Distr.
LIMITED

CS/TCM/TCM/XXIX/13
June, 2013

Original: **ENGLISH**

COMMON MARKET FOR EASTERN
AND SOUTHERN AFRICA

Twenty-Ninth Meeting of the Trade and Customs Committee
24 - 27 June, 2013

Kampala, Uganda

REPORT OF THE TWENTY-NINTH MEETING OF THE TRADE AND CUSTOMS COMMITTEE

(TM/ZK-)rmm–June 2013

Introduction

1. The Twenty-ninth meeting of the Trade and Customs Committee was held on 24-27 June 2013 in Kampala, Uganda. The main objectives of the meeting were to consider the macroeconomic and trade developments, review the performance of the FTA, review progress towards the Customs Union and COMESA's relations with third parties as well as other trade related programmes.

2. The meeting was attended by delegates from the following Member States: Egypt, Eritrea, Kenya, Malawi, Mauritius, Rwanda, Seychelles, Swaziland, Uganda, Zambia, and Zimbabwe. The COMESA Clearing House and COMESA Liaison Office to the African Union were represented. The list of participants is attached as Annex III.

Opening of the Meeting *(Agenda Item 1)*

3. The meeting was officially opened by Mr Steven Kamukama of the Ministry of Trade, Industry and Co-operatives of Uganda on behalf of the Permanent Secretary, Ambassador Julius Onen. He welcomed delegates to Uganda and wished them an enjoyable stay.

4. He reminded the meeting that the transition period for the implementation of the Customs Union had been extended by Council for a further two years to provide for time to address the concerns raised by Member States regarding the Customs Union. In extending the transitional period, Council noted the difficulties that Member States were facing in implementing the Customs Union and called for the development of a comprehensive roadmap during the extended period of two years to address the challenges.

5. He stated that despite the diversity of the membership of COMESA, the region had succeeded in consolidating the integration agenda leading to the attainment of the Free Trade Area in 2000 which has seen intra-COMESA trade rise from US$3.1 billion in year 2000 to an estimated US$19.3 billion in 2012.

6. He chronicled the successes and achievements made by the region in integrating markets among its members and the institutions that had been set up to facilitate production and movement of goods within the region.

7. He urged the region to take note of developments in the Eurozone, the WTO, AGOA and draw some lessons that can be used as the regional integration continues to be designed.

8. In conclusion, he expressed confidence that the meeting would consider the technical issues and provide strategic guidance to the higher organs of COMESA with regard to implementation of the Trade and Customs and other trade-related issues.

9. He then declared the Twenty-Ninth meeting of the Trade and Customs Committee officially open.

Election of Bureau *(Agenda Item 2)*

10. The meeting elected the following Bureau to preside over the meeting:

Chair	:	Uganda
Vice Chair	:	Kenya
Rapporteur	:	Zambia

Adoption of the Agenda and Organisation of Work *(Agenda Item 3)*

11. The meeting adopted the following agenda:

1) Opening of the Meeting
2) Election of the Bureau
3) Adoption of the Agenda and Organisation of Work
4) Macroeconomic and Trade Developments
5) Internal Market

    a. Progress report on FTA Membership
    b. Update on Non-Tariff Barriers
    c. Draft NTB Regulations
    d. Report of the Tripartite NTBs On-line reporting and Eliminating Mechanism Meeting to Launch the SMS Reporting Tool
    e. The Simplified Trade Procedures
    f. Regulations on Small Scale Traders in COMESA
    g. Trading for Peace
    h. Report on RCTG
    i. Electronic certificate of origin,
    j. Operationalization of REPSS,

6) Customs Union

    a. Report of the fourth Meeting of the Committee on the Customs Union
    b. Report of the second meeting on Exemptions
    c. Report on the meeting on the COMESA HS 2012 CTN/CET transposition

7) Trade in Services

    Report of the Fifth Meeting of the Committee on Trade in Services

8) The Tripartite

9) Trade relations with third countries

    a. WTO Negotiations
    b. Progress Report on EPA negotiations
    c. The Africa Growth and Opportunity Act (AGOA)
    d. Report of the preparatory meeting on COMESA-India Trade and Economic Relations
    e. COMESA-Japanese Relations

