

THE FREE TRADE AREA OF EASTERN AND SOUTHERN AFRICA: IS IT FEASIBLE?

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Abstract

This paper is intended to elicit discussion on the process of regional integration in Eastern and Southern Africa and how the process impacts and promotes economic development of Least Developed Countries (LDCs).

It discusses the stages and status of integration among the four RECs in Eastern and Southern Africa; current trends and developments of co-operation and harmonisation of programmes among the RECs; the challenges that the RECs currently encounter and are likely to encounter in seeking to contribute to the realisation of a single African economic space.

The paper further discusses recent developments and challenges of regional integration in Eastern and Southern Africa covering the 19 members of the Common Market for Eastern and Southern Africa (COMESA), the 5 members of the East African Community (EAC), the 15 members of the Southern African Development Community (SADC) and the 5 members of the Southern African Customs Union (SACU).

The paper reiterates the continental goal of integrating Africa gradually through building blocs, and seeks to contribute to the debate on how best to resolve the politically sensitive issue of overlapping membership among countries in Africa.

The paper covers issues of critical importance to Least Developed Countries (LDCs), the disparity in development levels among countries in the RECs and the capacity (or lack thereof) of LDCs to implement and take advantage of opportunities that arise from regional integration.

Finally, the paper discusses the vexatious issues of bilateral and multilateral trade arrangements/agreements and negotiations, and how useful (or not) these have been to the economic development of the RECs, but more especially of the LDCs.

It is noteworthy that 16 of the 26 countries that collectively are members of COMESA, EAC, SACU and SADC are LDCs. And so, the paper deals largely with LDC issues.

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REGIONAL INTEGRATION IN EASTERN AND SOUTHERN AFRICA

African countries have sought to develop their economies through various strategies. In the 1960s and 1970s, most countries adopted import substitution strategies, while in the 1980s and 1990s, they moved onto export-led development strategies. They embraced market economies, through which they undertook economic reforms including privatisation, trade liberalisation, price and general deregulation. African governments have since then taken on a less interventionist and more of a regulatory role. They have sought to galvanise domestic investment while promoting regional and attracting foreign direct investment.

These measures have usually been undertaken at national level, but increasingly, most countries are implementing regional programmes through regional economic communities (RECs).

For this purpose, countries in eastern and southern Africa have established 4 RECs that have trade and investment integration programmes. These are the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC), the Southern African Development Community (SADC) and the Southern African Customs Union (SACU).

Continental goal of integrating Africa gradually through building blocs

African countries, under the aegis of the African Union (AU), previously the Organisation of African Unity (OAU), have agreed to establish a single economic space to be called the African Economic Community (AEC). This is contained in the *Lagos Plan of Action* adopted by the Heads of States and/or Governments of AU countries in the Nigerian capital of Lagos in 1980. The goal of continental integration contained in the *Plan* was buttressed by the *Abuja Treaty* that the Heads of States and/or Governments signed in 1991 and further strengthened the *Constitutive Act* of July 2000 that established the African Union to replace the OAU.

Under the auspices of the AU, RECs in Africa, including those in eastern and southern Africa, are considered as *building blocs* to the Africa Economic Community. The notion of building blocs led the AU to issue a list of recognised RECs (*building blocs*) across Africa. Initially, eight RECs were recognised and the non-recognition of the EAC and SACU in eastern and southern Africa caused anxiety among countries in the region. The EAC has since been recognised as a *building bloc*.

Membership of each REC

The membership of the four (4) RECs in eastern and southern comprises 26 countries. Though the region is considered and referred to as eastern and southern Africa, it has members whose geographical boundaries are above the Equator (Sudan and Ethiopia),

some in the Horn of Africa (Eritrea, Djibouti), some in North Africa (Egypt and Libya) and others in the Indian Ocean (Comoros, Madagascar, Mauritius and Seychelles).

