanding of common organisational problems and to utilise this knowledge to resolve these problems.
Figure 4.1 Research designs that involves a series of decision-making

1. OBSERVATION
   Broad area of research interest identified

2. PROBLEM DEFINITION
   Research problem delineated

3. THEORATICAL FRAMEWORK
   Variables clearly identified and labeled

4. GENERATION OF HYPOTHESES

5. DATA COLLECTION

6. ANALYSIS AND INTERPRETATION
   Hypotheses substantiated

7. DEDUCTION
   Research question

8. MANAGERIAL DECISION MAKING
   Report writing

9. REPORT PRESENTATION

10. Yes

Source: Sekaran, 2003:117
Figure 4.1 Research designs that involves a series of decision-making

Figure 4.1 depicts the various rational decision-making choices ranging from observation, preliminary data gathering, problem definition, theoretical framework and generation of hypothesis. Chapters one to three have covered these decision-making choices. Chapter four covers the scientific research design. Chapter five covers the data collection, analysis, and interpretation, deduction and report writing. Chapter six covers the presentation of report and recommendations.

The sequence of steps in the research process is based on a number of models sourced from the existing literature and such a sequence is elaborated by various industry experts. This suggests contributions which enhance its applicability to real world problems (Neves, Zuurbier & Campomar, and 2001:518).

4.2.1 Research paradigms

According to Collis and Hussey (2003:46), the term paradigm refers to the progress of scientific practice based on the philosophies and assumptions of people about the world and the nature of knowledge and in this context, refers to at how research should be conducted. They further quote (Kuhn, 1962: viii) that paradigms are ‘universally recognised scientific achievements that for a time provide model problems and solutions to a community of practitioners’.

4.2.2 Scientific paradigms

Perry (1998:785), from the case study of methodology for postgraduate research in marketing, stated that there are two major approaches to theory development, deductive theory testing and inductive theory building. The difference between the two approaches can be viewed in terms of scientific paradigms, with the deductive approach representing the positivist paradigm and the inductive approach representing the phenomenological paradigm.
Table 4.1 A three dimensional framework for categorizing four scientific paradigms

<table>
<thead>
<tr>
<th>PARADIGM</th>
<th>DEDUCTION/INDUCTION</th>
<th>DIMENSION OBJECTIVE/SUBJECTIVE</th>
<th>COMMENSURABLE/INCOMMENSURABLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positivism</td>
<td>Deduction</td>
<td>Objective</td>
<td>Commensurable</td>
</tr>
<tr>
<td>Critical theory</td>
<td>Induction</td>
<td>Subjective</td>
<td>Commensurable</td>
</tr>
<tr>
<td>Constructivism</td>
<td>Induction</td>
<td>Subjective</td>
<td>Incommensurable</td>
</tr>
<tr>
<td>Realism</td>
<td>Induction</td>
<td>Objective</td>
<td>Commensurable</td>
</tr>
</tbody>
</table>

*Source: Perry, 1998:785*

Table 4.1 is a conceptual schema of the four paradigms, using three columns that allow the evaluation of each paradigm for case study research. According to Perry (1998:786) the difference between the two approaches can be viewed in terms of scientific paradigms, with the inductive approach representing the phenomenological paradigm. The phenomenological paradigm can be divided into three: critical theory, constructivism and realism.

### 4.2.2.1 Positivistic paradigm

The positivistic approach seeks the facts or causes of social phenomena, with little regard to the subjective state of the individual. Thus, logical reasoning is applied to the research so that precision, objectivity and rigour replace hunches, experience and intuition as the means of investigating research problems. It is based on the assumption that social reality is independent of its actors and exists regardless of whether its participants are aware of it (Collis & Hussey, 2003:52). Positivists believe that natural and social sciences are composed of a set of specific methods to try to discover and measure reality, which is assumed.
to exist, driven by natural laws and mechanisms (Riege, 2003:77). This paradigm was utilised for this research study.

4.2.2.2 Phenomenological paradigm

According to Collis & Hussey (2003:53), phenomenology is the science of phenomena. A phenomenon is a fact or occurrence that appears or is perceived, especially one of which the cause is in question. Therefore, the phenomenological paradigm is concerned with understanding human behaviour from the frame of reference of the participants.

4.2.2.3 Dimensions of positivistic and phenomenological paradigms

Table 4.1 refers to the dimensions of deduction/induction, subjective/objective and commensurable/incommensurable. Realism is not the preferred paradigm for this research study and the following reasons supports that in favour of positivism paradigm against realism paradigm.

1. The research study areas are modern and pre-paradigmatic. The research areas that usually require inductive theory building for deduction from already existing principles of a paradigm are likely to be difficult where accepted principles and constructs have not been established or are clearly inadequate (Perry, 1998:787);

2. Perry (1998:787) quotes Hunt (1991) & Tsoukas (1989) that realism does not suffer from the limitations of relativism that constructivism and critical theory do, for realism is often characterised by some researcher objectivity. Holds that there is an external reality, although the complexity of that reality and the limitations the mental capacity of the researcher makes triangulation of the data essential to refine fallible observations of that reality.
3. According to Perry (1998:787), the case study researchers expect that their knowledge claims can and will be evaluated through some common measures, like reliability and validity issues, careful evaluation of research topic and methodology and through review by examiners. This commensurability is not the appropriate scientific paradigm for this research study.

The survey research is a non-experimental and descriptive method, the appropriateness of the positivistic paradigm is correct, as cause-and-effect paths are required to solve the main research problem.

4.2.3 Deduction and induction dimensions

Figure 4.1 describes positivism as being in deduction dimension whilst the critical theory, constructivism and realism are shown in the induction dimension.

According to Glasser and Strauss (1987:253), in practice it is difficult to ignore the theory accrued in the mind of the researcher before commencing the research process. Common prior knowledge gained through the process of socialisation will inevitable influence formulation of the hypothesis. Manicas (1989:194) further states that the researcher should refrain from the uncritical appropriation of this reserve of ideas. Thus, starting from scratch with an absolutely clean theoretical slate is neither practical nor preferred.

According to Richards (1993:40), it is unlikely that any researcher could genuinely separate the two processes of induction and deduction as both prior theory and theories emerging from the data are always involved, often simultaneously and that it is impossible to go theory-free into any study.

Every attempt is made, in pursuance of positivistic approach with the deduction dimension during this research study, however the mix of induction and deduction may be encountered.
4.2.4 Research purpose and strategy

According to Collis and Hussey (2003:10), the classification of research is done according to its purpose and can be described differently. There are different types of research which are examined in order of their increasing sophistication.

- Exploratory research is conducted into a research problem or issue when there are very few or no earlier studies which we can be referred to for information about the issue or problem. The aim of this type of study is to look for patterns, ideas or hypotheses, rather than testing or confirming a hypothesis;
- Descriptive research is a research that describes phenomena, as they exist. It is used to identify and obtain information about the characteristics of a particular problem or issue;
- Analytical or explanatory research is a continuation of descriptive research. The researcher goes beyond merely describing the characteristics, to analysing and explaining why or how it is happening. Thus, analytic research aims to understand phenomena by discovering and measuring their causal relations;
- Predictive research goes even further than explanatory research. The former establishes an explanation about what is happening in a particular situation, whereas the latter forecasts the likelihood of a similar situation occurring elsewhere. Predictive research aims to generalise from the analysis by predicting certain phenomena on the basis of hypothesised, general relationships. Sekaran (2003:27) provides a different view on the primary methods of scientific investigation and states that the deduction is the process by which a reasoned conclusion is arrived at by logical generalisation of a known fact.