10) Progress and prospects of the Cluster program

11) Report of the Workshop on Inclusive Growth

12) Issues coming out of the May 2013 AU Summit

13) Date and venue of next meeting

14) Any Other Business

15) Adoption of the Report

16) Closing of the Meeting

12. The meeting adopted the following working hours: 0900-1800 hours.

MACROECONOMIC AND TRADE DEVELOPMENTS *(Agenda item 4)*

MACROECONOMIC DEVELOPMENTS IN COMESA IN 2012

13. The meeting received a presentation on macroeconomic developments in the COMESA region in 2012, and noted as follows.

Growth Performance

14. The COMESA region achieved a growth rate of 5.4 percent in 2012, down from 5.7 percent in 2011 but well above the world average of 2.2 percent. However, the region still relied heavily on output of primary commodities. Big investment largely remains concentrated in a number of member countries in capital intensive extractive industries with few forward and backward linkages with the rest of the economy. As a result they have low employment intensity- that is the ability to generate jobs. Thus the region suffers from downside risks of high unemployment and inequalities. Wider diversification from primary commodity production to non primary commodity sector is therefore needed.

15. Growth prospects for 2013 remain robust with average real GDP growth projected at 5.8%. On top of the key growth factors that underpinned the region's economic performance in 2012, recent discoveries of natural resources will boost prospects for growth. Robust domestic demand, especially private consumption and buoyant fixed investment in infrastructure and extractive industries, as well as high government spending will remain key drivers of economic growth in the region in the medium term. The down side risks for economic growth, include among others, weak institutional capacity, huge infrastructure deficit, and slowing global growth (including major emerging countries) and the Euro debt crisis.

Table 1: Real GDP Growth
(Percent)

Country	2008	2009	2010	2011	2012	2013 (estimate)
Burundi	5.0	3.5	3.8	4.2	4.0	4.5
Comoros	1.0	1.8	2.1	2.2	2.5	3.5
Congo DR	5.6	7.5	7.2	6.9	7.1	8.3
Djibouti	5.8	5.0	3.5	4.5	4.8	
Egypt	7.2	4.7	5.1	1.8	2.0	
Eritrea	-9.8	3.9	2.2	8.7	7.0	3.4
Ethiopia	11.2	10.0	8.0	7.5	7.0	6.5
Kenya	1.5	2.7	5.8	4.4	4.7	5.8
Libya	5.4	-0.1	2.5	-61.0	121.9	
Madagascar	7.1	-4.1	0.4	1.8	1.9	2.6
Malawi	8.3	9.0	6.5	4.3	1.9	5.5
Mauritius	5.5	3.0	4.1	3.8	3.3	3.7
Rwanda	13.4	6.2	7.2	8.3	7.7	7.6
Seychelles	-1.9	-0.2	5.6	5.0	2.8	3.2
Sudan	3.2	3.0	5.2	2.7	-11.2	
Swaziland	3.1	1.2	1.9	0.3	-1.5	0.0
Uganda	7.7	7.1	5.6	6.7	2.6	4.8
Zambia	5.7	6.4	7.6	6.8	7.3	7.8
Zimbabwe	-18.3	6.3	9.6	9.4	4.4	5.1
COMESA	6.3	5.5	6.1	5.9	5.1	5.8

Source: IMF Regional Economic Outlook Sub Saharan Africa May 2013; IMF Regional Economic Outlook Update Middle East and Central Asia November 2012; Select Country Reports

1. Fiscal Policy

16. In 2012, the region’s average fiscal deficit excluding grants narrowed slightly to 5.9 percent of GDP from 6.1 percent in 2011 Member countries maintained accommodative fiscal policies owing to the significant requirements of public investments in areas of infrastructure and employment creation. As part of the desire to reduce dependence on external assistance and mobilize domestic resources, tax efforts picked up in many member countries. Supported by strong economic growth, many governments widened the tax base and improved tax collection and administration. Recent discoveries of minerals in a number of member countries are expected in the medium term to further expand fiscal space as well as public spending.