The membership of each REC as well as the number of Least Developed Countries in each REC are shown in table I below. EAC has the most LDCs at 80% of its membership, while SACU has the least number of LDCs at 20% of its membership. For COMESA and SADC, LDCs account for 63% and 57% of their membership respectively.

Membership of the 4 RECs overlaps significantly. Only nine (9) of the 26 countries belong to one REC, while one country belongs to 3 of the 4 RECs. The remaining 16 countries belong to 2 of the 4 RECs.

Table I: Membership of RECs and LDCs in each REC, November 2008

S/N	REC\ Country	COMESA	EAC	SADC	SACU	Total Membership & Total LDCs
REC Membership		19	5	14	5	26
LDCs		12	4	8	1	16
1.	Angola			✓		✓
2.	Botswana					
3.	Burundi	✓	✓			✓
4.	Comoros	✓				✓
5.	Congo DR	✓		✓		✓
6.	Djibouti	✓				✓
7.	Egypt					
8.	Eritrea	✓				✓
9.	Ethiopia	✓				✓
10.	Kenya					
11.	Lesotho			✓	✓	✓
12.	Libya					
13.	Madagascar	✓		✓		✓
14.	Malawi	✓		✓		✓
15.	Mauritius					
16.	Mozambique			✓		✓
17.	Namibia					
18.	Rwanda	✓	✓			✓
19.	Seychelles					
20.	South Africa					
21.	Sudan	✓				✘
22.	Swaziland					
23.	Uganda	✓	✓			✓
24.	Tanzania		✓	✓		✓
25.	Zambia	✓		✓		✓
26.	Zimbabwe					

Sources: REC websites: www.comesa.int; www.eac.int; www.sacu.int; www.sadc.int

Legend:

✓ Tick = LDC

Shading = member of REC

It is also noteworthy that all members of SACU² are members of SADC and all the members of EAC³ are either members of COMESA or of SADC. Hence, for practical purposes, one may consider that there are two main regional integration organisations in eastern and southern Africa.

Economic Size of the RECs

The members of the 4 RECs are relatively small economies in terms of Gross Domestic Product, except for South Africa which is the largest economy in the whole continent of Africa and has been among the top 30 economies of world since 2003⁴. South Africa accounted for 38% of combined GDP of the 4 RECs while Egypt, the second largest economy, accounted for just over 17% in 2007.

Table II: Size of the COMESA-EAC-SACU-SADC Market, 2005 - 2007

Country	GDP, US\$ Million			Population, '000			GDP per capita, US\$		
	2005	2006	2007	2005	2006	2007	2005	2006	2007
Angola	28,038	44,033	58,547	15,941	16,400	17,019	1,759	2,685	3,440
Botswana	9,350	10,328	11,781	1,765	1,800	1,881	5,297	5,738	6,263
Burundi	800	807	974	7,548	7,834	8,496	106	103	115
Comoros	382	403	449	600	819	626	637	492	717
Congo, DR	6,974	8,543	8,955	57,549	59,320	62,399	121	144	144
Djibouti	702	757	830	793	807	833	885	938	996
Egypt, Arab Re	89,336	107,484	128,095	74,033	75,437	75,467	1,207	1,425	1,697
Eritrea	986	1,085	1,201	4,401	4,560	4,842	224	238	248
Ethiopia	11,174	13,315	19,395	71,256	79,289	79,087	157	168	245
Kenya	17,977	21,186	29,509	34,256	35,106	37,531	525	603	786
Lesotho	1,453	1,476	1,600	1,795	1,800	2,006	809	820	798
Libya	38,756	50,320	58,333	5,853	5,968	6,156	6,622	8,432	9,476
Madagascar	5,040	5,499	7,326	18,606	19,105	19,670	271	288	372
Malawi	2,072	2,232	3,552	12,884	13,166	13,920	161	170	255
Mauritius	6,447	6,448	6,363	1,248	1,256	1,263	5,166	5,134	5,038
Mozambique	6,630	7,608	7,752	19,792	20,000	21,372	335	380	363
Namibia	6,126	6,372	6,740	2,031	2,100	2,074	3,016	3,034	3,250
Rwanda	2,131	2,494	3,320	9,038	9,230	9,736	236	270	341
Seychelles	694	750	728	84	81	85	8,262	9,259	8,565
South Africa	240,152	254,992	277,581	45,192	46,000	47,588	5,314	5,543	5,833
Sudan	27,699	37,565	47,632	36,233	36,992	38,556	764	1,015	1,235
Swaziland	2,731	2,648	2,942	1,131	1,029	1,145	2,415	2,573	2,569
Tanzania	12,111	12,784	16,181	38,165	39,477	40,432	317	324	400
Uganda	8,712	9,322	11,214	28,816	29,874	30,930	302	312	363
Zambia	7,257	10,907	11,363	11,668	13,085	11,920	622	834	953
Zimbabwe	3,364	5,010	3,418	13,010	13,000	13,403	259	385	255
Totals	537,094	624,368	725,781	513,688	533,535	548,437	1,046	1,170	1,323