This research study has combined all the four-research types’ classification in their order of sophistication except the predictive research, namely exploratory, descriptive, and analytical or explanatory researches with a further inclusion of deductive research. The exploratory research has been addressed through the
literature review in chapter two. Descriptive research has been addressed in the literature review in chapter Three, where the identification of the information of SARS strategy implementation for Trade facilitation and regional integration is done. The compilation of data through the questionnaires to address fully the analytical and deductive researches s done when conducting the survey method of research and strategy to be employed.

4.2.5 Positivistic methodologies

The type of methodology chosen should reflect the assumptions of the research paradigm. However, some methodologies can be used with either a positivistic or a phenomenological paradigm, depending on the assumptions of the researcher. In this research study, the assumptions of the researcher focus on two methodologies as described by Collis and Hussey (2003:60).

- Cross-sectional studies are positivistic methodologies designed to obtain information on variables in different contexts. Studies are conducted when there are constraints of time or resources. Thus, cross-sectional studies take a snapshot of an on-going situation;
- Longitudinal study is a study, over time of a variable or group of subjects. The aim is to research, the dynamics of the problem by investigating the same situation or people several times, or continuously, over the period in which the problem runs its course. This is often many years.

This researcher took a conscious decision based on time and duration of the study and cross-sectional methodology was chosen because it seeks to obtain information on variables in different contexts, whilst taking a snapshot of an on-going situation in SADC region about issues pertaining to Regional and Trade facilitation process.
4.2.6 Collection of research data

According to Sekaran (2003:219 & 223), data can be obtained from primary or secondary sources. Primary data is information obtained firsthand by the researcher on the variables of interest for the specific purpose of the study. Secondary data refer to information gathered from sources already existing. Data can be collected in a variety of ways, in different settings and includes the following:

- **Interviews**: Structured interviews are those conducted when it is known at the outset what information is needed and the interviewer has a list of predetermined questions to be asked of the respondents either personally, through the telephone, or through the medium of personal computers (PCs);
- **Questionnaires**: Pre-formulated written set of questions to which respondents record their answers, usually within rather closely defined alternatives. Questionnaires are an efficient data collection mechanism when the researcher knows exactly what is required and how to measure the variables of interest. Questionnaires can be administered personally, mailed to the respondents or electronically distributed.

This research study used questionnaire as data collection method as it is the quantitative measure and suitable for the survey method of research

4.2.7 Questionnaire as a primary data collection method

According to Collis and Hussey (2003:173), a questionnaire is a list of carefully structured questions, chosen after considerable testing, with a view to eliciting reliable responses from a chosen sample. The aim is to discover what a selected group of participants do, think or feel. This was used to gauge the feeling and thinking of the participants on the SARS strategic role in the SADC Regional integration.
Questionnaires can be used for large-scale surveys. Under a positivistic paradigm each question can be computer processed for ease of analysis. A positivistic approach suggests that closed questions should be used, whereas a phenomenological approach suggests open-ended questions (Collis & Hussey, 2003:173). It is necessary to design a questionnaire effectively and the following guidelines have been followed in the questionnaire design.

4.2.7.1 Questionnaire design

Sekaran (2003:237) writes that sound questionnaire design principles should focus on three areas. The first relates to the wording of the questions. The second refers to planning of issues about how the variables will be categorised, scaled, and coded after receipt of the response. The third pertains to the general appearance of the questionnaire. All three are important issues in questionnaire design because they can minimize biases in research. The principles of wording refer to such factors as the appropriateness of the content of the questions; how questions are worded and level of sophistication of the language used; the type and form of questions asked; the sequencing of the questions, and the personal data sought from the respondents.

- Once data are obtained, the “goodness of data” is assessed through tests of validity and reliability. Validity establishes how well a technique, instrument, or process measures a particular concept, and reliability indicates how stably and consistently the instrument of the variable;
- An attractive and neat questionnaire with appropriate introduction, instructions, and well-arrayed set of questions and response alternatives will make it easier for the respondents to answer them.

A sample of the questionnaire is appended as in Appendix 4.1.
4.2.7.2 Open-ended and closed questions usage

Collis and Hussey (2003:179) write that questions may be described as open-ended, where each respondent can give a personal response or opinion in his or her own words. Other questions can be described as closed, where the answer is selected from a number of predetermined alternatives.

Factual questions are likely to be closed questions, whereas questions, which seek opinions, are likely to be open-ended in a focus group or interview but closed in a questionnaire survey.

According to Sekaran (2003:239), a closed question, in contrast, would ask the respondents to make choices among a set of alternatives provided by the researcher. They help the researcher code the information easily for subsequent analysis. The open-ended questions allow respondents to answer them freely.

4.2.7.3 Usage of rating scale

The Likert scale changes the question into a statement and asks the respondent to indicate their level of agreement with the statement by ticking a box or circling a response (Collis & Hussey, 2003:184). The five-point Likert scale was utilised in this research study in the closed questions.

The following is an example of the Likert scale that was used in the questionnaire designed for this study.

| 1 = Strong Disagree | 2 = Disagree | 3 = Not Sure | 4 = Agree | 5 = Strongly Agree |
The questionnaire consists of two sections namely:

Section A: Biographical information which includes details such as gender, age, marital status, level of education, employment history, and job status.

Section B: comprises 16 questions asked as an attempt to discover the challenges, impact and benefits of the Regional integration to South Africa. The statements were developed specifically to obtain the Role of SARS strategy as a Government agent on issues pertaining the Trade Facilitation and Regional integration in the SADC Region.

The responses received to these questions are reported in detail in the following chapter.

4.2.7.4 Pre-testing of the structured questions

It is important to pre-test the instrument to ensure that the respondents understand the questions and that there are no problems with the wording or measurement. Pre-testing involves the use of a small number of respondents to test the appropriateness of the questions and their comprehension. This helps to rectify any inadequacies, in time, before administering the instrument orally or through a questionnaire to respondents, and, thus, reduces biases (Sekaran, 2003:249).

The pre-test participants must be reflective of the sample population that represents the target population. The composition of the pre-test participants was industry expert, academic staff and small number of future target population in the form of colleagues.

4.2.8 Validity and reliability measurement

According to Leedy (1993:40) validity is concerned with the soundness and, the effectiveness of the measuring instrument. Collis and Hussey (2003:58) write
that validity is the extent to which the research findings accurately represent what is really happening in the situation.

According to Sekaran (2003:206), several types of validity tests are used to establish the goodness of measures and writers use different terms to denote them, they can be grouped for validity testing under three broad headings as follows:

- Content validity that ensures that the measures includes an adequate and representative set of items;
- Criterion-related validity that is established when the measure differentiates individuals on a criterion it is expected to predict. This can be achieved using concurrent validity;
- Construct validity testifies to how well the results obtained from the use of the measure fit the theories around which the test is designed. This is assessed through convergent validity.

