

TRIPARTITE FREE TRADE AREA: PROSPECTS AND CHALLENGES

14 OCTOBER 2016

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Introduction

The Origin of the Tripartite is as follows:

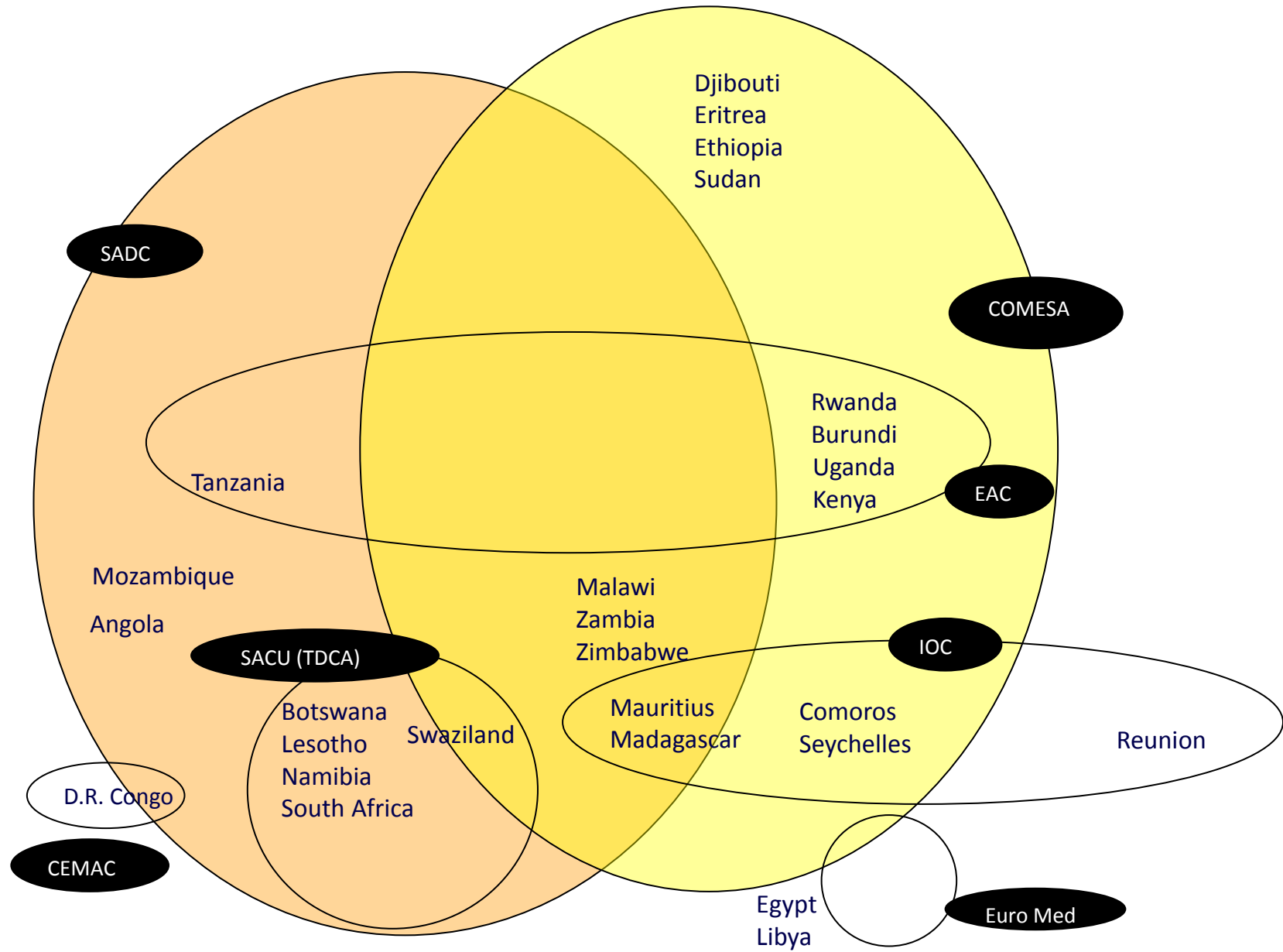
- 2001 - COMESA and SADC Chairpersons met in margins of Cairo COMESA Summit. Goal was to establish a co-ordination mechanism but only reached level of exchanging views
- EAC joined in 2005 and RTFP/TMSA offered to assist TTF. A new momentum was established through an annual work programme focussing on coordination of trade policy and trade facilitation. Trade infrastructure was addressed through the North South Corridor pilot AfT programme.
- The COMESA-EAC-SADC MoU on Inter Regional Cooperation and Integration signed on 19 Jan 2011 by the Chairpersons of COMESA, EAC and SADC.
- The MoU creates Tripartite institutions that meet at experts, senior officials, sector ministers, Council of Ministers and Heads of States and Government level.
- MoU also provides for the Tripartite Task Force.