Source: World Bank, 2005, 2006, 2007 data

² One member of SACU (Swaziland) also belongs to COMESA.

³ One member of EAC (Tanzania) is also a member of SADC.

⁴ South Africa was graded the 29th largest economy in the world in 2003 by the World Bank, 27th in 2004-2006 and 28th in 2007. **Source:** World Development Indicators, The World Bank

The combined size of the 4 RECs in terms of Gross Domestic Product has risen steadily from US\$537 Billion in 2005, US\$624 Billion in 2006 and US\$726 Billion in 2007. The total population of the 4 RECs has also risen steadily from 514 million in 2005, to 533 million in 2006 to 548 million in 2007.

Poverty levels are quite high with the average GDP per capita at US\$1,300 in 2007, having risen from nearly US\$1,200 in 2006 and just over UYS\$1000 in 2005. Eleven (11) countries had GDP per capita of less than US\$365 in 2005. The number went down minimally to 7 countries in 2006, but rose to 9 in 2007.

Sizes of 4 RECs vis-à-vis the African Union

The 4 RECs, being building blocs for the African Union vision of a single African market, account for a significant share of the continental economy. In terms of membership, the 4 RECs account for nearly half the membership of the African Union.

Table III: Membership of the African Union, COMESA, EAC, SACU & SADC, 2005-7

	Membership		
	2005	2006	2007
African Union	53	53	53
COMESA-EAC-SACU-SADC	26	26	26
<i>of which</i>			
COMESA	19 (4 EAC, 8 SADC)	19 (4 EAC, 8 SADC)	19 (4 EAC, 8 SADC)
EAC	3 (2 COMESA, 1 SADC)	5 (4 COMESA, 1 SADC)	5 (4 COMESA, 1 SADC)
SADC	14 (7 COMESA, 1 EAC)	15 (8 COMESA, 1 EAC)	15 (8 COMESA, 1 EAC)
SACU	5 (1 COMESA, 4 SADC)	5 (1 COMESA, 4 SADC)	5 (1 COMESA, 4 SADC)
COMESA-EAC-SACU-SADC as share of AU, %	49.06	49.06	49.06

Sources: REC websites: www.comesa.int; www.eac.int; www.sacu.int; www.sadc.int

With regard to economic output, the 4 RECs contribute nearly 60% to the total output of the continent. The ratios are similar for population. The details are shown in Table IV below.

Comparatively, SADC is the largest of the 4 RECs on account of South Africa's contribution. South Africa accounts for 70% of the SADC GDP, 92% of the SACU GDP and 44% of the combined GDP of the 4 RECs. In COMESA, the largest economy (Egypt) accounts for 38% of the REC's GDP. In EAC, Kenya is the largest economy and accounts for 43% of the REC's total annual output⁵.

⁵ All computations of GDP shares based on 2007 figures.