Table 2: Overall Fiscal Balance, Excluding Grants
(Percent of GDP)

Country	2008	2009	2010	2011	2012	2013 (estimate)
Burundi	-27.7	-24.5	-15.8	-14.9	-19.8	-16.4
Comoros	-13.0	-9.1	-7.8	-6.0	-5.4	-11.1
Congo DR	-6.4	-10.1	-9.1	-10.3	-10.7	-10.3
Djibouti						
Egypt			-8.5	-9.6		
Eritrea	-24.0	-17.3	-21.3	-19.4	-14.7	-13.0
Ethiopia	-6.9	-5.2	-4.6	-4.8	-3.0	-4.3
Kenya	-5.4	-6.2	-6.3	-5.7	-6.6	-6.1
Libya						
Madagascar	-5.4	-4.2	-1.5	-4.8	-4.0	-4.4
Malawi	-6.0	-5.1	-1.6	-3.5	-17.3	-16.6
Mauritius	-3.4	-5.2	-3.2	-3.2	-2.5	-2.5
Rwanda	-10.0	-11.4	-13.1	-13.1	-12.5	-12.7
Seychelles	2.0	-1.3	-1.7	0.1	-1.4	-2
Sudan			-4.7	-3.7		
Swaziland	-1.3	-6.7	-11.7	-5.8	3.5	-2.3
Uganda	-5.6	-5.2	-9.7	-5.3	-5.7	-4.9
Zambia	-4.9	-5.4	-4.8	-2.9	-6.0	-5.8
Zimbabwe	-2.7	-3.4	0.9	-1.7	-0.9	0.2
COMESA	-6.4	-6.6	-6.6	-6.1	-5.9	-5.9

Source: IMF Regional Economic Outlook Sub Saharan Africa May 2013; IMF Regional Economic Outlook Update Middle East and Central Asia November 2012; Select Country Reports

2. Monetary Policy

17. In 2012, monetary policies varied depending on the individual circumstances in the member countries but generally remained focused on controlling inflation and operating in an environment continuing to face risks from the global economic downturn. A number of central banks in the region pursued accommodative monetary policies owing to declining inflation from improved rainfall increasing agricultural production, but also to stimulate domestic demand, owing to the fact that a solid global recovery is unlikely to happen soon, while others, like Kenya and Uganda had to operate differently due to facing inflationary pressures caused by exchange rate depreciation. These economies saw their currencies devaluing, while facing inflation, which lead to a tightening of monetary policies.

3. Inflation

18. Average inflation dropped in 2012 to 13.1 percent as compared to an average inflation rate of 17.5 percent in 2011. The ease in inflation is attributed to the prior tightening of monetary policies in COMESA member states and improved weather conditions in Eastern Africa.

19. The region's average inflation is expected to decline in 2013, provided global food and energy prices decline or stablise and the improved weather conditions continue. According to IMF projections, the inflation levels continue to vary widely among member countries, but overall, is expected to continue its downward trend in 2013 with four member countries projected to meet the COMESA primary convergence criteria of not more than five percent while the majority will manage to keep inflation in the single digits.

Table 3: Consumer Prices
(Annual Average, Percent Change)

Country	2008	2009	2010	2011	2012	2013 (estimate)
Burundi	26.0	4.6	6.5	9.6	11.8	9
Comoros	4.8	4.8	3.9	6.8	6.0	4.3
Congo DR	18.0	46.2	23.5	15.5	9.3	6.8
Djibouti	12.0	1.7	4.0	5.1	4.3	
Egypt	18.3	11.7	11.1	10.1	10.8	
Eritrea	19.9	33.0	12.7	13.3	12.3	12.3
Ethiopia	44.4	8.5	8.1	33.1	22.8	8.3
Kenya	15.1	10.6	4.1	14.0	9.4	5.2
Libya	10.4	2.4	2.5	14.1	1.9	
Madagascar	9.2	9.0	9.2	9.5	6.5	7.0
Malawi	8.7	8.4	7.4	7.6	21.3	20.2
Mauritius	9.7	2.5	2.9	6.5	3.9	5.7
Rwanda	15.4	10.3	2.3	5.7	6.3	4.9
Seychelles	37.0	31.7	-2.4	2.6	7.1	4.6
Sudan	14.3	11.3	13.0	18.1	23.2	
Swaziland	12.7	7.4	4.5	6.1	8.9	8.1
Uganda	12.0	13.1	4.0	18.7	14.1	5.5
Zambia	12.4	13.4	8.5	8.7	6.6	6.5
Zimbabwe	157.0	6.2	3.0	3.5	3.7	4.5
COMESA	22.3	12.1	7.0	17.5	13.1	7.1