Introduction

The vision is coined as: ***“TOWARDS A SINGLE MARKET”***

- The Vision will be achieved through the implementation of a Tripartite strategy which is built on 3 pillars, namely: market integration; infrastructure development; and industrial development.
- **Market integration** entails the establishment of a free trade area including free movement of business persons.
- **Infrastructure development** entails improving regional transport (roads, rail, air and water), trade related infrastructure such as energy and ICT;.
- **Industrial development** is to be achieved through addressing the supply side by promoting value addition, diversification, higher productivity and competitiveness.

Movement of business persons was attached to Market integration and its facilitation instrument was being negotiated in a separate but parallel track to market integration.



Introduction

- Three Summits of Heads of State and Government were held.
- In October 2008, Tripartite Summit met in Kampala Uganda and decided on the creation of a COMESA-EAC-SADC grand FTA.
- In June 2011, the second Tripartite Summit met in Johannesburg and launched the negotiations for the Tripartite FTA. A declaration was signed to signal willingness to negotiate. Negotiations were divided into two phases. Phase I on trade in goods and movement of business person as separate track but parallel to market integration; Phase II to negotiate on trade in services and other trade related areas and to commence after phase I.
- In June 2015 the third Tripartite Summit met in Sharm El Sheikh, Egypt where it signed the COMESA-EAC-SADC Tripartite Free Trade Area Agreement with interim provisions for outstanding areas, rules of origin, trade remedies and elimination of customs duties.

Current State of Play in Each REC

- EAC is a functional customs union with a common external tariff. It launched a common market in Jan 2010 and has liberalised its trade in services substantially in priority sectors such as business, communication, distribution, education, financial, tourism and transport services.
- COMESA is a functional Free Trade Area with 15 Member States trading at zero tariffs on 100% of all traded originating products. COMESA launched a customs union in June 2009 but implementation of a common external tariff remains a challenge. COMESA has commenced trade in services liberalisation focusing on Business, communication, construction, energy, finance, tourism, and transport. Sectors so far negotiated are four: communication, financial, tourism and transport services.
- SADC achieved its FTA in 2012 with an average 90% of originating products being trade at zero tariff. Five SADC Member States are already in the SACU customs union and these have liberalised 100% of the tariff lines to SADC market. SADC has a protocol on services focusing on priority sectors namely transport, communication, tourism, financial, energy, construction
- COMESA and EAC have introduced a simplified trade regime to assist small scale cross-border traders and SADC is still working on such a regime.

**Membership
of the
regional
preferential
trading
regimes -
Regional
Economic
Communities
and SACU**

Country	COMESA	EAC	SADC	SACU
Angola			X	
Botswana			X	X
Burundi	X	X		
Comoros	X			
Congo, Democratic Republic	X		X	
Djibouti	X			
Egypt	X			
Eritrea	X			
Ethiopia	X			
Kenya	X	X		
Lesotho			X	X
Libya	X			
Madagascar	X		X	
Malawi	X		X	
Mauritius	X		X	
Mozambique			X	
Namibia			X	X
Rwanda	X	X		
Seychelles	X		X	
South Africa			X	X
Sudan	X			
Swaziland	X		X	X
Tanzania		X	X	
Uganda	X	X		
Zambia	X		X	
Zimbabwe	X		X	
Totals	19	5	15	5