Development among the RECs is highly skewed with the top 3 economies of South Africa, Egypt and Libya accounting for over 65% (68% in 2005, 66% in 2006 and 63% in 2007) of the combined GDP of the 4 RECs.

Table IV: GDP of the African Union, COMESA, EAC, SACU & SADC, 2005-7

	GDP, US\$ million			Population, '000		
	2005	2006	2007	2005	2006	2007
African Union	919,002	1,065,228	1,276,587	886,362	917,564	957,568
COMESA-EAC-SACU-SADC	537,094	624,368	725,781	513,688	533,535	548,437
<i>of which</i>						
COMESA	233,234	286,775	345,599	389,007	405,958	416,065
EAC	41,731	46,593	61,198	117,823	121,521	127,125
SACU	259,812	275,816	300,644	51,914	52,729	54,694
SADC	338,439	379,630	424,829	240,861	247,619	256,177
COMESA-EAC-SACU-SADC as share of AU,%	58.44	58.61	56.85	57.95	58.15	57.27

Source: World Development Indicators, 2005 - 7 data, The World Bank

Given their combined GDP and population, it is obvious that if the 4 RECs were to merge, they can significantly contribute to the realisation of the African Union goal of continental integration.

2.0 STATUS OF INTEGRATION OF EACH REC IN EASTERN AND SOUTHERN AFRICA

The 4 RECs started the process of integration at different times and for different reasons.

SACU, COMESA and EAC focussed on economic integration while SADC started as a transient liberation and development conference. SADC, at inception in 1981, was called the Southern Africa Development Co-ordination Conference, SADCC. It emerged from the group of countries in eastern and southern Africa called the Frontline States that were championing liberalisation of the region and served as a bulwark against then Apartheid South Africa. SADCC was transformed into SADC in 1992 at which time the organisation took on an economic agenda of liberalising trade and promoting investment.

SADC seeks to establish a Customs Union in 2010 and a Common Market in 2015 but it is not clear whether the organisation would deepen integration beyond a Common Market to an Economic Union.

SADC launched a Free Trade Area in 2008 when 11 of its 15 member States removed tariffs on at least 85% of their tariff lines. It is hoped that tariffs on the remaining 15% tariff lines would be removed by 2010. Work on the Customs Union, such as developing a Common External Tariff, customs Union regulations and procedures, is due to start in 2009. The SADC Secretariat is based in Gaborone, Botswana.

SACU is a functional customs union. Trade within the union is free of import duties and of quantitative restrictions (quotas). SACU was established in 1910 among South Africa and the British Protectorates of Bechuanaland (now Botswana), Basutoland (now Lesotho) and Swaziland. Namibia was part of the Union when it was under South African administration before independence when it was known as South West Africa. At independence in 1990, the country joined the Union as Namibia.

SACU has a CET and implements programmes in the area trade liberalisation and investment promotion. SACU has been very aggressive in engaging non-African countries in its trade relations. SACU has negotiated trade agreements with the European Union (*de facto*), with European Free Trade Association (EFTA), and is negotiating with India, Brazil and MERCOSUR.

Some members of SACU also have a monetary arrangement under the Rand Monetary Area which allows free convertibility of currencies with the South African Rand as the dominant currency.

COMESA was established in 1994 as a successor to the Preferential Trade Area for eastern and Southern Africa (PTA). COMESA launched a Free Trade Area (FTA) in October 2000. It has nineteen (19⁶) member States, fourteen (14⁷) of whom are part of the Free Trade Area while the remaining five (5) are working towards joining the FTA. COMESA plans to deepen its integration by launching a Customs Union in December 2008 and establishing a Common Market in 2014.

COMESA began its trade liberalisation programme in 1996 when its members agreed a timetable of tariff reduction over the period 1996 to 2000. COMESA has also established a Common Investment Area among its membership and an institution to promote regional investment initiatives based in Cairo, Egypt called the Regional Investment Agency.