Source: IMF Regional Economic Outlook Sub Saharan Africa May 2013; IMF Regional Economic Outlook Update Middle East and Central Asia November 2012; Select Country Reports

4. Current Account

20. Current account deficit remained largely unchanged in the COMESA region, averaging about 11.1 percent of GDP in 2012.The average deficit for the COMESA region stands at 11.34

percent of GDP for the period from 2008 to 2012. The lack of significant improvement in the current account deficit in member countries can be attributed to persistent trade imbalances due to a combination of declining export demand and relatively inelastic import bills for fuel and food products faced by most member countries.

21. The current account deficit is not expected to improve in 2013 unless the global economy recovers strongly.

Table 4: External Current Account excluding Grants
(Percent of GDP)

Country	2008	2009	2010	2011	2012	2013 (estimate)
Burundi	-21.5	-13.9	-9.4	-12.3	-19.4	-18.2
Comoros	-12.5	-10.0	-16.2	-9.5	-12.7	-10.6
Congo DR	-24.7	-21.6	-15.5	-7.9	-1.4	-18.6
Djibouti						
Egypt			-2.4	-1.5		
Eritrea	-8.3	-10.2	-10.8	-2.7	0.9	1.5
Ethiopia	-10.5	-9.9	-10.4	-5.3	-10.2	-11.7
Kenya	-6.5	-5.7	-6.4	-10.6	-8.5	-8.6
Libya						
Madagascar	-21.4	-21.2	-8.3	-6.2	-8.2	-8.3
Malawi	-15.8	-14.2	-17.0	-11.9	-16.1	-13.2
Mauritius	-11.0	-8.5	-11.0	-13.3	-11.4	-9.8
Rwanda	-22.5	-35.0	-32.8	-37.7	-21.4	-19.2
Seychelles	-23.9	-15.2	-22.8	-24.3	-20.6	-20.3
Sudan						
Swaziland	-11.6	-18.0	-20.8	-11.3	-12.4	-9.5
Uganda	-7.9	-11.0	-12.9	-14.4	-13.0	-13.1
Zambia	-9.4	1.8	5.6	0.4	-2.4	-1.8
Zimbabwe	-31.8	-32.8	-31.8	-38.8	-23.9	-23
COMESA	-12.6	-11.3	-10.5	-11.2	-11.1	-11.2

Source: IMF Regional Economic Outlook Sub Saharan Africa May 2013; IMF Regional Economic Outlook Update Middle East and Central Asia November 2012; Select Country Reports

5. Reserves

22. In 2012, net external reserves levels remained unsatisfactory in a number of member countries at an average coverage level of three months of imports of goods and services. The majority of countries did not meet the agreed upon COMESA convergence criteria of not less than four month of imports of goods and services, needed to ensure comfortable balance of payments position and space for macroeconomic adjustments in unpredictably changing economic environments.

6. Conclusions

23. Notwithstanding the positive outlook, COMESA region's overall dependence on commodities makes it vulnerable to commodity price shocks. The region, therefore, needs structural transformation and diversified products with value addition as a means of mitigating the impact of volatility and fluctuations linked to unprocessed commodity exports. Industrialisation in the region can help to cushion against these effects, although trade barriers, unsound investment policies, and technological challenges –beyond institutional and infrastructural issues, will have to be resolved.