Current State of Play in Tripartite

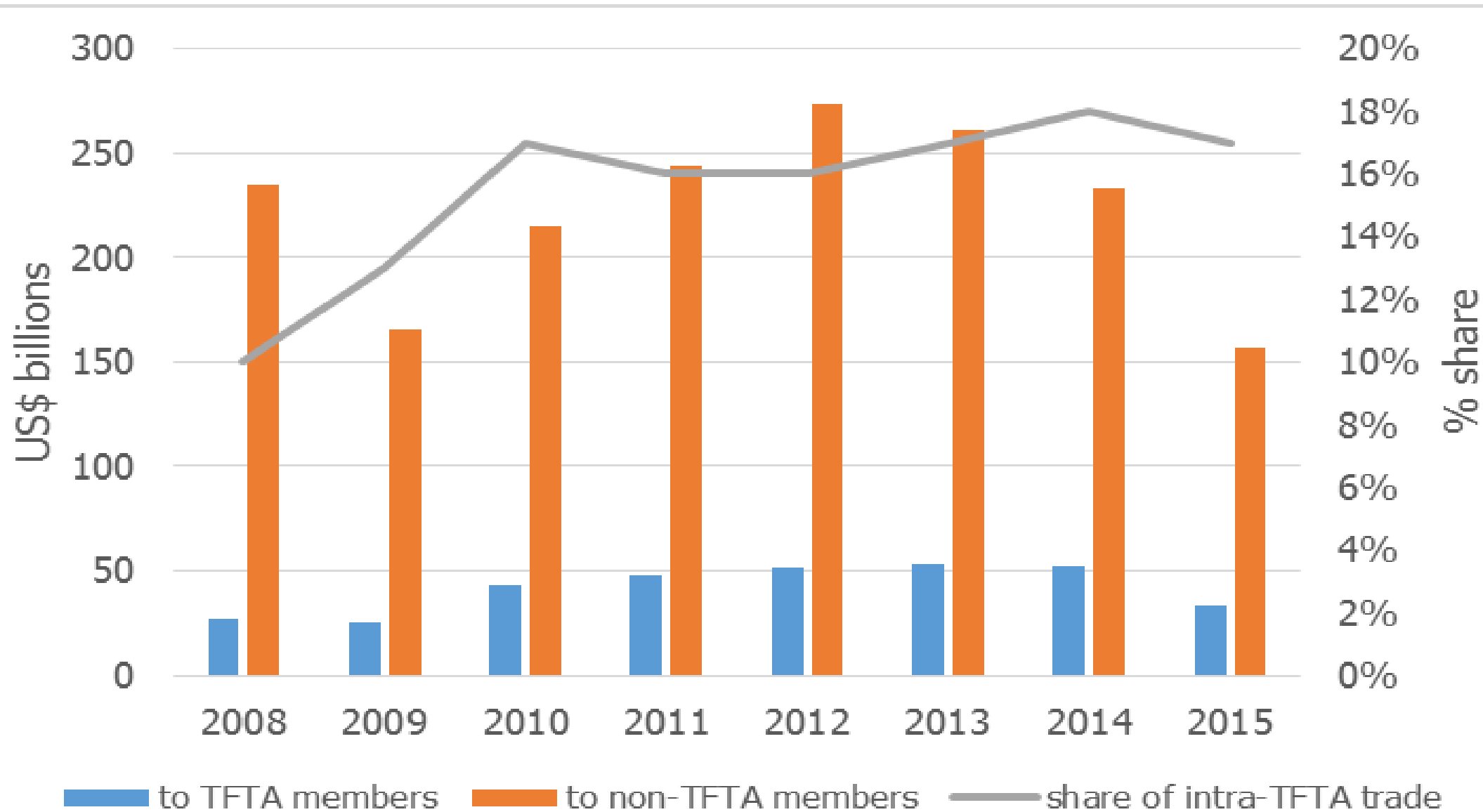
- The Tripartite FTA Agreement was signed by 15 countries in Sharm El Sheikh, Egypt at the third Summit, and Swaziland signed five days later bringing the number of signatories to 16. Zambia signed on 17 June 2016 as the sixteenth signatory. The Agreement requires fourteen Member States to ratify for it to enter into force.
- The Agreement has ten Annexes:
 - Annex I- Elimination of Customs Duties,
 - Annex II-Trade Remedies,
 - Annex III - Non-Tariff Barriers,
 - Annex IV-Rules of Origin,
 - Annex V-Customs Cooperation and Mutual Administrative Assistance,
 - Annex VI-Trade Facilitation,
 - Annex VII-Transit Trade and Transit Facilitation,
 - Annex VIII-Technical Barriers to Trade,
 - Annex IX- Sanitary and Phytosanitary Measures, and
 - Annex X – Dispute Settlement Mechanism.