The FTA has resulted in greater competition among companies, new markets, greater choice for consumers, reduction of transaction costs, increase of cross border trade and harmonization of customs systems and procedures.

The COMESA FTA has created opportunities for cross-border investment, franchise and agency arrangements and joint venture operations.

EAC was revived in 2000 after its collapse in 1977. It has five (5⁸) members. The Community commenced implementation of the Customs Union in January 2005. It is

⁶ The 19 members of COMESA are Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe.

⁷ The 14 members of COMESA participating in the FTA are Burundi, Comoros, Djibouti, Egypt, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Zambia and Zimbabwe.

⁸ The 5 members of the EAC are Burundi, Kenya, Rwanda, Uganda and Tanzania.

implementing a gradual reduction of internal tariffs which will be completed in 2010 and will coincide with the establishment of the Common Market. Trade among EAC countries is conducted on a Free Trade Area basis for nearly 99% of the tariff lines. EAC plans to establish a monetary union in 2012 and ultimately a political federation.

The structure of the EAC customs union and proposed COMESA customs union are similar in that the EAC has adopted a Common External Tariff with a three band structure of 0% for raw materials and plant and machinery, 10% for intermediate goods and 25% on finished goods. The COMESA common external tariff is exactly the same except that there are two zero rates, these being for raw materials and for capital goods.

The COMESA and EAC rules of origin are identical and so are documentation and customs procedures related to intra-regional trade.

The SADC rules of origin are, however, different. SACU, being a functional Customs Union, does not have rules of origin, but there have been attempts to introduce rules of origin to check trade deflection. Rules of origin have not been introduced yet.

3.0 BILATERAL AND MULTILATERAL TRADE ARRANGEMENTS/AGREEMENTS AND NEGOTIATIONS

All 26 countries in eastern and southern Africa have negotiated bilateral trade agreements either individually or in groups or sub-groups of some sort. All these agreements are intended to improve the flow of goods and services between the contracting parties.

Bilateral agreements

Some of these agreements are between Malawi and Botswana, Malawi and Mozambique, Malawi and South Africa, Zimbabwe and South Africa, Zimbabwe and Botswana, Zimbabwe and Namibia, Zimbabwe and Malawi, Egypt and the European Union, South Africa (SACU) and the European Union, SACU and EFTA, SACU and MERCOSUR, SACU and India and Brazil.

COMESA as a region as a Trade and Investment Framework Agreement (TIFA) with the United States and some individual countries also have TIFAs with the US. These include Mauritius and Rwanda.

Currently, most countries that part of the African Caribbean and Pacific Group of States (ACP) are negotiating new trade arrangements called Economic Partnership Agreements. The 5 EAC countries are negotiating an EPA with the EC; 11 members of COMESA referred to as ESA countries are also negotiating an EPA with the EC and so are 7 SADC countries. EPAs are intended to lead to Free Trade Areas between the various groups of countries and the European Community.

Multilateral Negotiations

All 26 countries in eastern and southern Africa are either full members of the World Trade Organisation (WTO) or are observers in the process of accession. Full members

of the WTO are currently engaged in multilateral trade negotiations under the Doha Development Agenda (DDA).

The major challenge for the 26 countries, but more importantly for LDCs, arising from the multilateral trade negotiations, is the loss of preference margins in international trade. Multilateral trade negotiations are intended to lower and eventually fully liberalise trade globally and on a Most Favoured Nation basis. This will definitely obviate the need and the very existence of bilateral and regional trade agreements which necessarily seek to offer preferences among parties to the agreements while discriminating against countries not party to the agreements.