According to Leedy (1993:42), reliability deals with accuracy, questions such as, how accurate is the instrument that should be used as measurement? Reliability is concerned with the findings of the research and is one aspect of the credibility of the findings. Repeating a research study to test the reliability of the results is known as replication and is very important in positivistic studies where reliability is usually high (Collis & Hussey, 2003:58).

Both research instruments of validity and reliability are used during this research study to reflect findings that accurately represent the situation.

**4.2.9 Research sample selection**

The selecting of a sample is a fundamental element of a positivistic study. A sample comprises some of the members of a population. A population may refer to a body of people or to any other collection of items under consideration for research purposes (Collis & Hussey, 2003:155).
According to Collis & Hussey (2003:155), in a positivistic study a representative or good sample is one in which the results obtained for the sample can be taken to be true for the whole population; it is possible to generalise from the results. A good sample must be:

- Chosen at random to ensure that every member of the population must have a chance of being chosen;
- Large enough to satisfy the needs of the investigation being undertaken;
- Unbiased.

4.2.9.1 Sampling methodologies

According to Collis and Hussey (2003:157), stratified sampling identifies strata of the population to avoid members of the population being significantly under or over-represented. In this research study, the senior managers, and managers are targeted from the Customs Division in Head office, Pretoria because they form the core group of senior management tasked with the strategic role of overseeing the successful administration of the institution.

Leedy (1993:2000) states that sampling can be divided into two major categories:

- Non-probability sampling where there is no way of forecasting, estimating, or guaranteeing that each element in the population is represented in the sample;
- Probability sampling where a researcher can specify in advance that each segment of the population is represented in the sample. Stratified sampling and a probability sampling are utilised in this research study to achieve the required results of answering the main research question.
4.2.9.2 Sample size

Collis and Hussey (2003:159) state that sample size, is essentially, a question of deciding how accurate the results need to be and what level of confidence can be applied to the answer and further quote Clegg (1990) that there are three main considerations to consider when deciding on sample size:

- The kind of statistical analysis which is planned;
- The expected variability within the samples and the results, based on experience (the greater the expected variation, the larger the sample);
- The traditions in the particular research area regarding appropriate sample size.

The target population of this survey included the SARS Customs officials, Pretoria. Welman and Kruger (2001:46) defined a population as the study object. In conducting a research project, it is not always possible to cover the entire population. In such cases a subsection of the population is used and the findings are extrapolated to the entire population. Birley and Moreland (1998:45) identify three types of sampling that a researcher can choose from, namely random stratified and cluster. For the purpose of this study, the random sampling technique was used.

The sample size decided by the researcher was considered sufficient for the purpose of this survey. The questionnaire was administered over a 30 day period stretching from 31 August to 30 September 2010. 60 Questionnaires were issued, and 54 were successfully returned.

In this research study, 60 employees includes 10 top management team; ranging from Commissioner (head of departments), senior managers were viewed as a good sample.

Their level of seniority and understanding of the strategy were of great importance to achieve good input.
4.2.10 Ethics

According Kervin (1992:38), the ethical position of the researcher helps determine how to design the research project and the following checklist for ethical research can be a useful starting point:

- Will the research process harm participants or those about whom the information is gathered (indirect participants)?
- Are the findings of this research likely to cause harm to others not involved in the research?
- Are accepted research practices being violated in conducting the research and data analysis, and drawing conclusions?
- Are community standards of conducts being violated?

All the above points on the checklist for ethical research are taken into consideration during this research study when conducting the survey.

Collis and Hussey (2003:37) state that a number of different ethical issues need to be considered and find out what rules there are for conducting research at an early stage because some of the problems which can arise during the research study survey include:

- The subject firm: time is spent negotiating access to the organisation under research but its discovered that they are engaged in illegal activities,
- Confidentiality/anonymity: It is normal to offer confidentiality or anonymity to participants in a research project. This encourages them to give more open and honest responses. However, it may present the problem that information is received that be passed on to someone else;
- Informed consent: In any research project it is ethical to inform the potential participants of the purpose of the research and to obtain their agreement to their participation. This can present problems in gaining access and obtaining valid responses.
- Dignity: In research, it is not be ethical to embarrass or ridicule participants, but, unfortunately, this can easily be done. The relationship between the researcher and the phenomenon being studied is often complex.
These research ethical dilemmas are taken into consideration in this research study; any deviations are avoided because the consequences could destroy all the efforts of the intended study results.

4.3 CONCLUSION

In chapter four, the research methodology and design are examined. All the components relevant to the research study under the methodology and research design are covered and their relevance highlighted.

In chapter five, a thorough analysis of techniques used to capture the results of the survey process is presented.
CHAPTER FIVE

5.1 PRESENTATION AND ANALYSIS OF THE STUDY SURVEY RESULTS

This chapter demonstrates the rationale behind the techniques used for the data analysis that have is obtained through the survey questionnaire as the research instrument at SARS Customs. Further, the results of the results are presented, analysed and discussed using data tables, charts, graphs and other diagrammatic forms. The outcomes of the survey are utilised to answer the problem statement that seeks to assess the role of SARS strategy on Regional integration and trade facilitation in the SADC. Each of the sections of the questionnaires are individually presented with combined concluding remarks.

5.2 QUESTIONNAIRE CODING FOR ANALYSIS

The first item to code in any questionnaire or data record sheet is the number, which identifies the entire questionnaire or record sheet (Collis & Hussey, 2003:37). The coding of the questionnaire at the design stage was done for each section and subsections. A coding sheet was utilised to transcribe the data from the questionnaire and to capture the data during the analysis stage.

5.3 DATA ANALYSIS

Confirmatory data analysis or inferential statistics, involves using quantitative data collected from a sample to draw conclusions about a complete population. (Collis & Hussey, 2003:196). Suitable software chosen by the researcher was used as a statistical technique tool to conduct exploratory data analysis to summarize, describe and display the data.
Three main groups of techniques that are used to present the data from the survey questionnaires namely:

- Presentation of frequencies;
- Measurement of central tendency;
- Measurement of dispersion

5.3.1 Presenting frequencies

The quantitative data is in the form of numerical values, which represent the total number of observations or frequencies for the variables under study (Collis & Hussey, 2003:196). A summary of quantitative data from the sample population is used to confirm data analysis or inferential statistics to draw conclusions about the total population of dispersion.

5.3.2 Measuring central tendency

According to McDaniel and Gates (2008:414), the three measures of central tendency are the arithmetic mean, the median, and mode. These are discussed.

5.3.2.1 Mean

An average is a convenient way of describing a data set by means of a single value. It involves calculating the arithmetic mean (Collis & Hussey, 2003:199). The mean is properly computed only from interval or ratio (metric) data. It is computed by adding the values for all observations for a particular variable, such as age, and dividing the resulting sum by the number of observations which results in a figure (McDaniel & Gates, 2008:414).

The advantage of presenting the data in this way, is that it helps to present the overall pattern more clearly, however, there are problems associated with grouping data in cases of discrete or continuous data (Collis & Hussey, 2003:200).
5.3.2.2 Median

The median can be computed for all types of data except nominal data. It is calculated by finding the value below which 50 percent of the observations fall (McDaniel & Gates, 2008:414). The median is the central item in a group of order (Sekaran, 2003:396).