Current State of Play in Tripartite

- The outstanding Annexes are on:
 - Elimination of Customs Duties (tariff elimination)- not much progress has been made on this aspect although countries have exchanged tariff offers the key is in agreeing on the tariff reduction schedules. Note should be taken of the fact that so far the tariff offers between SACU and EAC and SACU and Egypt are less ambitious and fall below the expected *arcque*;
 - Trade Remedies – as of today the Annex is almost finalised serve for a legal inconsistency that was discovered as it relates to dispute settlement with Annex X.
 - Rules of Origin -the is almost finalised except a derogation provision included to cater for small Island States on fisheries and the Tripartite list rules of origin which are being negotiated on product basis.
- All other finalised Annexes, except for Annex X have been legally scrubbed and will form an integral part of Agreement once adopted by the Tripartite Council.
- A separate draft Agreement on the Movement of Business Persons has been negotiated and will be presented to Ministers in October 2016. It has however been noted that some of the provisions in the draft agreement are more stringent than what is pertaining in some RECs and in a number of Member/Partner States that have taken unilateral decisions to liberalise the movement of business persons.

Current State of Play in Tripartite

Exports by TFTA members



Current State of Play in Tripartite

- Total exports of these countries have shown an increasing trend since 2008, (reflecting the impact of the financial crisis), reaching a peak of US\$ 325 billion in 2012, and then declining to the 2015 value of US\$ 190 billion.
- Intra-TFTA exports also followed the same trend as total exports; albeit growing at a relatively slower rate than exports to rest of world and stagnating at around US\$ 50 billion between 2011 and 2014, followed by a decline in 2015 to US\$ 33 billion.
- Intra-TFTA trade as share of world, showed a general increase from 10 percent in 2008 reaching a peak of 18 percent in 2014 and in 2015 accounted for 17 percent of total exports.

Current State of Play in Tripartite

- **On infrastructure**, the Tripartite adopted a corridor development approach. It established a project preparation and implementation unit which to assist in preparing and developing projects including carrying out feasibility studies and then present such bankable projects to financiers.
- Implementation of the infrastructure projects is done at country level most of the time but the unit assists in resource mobilization and work closely with Member/Partner States.
- **On industrial development**, the Tripartite has developed Modalities on Cooperation and draft Work Programme and Roadmap for the Tripartite Pillar on Industrial Development, taking into account the industrialization policies, strategies and best practices of the 3 RECs; issues of ocean/blue economy; scope of intellectual property rights and indigenous knowledge.
- Studies on industrial Statistics capacities and the Agro-processing value chains are underway. The value chains study is expected to contribute to the agro-processing value-chains development support plan for Tripartite countries. The Industrial Statistics Study is expected to facilitate support to augment industrial statistics collection and compilation capacities in the Tripartite countries.