Table 5: Reserves

(Months of Imports of Goods and Services)

Country	2008	2009	2010	2011	2012	2013
Burundi	6.4	4.4	4.1	3.4	3.8	3.6
Comoros	5.3	6.6	5.7	6.0	7.0	7.5
Congo DR	0.1	1.2	1.3	1.4	1.6	1.7
Djibouti						
Egypt						
Eritrea	1.6	2.2	2.3	2.0	3.4	4.1
Ethiopia	1.1	2.2	2.5	2.8	1.7	1.7
Kenya	3.0	3.4	3.2	2.9	3.7	3.4
Libya						
Madagascar	3.0	4.2	3.7	3.9	3.5	3.6
Malawi	2.4	1.9	3.1	1.5	1.5	2.4
Mauritius	4.1	4.3	4.8	4.5	4.2	4.2
Rwanda	4.7	5.4	4.5	5.1	5.2	4.6
Seychelles	0.7	2.0	2.1	2.3	2.5	2.5
Sudan			0.6	1.2		
Swaziland	3.8	4.4	3.3	2.6	3.5	3.2
Uganda	5.0	5.7	4.5	4.0	4.6	4.3
Zambia	3.2	4.0	3.3	3.0	3.5	3.3
Zimbabwe	0.2	1.7	1.0	0.9	0.8	0.8
COMESA	2.7	3.3	3.0	2.9	3.0	2.9

Source: IMF Regional Economic Outlook Sub Saharan Africa May2013; IMF Regional Economic Outlook Update Middle East and Central Asia November 2012; Select Country Reports

TRADE DEVELOPMENTS

Global Trade

24. The meeting received a presentation on trade developments in COMESA over the 2003 to 2012 period, with a focus on 2012, and noted as follows.

25. Global trade for the COMESA countries in 2012 grew by 9% from US$ 240 billion in 2011 to US$ 262 billion in 2012, according to provisional figures available at the Secretariat. Specifically, total exports rose by 12% from levels of US$ 96 billion in 2011 to US$ 108 billion in 2012, while imports on the other hand also registered a 7% growth, from US$ 144 billion in 2011 to US$ 155 billion in 2012. See Fig 1 below.

26. At country level, some of the countries that greatly contributed to the overall 12% total exports growth in the region were Libya (108% growth), Burundi (24% growth), Rwanda (22% growth), Swaziland (18% growth) and Congo DR (12% growth). Notable among the countries that registered negative growth in their total exports in the year 2012 is Sudan with a decline of 63%.

27. On the import side, among the countries that contributed to the overall 7% growth in 2012 are Libya, Ethiopia, Zambia and Uganda with growth rates of 46%, 36%, 23% and 19% respectively. Others were Kenya (10% growth) and Egypt (9% growth). On the other hand, Sudan and Seychelles are among the countries that experienced drops in levels of their global imports with declines of 35% and 38% respectively. Table 1 below depicts global COMESA trade performance by country, 2010 – 2012 and percentage changes in 2012.