5.3.2.3 Mode

According to McDaniel & Gates (2008:414), the mode can be computed for any type of data (nominal, ordinal, interval, or ratio). It is determined by finding the value that occurs most frequently.

5.3.3 Measuring dispersion

The measure of dispersion is unique to nominal and interval data (Sekaran, 2003:397). Frequently used measures of dispersion include standard deviation, variance, and range. Whereas measures of central tendency indicate typical the data area (McDaniel & Gates, 2008:414). According to Sekaran (2003:397), the three measurements of dispersion connected with the mean are the range, the variance, and the standard deviation, which are explained.

- Range: Range refers to the extreme values in a set of observations;
- Variance: The variance gives an indication of how dispersed the data in a data set are;
- Standard deviation: provides an index of the spread of a distribution or the variability in the data.
5.4 TARGETED POPULATION AND SAMPLE

According to Sekaran (2003:265), population refers to the entire group of people, events, or things of interest that the researcher wishes to investigate. As ample a subset of the population is, it comprises some members selected from it. In this research study, the SARS customs officials and top management were selected as the targeted population.

A sample was chosen that was the subset of the population that comprised the individuals that occupied the positions of Commissioner, senior manager, managers and junior staff of the SARS Customs division. In total the sample was 60 individuals within those categories. Stratified random sampling was utilised.

A sample as a subgroup or subset of the population was selected for studying the impact of the role of SARS customs strategy on Regional integration and trade facilitation to be able to draw conclusions that would be generally stable to the population of interest.

Figure 5 illustrates that the response rates of this research study was 90 percent. This was because the access for conducting this research within the institution was granted by senior management.

**Figure 5 comparisons of sample and respondents**
According to Saunders, Lewis & Thornhill (2000:158), the collection of sample data from a secondary source within an organisation, to which access is granted the response rate, should be virtually 100 percent.

The respondents were required to rate, from a Likert scaling of one to five, their agreement with each statement.

5.5 ANALYSIS OF SECTION A: BIOGRAPHICAL DETAILS

According to Sekaran (2003:244), in organisational surveys, it is advisable to gather certain demographic data such as age, sex, educational level, job level, department, and number of years in the organization, even if the theoretical framework does not necessitate or include these variables.

The survey study questionnaire received a 90 percent response rate and yielded the following biographical details as depicted in Table 5.1

**Table 5.1 Summary of biographic information**

<table>
<thead>
<tr>
<th>Age of respondent</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-24 YRS</td>
<td>11</td>
<td>20.4</td>
<td>20.4</td>
<td>20.4</td>
</tr>
<tr>
<td>25-30 YRS</td>
<td>19</td>
<td>35.2</td>
<td>35.2</td>
<td>55.6</td>
</tr>
<tr>
<td>31-49 YRS</td>
<td>18</td>
<td>33.3</td>
<td>33.3</td>
<td>88.9</td>
</tr>
<tr>
<td>50 and above</td>
<td>6</td>
<td>11.1</td>
<td>11.1</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>54</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>
### 1.2 Gender

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Female</td>
<td>19</td>
<td>35.2</td>
<td>35.2</td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>35</td>
<td>64.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>54</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

### 1.3 Language of respondent

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>English</td>
<td>22</td>
<td>40.7</td>
<td>40.7</td>
</tr>
<tr>
<td></td>
<td>Afrikaans</td>
<td>9</td>
<td>16.7</td>
<td>57.4</td>
</tr>
<tr>
<td></td>
<td>Sotho</td>
<td>7</td>
<td>13.0</td>
<td>70.4</td>
</tr>
<tr>
<td></td>
<td>Zulu</td>
<td>5</td>
<td>9.3</td>
<td>79.6</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>11</td>
<td>20.4</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>54</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

### 1.4 Race of respondent

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Africa</td>
<td>30</td>
<td>55.6</td>
<td>55.6</td>
</tr>
<tr>
<td></td>
<td>Coloured</td>
<td>7</td>
<td>13.0</td>
<td>68.5</td>
</tr>
<tr>
<td></td>
<td>Indian</td>
<td>9</td>
<td>16.7</td>
<td>85.2</td>
</tr>
<tr>
<td></td>
<td>White</td>
<td>7</td>
<td>13.0</td>
<td>98.1</td>
</tr>
<tr>
<td></td>
<td>Chinese</td>
<td>1</td>
<td>1.9</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>54</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>
### Experience of respondent

<table>
<thead>
<tr>
<th>Valid</th>
<th>1-3 YRS</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>1-3 YRS</td>
<td>6</td>
<td>11.1</td>
<td>11.1</td>
<td>11.1</td>
</tr>
<tr>
<td>4-5 YRS</td>
<td>13</td>
<td>24.1</td>
<td>24.1</td>
<td>35.2</td>
<td></td>
</tr>
<tr>
<td>6-9 YRS</td>
<td>21</td>
<td>38.9</td>
<td>38.9</td>
<td>74.1</td>
<td></td>
</tr>
<tr>
<td>10 YRS &amp; ABOVE</td>
<td>14</td>
<td>25.9</td>
<td>25.9</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>54</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

### Education Level

<table>
<thead>
<tr>
<th>Valid</th>
<th>Below matric</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Matric</td>
<td>6</td>
<td>11.1</td>
<td>18.5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Diploma</td>
<td>27</td>
<td>50.0</td>
<td>68.5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Degree</td>
<td>8</td>
<td>14.8</td>
<td>83.3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Masters Degree</td>
<td>5</td>
<td>9.3</td>
<td>92.6</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Doctorate</td>
<td>4</td>
<td>7.4</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>54</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

### Position of respondent

<table>
<thead>
<tr>
<th>Valid</th>
<th>Administrator</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Specialist</td>
<td>19</td>
<td>35.2</td>
<td>64.8</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Manager</td>
<td>9</td>
<td>16.7</td>
<td>81.5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Executive Manager</td>
<td>10</td>
<td>18.5</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>54</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>
The personal data from the various respondents of the survey questionnaire was gathered with due regard to the sensitivity of their feelings, and with respect for their privacy.

Figure 5.1 illustrates a comparison of sample and population age from the summary of the biographical details of the sample respondents and targeted population of the research study. The following is the summary:

**Sample Age:** Respondents of 50 years and above were 11.1 percent, respondents of 31 to 49 years were 33.3 percent, respondents of 25 to 30 years were 25.2 percent and for ages of 18 to 24 years were 20.4 percent.

**Figure 5.1**

<table>
<thead>
<tr>
<th>Age of respondent</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-24 YRS</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>25-30 YRS</td>
<td>29.6</td>
<td>40.6</td>
</tr>
<tr>
<td>31-49 YRS</td>
<td>29.6</td>
<td>70.2</td>
</tr>
<tr>
<td>50 and above</td>
<td>20.4</td>
<td>90.6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Division</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Operations</td>
<td>16</td>
<td>29.6</td>
<td>29.6</td>
<td>29.6</td>
</tr>
<tr>
<td>Tarrif</td>
<td>11</td>
<td>20.4</td>
<td>20.4</td>
<td>50.0</td>
</tr>
<tr>
<td>Boarder</td>
<td>9</td>
<td>16.7</td>
<td>16.7</td>
<td>66.7</td>
</tr>
<tr>
<td>Strategic</td>
<td>9</td>
<td>16.7</td>
<td>16.7</td>
<td>83.3</td>
</tr>
<tr>
<td>Internal Affairs</td>
<td>9</td>
<td>16.7</td>
<td>16.7</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>54</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>
**Position:** Figure 5.1 illustrate the percentage of respondents by their position. 18.5 percent were Executive management of SARS Customs, 16.7 percent managers, 35.2 percent specialist and 29.6 were administrators.