Prospects for the Tripartite

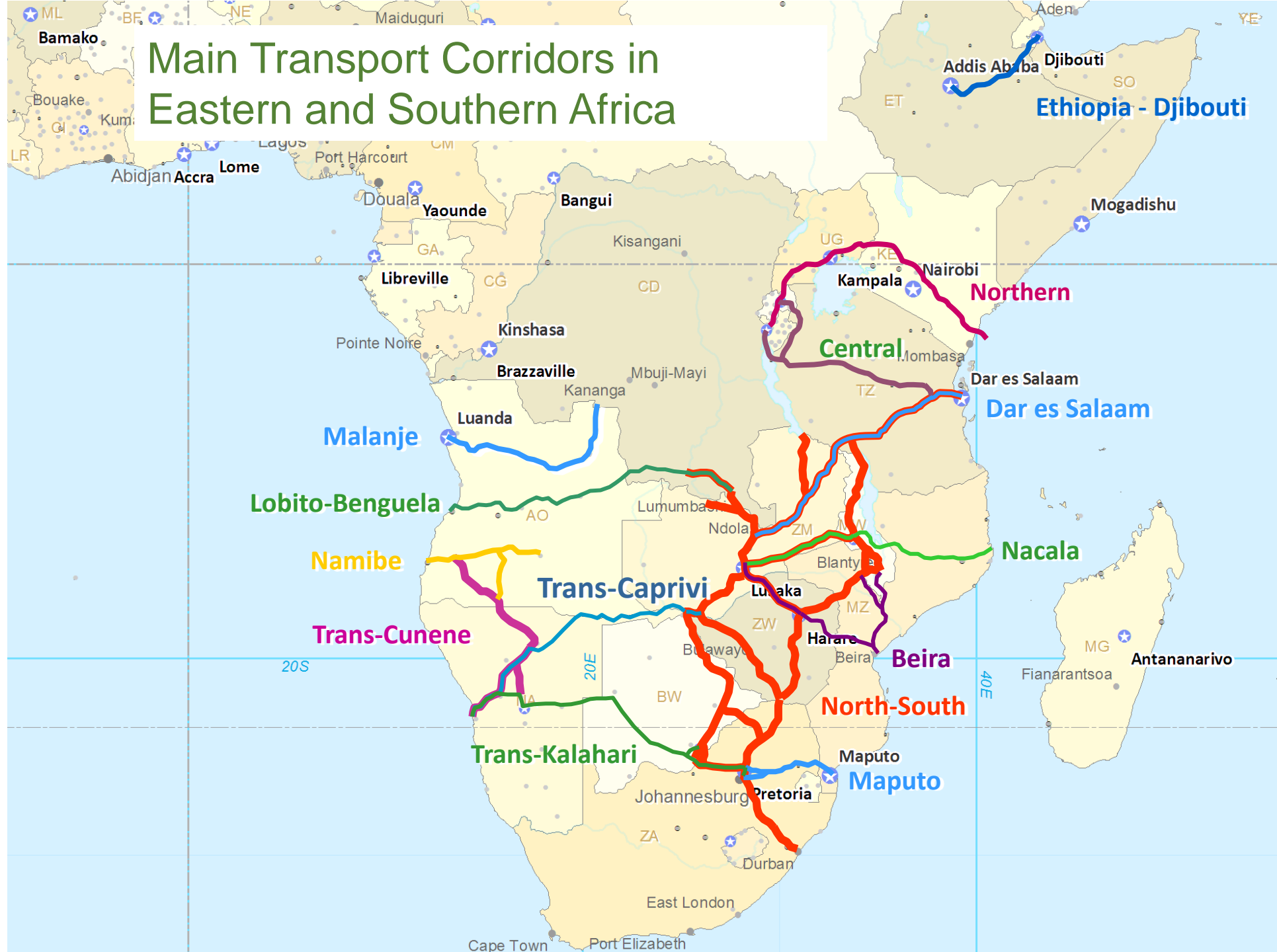
Market Integration Pillar is likely to have potential positive effects to the Tripartite economy in that:

- African neighbours are a significant export market of non-traditional exports – mainly unrecorded trade;
- The potential for increasing intra-African trade in agricultural goods is high and should encourage investment in agro-industries;
- Over three quarters of intra-African trade takes place within regional trading blocs, suggesting that such institutions are relevant stepping stones for deeper intra-African trade.
- The establishment of the Tripartite FTA will eliminate problematic issues and contradictions arising from overlapping memberships to regional economic communities;
- REC trade regimes would be harmonised and reduce costs of doing business for the private sector;
- Enhanced competitiveness of the region into the global market through improved production efficiencies and value addition;
- Priority sectors such as textiles and clothing, agro-processing and pharmaceutical have a great potential to increase intra-tripartite trade substantially once rules of origin and tariffs are eliminated;
- There is potential for increased intra-regional trade resulting of improved market access coupled reduced cost of doing business and improvements in trade infrastructure and a Tripartite industrial development policy.
- Increased investment opportunities in productive sectors and in value-addition areas.
- Increased employment opportunities in specific sectors where investment will have taken place and regional and global value chains are take advantage off.

