



TRADE POLICY AND SUSTAINABLE DEVELOPMENT MEETING

Geneva, 6 – 8 October 2015

CAN ANY BEST PRACTICES BE IDENTIFIED IN DEVELOPING COUNTRIES USE OF REGIONAL INTEGRATION TO BOOST TRADE AND SUPPLY SIDE CAPACITY SUCH AS UNDER CFTA, TFTA, RECS

Session-4

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Developing countries use of regional
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UNCTAD

Trade Policy and Sustainable Development

Geneva

07/10/2015

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Outline

- **Introducing COMESA**
- **Its instruments and Institutions and Some best practices**
- **TFTA**
- **CFTA**
- **Some conclusions**

Introducing COMESA

- **COMESA is a regional integration organisation comprising 19 African countries in Eastern and Southern Africa with the vision to become an internationally competitive region, one in which there is free movement of goods, labour, capital and services, A region in which there is high standards of living of its people.**
- **It was formed in 1994 to succeed the PTA which was established in 1981.**
- **COMESA is widely known as a trade organisation although it does many more activities than just trade.**
- **Trade has always been a priority for COMESA's integration hence trade liberalisation programmes as well as trade facilitation programmes were put in place to support trade. In terms of integration trajectory FTA in 2000, CU launched in 2009 and aspects of monetary harmonisation as well as macroeconomic convergence criteria developed and agreed to provide a conducive environment for trade.**

