

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA



• IN BRIEF •

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WHAT IS COMESA?

1. The Common Market for Eastern and Southern Africa (COMESA) is an organization of free independent sovereign states which have agreed to co-operate in developing their natural and human resources for the good of all their peoples. It was established on 8th December 1994 to replace the Preferential Trade Area for Eastern and Southern African States (PTA), which had been in existence since December 1981. The motivation for the establishment of COMESA has been the recognition that since the independence of the countries in Eastern and Southern Africa, individual country efforts to attain economic recovery and sustainable growth have yielded minimal results. Production structures have not been maintained, exports of primary commodities continue to dominate the export sector and the income generating capacity of the member States have been circumscribed by both internal and external factors, including the non-viable Structural Adjustment Programmes (SAPs) and lack of investment opportunities.

2. The COMESA member States have recognized that unless a large enough economic space can be created to attract and give guarantees to domestic, cross-border and foreign direct investment, the transformation of these economies from extreme dependence to self-reliance cannot be realized within the foreseeable future. At the same time, it has been recognized that countries with small populations or

per capita gross domestic product (GDP) will continue to find it difficult to attract foreign investment unless this is within the context of a wider common market.

3. The countries in Eastern and Southern Africa share the common view that COMESA, as a truly African organization, was established to meet this challenge. It is perceived, organized and run by Africans. It has been designed to be an instrument for attaining sustainable growth and development based on joint exploitation of resources of the region through collaboration in all fields of economic activity. COMESA also facilitates the adoption of common macro-economic policies and programmes to facilitate increased productivity in industry, manufacturing and agro-industries to encourage competitiveness of indigenous enterprises not only in COMESA but also in the international markets.

116 MEMBERSHIP OF COMESA

4. All countries in Eastern and Southern Africa mentioned in the Treaty are eligible to become members of COMESA. At the time of going to print, the following twenty countries had signed the Treaty:

Angola, Burundi, Comoros, Eritrea, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mauritius, ~~Mozambique~~, Namibia, Rwanda, Sudan, Swaziland, Tanzania, Uganda, Zaire, Zambia and Zimbabwe, Egypt, JRC.

5. South Africa, Botswana, Seychelles, Somalia and Djibouti and other countries which have not signed the COMESA Treaty, have the option to do so after fulfilling certain commitments and obligations.

III. OBJECTIVES OF COMESA

6. The aims and objectives of COMESA have been designed so as to remove the structural and institutional weaknesses in the member States by pooling their resources together in order to sustain their development efforts either individually or collectively. These are as follows:

- (a) to attain sustainable growth and development of the member States by promoting a more balanced and harmonious development of its production and marketing structures;
- (b) to promote joint development in all fields of economic activity and the joint adoption of macro-economic policies and programmes; to raise the standard of living of its peoples, and to foster closer relations among its member States;
- (c) to co-operate in the creation of an enabling environment for foreign, cross-border and domestic investment, including the joint promotion of research and adaptation of science and technology for development;

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- (d) to co-operate in the promotion of peace, security and stability among the member States in order to enhance economic development in the region;
 - (e) to co-operate in strengthening the relations between the Common Market and the rest of the world and the adoption of common positions in international fora; and
 - (f) to contribute towards the establishment, progress and the realization of the objectives of the African Economic Community.

7. In addition to these objectives, the member States have agreed to create and maintain: (a) **a full free trade area** guaranteeing the free movement of goods and services produced within COMESA and the removal of all tariffs and non-tariff barriers; (b) **a customs union** under which goods and services imported from non-COMESA countries will attract an agreed single tariff in all COMESA States; (c) **free movement of capital and investment** supported by the adoption of common investment practices so as to create a more favourable investment climate for the entire COMESA region; (d) **a gradual establishment of a payments union** based on the COMESA Clearing House and the eventual establishment of a common monetary union with a common currency; and (e) **the adoption of a common visa arrangement**, including the right of establishment leading eventually to free movement of *bona vide* persons.