Table V: Membership of the World Trade Organisation, November 2008

S/N	Country	WTO Membership Status
1.	Angola	Full member
2.	Botswana	Full member
3.	Burundi	Full member
4.	Comoros	Observer
5.	Congo, Democratic Republic	Full member
6.	Djibouti	Full member
7.	Egypt	Full member
8.	Eritrea	Observer
9.	Ethiopia	Observer
10.	Kenya	Full member
11.	Lesotho	Full member
12.	Libya	Observer
13.	Madagascar	Full member
14.	Malawi	Full member
15.	Mauritius	Full member
16.	Mozambique	Full member
17.	Namibia	Full member
18.	Rwanda	Full member
19.	Seychelles	Observer
20.	South Africa	Full member
21.	Sudan	Observer
22.	Swaziland	Full member
23.	Uganda	Full member
24.	Tanzania	Full member
25.	Zambia	Full member
26.	Zimbabwe	Full member

Source: WTO website

In seeking to improve the performance of LDCs in the global trading system, the multilateral system has put in place the Integrated Framework, improved to Enhanced Integrated Framework with a fully functional Secretariat as from last quarter of 2008. The impact of the IF in building the capacity of LDCs is yet to be tangibly felt as the share of LDCs' share in global trade continues to decline.

4.0 RECENT DEVELOPMENTS AND CHALLENGES OF REGIONAL INTEGRATION IN EASTERN AND SOUTHERN AFRICA⁹

All 4 RECs have made significant progress towards the attainment of their objectives. COMESA, EAC and SADC have all launched Free Trade Areas, albeit belated. Progress at different paces has also been attained towards establishing Customs Union.

All 4 RECs have trade facilitation measures and trade policy measures to streamline trade and ensure fair trade practices, and a predictable economic environment through appropriate policies. COMESA has adopted *Safeguard and Trade Remedy Regulations*, *Regional Competition Regulations* and streamlined dispute settlement procedures. COMESA has adopted Protocols on free movement of persons and right of residence but signature and implementation of the protocols at the member State level has been rather sluggish.

EAC has enacted a regional competition law and SADC is developing a framework for co-operation in the area of competition. The EAC has completed most work regarding the operations of the customs union and commenced work on free movement of persons and right of residence.

Challenges - overlapping membership, duplication of programmes

As the 4 RECs all move towards implementing Customs Unions, the need for harmonisation and co-operation has become increasingly imperative. A country cannot implement two or more Common External Tariffs and two or more sets of customs regulations on its trade with third parties, and so no country can belong to more than one Customs Union.

This means that the 17 countries in eastern and southern Africa that belong to more than one REC will only be able to implement one CET and belong to one Customs Union. They may, of course, continue implementing all other integration programmes of the RECs, but they may not do so with regard to the trade component after the formation and implementation of Customs Union. This is a serious challenge which must be addressed as soon as possible.

Overlapping membership also poses the challenge of cost. Membership subscriptions to each REC to ensure full and timely implementation of programmes is an additional challenge for all countries in the region.

Recent developments: The Tripartite Framework

Arising from this realisation, the three RECs have decided to initiate a framework under which they are harmonising and co-ordinating common programmes. They have

⁹ Source: Excerpt from paper prepared by author to the 21st Trade and Customs Committee of COMESA, October 2007

agreed to focus on trade and infrastructure development as priority areas and as starting points.

The Tripartite framework comprises COMESA, EAC and SADC. Consultations are currently going on to bring SACU on board.

Genesis of the Tripartite Framework

During the Sixth Summit of the COMESA Authority held in Cairo, Egypt in May 2001, the Chairmen of the COMESA Authority and the SADC Summit met and agreed that, to enhance integration across the Eastern and Southern Africa region, regional integration programmes of COMESA and SADC needed to be harmonised. They, therefore, directed the two Secretariats to meet and initiate co-operation and joint programme with the final objective of their harmonising regional integration programmes.

Since then, the Secretariats of SADC and COMESA have met several times and later, in 2005, invited the Secretariat of the East African Community which led to the change in the co-operation arrangement into a tripartite framework.

The Secretariats meet at two levels - the Chief Executive level and the technical level. The Chief Executives review all integration programmes and provide guidance to the technical staff. Technical staff share information on all integration programmes and undertake joint programmes, all aimed at rationalizing regional integration across the region.

