

General information about the Common Market of Eastern and Southern Africa (COMESA)

I. Institutional structure and linkages of COMESA

The institutional structure of COMESA is similar to that of the European Union (EU). It has a legislative (Council of Ministers) which takes policy decisions and activities on the COMESA program, an executive (Authority of Heads of State and Government) which is responsible for general policy and a judicature (Court of Justice) which should ensure the proper interpretation of the provisions of the treaty. Besides COMESA has a Central Bank (PTA Bank) which should ensure implementation of the monetary and financial programs. Another important part of COMESA's institutional structure is the Consultative Committee of the Business Community and other interest groups. This committee should help to facilitate the dialogue between enterprises and organs of the Common Market.

Due to COMESA's opinion will economic development largely depend upon Foreign Direct Investment (FDI). Therefore it will be necessary to liberalize the trade and investment environment, e.g. elimination of non-tariff barriers and harmonization of trade documents. Because of multiplicity in membership (10 of 14 SADC members are also COMESA members), Eastern and Southern African countries affected have already began harmonizing their programs and target dates.

II. Trade Liberalisation

A. Customs Union

A Free Trade Area (FTA) should be established by the year 2000 to be achieved by annual reduction of tariffs. Therefore all COMESA countries try to reduce their tariffs of 100% by October 2000. In 1996 the majority of member states had already reduced tariffs for intra-COMESA trade by 80%, eliminated all tariff barriers and liberalized their rules of origin. As it is very difficult for most of member states to renounce the tariffs, that are often the main source of government revenue, this reduction has been seen as a great access. Namibia was given derogation from publishing COMESA tariffs from January 1993 to January 1998. Nevertheless Namibia has already liberalised its import permit system and uses it – as the export permit – primarily for monitoring and not for controlling. 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.

The FTA is a prelude to the establishment of a Customs Union, which should start in 2004. Actually 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. However, it is unsure if the “market clearing effect” through competition really works and fair trade will be realized or if intervention of

government is necessary in order to protect national enterprises and prevent monopsony structures.

Besides this, there are 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.

B. Establishment of a Common External Tariff (CET)

The member states had agreed on the establishment of a CET in respect of goods imported from third countries. Therefore it is necessary to analyse the tariff structure of the member states, evaluate data relating costs and revenues and make comparative study of the CET's of other similar economies. If lower tariffs on imports are realized, it will have of course impacts on revenues and competitiveness; and also some unfortunate consequences on uncompetitive enterprises. For this, exceptions for some products are planned. Until now the member states have not agreed on tariffs on imports into COMESA.

C. Trade harmonization

Social and technical regulations and norms shall be standardized and harmonized in order to maintain, expand and upgrade communications and transport systems. The fiscal taxes, including the fiscal burdens on transport and communications enterprises should also be harmonized. COMESA Customs Documents and carrier license should be adapted from member states in order to standardize trade. Actually the transport and communications infrastructures are mostly in public ownership. To COMESA's opinion the harmonisation of technical standard has not been rapid due to public ownership. However, it must be regarded that a total privatisation of infrastructure is not desirable, as private goods are only usable for people who are able to pay so that a sufficient provision of infrastructural measurements will not be reached by privatisation. Besides this, it is not forcible necessary to harmonize all communication and infrastructural measurement. Most of all it is essential to establish common transit charges. This is, like the establishment of standards like overload controls and vehicle dimensions, in work. Furthermore, a transit insurance scheme, called the Yellow card, is already existing. 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.

It is also planned to establish a Fast Payment Facility (FAP) in order to reduce costs of trade finance. All national transit documents should be replaced through Road Customs Transit Declaration (RCTD). With the RCTD documentation costs and delays at border crossings should be reduced. As Namibia is not a transit country it has not extensive experience with COMESA instruments as e.g. the RCTD.

It is further intended to establish Common Statistical Rules in order to compare trade data and statistics and Tariff Nomenclatures to harmonize and standardize of the commodity coding system. Some members, including Namibia, have already adopted the vehicle insurance scheme, common product description and commodity coding system.

Moreover, an Automated System for Customs Data and Management (ASYCUDA) and the Eurotrace program, a data collection system that works in harmony together with ASYCUDA have been designed in order to make customs process more efficient. They have already been installed in nine, respectively 13, countries, also in Namibia.

D. Maritime transport in the COMESA region

Unfortunately the COMESA maritime region is the least developed in the developing countries and lays even further behind North and West Africa. The short and medium term objective of COMESA is to provide the framework for cooperation in the field of maritime transport, improving the operations of seaports, protecting the interests of shippers and promoting cooperation between the national and foreign shipping lines.

The quality of shipping services provided to shippers, e.g. development of infrastructure and commercial and technical management shall be improved in order to rise efficiency.

Actually the COMESA region is totally dependent on foreign ships for its trade as locally owned vessels are too old and small to stand competition and COMESA members do not have money for necessary investments.