Table 1: Global COMESA Trade by Country, 2010 - 2012, Values in US$ millions

	2010			2011			2012			*% Change (2012)*	
Country	**Exports**	**Re-Exports**	**Imports**	**Exports**	**Re-Exports**	**Imports**	**Exports**	**Re-Exports**	**Imports**	**Total Exports**	**Imports**
Burundi	107	10	398	184	14	858	232	12	798	*23.6*	*-7.0*
Comoros	15	0	182	24		201	45		136	*85.6*	*-32.5*
Congo DR	4,874		4,526	5,417		5,399	6,050		4,825	*11.7*	*-10.6*
Djibouti	299	699	1,402	462	1,069	1,591	35		2,159	*-97.7*	*35.7*
Egypt	26,665		52,944	30,607		58,934	29,259		64,282	*-4.4*	*9.1*
Eritrea	14		457	309		480	437		309	*41.3*	*-35.7*
Ethiopia	2,409	44	9,229	2,573	62	8,765	1,939	14	11,876	*-25.9*	*35.5*
Kenya	5,088	768	12,021	5,761	839	14,914	6,230	1,053	16,406	*10.4*	*10.0*
Libya	44,048		21,500	16,791		7,687	34,910		11,225	*107.9*	*46.0*
Madagascar	924	115	2,279	1,360	96	2,904	1,202	35	2,486	*-15.0*	*-14.4*
Malawi	1,048	1	2,344	1,404	6	2,423	1,232	2	2,858	*-12.5*	*18.0*
Mauritius	1,598	501	4,245	1,828	344	4,977	1,702	379	5,116	*-4.2*	*2.8*
Rwanda	202	35	1,255	371	47	1,359	417	92	1,654	*21.7*	*21.7*
Seychelles	265	1	869	693	193	1,606	476	183	997	*-25.6*	*-37.9*
Sudan	11,517	12	11,875	8,979	2	9,546	3,366	2	6,190	*-62.5*	*-35.2*
Swaziland	1,579	119	1,739	1,594	58	1,803	1,891	57	1,640	*17.9*	*-9.0*
Uganda	1,105	427	4,550	2,199	539	5,126	2,294	413	6,088	*-1.2*	*18.8*
Zambia	6,834	338	5,022	8,644	372	7,179	8,939	706	8,818	*7.0*	*22.8*
Zimbabwe	3,442	113	4,706	3,534	49	8,540	3,913	44	6,743	*10.4*	*-21.0*
Total	**112,033**	**3,183**	**141,542**	**92,735**	**3,691**	**144,290**	**104,569**	**2,992**	**154,608**	***11.55***	***7.15***

Source: COMSTAT Database and UN COMTRADE Database

28. As regards to the major export markets for COMESA products, the EU still ranked number one with exports worth US$ 34 billion destined to the EU market in 2012, up from US$ 31 billion exported in 2011, representing a 9% increase. (See Table 2 below). Exports to the EU are primarily Petroleum oils and oils obtained from bituminous minerals exported by Libya.

Ranked second after the EU was China as a major export market for COMESA products with exports from COMESA worth over US$ 14 billion in 2012, a slight 3% gain over the previous year's levels. These exports were mainly Petroleum oils and oils obtained from bituminous minerals from Libya, and refined copper and cobalt from Congo DR and Zambia.

Table 2: COMESA's Major Export Trade Markets , 2003 - 2012, Values in US$ millions

Rank	Dest. Mkt	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1	EU	17,864	22,840	29,685	38,027	38,053	55,014	34,889	49,791	31,143	33,977
2	China	2,116	1,932	3,462	7,000	3,079	12,180	11,659	17,141	13,845	14,305
3	COMESA	2,145	2,335	3,208	2,970	4,520	6,772	6,621	9,040	10,134	9,263
4	Switzerland	948	1,266	1,823	3,214	3,714	5,791	3,930	4,909	5,550	6,471
5	South Africa	2,926	2,506	1,785	2,483	3,105	2,529	2,695	4,262	5,727	6,030
6	USA	1,516	2,071	3,548	4,865	5,201	6,350	4,285	4,950	3,697	5,833
7	UAE	272	305	873	1,272	859	1,586	2,104	3,105	3,053	4,854
8	India	635	548	693	1,948	1,854	2,752	2,401	2,392	2,889	3,836
9	Saudi Arabia	408	524	764	754	903	1,695	1,827	2,152	2,402	2,333
10	Turkey	1,142	1,649	2,161	681	669	1,168	1,236	1,451	1,736	2,156
	RoW	5,427	6,500	7,792	9,663	13,919	16,795	13,663	16,023	16,249	18,503
	Total	**35,399**	**42,475**	**55,794**	**72,878**	**75,877**	**112,631**	**85,310**	**115,216**	**96,426**	**107,561**

Source: COMSTAT Database and UN COMTRADE Database

29. On the import side, the EU still ranked number one as a major source of imports into the COMESA market. Imports from the EU in 2012 were worth over US$ 33 billion, up from levels of US$ 31 billion recorded the previous year, registering a growth of 6%. Ranked after the EU was China, South Africa, India and the COMESA region in that order. (See Table 3 below).

