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The COMESA Experience

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Introduction

The Common Market for Eastern and Southern Africa (COMESA) is a regional organisation covering eastern, southern and a part of northern Africa. We have a total of 19 member states[1] stretching from Egypt and Libya in the north all the way to Swaziland in the south. Intra–COMESA trade has risen sharply in the last decade from US$3 billion in 2000 to US$14.3 billion in 2010. COMESA members have a combined population of 420 million and a GDP of US$392 billion, which we view as a huge investment market.

COMESA's goal is to be a fully integrated, internationally competitive and prosperous regional economic community with high living standards, especially for ordinary people, and to be fully involved in the continental integration process to build an African economic community. The regional group formed a free trade area in October 2000, launched a Customs Union with a three-year transition period in June 2009, and is now building a common market. The aim is to be a common market by 2015 and a monetary union by 2018 as required by the COMESA treaty and agreed by member states.

Services in COMESA

Services assist to facilitate trade and actually contribute up to 60 per cent of the value of most products in inputs to production. Infrastructure services such as transportation, credit or financial services and energy help to improve the competitiveness of countries, regions and industries. In order to build a common market COMESA must have services.

Here are some key figures that demonstrate the importance of services to COMESA. First, transportation costs for landlocked countries account for up to 40 per cent of the production costs of bulky products. Maybe for other products it might not be as high as that, but the point is that if we liberalise certain services the cost of production could go down quite significantly. Second, the percentage of services exports to trade among COMESA members ranges from as high as 70 per cent in the case of Egypt to as low as 10 per cent for Burundi.

We have been tracking cross-border investment flows in COMESA. Of the largest 50 investments in COMESA in the period 2008 to 2010, 43 were in services, with business services, financial services and telecommunications dominating. The growth in cross-border investment flows has been really dramatic; the preliminary figure that we have is 400 per cent. This shows a trend that COMESA cannot ignore; the private sector is not waiting so governments and regional organisations need to step in to negotiate, regulate and make sure everything is correct, or the private sector might crash along the way.

Services regulations

COMESA has an ongoing programme to liberalise trade in services. Under this programme four meetings of trade and legal experts have been held over the course of the three years from 2007 to 2010, and these four meetings have actually produced regulations on trade in services. The experts failed to resolve only one issue, how to deal with vulnerable states. The small states – like Comoros, Seychelles and Mauritius – were saying they need preferential treatment, special treatment, then Egypt said, 'But we are a desert so we are also a vulnerable state.' It was a very intricate kind of discussion, which was resolved ultimately by the permanent secretaries, but nonetheless in only four meetings we had agreed regulations on trade in services. The lesson is it takes ages to conclude negotiations at the WTO, but at the regional level you can proceed fairly fast.

After adopting the regulations on trade in services, we had to start the negotiations of actual commitments. Thus far we have adopted guidelines on the negotiations, which required only one meeting of the committee on trade in services. These guidelines require member states to start liberalisation in the priority sectors. We had reached tentative agreement on seven indicative priority sectors but the member states needed to confirm these in national consultations. Member states have started submitting the outcome of their national consultations; so far 11 member states have made these submissions setting out the priority sectors. The next step will be to look at the possibility of having schedules of commitments in the priority sectors that the member states have agreed, and then agree on the way forward for other sectors.

Key provisions

In terms of the regulations and what they say: these regulations are standard trade in services provisions modelled on the GATS provisions of the WTO. So we have got the most-favoured-nation (MFN) clause, which says all the countries should be treated in the same way, and the market access provision that provides for a positive list approach where countries choose which sectors to open up and to which of these they attach some conditions and limitations. Once countries have opened up those sectors then they should accord national treatment. Then we adopted the progressive approach, that is the rounds of negotiations, and what we are going through is the first round of negotiations. We also have provisions on mutual recognition, so we shall be establishing professional associations as well. Indeed, we have already started the process of establishing a COMESA Regional Services Coalition, which will be based at the COMESA Secretariat. The regulations also establish the Committee on Trade in Services, which is a forum for overseeing the implementation of the regulations and for ongoing, progressive negotiations. These are a few examples of the many provisions agreed.