IV. THE DECISION-MAKING PROCESS

8. The Authority made up of the Heads of State and Government is the highest decision-making organ. It meets once a year at a Summit at which all of them participate. The Authority is supported by a **Council of Ministers** designated by each member State. The Ministers prepare the documents and the agenda for the Summit. In turn, the Council of Ministers is serviced by an **Inter-governmental Commission** composed of officials and experts drawn from various sectors and sub-sectors of the economies.

V. PEACE, SECURITY AND STABILITY

9. The Treaty establishing COMESA binds together free independent sovereign States which have agreed to co-operate in exploiting their natural and human resources for the common good of all their peoples. In attaining that goal, COMESA recognizes that peace, security and stability are basic factors in providing investment, development, trade and regional economic integration. Experience has shown that civil strife, political instabilities and cross-border disputes in the region have seriously affected the ability of the countries to develop their individual economies as well as their capacity to participate and take full advantage of the regional integration arrangement under COMESA. It has now been fully accepted that without peace, security and stability there cannot be a satisfactory level of investment even by local entrepreneurs.

10. Therefore, in pursuit of the aims and objectives stated in Article 3 of the COMESA Treaty, and in conformity

with the Treaty for the Establishment of the African Economic Community signed at Abuja, Nigeria on 3rd June 1991, the member States of COMESA have agreed to adhere to the following principles:

- (a) equality and inter-independence of the member States;
- (b) solidarity and collective self-reliance among the member States;
- (c) inter-State co-operation, harmonization of policies and integration of programmes among the member States;
- (d) non-aggression between the member States;
- (e) recognition, promotion and protection of human and people's rights in accordance with the provisions of the African Charter on Human and People's Rights;
- (f) accountability, economic justice and popular participation in development;
- (g) the recognition and observance of the rule of law;
- (h) the promotion and sustenance of a democratic system of governance in each member State;
- (i) the maintenance of regional peace and stability

ty through the promotion and strengthening of good neighbourliness; and

- (j) the peaceful settlement of disputes among the member States, the active co-operation between neighbouring countries and the promotion of a peaceful environment as a pre-requisite for their economic development.

VI. PRIORITIES OF COMESA

11. COMESA is an all-embracing development organization involving co-operation in all economic and social sectors. However, due to resources constraints, the implementation of activities and programmes will be prioritized to areas where the greatest impacts can be made. To that end, the first COMESA Authority of Heads of State and Government, at its meeting held in Lilongwe, Malawi from 8th to 9th December 1994, adopted the following five priorities to be the basis of COMESA's focus for the next five to ten years:

- (a) significant and sustained increases in productivity in industry, manufacturing, processing and agro-industries to provide competitive goods as the basis for cross-border trade and to create more wealth, more jobs and more incomes for the people of the region;
- (b) increase agricultural production, with special emphasis on the joint development of lake and river basins so as to reduce dependence

on rain-fed agriculture and new programmes on food security at the provincial or district levels, national and regional levels;

- (c) development of transport and communications infrastructures and services with special emphasis on linking the rural areas with the rest of the economy in each country as well as linking the member States;
- (d) new programmes for trade promotion, trade expansion and trade facilitation especially geared to the private sector, so as to enable the business community to take maximum advantage of the Common Market; and
- (e) development of comprehensive, reliable and up to date information data bases covering all sectors of the economy including industry, energy, environment, agriculture, transport, communications, investment and finance, trade, health and human resources to form the basis for sound investment decisions and macro-economic policy formulation and programming.

VI. THE NEW VISION

12. COMESA is a new vision for growth and development offering new development and trade opportunities for

economic recovery. Therefore, drawing upon lessons from experiences of the PTA and the European Community, the COMESA Treaty has introduced a new perception to regional integration not envisaged in the PTA Treaty. The new aspects of COMESA that were not in the PTA are as follows:

- (a) the PTA was conceptualized and designed as an inter-governmental organization (IGO), placing emphasis on government-to-government co-operation, where the role of the business community was marginalized. COMESA is envisioned on new principles which fully recognize that without the full participation of the private sector, no integration can really take place. It is designed specifically to facilitate the business community to take maximum advantage of regional integration. The role of governments will be to create an enabling environment for the business community to invest and produce more efficiently;
- (b) COMESA recognizes the concepts of production-led and market-led integration as being two sides of the same coin. It is founded on the recognition that competitive goods of high international quality and standards do not exist. Therefore, these have to be produced by the private sector - local, regional and international. The emphasis, therefore, is on industrialization, manufacturing and agro-processing to increase the value added and to generate new incomes. Another important aspect is

that for the purposes of investment in production, the entire COMESA is now considered as a "domestic market. This provides extensive economies of scale in production and manufacturing;

- (c) COMESA fully recognizes that the member States, being at different levels of growth and development, cannot move at the same speed. Therefore, it is based on the concept of **multi-speed development** by which two or more member States can agree to accelerate the implementation of specific COMESA Treaty provisions or other common agreements, while allowing others to join in later on a reciprocal basis. Previously, the PTA emphasized decisions by consensus and as such, the programmes were pegged on the "slowest moving member State". COMESA now emphasizes the need to move forward and that, where consensus cannot be reached, a simple majority decision will be sufficient to initiate joint development. Hence, future programmes are pegged on the "fastest moving member State"; and
- (d) the COMESA Treaty provides for a strict performance criteria through provisions for **enforceability** and **sanctions**. In other words, the COMESA Treaty places clear obligations for each signatory member State to abide by

common decisions. Where a member State persistently refuses to implement agreed decisions, sanctions will be imposed, including expulsion from membership. In addition, a Court of Justice has been established to arbitrate and to provide interpretation of the Treaty.

WHAT COMESA OFFERS

13. COMESA offers very extensive benefits and advantages for its member States as well as the business community. Because of its focus on full private sector participation in integration, COMESA offers new opportunities for industrial, production, investment, development and trade opportunities not hitherto available under the previous regional arrangements. These advantages are briefly enumerated in the next several paragraphs.

(a) A wider, harmonized and more competitive market

14. No investor can decide to produce any goods without determining where and how to sell them. Therefore, the first advantage which COMESA offers to governments, investors and producers is the very large market. The national markets will be integrated into one large single "domestic market" to support new and expanded production and manufacturing. This is perhaps the largest single market in the developed world, aside from South East Asia. COMESA, with South Africa, has an estimated population of over 360 million people.

15. In the COMESA region, the business community will have the advantage of the new "domestic market" for making major investment decisions. It is also expected that foreign direct investment flows into COMESA will significantly increase. The combined elements of a free trade area, a customs union and a common external tariff, will result in tremendous advantages to the business community, particularly those engaged in manufacturing and trade. It is estimated that when the Common Market is fully realized and trade is more accurately recorded, the share in intra-COMESA trade in its total global trade will rise to between thirty and fifty percent by the year 2020.

(b) Greater industrial productivity and competitiveness

16. Under COMESA, the business community is offered greater chances to make more high quality goods available to consumers at prices the people can afford. Eastern and Southern Africa comprises largely of nations which produce what they do not consume and consume what they do not produce. However, this will change under COMESA. Industrial development, production efficiency and competitiveness will reverse this by transforming the production structures to the "age of mass consumption". The level of development in the manufacturing sector, which varies considerably among individual countries, will be exploited to promote more intra-COMESA trade.

17. The major advantages in industry and manufacturing which COMESA will bring are: (i) countries with small and weak economies will be assisted to explore new opportunities for the expansion of industry and manufacturing

through co-ordinated development of agro-industries to produce semi-finished and finished goods; (ii) the more industrialized COMESA nations will advance towards more rationalization of industries with inter-sectoral and intra-sectoral linkages; (iii) by linking "production-led" industries and "market-led" forces, the region will attain a more effective utilization of existing and new capacities in plants and machinery, backed by a more predictable market and new technology in production; and (iv) countries will adopt common technical standards for manufactured goods and greater opportunities for sub-contracting and other relations between larger and smaller industrial units among entities in COMESA and outside the region.