Introducing COMESA

- **Over the years COMESA has put in place instruments and institutions to support trade in the region. The instruments are meant to facilitate trade and to be inclusive in their outreach.**
- **An outline of the a few of the instruments:**
 - **The Simplified trade Regime and the Regulations for minimum standards for the treatment of small scale cross-border traders (informal trade constitutes between 30 and 40% of total trade in some COMESA countries)**
 - **Yellow Card- for road transport**
 - **Regional Customs Transit Guarantee (RCTG).**
 - **COMESA Adjustment Facility RISM and Technical Cooperation facility (To assist Member States in implementing their regional commitments)**
 - **Various Trade Facilitations instruments in the transports sectors**

Institutions to support trade

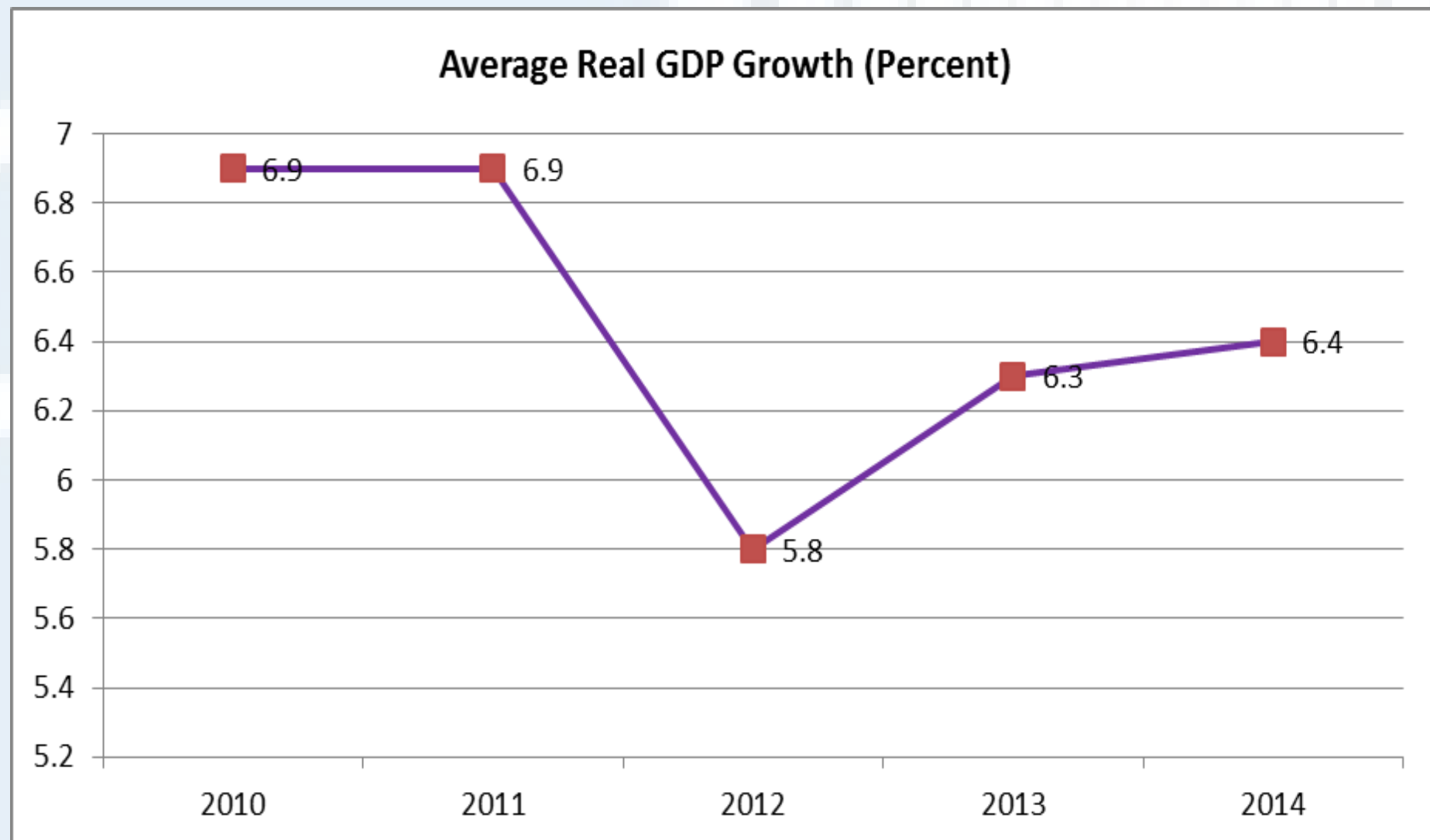
- The PTA Bank – for trade and project finance
- The Clearing House – a Payment platform reducing the cost of payments
- African Trade Insurance Agency (ATI) – for political and commercial risk cover making possible transactions that would otherwise not take place for reason of risk.
- Leather and Leather Products institute – to provide capacity in the value in the sector
- FEMCOM for women in business

