How to trade under COMESA

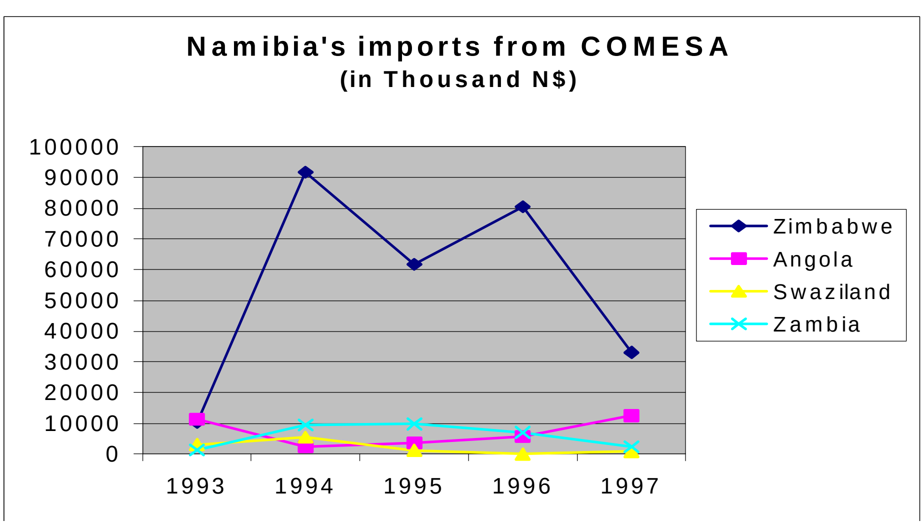
I. Introduction

Namibia is a member of the Common Market for Eastern and Southern Africa (COMESA), which is a regional integration grouping of 21 African states who want to develop a strategy of sustainable economic development. It was established in 1994 to replace the Preferential Trade Area for Eastern and Southern Africa (PTA) which was in force until 1981. The establishment of COMESA has been inspired as intra PTA trade between 1985–1992 was with an annual average growth of 10.1% more successful than total PTA trade, which grew only of 7.4%. COMESA wants to increase the share of trade expansion and growth within its member states. Therefore their member states agreed to reduce duties and import taxes by 90% in 1998 and 100% in the year 2000 for goods originating from COMESA.

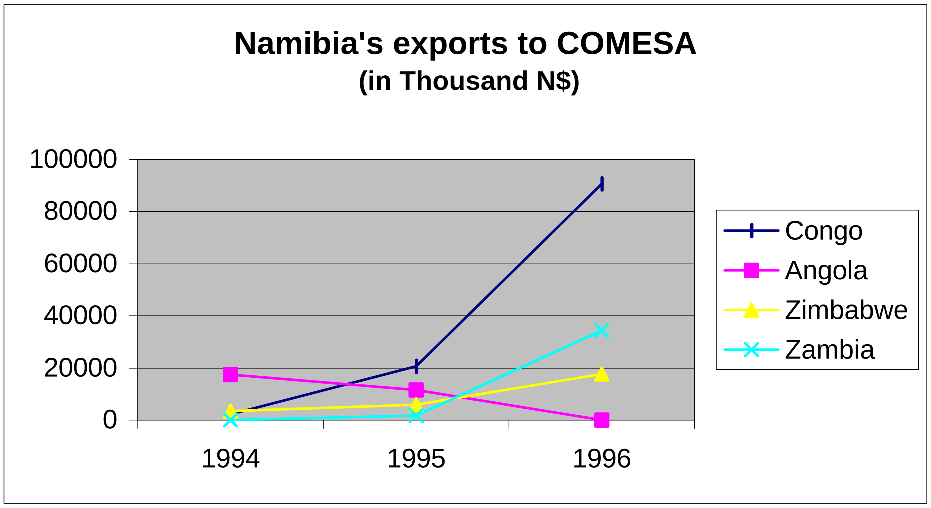
The cooperation in the field of industrial and agricultural development and in trade and customs matters as well as the harmonisation of trade standards is COMESA's main objective. For this, the promotion of regional integration through trade and investment is an important instrument. The finally goal of COMESA is a Free Trade Area (FTA), a Customs Union, free movement of capital and investment, adoption of Common Visa Arrangements, a Payment Union and the later establishment of a Common Monetary Union. Steady progress in elimination of non-tariff barriers can be noticed, e.g. liberalisation of import licensing and removal of foreign exchange restrictions and taxes. With the reduction of non-tariff barriers trade has been enhanced and competition increased. In order to ensure fair competition among member states, COMESA is in the process of formulating a regional competition policy, which is to be consistent with internationally accepted principles. Nevertheless, there are still a still a number of trade progresses required like improving the transport and communications structures, which require significant investment and will only be achieved over a medium to long term.

II. Namibia's share in intra PTA trade

Until now Namibia's has not used its trade opportunities within COMESA in the best way
possible. In 1992 Namibia imports only 1.88% of its total trade from PTA. Its exports to PTA
were with 0.37% even lower. The intra PTA trade development from 1982 – 1992 shows that
Namibia's imports to PTA increased only by 1.4% and its exports by 0.7%.



COMESA includes 22 countries but Namibia receives his main imports from his neighbors South Africa, Zimbabwe and Zambia. As all the countries are members of other trade agreements Namibia joins, trade under COMESA does not seem very successful for Namibia.