(c) Increased agricultural production and food security

18. COMESA recognizes that agro-industry and agro-business is the cornerstone of sustained growth and development. Without food security, nations cannot readily establish viable economic institutions. The member States of COMESA will now have better opportunities to transform their agricultural raw materials into finished goods with much higher "value added". Self-sufficiency in agricultural production and food security will be achieved through: (i) a regional food security programme to provide adequate food supplies even in times of drought; (ii) increased processing of food crops so as to increase their values and shelf life and reduction of post-harvest food losses through proper transport and storage; (iii) rationalization and harmonization of agricultural policies to enhance the bargaining power of its

members through the co-ordination of commodities and bulk importation of essential agricultural inputs; (iv) improved inter-State food marketing and trade in non-traditional commodities; and (v) research in agricultural extension and technology transfer to end users, especially in the rural areas.

(d) A more rational exploitation of natural resources,

19. In the energy sector, member States will have the advantages of joint development and management of both renewable and non-renewable sources of energy. The objective is to ensure availability of energy to the industry, agriculture and transport sectors at competitive prices. Among others, COMESA will promote joint exploration and exploitation of hydro and fossil fuel; joint utilization of training and research utilities, and research programmes on renewable energy systems.

20. It is also important to stress that COMESA is fully cognizant of the fact that large scale mineral resources exploitation often results in serious environmental degradation, ecological imbalances as well as excessive depletion of natural resources. COMESA promotes co-operation in the following areas: (i) adoption of common strategies for the preservation of the environment against industrial, agricultural and mining effluents that pollute rivers, dams, the atmosphere and the ecology; (ii) development of common policies and collaboration in the management of shared natural resources; (iii) adoption of common standards in in-

dustrial production and co-operation in limiting the dumping of toxic waste in the sub-region; (iv) co-operation in the management and preservation of eco-systems biological diversity.

(e) More harmonized monetary, banking and financial policies

21. The COMESA framework fully recognizes that financial and monetary constraints have always inhibited co-operation and integration. Under COMESA, member States will benefit from co-operation in monetary and financial areas by creating a zone of monetary stability. To this end, the new unit of account will be the Eastern and Southern Africa Currency Unit (ESACU) to replace the UAPTA. The establishment of a monetary and financial infrastructure will create the necessary macro-economic environment that facilitates the economic integration process.

22. More specifically, a Payments Union will eventually be established and the ESACU Travellers Cheques will be significantly improved. Furthermore, the adoption of market exchange rates and monetary and fiscal policy co-ordination will facilitate services, capital and labour, and eliminate illegal foreign exchange markets and currency smuggling. The overall advantage will be to improve domestic monetary management, thereby promoting increased external capital inflows.

(1) More reliable transport and communications infrastructure

23. One of the biggest obstacles to regional economic co-operation and integration in this region is the inadequacy of a cheap and reliable transport and communications sector. COMESA will provide the business community with a more efficient transport and communications system so as to facilitate the free movement of goods, persons, labour, capital and services. The envisaged expanded volume of COMESA trade will fully justify new and increased investments in infrastructures, including railways.

24. The goals of COMESA in the transport and communications sector will be to provide better services through, *inter alia*, the following policy options: (i) the elimination of conditions which obstruct the operations of the common transit arrangements; (ii) the elimination of conditions which could obstruct efficient delivery of telecommunications, satellites, postal, radio and television services; (iii) the integration of the Common Market transport; and (iv) the elimination of factors likely to distort competition in the sectors of transport and communications.

25. The Advanced Cargo Information System (ACIS) will: (i) enable the integrated operations of transport and communications systems so as to increase accessibility to points of production and consumption; (ii) lower unit costs for services so as to enhance the competitiveness of goods and services and stimulate economic activities; and (iii) harmonize transport and communications equipment and accessories so as to facilitate the establishment of viable manufacturing, maintenance and repairs of enterprises.