During 2006 and 2007, the three (3) Regional Economic Communities (RECs) identified the **infrastructure development** and **trade arrangements** as starting points and priority areas for harmonisation.

In 2008, they have agreed to prioritise **infrastructure development for regional integration**. This includes developing energy generation and transmission facilities, transport networks and ICT infrastructure.

In the area of trade, the 3 RECs have agreed to establish a **Free Trade Area** covering the 26 countries that make up the combined membership of COMESA, EAC and SADC.

Objective of Co-operation / Harmonisation

The objective of harmonisation in the area of trade is to create, as a first step, a large Free Trade Area encompassing the membership of the 3 RECs. This objective is premised on the understanding that COMESA already has an FTA among its membership while the EAC and SADC plan to launch full FTAs in 2010. With regard to Customs Union, the objective is to harmonise Common External Tariffs (CETs) and customs laws.

Areas of Co-operation / Harmonisation in the field of Trade and Customs

Specific areas identified for harmonisation in the field of trade include:

- | | |
|---|---------------------------------------|
| i) Trade Facilitation | ii) Trade Capacity Building |
| iii) Rules of Origin | iv) Customs Valuation |
| v) Customs Best Practices | vi) Customs Documentation |
| vii) Customs laws | viii) Customs Procedures |
| ix) Common Tariff Nomenclatures | x) Elimination of Non-Tariff Barriers |
| xi) SPS - developing a common database on diseases, pests | |
| xii) Product Standards | xiii) Competition Policy |
| xvi) FTA-tariff elimination timeframes | xvii) Safeguards and Trade Remedies |
| xviii) CET harmonisation | xix) Customs Unions timeframes |
| xx) Sensitive Products under CUs | xxi) Competition Policy |
| xxii) Trade in Services | xxiii) Free movement of persons |

Areas of Co-operation / Harmonisation in the field of Infrastructure Development

In the area of **Infrastructure Development**, the 3 RECs have agreed to implement joint programmes in:

- i) surface and water transport; the RECs are working to improve waterways;
- ii) corridor transport and trade facilitation such as the North-South Corridor including agreeing multilateral road transport agreements;
- iii) the civil aviation including the air transport liberalization in implementation of the **Yamoussoukro Decision**; pursuant to this **Decision**, the 3 RECs have adopted *Joint Air Transport Competition Regulations*;
- iv) *Information and Communications Technologies (ICT) including COMESA's COMTEL and SADC's Regional Information Infrastructure (SRII) Projects. COMTEL, SRII and EASSy are NEPAD ICT Broad Band Initiatives for Eastern and Southern Africa. COMTEL and SRII are terrestrial connectivity systems developed by COMESA and SADC respectively, while EASSy is a submarine capable system developed by NEPAD; and*
- v) Energy projects focussing on increasing power availability through greater power generation capacity and regional grid interconnectivity.

Programmes under the Infrastructure Sub-Committee also address measures aimed at mitigating the transmission and spread of **HIV and AIDS**.

Joint Ministerial Meetings

The process of harmonisation among the 3 RECs is progressing well under the guidance of the CEOs. The activities of the Tripartite Task Force is regularly reported to the Policy Organs of each REC separately and appropriate guidance, specific to each REC, is provided.

However, the process would benefit from joint ministerial meetings on trade, infrastructure and energy. The areas identified at the technical level may require endorsement and greater political guidance at the ministerial and Authority level.

Ministers responsible for Transport meet regularly and have met three times so far, the last meeting being in February 2007 in Harare, Zimbabwe. Due to this political input, notable progress has been attained particularly in air transport.