Priority sectors

The Committee on Trade in Services has adopted negotiating guidelines, as stipulated by the regulations. Basically, the regulations say negotiations shall proceed on the basis of requests and offers, and they set out detailed guidelines on how to schedule the commitments, which is all in keeping with the GATS approach. The negotiations are to cover all sectors but they begin with the priority sectors, which were selected on the basis of the following criteria:

- Infrastructure services, i.e. services that promote infrastructure building or consolidation of the region;
- High growth services sectors – tourism is the obvious one – for job creation, employment and incomes at household levels;
- Credible levels of liberalisation – we do not want a COMESA programme that opens up only one or two sectors because to be credible we need a fairly sizable amount of liberalisation or opening up among COMESA countries;
- GATS compatibility – because most of our member states are also members of the WTO we needed to take into account the fact that at the regional level countries need to open up considerably more than they have opened up at the WTO in terms of commitments.

Tripartite arrangement

Under the tripartite arrangement three regional organisations – COMESA, the East African Community (EAC) and the Southern Africa Development Community (SADC) – are beginning to work more and more closely in various areas, especially infrastructure and trade.

In the area of infrastructure the emphasis is on building roads, telecommunications and collaboration on air transport. In the area of trade we are beginning to work on the framework for a free trade area that covers the 26 countries in the three organisations. Between them they cover about half of Africa's land mass and account for three-quarters of the population. In each of the three organisations there is a programme on services. The EAC launched its Common Market in July 2010, having signed the protocol in November 2009. SADC has up scaled its services programme, and to this end currently has recruited two dedicated experts, who are working closely with COMESA and EAC to take the SADC services programme forward. The three regional organisations are committed to moving in the same direction by building on the ongoing services programmes, and will consider formalising this further within the tripartite framework. In COMESA we will be building on our programmes for liberalisation in transport, air travel, energy generation and trade, communications, and visa restrictions.

The other thing that the guidelines stipulate is that commitments made by COMESA member states at the WTO and those that they will make under the EPA with the EU, should be extended to all other COMESA countries, irrespective of whether they are WTO members.

Submissions

Eleven member states have submitted confirmed priority sectors, and different countries suggested or indicated different sectors. Comoros submitted the lowest number of sectors – communications and tourism – but expects to come back with more after national consultations. The Democratic Republic of Congo and Djibouti submitted the highest number of sectors, ten each, which was very impressive. The sectors they had in common were business services, communications, construction, distribution, financial services, tourism and transport. Congo also submitted health and recreation, and Djibouti added environment and energy. The following countries submitted seven sectors: Kenya, Uganda and Mauritius. Mauritius said that if the other countries opened up more it would follow suit; a decision is pending. These sectors were: business services, communications, education, financial services, tourism, transport and energy. Mauritius additionally submitted construction services, but not education, while the other two wanted education as well. Swaziland, Zambia and Zimbabwe submitted six sectors: communication, construction, financial services, tourism, transport and energy. Then we get to four sectors from Seychelles and then of course the two from Comoros. The numbers are an indication of the levels of ambition among the COMESA countries.

Overall, eleven countries submitted in the communications and tourism sectors, ten countries in the financial services sector, nine countries in the transportation sector, seven countries in energy and construction, six countries in business, four countries in education, two countries in distribution and then just one country in environment, health and recreation. So, that is the picture of where we are at COMESA.

Regional Services Coalition

The next priority is to establish the COMESA Services Coalition, mentioned above, in keeping with a directive from trade ministers. A draft charter is to be presented at the next meeting. The proposal is that the members of the Services Coalition should be regional associations; for instance, in accounting we have some regional associations and an inventory of them that shows there are not too many. Secondly, national forums for services associations have been proposed. This is something we are encouraging countries to do because we have established that there are cases where sub-sectors may have 10 or 15 or 20 services associations. So far we have only one country with such a forum but the idea is for each country to have one to be represented as a member of the COMESA Services Coalition. The headquarters for this coalition would be at the COMESA Secretariat initially to facilitate the start up phase.

Note

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