---

**Figure 5.2**

![Position of respondent](image)

Figure 5.3 illustrates the comparison of sample and population ethnicity with the various ethnic groups under consideration and the following is the summary of representations of different groups.
**Sample:** Africans were 55.6 percent, Colored were 13 percent, and Indians were 16.7 percent, White were 13 percent and Chinese were 1.9 percent.

Figure 5.4 illustrates the comparison of sample and population of gender representation and the following is the summary.

**Sample:** Representation of females was 35.2 percent and males were 64.8 percent.
Males, of 64 percent dominate both the sample and population respectively. The Customs environment is dominated by males because of the high risks on the border post and to other port of entry in the country.

The split of females and males in the population of SARS Customs division was at the ratio of 68:32 whereas the split of the females and males in the sample SARS Customs officials is at the ratio of 85:15 and there was a degree of correlation between the population and sample gender representation.

Figure 5.5 illustrates the educational levels of the respondents with only four persons below matric and six with matric as a highest qualification. Twenty seven persons have M+3 (e.g. Technikon Diploma) qualification, eight persons posses an M+4 (Bachelor Degree), five persons with a masters degree qualifications and three persons have doctoral qualifications.
The highest numbers of respondents 50 percent have Diploma as a minimum qualification followed by 14 percent of degree qualification. Few responded recorded having below matric. This indicate that majority of respondents are literate and the majority who hold diploma they have studied specific topics in the Customs field of study. This correlates to having a majority of specialist as respondents.
Figure 5.6 illustrates the sample population in years of employment.

The population has a large number of individuals in the category of 6 to 9 years of service at 38 percent, followed by the bulk at 10 or more years of service at 25 percent. This has the advantage on the quality of response as the majorities have a vast experience of Customs division, its mission and goals.

**Figure 5.7 Position of respondent**

![Position of respondent](image)

Figure 5.7 illustrates the various statuses of the respondents of SARS customs officials that were in the sample for the research study.

There were 10 executive managers (heads of departments) from the various divisions, 9 managers, 19 specialists and 16 administrators.

The specialists were the highest number of respondents, being 35 percent, followed by administrators at 29.6 percent, 18 percent being Executive managers and, lastly, the 16 percent being managers. The inclusion of Executive Managers assisted the research to achieve a high level of response and provide a true reflection on the strategic issue pertaining to this paper.
Other parts of the question did score high because the majority of the responded are the specialists, in their respective field of work. They only master their field; however they have an overall view of the SARS Customs mandate and strategies.

**Figure 5.8 Responded by division**

![Bar chart showing respondent division]

Figure 5.8 illustrates the various divisions among SARS Customs unit that were in the sample for the research study.

The operations division participants were the highest number at 29.6% followed by Tariff division by 20.4%. Other units were equally represented by 16.7%. The respondents by division does affect the view of each question asked because other participants are more familiar with their division topic compared to topics outside the scope of the work.
### 5.6 ANALYSIS OF SECTION B:

Table 5.3 illustrates an analysis of the Section B of the questionnaire. There were sixteen statements that the respondents were required to rate from a Likert scaling of one to five. Each respondent had an opportunity to indicate one answer for each statement from Strongly disagree at a scale of one to Strongly Agree at a scale of five at the end.

Various responses were summarized for each statement and expressed in percentage form.

**Table 5.3 Section B percentages of response frequency**

**Table 5.3.1. SADC OBJECTIVES**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Not sure</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1. SADC objective is to build large, more significant market from which to compete in the global market</td>
<td>3</td>
<td>1</td>
<td>9</td>
<td>25</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>5.6%</td>
<td>1.9%</td>
<td>16.7%</td>
<td>56.3%</td>
<td>29.6%</td>
</tr>
<tr>
<td>Q2. SADC is organised to facilitate development and economic growth throughout the region?</td>
<td>1</td>
<td>1</td>
<td>10</td>
<td>24</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>1.9%</td>
<td>1.9%</td>
<td>18.5%</td>
<td>44.4%</td>
<td>33.3%</td>
</tr>
</tbody>
</table>
Table 5.3.1 depicts the measurement of perceived SADC objectives on building a larger market to compete in the global market and shows the percentage of combined number of respondents for each rating in each statement.

**Question 1**, which tested an opinion on the SADC objective of building a platform for the region to compete in the global market. The respondent scored 29 percent as strongly agreement and 56 percent in agreement. Only a few respondents that felt were not sure nor disagree and were between sixteen and five percent respectively.

**Question 2**, which tested the opinion on SADC role on facilitating economic growth throughout the region received strong support with 40 percent being in agreement and 33 percent as strongly agree. About 18 percent were unsure and only 2 percent disagree and strongly disagree.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Not sure</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3. Tarrifs charges are a barrier in promoting trade in SADC region?</td>
<td>3</td>
<td>6</td>
<td>9</td>
<td>25</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>5.6%</td>
<td>11.1%</td>
<td>16.7%</td>
<td>46.3%</td>
<td>20.4%</td>
</tr>
<tr>
<td>Q4. Removal of tariffs will increase trade in SADC and</td>
<td>5</td>
<td>8</td>
<td>10</td>
<td>20</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>9.3%</td>
<td>14.8%</td>
<td>18.5%</td>
<td>37%</td>
<td>20.4%</td>
</tr>
</tbody>
</table>
Question 3 dealt with Tariffs charges as barriers in promoting trade in the SADC region. 46 percent of respondents agree, followed by 20 percent who strongly agree.

Question 4 dealt with the Removal of Tariff to increase trade in SADC.37 percent of respondents agree, followed by 20 percent who strongly agree that removal of tariffs will boost the economy in the member state.

Question 5 tested the view of the respondents on the issue of countries that would suffer in their revenue collection if tariffs removed. 44 percent agree and only 27 percent strongly agree.

Table 5.3.3 SARSs role in SADC

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Not sure</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q5 .some countries will suffer on their revenue collection if Tariffs are removed</td>
<td>5.6%</td>
<td>3.7%</td>
<td>14.8%</td>
<td>44.4%</td>
<td>27.8%</td>
</tr>
</tbody>
</table>
Question 6, dealt with the role of SARS in the SADC region. The majority of respondents (40.7%) indicated that SARS has a pivotal role in promoting regional integration in SADC, followed by 38.9% who strongly agree.

Table 5.3.4 SACU’s role in SADC

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Not sure</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q7. SACU as a Customs Union has a role to play on Facilitation of Trade in SADC region</td>
<td>1.9%</td>
<td>1.9%</td>
<td>11.1%</td>
<td>37%</td>
<td>44.4%</td>
</tr>
<tr>
<td>Q6. SARS has a pivotal role to play in promoting regional integration in SADC region</td>
<td>3.7%</td>
<td>1.9%</td>
<td>13.0%</td>
<td>40.7%</td>
<td>38.9%</td>
</tr>
</tbody>
</table>

Question 7, dealt with the role of SACU in the SADC region. Most of the respondents (44.4%) who participated in this survey strongly agree that SACU as Customs Union has a role to play on facilitation of trade in SADC region.