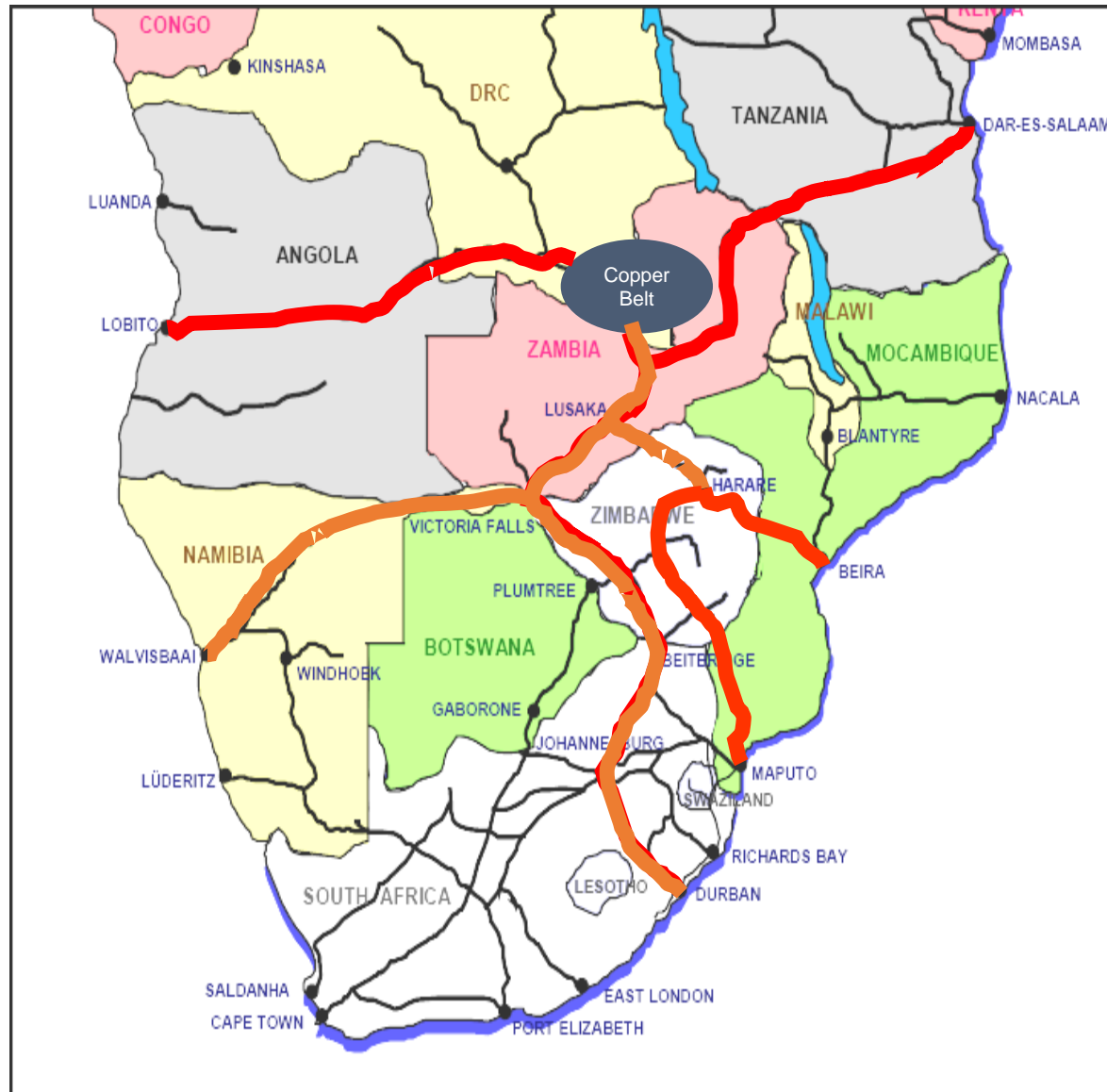
Prospects for the Tripartite

- The infrastructure development pillar is and will contribute substantially to reducing the cost of trading taking into account some of the programmes that the Tripartite has developed. The Tripartite adopted a corridor development strategy to deal with the challenges of interconnectivity and transportation of goods to the market.
- Implementation of the infrastructure projects is done at country level most of the time but the unit assists in resource mobilization and work closely with Member/Partner States.
- The tripartite is also working on trade and transport facilitation activities to improve the efficiency of transportation and movement of goods across borders.
- There are other infrastructure projects on energy, ZMK transmission, and air-transport coordination.
- Combined pool of resources to address infrastructure bottlenecks to trade;