COMESA Growth and Trade

Comesa growth

Rates

2010-2014

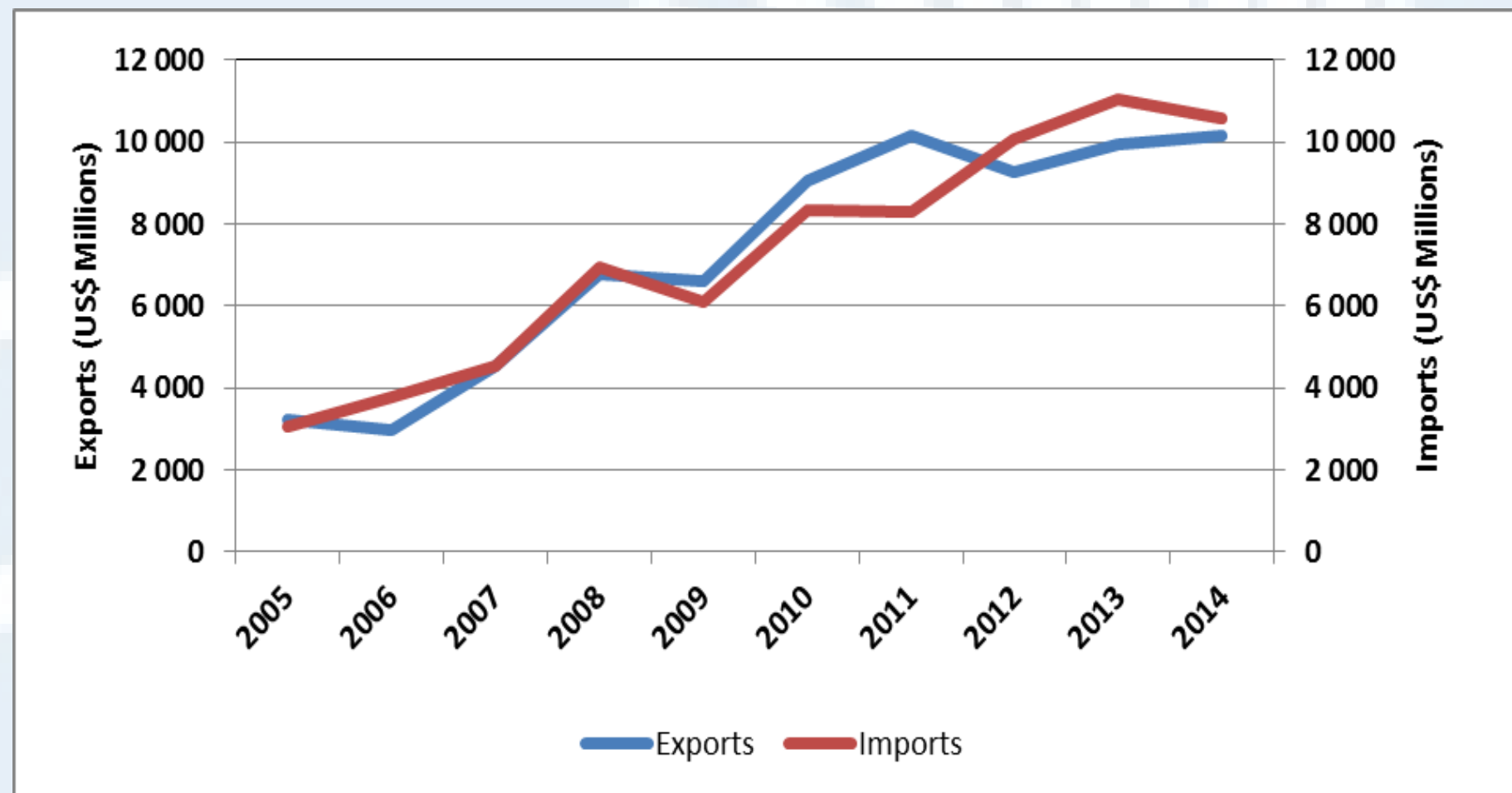


COMESA TRADE



- **Total COMESA Trade has grown from \$118 billion in 2005 to \$306 billion in 2014**

Intra-COMESA Trade



Intra-COMESA imports rose from \$3.0 billion in 2005 to \$10.6 billion in 2014 while intra-COMESA exports rose from \$3.2 billion to \$10.1 billion during the same period.

Structure of the COMESA CET

- Escalating tariffs
- Raw materials and capital goods – 0% to promote production
- Intermediate products – 10%
- Finished goods – 25% to provide moderate protection but promote open regionalism

Cooperative mechanisms

- At a regional level cooperative mechanisms are quite important for instance One-Stop-border-Post, infrastructure and many trade facilitation instruments whose full benefits can only be realised if implemented by Members of the region.
- Other examples: RCTG, Carriers licences, Harmonised road user charges,
- COMESA is exploring a regional approach to Category C of the TFA obligations so as to submit joint technical and capacity building needs from the Developed countries.

Tripartite Level

Tripartite was born out of the realisation that the three RECs involved (COMESA, EAC and SADC) shared some Member States and therefore rationalisation of programmes and projects was important.

First Summit held in 2008 set the scene and assigned the Task Force to develop a road map to the TFTA, craft the institutional and legal framework for the TFTA

The Summit agreed to move ***toward a single market*** covering the entire membership of the three RECS which is anchored on three pillars namely:

- **Market Integration;**
- **Infrastructure development; and**
- **Industrial development**

Tripartite Level

- At the Second Summit in South Africa in 2011, the principles of negotiation for the TFTA and the declaration launching the negotiations signed At the Third Summit the COMESA-EAC-SADC Tripartite Free Trade Area Agreement was signed in Sharm El Sheikh, Egypt on 10 June 2015.

Market size and opportunities created

- The Tripartite consists twenty six Member/ Partner States with a combined population of 625 million people and a combined gross domestic product of United States Dollars 1.3 Trillion and accounts for almost half the membership of the African Union and sixty two percent of the continents gross domestic product;
- The TFTA creates a much bigger market that set in further incentives for investment in the region to take advantage of the market;
- Further possibilities for cooperative arrangements in infrastructure and the corridor approach

Continental Free Trade Area (CFTA)