IX. RELATIONS WITH THE BUSINESS COMMUNITY

26. COMESA is founded on the premise that the business community will co-operate fully with governments and take advantage of the new opportunities in investment and trade. Therefore, the focus is on convincing the business, banking and financial communities, especially foreign investors, to accept that this region is attractive for investment. New modalities are being put in place to make the business community more dynamic and responsive to changing development finance needs in Eastern and Southern Africa. Conflicting decision-making, characterized by multiplicity of institutional regulations of banking and investments in the member States, is now seriously focussing its attention on simplifying the decision-making process so as to expedite consideration and approval of investment proposals as well as enhance transparency.

27. It is a matter of satisfaction that a number of the member States have established "one stop" investment centres for promoting, receiving, appraising and licensing so that investment proposals are not delayed. These single window facilities also provide information on investment opportunities available in member States. This will be vigorously promoted under COMESA.

28. In order to enable the business community to intervene effectively in the development process, more favourable foreign exchange regulations have been put in place in a

number of countries, paving the way for free movement of capital and cross-border investments. The countries of the region are also committed to guarantee against nationalization. Due to perennial problems of investment and financial risks, most countries in the region have joined the World Bank's Multilateral Investment Guarantee Agency (MIGA). Some countries have also concluded agreements with the American based Overseas Private Investment Corporation (OPIC).

29. The most important element of COMESA is that the Treaty commits member States to, *inter alia*: (a) promote a continuous dialogue with the private sector at the national and regional levels to help create an improved business environment for the implementation of agreed decisions in all economic sectors; and (b) provide an opportunity for entrepreneurs to participate actively in improving the policies, regulations and institutions that affect them so as to increase confidence in policy reforms, raise productivity and lower costs at enterprise levels.

THE COMESA COURT OF JUSTICE

30. An important COMESA innovation is that the Common Market Treaty establishes a **Court of Justice** to oversee the legal relations within COMESA. Persons resident in the Common Market may contest the legality of acts of Common Market institutions as well as that of member States. In effect, the Treaty establishes a "legal community", being whereby entrepreneurs will be guaranteed that business decisions and transactions are not unduly frustrated by unnecessary bureaucratic interventions.

31. The COMESA Court of Justice will *inter alia*:
(a) have jurisdiction to adjudicate upon all matters which may be referred to it pursuant to the COMESA Treaty; and (b) have jurisdiction to hear disputes between COMESA and its employees that arise out of the application and interpretation of the Staff Rules and Regulations of the Secretariat or the terms and conditions of employment of the employees of COMESA, and to determine claims by any person against COMESA or its institutions for acts of their servants or employees in the performance of their duties.

XI. RELATIONS WITH DEVELOPED COUNTRIES

32. COMESA is not an inward-looking organization. The member States fully recognize that they live in an inter-dependent world. COMESA has, as one of its aims and objectives, to develop a better trading partnership with trading blocs such as the European Union and the North American Free Trade Association. Countries have also realized that collectively, they must give something towards world development. Therefore, while realizing that donor support to regional economic co-operation and integration is a critical element of sustained growth and development, member States are determined to find new avenues in which COMESA can contribute to international trade. It will also ensure greater co-

operation with our development partners. Existing operation with bilateral donors, multilateral financing institutions, United Nations agencies and African continental institutions, will be expanded and strengthened through the principle of mutual-ity.

33. As part of this inter-dependence, COMESA has also forged greater co-operation with other inter-governmental and non-governmental organizations within the Eastern and Southern African region as well as with the rest of Africa within the Abuja Treaty.

THE SECRETARIAT

34. The Secretariat of COMESA is headed by a Secretary General, who is a citizen of one of the member States and who serves for a period of four years, renewable once only for another period of four years. The Secretary General heads a team of highly qualified, experienced and dedicated staff members drawn from among the member States. The capacity of the Secretariat is buttressed by staff recruited internationally under projects and programmes funded by international, multilateral and bilateral donor agencies.

35. For further information, write to: The Secretary General, COMESA, Cairo Road, P O Box 30051, Lusaka, Zambia (Africa); Telephones: (2 6 0 - 1) 229726/28; Fax:(260-1) 225107; Telex: ZA40127.

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