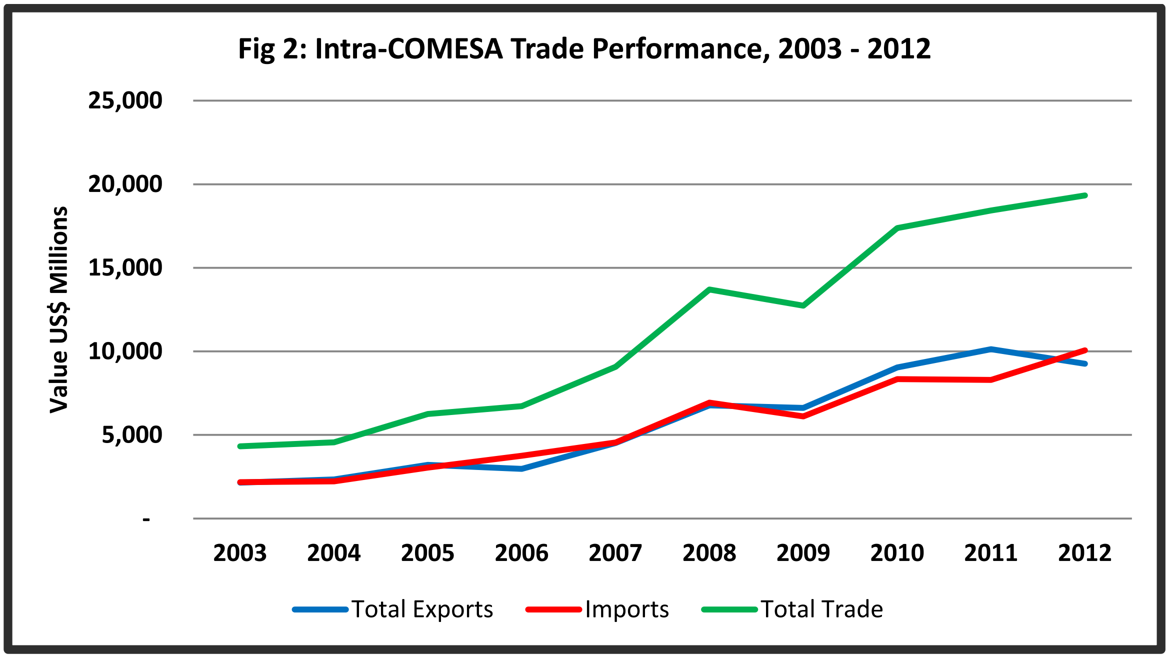
Table 3: COMESA's Major Import Trade Markets 2003 - 2012, Values in US$ millions

2012 Rank	Origin Mkt	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1	EU	11,627	13,667	17,358	18,845	22,470	36,498	34,053	38,691	31,735	33,807
2	China	2,063	2,686	4,344	5,850	7,873	12,359	12,607	15,856	15,849	19,144
3	South Africa	3,888	4,979	5,024	4,970	6,727	8,729	7,777	9,483	12,592	11,234
4	India	1,192	1,612	2,131	2,877	3,565	6,518	5,368	6,436	7,689	10,244
5	COMESA	2,173	2,223	3,046	3,757	4,554	6,932	6,110	8,337	8,294	10,063
6	USA	2,375	2,173	3,150	3,409	4,514	8,358	7,600	7,652	9,313	7,734
7	Turkey	629	818	1,381	1,038	1,127	2,853	5,137	4,711	4,452	6,405
8	Saudi Arabia	1,534	1,534	3,573	4,352	5,320	9,289	4,240	4,895	5,342	5,979
9	UAE	932	1,156	2,170	3,089	3,225	5,152	3,621	5,525	6,727	5,010
10	Kuwait	203	107	910	1,353	1,357	2,346	1,769	2,343	4,288	4,348
	RoW	12,613	13,229	19,222	22,347	27,910	37,210	30,207	37,612	38,009	40,639
	Total	**39,230**	**44,185**	**62,309**	**71,887**	**88,642**	**136,245**	**118,489**	**141,542**	**144,290**	**154,608**