Genesis and Context

- **The Assembly 18th Ordinary Summit in January 2012,**
 - Adopted the decision to establish a Pan- Africa Continental Free Trade Area (CFTA) by the indicative date of 2017.
 - Endorsed an Action Plan for Boosting Intra-Africa Trade (BIAT).
 - The summit decided that the CFTA should be operationalized by the indicative date of 2017, with the following milestones:
 - Finalization of the EAC- COMESA-SADC Tripartite FTA initiative by 2014;
 - The four other AU-recognized RECS (ECOWAS, CEN-SAD, ECCAS and UMA), to negotiate a parallel FTA – should they wish to do so. They could also choose to join the CFTA directly
 - Consolidation of the Tripartite and other regional FTAs into a Continental Free Trade Area (CFTA) initiative between 2015 and 2016;
 - Establishment of the Continental Free Trade Area (CFTA) by 2017 with the option to review the target date according to progress made.

Institutional Framework

African Union Ministers of Trade (AMOT)

The AU Ministers of Trade (AMOT) will be responsible for providing political leadership and direction to the CFTA negotiations as well as resolving contentious issues that may arise in the negotiations. It is composed of Ministers responsible for trade in the AU Member States. The AMOT will receive reports from the Committee of Senior Trade Officials and it reports to the Assembly of Heads of States and Government through the normal processes of the AU Policy Organs Meetings. Ministers of Trade may invite other sectoral Ministers to their meetings depending on the nature of the issue to be resolved.

Committee of Senior Trade Officials

The Committee of Senior Trade Officials is composed of Permanent Secretaries and Directors Generals or Officials of equivalent level in the Ministries of Trade of AU Member States. The Committee of Senior Trade Officials shall receive Reports from the Continental Free Trade Area Negotiating Forum and will provide guidance to the CFTA-NF on technical issues in the negotiations and report to AMOT.

CFTA-Negotiating Forum (CFTA-NF)

The Continental Free Trade Area Negotiating Forum (CFTA-NF) is composed of Officials from the AU Member States. The CFTA-NF shall conduct trade negotiations and shall report to the Committee of Senior Trade Officials on its negotiation activities.

Institutional Framework

African Union Commission (AUC)

The AUC will provide and coordinate technical and administrative support to the CFTA negotiations; it will also serve as the Secretariat to the CFTA Negotiating Forum. The Commission shall develop background documents and texts for the consideration of the CFTA Negotiating Forum. The AUC shall closely collaborate with the RECs, the ECA and the AfDB in undertaking this responsibility and shall coordinate the activities of all the Institutions involved in the negotiations.

The Continental Task Force (CTF) on the CFTA

The CTF is composed of the AU Commissioner for Trade and the Chief Executives of RECS..

Monitoring and Evaluation of the negotiations

The HATC shall be responsible for monitoring the progress on the CFTA Negotiations. It shall ensure adherence to the timeframes as provided for in the CFTA Roadmap. Progress on the negotiations shall be monitored through half yearly Reports by the Chairperson of AMOT to be submitted to the normal processes of the AU policy organs.

CFTA - Key Milestones

Milestones to Date

- CFTA Negotiations officially launched 15 June 2015
- AUC conducted regional consultations with AMU, EAC, ECCAS, SADC & COMESA
 - AUC CFTA/BIAT Sensitization
 - REC State of Liberalization

JUNE 2015 AU SUMMIT LAUNCHED THE CFTA NEGOTIATIONS

☐ ADOPTED the Objectives and Principles Guiding the negotiations of the CFTA

- The detailed definitions for the guiding principles shall be dealt with by the CFTA-Negotiating Forum

☐ ADOPTED the Terms of Reference for the CFTA-Negotiating Forum

☐ ADOPTED the Indicative Road Map for the establishment of the CFTA

CFTA - Key Milestones

- **The CFTA is expected to be composed of the 54 AU member states with a population of over a billion people and a combined GDP of over US\$3 trillion in 2014.**
- The negotiations are expected to be concluded by 2017 in line with the aspirations of the Abuja Treaty
- The TFTA was supposed to be part of an agglomeration process whereby the constitutive RECs, building blocks of the AEC as recognized by the Abuja treaty come together toward a larger unit. The COMESA Treaty itself recognizes this.
- The ultimate goal is the African Economic Community
- **All stakeholders** must keep sight of the big picture as laid out in the Abuja Treaty, which is the eventual establishment of the African Economic Community.
- Estimates by the UNECA indicate that implementation of the CFTA by 2017 with trade facilitation would double intra-Africa trade to 21.9% in 2022 compared to 10.2% in 2010. This would create employment and contribute to reducing poverty

CFTA - SCOPE AND ROADMAP

The scope of the CFTA negotiations shall cover **Trade in Goods, Trade in Services, Investment, Intellectual Property Rights and Competition Policy**

CFTA negotiations shall be conducted in **two** phases:

Phase 1 - negotiations on trade in goods and trade in services.