Table 5.3.5 South Africa economic power in the Region
Table 5.3.5 depicts the measurement of South Africa as a country that is holding more economic power.
Question 8, dealt with South Africa’s economic power in the SADC region, 37 percent of respondents were unsure, 31 percent agree.

Question 10, tested the opinion of respondents whether they agree that South Africa, 40.7 percent of respondents agree, and followed by 24 percent who strongly agree.

Question 12 tested the opinion of respondents whether South Africa is benefiting economically by being a member of SACU, 25 percent of respondents agree, followed by 24 percent who strongly agree.

Drawing from the literature review and the respondents’ experiences, it can be concluded that South Africa is holding more economic power in the Region and is benefiting economically from being a member of SACU.

Table 5.3.6 SADC free trade area and multiple memberships

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Not sure</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q9. It is important to create a SADC Free Trade Area</td>
<td>2</td>
<td>4</td>
<td>9</td>
<td>22</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>3.7%</td>
<td>7.4%</td>
<td>16.7%</td>
<td>40.7%</td>
<td>31.5%</td>
</tr>
<tr>
<td>Q11. Economic imbalances between member state in SADC affect Regional Integration?</td>
<td>2</td>
<td>2</td>
<td>15</td>
<td>22</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>3.7%</td>
<td>3.7%</td>
<td>27.8%</td>
<td>40.7%</td>
<td>24.1%</td>
</tr>
</tbody>
</table>
Question 9 dealt with the importance of SADC on creating Free Trade Area. The majority of respondents (40.7%) indicated that it’s important to create FTA in the Region, followed by (31.5%) who strongly agree.

Question 11 tested the view of the respondents about the economic imbalances of member state if it does affect Regional integration. 40.7 percent agree and only 24 percent disagree.

Question 13 dealt with multiple and overlapping of membership in the SADC region. Most of the respondents 38.9 percent were unsure, followed by 37 percent whom agree.
Question 16 dealt with SADC limited resources to realize regional economic integration. 33 percent of respondents agree, followed by 31 percent who disagree.

The findings illustrate that 40 percent of the responded agree that it's important to create a SADC FTA and followed by 37 percent that agree that the imbalances between member state affect regional integration, and the overlapping membership in SADC region is stalling the regional integration process. 33 percent of participants agreed that SADC has limited resources to realise regional integration.

Drawing from the literature review and respondent views, it can be concluded that there are challenges facing SADC regional integration process.

Table 5.3.7 Intra regional trade

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Not sure</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q14. Do you believe that members state are not willing to lose national sovereignty on the trade policy?</td>
<td>1</td>
<td>0</td>
<td>16</td>
<td>20</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>1.9%</td>
<td>0</td>
<td>29.6%</td>
<td>37%</td>
<td>29.6%</td>
</tr>
<tr>
<td>Q15. Intra regional</td>
<td>13</td>
<td>23</td>
<td>13</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
trade and investment is expected to grow significantly as the issue of market access, rules of origin and non-tariff barriers are resolved?

<table>
<thead>
<tr>
<th></th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3.7%</td>
<td>5.6%</td>
<td>24.1%</td>
<td>42.6%</td>
<td>24.1%</td>
</tr>
</tbody>
</table>

Question 14 tested the view of the respondents on the issue of member states that are not willing to lose their national sovereignty on the trade policy. The majority of respondents (37%) agree, followed by (29%) whom strongly agree.

Question 15 dealt with intra regional trade and the access to market. 42 percent of responded agree, followed by 24 percent whom strongly agree. It can be concluded that the issue of market access can be resolved to expedite the growth in trade and investment.

5.7 Conclusion
This chapter presented the documentation and presentation of the results of the research study that was conducted during the months of August and September 2010. The process followed was the presentation of the summarised results through statistical calculations, the interpretation of those statistical calculations and presentation of results through the aid of pictorial views like tables, histograms and graphs.

An outline of the various questionnaire sections is presented individually with the summary of each section as a demonstration of the majority view.
Section A of the questionnaire detailed the biographical characteristics of the targeted sample for the research study, age, ethnicity, gender, educational levels, employment period and job status and was a subject of comparison.

Section B of the questionnaire which consist sixteen questions sought to gauge the perception on the Role of SARS Customs strategy on trade facilitation and regional integration. The questions were each linked to a sub problem statement.

It was established that there was a strong support for the statements that the SADC to build a larger and more significant market for its member states to compete in the global market. The majority of participants strongly agree that Tariff charges and multiple membership are barriers to the regional integration process. An overwhelming majority of respondent strongly agree that SARS has a pivotal role to play in promoting Trade and regional integration in SADC region.

The following chapter six presents the summary, conclusion and recommendations of this research study.
CHAPTER 6

SUMMARY, CONCLUSION AND RECOMMENDATIONS

6.1 INTRODUCTION

This chapter presents a summary of the results of the quantitative survey. It draws conclusions based on the literature review on the identified sub-problems and recommends other areas of focus for further research.

In chapter five, the results of the research were interpreted with the intention of presenting the findings of the survey conducted. The question is “How can SARS best apply their strategy on trade Facilitation and Regional integration for the benefit of the SADC region?” provides the main problem and the foundation for the research. The main problem was further subdivided into three- sub problems and later dealt with in the ensuing chapters.

6.2. SUMMARIES AND DISCUSSION OF RESULTS RELATING TO BIOGRAPHIC

There are two sections in the research survey questionnaire and its results were presented in chapter five. The summaries and discussions of the results are outlined here.

6.2.1 Summary of Section A: Biographical details

A profile section of the respondents was designed to be the first section of the questionnaire. According to Borg, Braun & Baumgartner (2008:149), employees who are highly satisfied should have no reason to withhold identifying information, because reporting positive attitudes and opinions is no risk in general. Satisfied employees contribute to the organisational goals by providing accurate and complete information in the survey, because organisational commitment and job satisfaction are typically positively correlated (Meyer, Stanley, Herscovitch & Topolnytsky, 2002:20).
An establishment of the process to profile the respondents was done, that reflected the trend of the survey for the population of SARS Customs officials and the information collected led to deduction of certain scenarios. The bulk of the respondents, for the sample and population, were between 25 to 30 years older, at 35 percent and 33 percent respectively; followed by 31 to 49 years and older by 20 percent and 11 percent respectively. This was an indication that the majority of respondents are stable career individuals who may remain longer in the employ of the SARS customs.

The highest number of respondents with a minimum national diploma was 50 percent and followed by 15 percent of degree qualification. This indicated a high level of literacy level and strong understanding of the SARS Customs strategic intentions.

Sample responses of 39 percent were received from those employees that employed by SARS Customs between 6 to 9 years. This is an indication that the opinions expressed were from employees who drew from their experiences of employment services on future possible impacts SARS customs.

Sample responses were mainly from operation division by 30 percent. This is an important division at the Customs unit as they are hands on the operation of Customs unit. They are the unit that implements strategy intents to operations.