Main Transport Corridors in Eastern and Southern Africa



Example of Copperbelt imports/exports route options



- 1 Rail to Lobito – railway line due to open in 2011
- 2 Rail to Dar es Salaam – TAZARA
- 3 Rail to Durban
- 4 Road to Harare and Rail to Maputo
- 5 Road to Harare and Rail to Beira
- 6 Road to Durban
- 7 Road to Walvis Bay

There are also other road-rail combinations. There are, in addition, plans to increase the number of routes and ports. Will there be enough traffic to justify new corridors and harbours? Is there enough traffic to make these routes economical? Should we decide on the priority routes on a regional basis?

Prospects for the Tripartite

- The RECs have programmes to harmonise trade facilitation measures including:
 - The regional customs bond – COMESA and SADC still have their own versions and national bonds the norm.
 - 3rd party vehicle insurance – not harmonised.
 - Carriers Licenses – mainly agreed bilaterally although COMESA has a regional license which is not widely used.
 - Axle load limits – RECs have agreed a maximum axle load of 56t but some countries do not allow this, some countries do not allow interlinks and some structures have lower axle limits which then (should) apply for the whole route.
 - Customs Modernisation – RECs have agreed a plan of action but this is yet to be implemented.
 - NTBs – have a system to record and eliminate NTBs an online system is operational and it now accommodated SMS.
 - One stop border posts such as Chirundu between Zambia and Zimbabwe now operational, Kasumbalesa between DRC and Zambia – under discussion, Nakonde –Tunduma at advanced stage in putting in place necessary infrastructure and regulations to mention a few. There a number where situation analysis have been done and traffic volumes are being monitors to ensure that investment that goes with a OSBP can be recovered.

Prospects for the Tripartite

- On the Industrial development pillar, once the Modalities for Cooperation in Industrial Development in the Tripartite are approved by the next Ministerial meeting, this will enable the Tripartite to improve the enabling environment for the selected priority sectors in agro processing, chemicals and minerals development beneficiation. These are potentially high growth sectors, in particular textiles and clothing which is part of agro-processing has the ability to increase exports to the region and beyond and to generate more employment. Combined these sector could bring about economic transformation in the region.
- An Industry Development Pillar Work Programme/Road Map has been developed and seeks to promote industrial development and has identified priority actions needed to improve productivity and competitiveness in tripartite regional value chains. Such developments in industry have the potential to create employment and contribute in addressing poverty.

Challenges likely to Affect the Tripartite

- High levels of poverty;
- Huge infrastructure gaps;
- Low levels of productive and sustainable investment;
- Poor social infrastructure – health, education and social services;
- Low capacity to domesticate the Tripartite regional integration instruments;
- Political and security concerns dictating the approach to movement of business persons instead of economic benefits that would accrue to both the receiving and the origin countries.

Challenges likely to Affect the Tripartite

- Maintaining and consolidating the political will and commitment gained at the first Tripartite Summit;
- Achievement of stakeholder buy-in and subsequent ownership of the whole integration programme;
- Overlapping membership;
- Multiplicity of trade regimes and instruments – which create complications and administrative bottlenecks;

Conclusion

- The Tripartite Free Trade Area objective of creating a single Free Trade Area from Cape to Cairo covering the 26 countries of the three RECs by consolidating, strengthening and expanding the benefits of the REC FTAs on a much wider basis accompanied by:
 - promoting industrial diversification, value addition, regional and global value chains development;
 - developing regional infrastructure and promoting interconnectivity;
 - Developing proactive trade facilitation instrument in order to reduce costs of transactions and of doing business in general;
 - Transforming the region into a competitive, seamless market for increased trade and investment;**is within reach.**
- Action is required to manage the will to move forward by keeping aspirations burning, engaging the private sector and addressing the capacities to implement the TFTA Agreement timely otherwise the envisaged benefits will remain a pipe dream.
- **NOTHING IS DONE UNTIL IT IS DONE. NO ACTION NO FRUIT.**

**THANK YOU
DANKIE
KE A LEBOKA
SIBONGA
TINOTENDA**