Priority Areas for creating the REC-wide FTA

The real challenges in the creation of a region-wide FTA are the following:

- i) *Rules of Origin:* the rules of origin of COMESA and EAC are more or less identical, as are customs documents related to intra-regional free trade. However, the SADC rules of origin are drastically different. Creating a single FTA would require a single set of Rules of Origin. The challenge among the 3 RECs is to harmonise the COMESA, EAC Rules of origin on one hand and the SADC rules of origin on the other;
- ii) *Documentation:* documentation for free trade, namely certificates of origin, origin verification documents are the same between COMESA and EAC but are different or do not exist under the SADC regime. There will be need to harmonise these documents as well;
- iii) *Dispute settlement:* COMESA has elaborate dispute settlement procedures in cases where origin is disputed and in cases where unfair trade practices (dumping, illegal subsidies) are suspected. The EAC has also developed its own dispute settlement procedures but SADC is in the process of developing its regime. Again, there will be need to harmonise these procedures. COMESA has a Court of Justice and so does EAC, but SADC has administrative structure for such disputes, but not a formal Court.

5.0 CONCLUSION

COMESA launched its FTA in October 2000 and has implemented duty-free and quota-free trade among 14 of its 19 member States. COMESA has perfected its rules of origin, origin verification procedures and dispute settlement procedures over its 14 years of preferential/free trade, but most notably during the last 8 years since the launch of the FTA.

EAC has implemented free trade among its membership since 2005. The list of sensitive goods permitted under the EAC regime is small and could not be deemed to significantly impair free intra-EAC trade. The EAC is due to implement its FTA fully in 2010.

COMESA and EAC use a common customs document¹⁰ and, for all practical purposes, identical rules of origin.

Intra-SACU trade is free of all duties and quotas and no rules of origin are applied nor are they necessary.

SADC has launched an FTA at the 85% threshold this year¹¹. SADC has a single customs document¹² for its intra-regional trade and its rules of origin are product based.

Table I: Membership of RECs and FTA Participation among the RECs, November 2008

S/N	REC\ Country	COMESA	EAC	SADC	SACU	Total Membership & FTA participation
REC Membership		19	5	14	5	26
FTA Participation		14	5	11	5	22
1.	Angola					
2.	Botswana			☒	☒	☒
3.	Burundi	☒	☒			☒
4.	Comoros	☒				☒
5.	Congo DR					
6.	Djibouti	☒				☒
7.	Egypt	☒				☒
8.	Eritrea					
9.	Ethiopia					
10.	Kenya	☒	☒			☒
11.	Lesotho			☒	☒	☒
12.	Libya	☒				☒
13.	Madagascar	☒				☒
14.	Malawi	☒		☒		☒
15.	Mauritius	☒		☒		☒
16.	Mozambique			☒		☒
17.	Namibia			☒	☒	☒
18.	Rwanda	☒	☒			☒
19.	Seychelles	☒				☒
20.	South Africa			☒	☒	☒
21.	Sudan	☒				☒
22.	Swaziland			☒	☒	☒
23.	Uganda		☒			☒
24.	Tanzania		☒	☒		☒
25.	Zambia	☒		☒		☒
26.	Zimbabwe	☒		☒		☒

Sources: REC websites: www.comesa.int; www.eac.int; www.sacu.int; www.sadc.int

Legend :

Shading = REC membership
 ☒ Bullet = FTA participation

¹⁰ COMESA Customs Document or COMESA CD

¹¹ FTA operations commenced in January 2008 but the formal launch (political pronouncement) was done in August 2008.

¹² The SAD 500

Among the 26 countries, 22 are already trading on a free trade basis under the COMESA or the SADC or the EAC regimes, in some cases under two regimes as is the case for Zimbabwe, Zambia, Malawi and Mauritius (COMESA and SADC), or Kenya, Rwanda and Burundi (COMESA and EAC), and Tanzania (under EAC and SADC).

While rules of origin and dispute settlement will need to be harmonised before the COMESA-EAC-SACU-SADC FTA can be realised, it is clear that this trading regime is feasible and one can dare add that it is possible within 12 months.

The key, however, is **political will** and **commitment**, the lack of which has impeded integration both at the regional and continental levels.

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