There was a 90 percent response rate from the sample and according to (Borg et al., 2008:156), commitment was found to have a main effect on the likelihood to answer the demographic items.

6.3 CHAPTER SUMMARY

Chapter one provided an outline of the study and which procedures were followed in the study. The sub problems were stated as follows.
Sub-problem 1

What role is played by SADC and SACU in promoting and simplifying trade in the Region?

Sub-problem 2

What are the potential barriers to implement Regional integration in the SADC region?

Sub-problem 3

What are the appropriate implementation strategies for implementing Trade facilitation and Regional Integration by SARS?

Chapter two entailed a literature review to evaluate and provide a theoretical perspective of trade facilitation and regional integration in SADC, through a detailed study of prior research conducted.

Chapter three presents the current status of SARS customs strategy concerning the trade and regional facilitation.

Chapter four focuses on the research methodology used in the study. An exploratory, descriptive approach was employed to implement the research process.

Chapter five presented the findings of empirical study conducted and assessed the strategic role of SARS customs on trade and regional integration.

6.3.1 SUB-PROBLEM ONE

What role is played by SADC and SACU in promoting and simplifying trade in the Region?

A theoretical perspective of Regional integration in SADC region in response to sub-problem one is offered in chapter two. The theoretical basis for the literature study on regional integration was based on previous research done. It
has been highlighted that regional integration in SADC needs to happen in order to improve economy of the member states. It further highlighted that South Africa as a country has a strong economy muscle that can be an added advantage in promoting regional integration in SADC.

The study indicates that the SADC has a viable regional economic trade agenda that requires effective implementation of appropriate institutional mechanisms that discourage lip service.

Additionally, current studies indicate that South Africa and the other SADC member countries are more dependent on the EU market for exports and this will provide more benefit by greater access to this market than to each other. Studies of the EU are now reflecting concern by industrialised members that industry will disperse towards the new lower-wage accession countries. Within the SADC, the degree of wage disparity is currently high between South Africa and the majority of the other members. In conjunction with these differences in wages, trade concessions from developed foreign markets such as the EU, and NAFTA, will make the peripheral countries an attractive base particularly for South African exporting firms. This provides an avenue for further research in determining the relative role of the market advantages of South Africa versus the larger blocs (such as EU) to which the SADC trade is largely focused.

The following industries were found to be agglomerated above the average level in all three blocs, tobacco, miscellaneous petroleum and coal products, and pottery, china and earthenware. Conversely, transport equipment, paper and products, machinery, except electrical. Plastic products, rubber products, and fabricated metal products tended to be more dispersed across all three. Perhaps more interesting is that there appears to be a common theme amongst the industries that became more agglomerated across all the blocs, while industries that tend to be dispersed tend to be regional specific.

The industries that showed universal agglomeration tendencies were highly sensitive and include wearing apparel and textiles industries plus to industrial chemicals, printing and publishing, iron and steel, and plastic products. In
relation to the SADC, two of these industries showed an increased concentration in the periphery, as in EU.

The study provides a number of factors for policy consideration. Firstly and most importantly, the change in the distribution of industry within the SADC is something that has occurred in the past 30 years, and is likely to take an even greater extent as integration proceeds. The concentration, or dispersion tendency of the 28 manufacturing sectors have been highlighted together with the countries that have the potential to attract these particular industries. It has been argued that many of these industries have not been pulled towards South Africa, but rather towards other countries in the bloc. It is thus recommended that member countries conduct further studies within the sectors that have shown a tendency to concentrate within their country to facilitate the attraction of these industries. On the other hand, if a particular industry is being attracted out of the country involved, methods should be introduced to increase the competitiveness of that industry. From the theory, it is apparent that the forces for industry concentration that result in industry agglomerating in the core, are highest at the intermediate levels of transport cost. Although the level of transport costs within the SADC is still relatively high, the increase in dispersion in SADC since 1995 indicates that industry may not agglomerate to the degree on the European Union. This would indicate that, with further reduction of transport costs, dispersion, rather than agglomeration, is like to take place. Therefore it is imperative that transport costs (both in the form of Tariffs and NTBs) are reduced soonest for the peripheral countries to gain significantly.

Conclusion and recommendation
The responded on this survey 56 percent agree that SADC need regional integration to boost economy of each member state, referring to the lesson learn from other community, for example the success of European Union as a regional integration, for the success of Southern African countries integration the following need to be a priority, the SADC regional infrastructure requires improvement and technical capacity need to be enhanced. The progression towards deeper integration requires stakeholder’s participation and ownership at national level. The national and regional institutions require good
governance. Ultimately improved political commitment and effective leadership is required to be assured of regional integration prospects.

Thus the findings of the study provide hope for the success of a free trade area in SADC. However this is based on the full commitment of all members.

6.3.2 SUB PROBLEM TWO

What are the potential barriers to implement Regional integration in the SADC region?

The number of respondents at 46 percent who agreed with this statement, and thought that Tariff charges are a barrier in promoting trade in the SADC region.

The tariffs is undeniable an important barrier but it can be questioned whether it is the most important. While important to analyses systematically there, is abundant anecdotal evidence that aggravation experience at boarders are perhaps more onerous. This barrier might arise because of management problems at border crossings or purely because documentation and procedures are not standardized.

The Pending FTA within the SADC region has brought with it concern that industry will relocate towards the larger, more established countries in the region, particularly towards South Africa. South Africa currently possesses 84 percent of SADC manufacturing value added, and amongst the remaining members there is still a wide disparity of manufacturing capacity.

It has been argued that the SADC region is not conducive to large static gains from integration (Kirkpatric, 1998, Winter 1999:23. Hence, that the rationale for the FTA must be found in the potentially beneficial dynamic effect of integration.

The SADC FTA will have different effects on its members ,one of the main concerns raised in the trade theory regarding FTAs is the issue of trade creation(the replacement of relatively in inefficient domestic production by lower- cost of imports from a partner country)versus trade diversion( the
replacement of lower-cost imports from a partner). It is highly unlikely that any trade diversion will occur since market access is not really an issue as most countries currently enjoy preferential treatment of their goods in major markets.

However, concern about polarisation of the industry towards larger markets arises in the dynamic context. Despite such concern in the SADC, this is an area of research that is scarce in the literature and is a key to the successful formation of FTA in the bloc. If the industrial concerns of the peripheral nations are not addressed, there is a likely to be half-hearted commitment to liberalisation.

It is thus the conclusion of this study, that progress towards regional integration will affect the industry distribution of the SADC region. However, this may not necessary be negative to peripheral countries as a number of industries have shown a tendency to agglomerate in the marginal countries. In particular the study shows that countries currently part of the customs union with South Africa have had the greatest increases in manufacturing during the period of analysis.

**6.3.3 SUB PROBLEM THREE**

What are the appropriate implementation strategies for implementing Trade facilitation and Regional Integration by SARS?

In attempt to address this question on SARS Customs strategy, this study turns to Chapter 3 to the theory of SARS Customs strategy to provide a framework for analysing the SARS strategic effect on regional integration.

The SARS Customs mandate is a point of much discussion in the literature where SARS Customs understand its mandate as a partner in enhancing the South African economic growth. This is done by supporting and facilitating legitimate trade and regional integration in the SADC. Based on the theoretical framework, the majority of respondents (40.7%) who participated in this survey
indicated that SARS has a pivotal role in promoting regional integration in SADC.

