

## THE COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA



### REGIONAL TRADE AGREEMENTS AND CROSS BORDER TRADE IN FOOD STAPLES IN EASTERN AND SOUTHERN AFRICA.

Presented by Helen Kenani (Trade Expert) at the AAMP Regional Trade Policy Seminar, 9<sup>th</sup>-11<sup>th</sup> December 2008 Nairobi, Kenya

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## Presentation Out line



- COMESA Vision And Mission
- Rationale for Integration
- Current Trade Agreements
- Non Tariff Barriers to Trade in Food Stuffs
- Legal Basis for Export/Import Bans
- Opportunities in the Region
- Enforcement Mechanisms and Procedures
- Way Forward.

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## COMESA Vision



- To attain a fully integrated internationally competitive regional economic community;
  - a community within which there is economic prosperity with high standards of living of its people, with political and social stability and peace,
  - a community within which goods, services, capital and labour freely move across borders.

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## COMESA Mission



- To achieve increased co-operation and integration in all fields of development, particularly: -
  - in trade, customs and monetary affairs;
  - in transport, communications and information;
  - in technology, industry and energy;
  - in agriculture, environment, natural resources; and
  - gender.

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## Rationale For Integration



- **Who should Integrate?** This is a fundamental question that should be considered when countries accede to Regional Economic Communities (RECs) Factors range from political to economic cf: common vision, goals, etc
- **How should the Integration Happen?** The process to be followed is crucial as integrating countries may be at disparity in levels of development. Need for cushioning measures. Trade Remedies
- **To Whose Advantage is the Integration?** Equally imperative is the question of who is to benefit from integration.

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- Realization that small and segmented individual economies cannot attract meaningful investment.
- Need for creation of a larger and single market to address competitiveness and trigger production in all the integrating countries which should result in overall economic growth and development.

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## Regional Agreements Affecting Trade in Food Stuff



- COMESA, EAC and SADC are all established under specific treaties within whose framework they carry out regional integration.
- Similar integration process with the ultimate aim of besides establishing Customs Unions will culminate into a common market with EAC pursuing a political confederation.
- COMESA oldest and largest FTA, in 2000 with 14 MS participating; SADC launched its FTA in 2008 with six MS whereas EAC went straight into a Customs Union with asymmetry to address envisaged disparities in levels of Development.

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## Regional Agreements Affecting Trade in Food Stuff Cont'd



- Being in FTA implies that trade among participating countries should be on quota free and duty free basis with removals of all non tariff (NTBs) and technical barriers (TBTs) to trade.
- All the three RECs trade within agreed Rules of Origin (RO) and all agricultural products qualify under "wholly produced criterion as they are 100% locally (in the MS) obtained.

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## COMESA Rules of Origin



The COMESA Rules of Origin are contained in the Protocol on the Rules of Origin which is annexed to and forms an integral part of the COMESA Treaty.

COMESA Rules of Origin have 5 independent criteria: -

- 1) Wholly produced/ obtained
- 2) Local Content (60/40)
- 3) Value added (35%)
- 4) CTH
- 5) Goods of Particular Economic importance.

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## Challenges(NTBs) of Trading in Food Staples in Eastern & Southern Africa



- **Infrastructure** :The cost of transporting products across the borders is very high and prohibitive such that the region has always looked elsewhere to fill deficits...cf, Kenya/Zambia case 2004,2008
- **Supply Side Constraints**(i) Inward interconnectivity is poor rendering access to market centres for onward transportation to border points a challenge  
(ii) Production levels are usually low and when there is a bumper harvest, no adequate and appropriate storage facilities.

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## Challenges (NTBs) of Trading Food Staples in Eastern & Southern Africa Cont'd



• **Information**: Traders need timely and accurate information in order for them to be able to move the food across the borders. This however is not always available.

• **Export/Import bans**: Governments arbitrarily impose export and or import bans against certain commodities for food security or health reasons thereby impeding trade in those products.

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## Challenges (NTBs) of Trading Food Staples in Eastern & Southern Africa Cont'd



• **Non-predictability**: Arbitral actions by MS breed uncertainty among traders as these measure are sometimes introduced unilaterally that they restrict smooth flow of trade in food staples. This unpredictability discourages traders from future engagements in commodity trade.