Source: Central Statistics Office of Namibia

The export potential of Namibia within COMESA is quite small and has not been listed in the summary of intra-COMESA trade expansion. A field mission should identify the number of producers who can export to other member states. An increase in intra trade is necessary, as it will enable Namibia to earn more foreign exchange. Besides the private sector will benefit from additional income, investment and employment opportunities.

COMESA provides assistance to the private sector, i.e. by the development and promotion program, which was designed for the following product groups: textiles and clothing, furniture and wood products, toiletries, perfumes, cleansing products and essential oils and manufacturers of iron and steel. These surveys were subcontracted to trade promotion organisations and the Chambers of Commerce and Industries of the member state.

III. Relevant points for Namibian exporters

Which products / services can be traded under the agreement?

The goods specified under COMESA are mineral and vegetable products, live animals and animal products, fish and fish products, scrap and waste resulting from manufacturing operations, electrical power, fuel, plant, machinery and tools. These goods must be wholly produced in a member state or value of production should account at least 35% of the ex-factory cost of the goods. Besides more than 50% of the enterprise produces the goods that enjoy preferential treatment must be national equity holding and managing.

The criterion of goods specified in this agreement is also achieved when the c.i.f. (cost, insurance, freight) value of foreign materials used does not exceed 60% of the total cost of all materials (excluding transport costs). Goods of particular importance to the economic development and containing not less than 25% value of the ex-factory cost are exempted from this regulation. Processes like packing, mixing, preparations for shipping and sale, simple assembly and dilution and other minor operations, like repairing, slaughtering, washing, sorting etc. are insufficient to support a claim that goods originate in a member state.

A list of prohibited and restricted imports and exports, which are mostly on behalf for qualitative, security and health reasons, exists. Namibia applies quotas in some instances mostly on agricultural products. Furthermore, the importation of second-hand clothing, gearboxes, engines and used tyres is restricted.

Please note that the fishing industry has its own provision. It is prescribed that the vessel sails under the flag of a member state, at least 75% of the officers and the crew are nationals of the member state and the majority control of the vessel is held by nationals of the member state.

What do I have to observe if I want to trade under COMESA?
Any exporter needs a certificate of origin issued by the authorities of his member state in order to verify that the goods exported have been produced in conformity with the conditions of COMESA. The certificate of origin forms should be completed in triplicate. If the producer and the exporter are not identical, the producer has to issue a declaration form for the exporter. In case of any doubt about the correctness of the certificate of origin the competent authorities are allowed to verify the goods and the documents.

Each item in a consignment shall be considered separately. If it is a group or a set of articles it shall be treated as one article. If the producer is not able to separate materials of similar character but different origin, an accounting system shall ensure that not to many goods are deemed to originate. Packing those forms a whole with the goods as well as container, which are only for transportation of goods, shall not be subject of any duties.

You will find samples of the certificate of origin and the declaration form as well as instructions how to complete them on page…

Transit of goods
Action is being taken to eliminate non-physical or non-tariff barriers to the smooth flow of inter state transport. Therefore, the establishment of standards like overload controls and vehicle dimensions, are in work. The *PTA Motor Vehicle Insurance Scheme (Yellow Card*) was introduced in 1987. Holders of the yellow card issued by the National Insurance Bureau will no longer be required to take out an insurance cover every time they cross borders within COMESA. The holder of a yellow card is able to purchase in local currency from his insurance company for countries to be visited; i.e. he must not carry hard currency in order to buy insurance within COMESA. Besides this, the yellow card pays for medical expenses for drivers and passengers and for compensation in case of a car accident. Namibia has adopted the Motor Vehicle Insurance Scheme. The Yellow Card Scheme is managed by the COMESA National Bureau in each member state.

COMESA introduced also *harmonised road transit charges* in most of its member states and a *Carrier License* that replaces road service permits and enables carriers to entry market of any COMESA member state. Namibia has not implemented the common charges and the Carrier License because of the need to get SACU to agree.

Furthermore, COMESA introduced in 1986 a single transit transport document applicable to member countries: the Road Customs Transit Declaration (RCTD). The RCTD is a standard document, which replaced the multiplicity of transit documents that have been used so far. In 1998 the RCTD has been replaced by the *COMESA Customs Document (CD)*, which caters for imports, exports, transit and warehousing. The use of the CD will further reduce documentation costs and minimize delays at border crossings. Although Namibia is not a transit country is has already implemented the CD. You will find a sample of the COMESA CD on page…

Investment within COMESA

COMESA made good progress in simplifying and liberalizing investment approval processes. Some efforts were made to enable environment for investment in member states, e.g. exchange control liberalisation, export promotion measures and liberalisation of the banking and insurance sectors. Furthermore it is planned to prepare Investor Roadmaps on a country-by-country basis, which should help to harmonize trade issues, investment laws and regulations. The service at the national and the regional level should also be improved.

The PTA Clearing House

In 1982 the PTA Clearing House was established to enhance cooperation in settlement of payments for intra-regional trade in goods and services. Actually it counts 18 member states* The objectives of the PTA Clearing House are facilitation of financial transaction through use of a common currency (COMESA dollar) and promotion of trade liberalisation. The PTA Clearing House guarantees prompt payment for exports and reduces the risk of non-payment for exporters. Up to now Namibia is not a member of the Clearing House but the authorized Namibian Bank cooperates with this settlement.

*Angola, Burundi, Comoro, Djibouti, Ethiopia, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Rwanda,
Somalia, Sudan, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe.

For any further information you are asked to contact NCCI, Mr. Sam Geiseb, Head of Corporate Services Department, Tel. 61- 22 88 09 or the COMESA website on the Internet: http://www.comesa.int.