A theoretical perspective of SARS Customs strategy presented a future business model which SARS intends to apply as a strategy on meeting their objective of regional integration. The strategic drivers are universal and impact on all Customs administration, although their extent may differ.

It concluded by this study that SARS as an agent of the South African government is fulfilling its mandate on trade and regional integration by administering a number of Export promotion incentive schemes, including Duty credit certification scheme, the Motor industry Development Program (MIDP) as part of their strategic intent for regional integration, and the role of Customs at the border has expanded with regards to the key border agency responsible for all transactions related to issues arising from Border crossing.

The broad results that SARS Customs is seeking to achieve on behalf of Government Foster and promote legitimate trade, include to provide assistance to the South African traders to comply, contribute with Governmental trade policy and the negotiation of trade agreements, prevent harm to the South African community, economy and environment resulting from the cross-border movement of dangerous and unsafe goods.

6.4 RECOMMENDATIONS FOR FURTHER RESEARCH

The size of the sample posed some limitations on covering the broader population of the SARS Customs employees and the snapshot nature of the research methodology applied. The electronic process to disseminate the questionnaire was correct for this research study but had it been intended to cover all employee grades without access to computer desktops, the flow of responses would have been restricted. For further research processes, the above should be taken into consideration.
6.5 CONCLUSION

From the literature review on this study and the result obtained from respondents, there is no doubt that there are some gains that can be achieved by the SADC member countries through the FTA, but these are limited, due to small size of SADC relative to the global economy and the intra SADC trade imbalances among members are likely to limit the scope for trade expansion within the region.

The intra-regional trade has not shown dramatic improvement since the implementation of SADC protocol. This shows that the instruments currently in place to stimulate intra-regional trade are not working effectively. More needs to be done to ensure that member countries trade with each other more. SARS Customs strategy can play a major role in facilitating trade and regional integration in the region.

**Recommendations**

The following need to be strengthened to attain a success in regional integration, the promotion of customs cooperation among member states, simplification and harmonisation of customs laws and procedures capacity building for customs officers. SADC must ensure that problem areas such as poor physical infrastructure and political instability of the member countries are addressed to ensure that any future regional integration reaches the objective of growth development and an increase in the trade among members.
REFERENCE LIST


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Imani Development (2003) Study on impact and sustainability of the economic partnership agreement with the EU.Report prepared for the Kingdom of Lesotho and the European Commission.


SADC (2000a). SADC Annual report. SADC


Bird Street Campus

10 August 2010

To whom it may concern

This is to certify that Ms Thenjiwe Olga Dlamini (student number 20136194) is a registered student for the degree of Masters in Business Administration at the Nelson Mandela Metropolitan University. She is busy with research for her MBA treatise on the following topic:

The strategic role of SARS for Trade Facilitation and Regional Integration in SADC Region

Feel free to contact me should you need any other information regarding Ms Dlamini.

Yours sincerely

[Signature]

Dr Annelie Pretorius
Research coordinator – NMMU Business School
APPENDIX 4.1

Regional Integration: SADC Region

Definition

Is a process in which states enter into a regional agreement in order to enhance regional cooperation through regional institutions and rules. Its objectives could range from economic to political although it has become a political economy initiative where commercial purposes are the means to achieve broader socio-political and security objectives.

This Research is being carried out to find out the challenges, impact and benefits of the regional integration to South Africa. Please answer the following 16 questions freely. All your response will be treated in strictest of confidence and only aggregated data will be made available.

SECTION A: BIOGRAPHICAL INFORMATION

Please tick a box is applicable to you

1.1 My age is between

18 – 24
25 – 35
36 – 49
50 and above

1.2 My ethnic group is:

African
Coloured
Indian
Chinese
White
1.3 **My gender is:**

<table>
<thead>
<tr>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
</table>

1.4 **My highest education level is:**

<table>
<thead>
<tr>
<th>Below grade 12(matric)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Matric</td>
<td></td>
</tr>
<tr>
<td>M+3 (e.g. Technikon Diploma)</td>
<td></td>
</tr>
<tr>
<td>M+4 (e.g. Bachelor Degree)</td>
<td></td>
</tr>
<tr>
<td>Masters Degree</td>
<td></td>
</tr>
<tr>
<td>Doctoral Degree</td>
<td></td>
</tr>
<tr>
<td>Other – please specify</td>
<td></td>
</tr>
</tbody>
</table>

1.5 **My number of years employed at SARS Customs**

<table>
<thead>
<tr>
<th>1 – 3 years</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>4 – 5 years</td>
<td></td>
</tr>
<tr>
<td>6 – 9 years</td>
<td></td>
</tr>
<tr>
<td>10 or more years</td>
<td></td>
</tr>
</tbody>
</table>

1.6 **Presently my division is** *(Please specify by sub-division at bottom)*

<table>
<thead>
<tr>
<th>Operations</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tariffs</td>
<td></td>
</tr>
<tr>
<td>Boaderpost</td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Strategy</td>
<td></td>
</tr>
<tr>
<td>International affairs</td>
<td></td>
</tr>
</tbody>
</table>

### 1.7 My job status:

| Administrator |  |
| Specialist |  |
| Manager |  |
| Executive manager |  |

### Section B

<table>
<thead>
<tr>
<th>For the following statements place an X in the box that matches your view most closely</th>
<th>Strongly Agree</th>
<th>Disagree</th>
<th>Not Sure</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

1. SADC objective is to build a larger, more significant market from which to compete in the global marketplace  

2. SADC is organised to facilitate development and economic growth throughout the region?  

3. Tariffs charges are a barrier in promoting Trade in SADC
<table>
<thead>
<tr>
<th>Region</th>
<th>4</th>
<th>Removal of Tariffs will increase trade in SADC and boost economy in member states</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5</td>
<td>Some countries will suffer on their revenue collection if Tariffs are removed</td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>SARS has a pivotal role to play in promoting regional integration in SADC region</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>SACU as a Customs Union has a role to play on Facilitation of trade in SADC region</td>
</tr>
</tbody>
</table>

For the following statements, place an X in the box that matches your view most closely:

<table>
<thead>
<tr>
<th>Question</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>South Africa is holding more economic power in SADC region</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>9</td>
<td>It is important to create a SADC Free Trade Area</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>10</td>
<td>Do you agree that South Africa is holding more economic power in SADC region?</td>
<td></td>
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<tr>
<td>11</td>
<td>Economic imbalances between member states in SADC affect regional integration</td>
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</tr>
<tr>
<td>12</td>
<td>South Africa is benefiting economical by being a member of SACU</td>
<td></td>
<td></td>
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<tr>
<td>13</td>
<td>The multiple and overlapping membership in SADC region is stalling the regional integration process</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>14</td>
<td>Do you believe that member states are not willing to lose national sovereignty on trade policy?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Intra regional trade and investment is expected to grow significantly as the issues of market access, rules of origin and non-tariff barriers are resolved</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>SADC region has limited resources to realize regional economic integration</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

I hope you find completing the questionnaire enjoyable and thanking you for your time. For any further questions or clarifications you can contact me on

083 449 77 27 or thenjid@gmail.com

Thank you for your assistance

Thenjiwe Dlamini (Ms)