• **High Cost of Production**: Inputs for agricultural produce are relatively high in the region and land under use is usually fragmented resulting in un economical ways of production; this impacts negatively on outputs rendering the produce uncompetitive.

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## Challenges (NTBs) of Trading Food Staples in Eastern & Southern Africa Cont'd



- **Sanitary and Phytosanitary:** SPS Measures is a major Non Tariff Barrier when the product (maize) is in surplus in one region, moving it across borders becomes a challenge as countries raise concerns of SPS issues e.g. grain borer
- **Standards** The region is in the process of harmonising standards but before then, standards have been used as non tariff barriers to trade in food staples.

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## Legal Basis For Export/Import Bans on Food Staples in Eastern & Southern Africa Cont'd



**Article 50 (c,e and f)** of the COMESA Treaty stipulates circumstances under which a member state may invoke export or import bans on food staples as under:

**(i) Animal and Plant health:** For the protection of the animal and plant health, governments may impose export /import bans

**(ii) Food security:** a Government may impose an export ban to protect her citizens in the event of war and famine.

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## Legal Basis For Export/Import Bans on Food Staples in Eastern & Southern Africa Cont'd



**(iii) Items of National importance:** A Member State may equally impose restrictions on trade on an item provided that she can proof to Council that an item is deemed to be of national importance.

**Proviso:** The above provisions notwithstanding, MS should not introduce the restrictions or prohibitions with the aim of inhibiting free movement of goods. The restrictions or prohibitions so imposed should not extend for more than necessary to achieve the aims it was intended to and shall be applied on non discriminatory basis

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## Opportunities in Trade in Food Staples in Eastern & Southern Africa-Single Market



• **Expanded single Market:** Producers will have a large market (526million people) to sell their produce. This will trigger increased production at supply side

• **Food Security:** Increased food production will result in food security for the region and this will enhance horizontal and vertical integration.

• **Competitiveness:** Efficiency is expected to be enhanced as producers have to be competitive in order for them to continue to service the created market.

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## Opportunities in Trade in Food Staples in Eastern & Southern Africa-Single Market Cont'd



• **Better Utilization of Resources:** Through reallocation of resources to more advantageous sectors with specialization.

• **Agro-based Industries:** Availability of raw materials due to enhanced production arising from creation of the large market will trigger development of agro-based industries

• **FDI and Intra-Investments Flows:** Expanded market will attract FDIs as well as enhanced intra-regional investments to respond to the created demand

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## Opportunities in Trade in Food Staples in Eastern & Southern Africa-Single Market Cont'd



• **Employment Creation:** Increased investments and production will create employment to the region's population thereby creating wealth and reducing poverty levels.

• **Reduced Imports:** Imports from 3<sup>rd</sup> Countries shall reduce as the region efficiently enhances production leading to savings which could be utilized in infrastructure, health and education and improve the general welfare of the region as standards will be raised due to increased incomes.

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## Opportunities in Trade in Food Staples in Eastern & Southern Africa-Single Market Cont'd



•**Economic Growth and development:** With improved agricultural sector, being the main stay of the region, enhanced incomes and reduced poverty levels, the region is bound to experience economic growth and development.



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## Basis for Enforcement Mechanisms



- Article 49 of the COMESA Treaty stipulates that MS should, with immediate effect and upon the entry into force of the treaty eliminate all Non-Tariff Barriers to trade and thereafter refrain from introducing new NTBs to imports originating from other MS
- Infant Industry...MS reasonable steps, specified period determined by Council quantitative or like restrictions on similar goods from other MS.
- Article 61 Safeguard Measures... serious injury
- Treaty application and CCJ

## Way Forward



•Address supply side constraints including enhancing production levels, energy, road and rail infrastructure as well as air transport for high value exports.

•Hasten the process of harmonization of standards and SPS measures as well as customs procedures with twenty four hour operating border post.

Support the decision of the leadership of COMESA, EAC and SADC to merge into a single market for the region to experience prosperity.

•Promote PP Dialogue on issues of trade policy

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Thank you for your kind attention



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