Two separate legal instruments for Trade in Goods and Trade in Services to be negotiated in two separate tracks.

Phase 2 - negotiations on investment, intellectual property rights and competition policy.

Negotiations in these areas shall be undertaken by dedicated structures and take into account policies aimed at developing the productive capacity and industrial integration among industries of the regions.

| Milestones | Activity | Outputs | Responsibility | Timeline /period |
|----------------------------|---|---|---------------------------------|------------------|
| Launch of the Negotiations | AU Summit of Heads of States and Government | Adoption of; <ul style="list-style-type: none"> <input type="checkbox"/> Institutional Arrangements for the Negotiation of the CFTA, <input type="checkbox"/> Objectives and Negotiating Principles for the CFTA, <input type="checkbox"/> Terms of Reference for the CFTA-NF <input type="checkbox"/> Indicative Schedule, Approach and Roadmap for the Negotiation and Establishment of the Continental Free Trade Area <input type="checkbox"/> Approve Roadmap and timeframes for the CFTA Negotiations. | Member States, RECs and AUC/CTF | June 2015 |
| | | | | |

| Milestones | Activity | Outputs | Responsibility | Timeline /period |
|--|--|---|----------------------|------------------|
| Preparation s for the Negotiation s | National and Regional Consultations | National Negotiating Mandates adopted by Member States and RECS (subject to National Processes) | Member States & RECs | |
| | Formal notification to AU Commission/Secretariat of Chief Trade Negotiator and Alternate, focal person at Embassy in Addis Ababa with addresses and contacts | List of Chief Trade Negotiators and focal persons | Member States & RECs | July 31 2015 |

| Milestones | Activity | Outputs | Responsibility | Timeline /period |
|-------------------|---|---|-----------------------------|----------------------------|
| Negotiation Phase | Training Workshop/1st Negotiating Forum Meeting – Optional? 3 days dedicated to Seminar/Training Workshop and 2 days dedicated to adoption of Rules of Procedure etc | Adopting of rules of Procedure/Election of Chairs/ Establishment of TWGs/Technical Modalities | Member States and RECs | December 2015 |
| | Receipt of Country/REC Proposals and Amendments to circulated Texts | Country/REC Proposals and Amendments | Member States, RECs and AUC | January 15 2016 |
| | Consolidation, translation of received proposals and amended texts to all member states | Circulation of received proposals and amended texts to all member states | Member States, RECs and AUC | March 2016 |
| | TWG Sessions | Deliberations of TWGs | Member States, RECs and AUC | March 2016 - November 2017 |
| | Negotiating Forum Meetings | Report of Negotiating Forum | Member States, RECs and AUC | March 2016 - November 2017 |
| | HATC/Summit – Progress Report | Progress Report | Member States, RECs and AUC | June/July 2017 |
| | Senior Officials/African Ministers of Trade Meeting | Final Texts adopted | Member States, RECs and AUC | November 2017 |

Mega-Trade Agreements and their potential impact on Africa

- Just this week the 12 nations that are party to the Trans Pacific Partnership have concluded negotiations that will set standards on what will be required of future such trade agreements even though Africa has not participated in setting those standards on issues like :
 - **Intellectual property rights;**
 - **Currency manipulation;**
 - **Investor-state disputes settlements;**
 - **Limitations on the control of capital flows; and**
 - **State-owned enterprises**

Conclusions

- COMESA's integration agenda is firmly grounded in trade and has the potential to address SDG goals 1, 2, 8, 9, and 17;
- The cooperative arrangement at the regional levels helps to create synergies and sharpen the benefits;
- The TFTA and CFTA further buttress the potential of trade to advance SDGs at the continental level.
- The coming into being meg-trade pacts has the potential to threaten the market access to some of the countries involved in those pacts.



Thank You

CONVEDA