On the short term it is planned to coordinate the existing shipping services and to communicate their services to international traders throughout the region in order to increase the shipping activities. On the medium and long term COMESA envisages cooperation on a functional basis in order to participate in the international shipping industry. For this, COMESA will control cargo and establish a non-vessel owning container Line (NVOCL) which shall be a partnership venture between the existing shipping, trading and weight forwarding companies and the shipping agents. The second phase is the establishment of a COMESA Multinational Shipping Company. Namibia's Walvis Bay shall become the main transit port on the West Coast.

III. Monetary harmonization program

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 national currencies and promotion of trade liberalisation. The PTA Clearing House guarantees prompt payment for exports and reduces the risk of non-payment for exporters. The transaction costs will be also reduced. Besides this, PTA Traveller Cheques were introduced to enable countries to save foreign exchange on external travel. Up to now Namibia is a not member of the Clearing House but the authorized Namibian Bank cooperates with this settlement.

The Monetary Harmonization program will be implemented in four phase, from 1991 to 2025. The goal is to establish a Monetary Union which implies an irrevocable fixed exchange rate, a single currency or parallel currencies as well as full harmonization of economic, fiscal and monetary policies. The Trade and Development Bank for Eastern and Southern Africa (PTA Bank) should link the activities of the Monetary Harmonization Program. Namibia is a member of the Common Monetary Area. Therefore its foreign exchange control regulations must conform to those applicable in the rest of the member states. As the Namibian Dollar is linked to the South African Rand

the exchange market is managed by the South African Reserve bank whose principal of intervention is the US Dollar. A foreign exchange licensing is not necessary as authorised dealers provide it for outside imports.

Financial and economic stability in the medium to long term must be achieved for a Monetary Union. Therefore, it is necessary that member states show a similar economic development but it is uncertain if this can be reached within the time frame. As the example of the EU shows it takes a long time to form a Common Market and much more to create a Monetary Union. A fixed exchange rate bears the risk of a “domino-effect” in case of currency turbulence. If the devaluation of a currency is not allowed although it should be devaluated it is only a question of time how long the country is able to buy foreign currencies in order to stable its own. The break down of fixed exchange rate of the EU in 1993 shows that a higher stability can be reached with more flexible exchange rates (now: +/-15%). The formation of a Common Market and a Common Monetary Union should not direct towards a fixed time frame but to the efforts of its members.

IV. Immigration and free movement of persons

With the establishment of the FTA in the year 2000 there will also be greater need for business persons to move freely within COMESA. A Visa Protocol was designed which should allow the granting of free visitor visas up to 90 days. Bilateral or multilateral arrangements, which provide for more favorable visa treatment, are allowed. The different types of visa should also be harmonized. Namibia has already fulfilled the implementation of visa requirements as it has at present relaxed its visa conditions with at least 24 countries.

It is further planned to implement the right of free movement of labour, services and the right of establishment and residence. These implementations will be made in five stages, ending in the year 2014 with the right of residence.

V. Private Sector assistance

COMESA provides assistance to the private sector, like to improve access to information on trade opportunities and trade development, to give enterprise-specific assistance development of national and regional competition policies and to help harmonizing quality control procedures and other related activities which could constitute barriers to trade. COMESA promotes also the establishment of a Business Community Consultative Committee which should develop strategic and policy advises in order to support COMESA.

Besides this, the COMESA Trade development and promotion program was designed which supplied in 1995 and 1996 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 states. Actions were e.g. organisation of buyer/sellers meetings in order to promote actual business negotiations and transactions through direct personal contacts and specific enterprise assistance, e.g. market research in COMESA.

Moreover, COMESA established a complementary database in order to identify trade flows between COMESA countries and to facilitate and expand intra-COMESA trade. The database contains basic economic indicators as well as company profiles. Besides data collection for the purpose of identifying production and investment opportunities are in progress.

VI. Conclusion

COMESA has made great advances as the increase of intra PTA trade shows. Most of its member states have already liberalised their import and export licensing and other non-tariff barriers. Nevertheless COMESA has to deal with several problems as e.g. transport logistical problems, lack of adequate business contacts, not issuing visas as agreed in the protocol and insecurity on some transit roads.

The goal of COMESA is to establish an effective market integration of its members where movement of trade, services, capital and investment are free. COMESA believes that the globalisation of production, distribution and exchange requires this process. But it must be taken into consideration that COMESA members are developing countries. As long as some of its members have to deal with problems like surges in food consumption and shortages in production the principal aim must be to overcome this dilemma. Therefore, intra PTA trade must be increased but the trade liberalisation can only speed as high as the member states are able to follow. The agreed time frame bears the risk of polarisation so that the rich countries will gain and the poor countries are not able to stand the competition and lose. For this, it is necessary to find the right speed of integration for all members and not to imitate the European way.

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