Source: COMSTAT Database and UN COMTRADE Database

Intra COMESA Trade

30. Provisional indications are that intra-COMESA total trade grew by 5% in 2012 over 2011 levels, from US$ 18.4 billion in 2011 to US$ 19.3 billion in 2012. Among the countries contributing to this growth were Libya, Zambia and Rwanda, all with growths in both intra-exports and intra-imports in 2012. Fig 2 below depicts the performance of intra-COMESA trade over the period 2003 – 2012.



Source: COMSTAT Database

31. Other notable contributors with positive growth in their intra-COMESA exports are Egypt while Malawi, Zimbabwe and Uganda also contributed to the intra-COMESA growth with positive growths in their intra-COMESA imports. (See table 4 below).

Table 4: Intra-COMESA Trade by Country, 2011 - 2012, Values in US$ millions

Country	2011			2012			*% Change (2012)*		
	Exports	Re-Exports	Imports	Exports	Re-Exports	Imports	Exports	Re-Exports	Imports
Burundi	32	6	158	33	7	157	*6.0*	*11.7*	*-0.7*
Comoros	3		7	1		33	*-62.6*		*334.0*
Congo DR	1,256		1,172	1,209		1,348	*-3.8*		*15.0*
Djibouti	136	900	115	15		99	*-89.2*	*-100.0*	*-13.9*
Egypt	1,623		835	2,480		781	*52.8*		*-6.5*
Eritrea	10		95	7		92	*-27.2*		*-2.5*
Ethiopia	315	1	289	262	2	236	*-17.0*	*45.3*	*-18.4*
Kenya	1,760	301	617	1,598	273	726	*-9.2*	*-9.4*	*17.5*
Libya	70		607	127		1,587	*80.8*		*161.3*
Madagascar	46	4	174	38	2	146	*-16.7*	*-41.8*	*-16.1*
Malawi	308	4	226	168	0	428	*-45.5*	*-90.8*	*89.8*
Mauritius	100	89	153	102	105	149	*2.8*	*17.4*	*-2.4*
Rwanda	116	36	368	225	82	421	*94.0*	*129.9*	*14.5*
Seychelles	247	0	51	5		45	*-98.0*		*-12.5*

Sudan	422	0	661	276	0	582	*-34.6*	*-98.8*	*-12.0*
Swaziland	95		7	45		5	*-52.7*		*-23.2*
Uganda	648	308	659	358	135	714	*-44.8*	*-56.1*	*8.2*
Zambia	1,063	84	1,637	1,422	165	1,872	*33.8*	*96.6*	*14.4*
Zimbabwe	137	14	462	108	13	641	*-20.6*	*-9.6*	*38.8*
Total	**8,386**	**1,748**	**8,294**	**8,479**	**784**	**10,063**			

Source: COMSTAT Database

32. Whereas over 98% of Libya's intra-COMESA trade is with Egypt with imports comprising of different products, Libya's exports to Egypt are mainly petroleum oils and oils obtained from bituminous minerals and these amounted to over US$ 92 million in 2012. Zambia's imports from Congo DR in 2012 amounted to over US$ 1.2 billion, and these were mainly copper ores and concentrates, copper powders and flakes and cobalt oxides. Zambia's major intra-export product was maize corn to Zimbabwe worth over US$ 240 million in 2012. Rwanda's major major intra-imports comprised of Portland cement, animal or vegetable fats and palm oil all from Uganda.

33. Malawi's major intra-COMESA imports were petroleum gases and oils from Zambia and these amounted to almost US$ 300 million in 2012 while Zimbabwe's intra-COMESA imports for maize and tobacco from Zambia were worth over US$ 374 million in 2012 (almost 60% of her intra-imports). Over 83 % of Uganda's intra-COMESA imports are from Kenya and these are various products topped by Portland cement and petroleum oils among others.

34. As far as market share is concerned, Egypt had the biggest market share of 27% for intra COMESA exports. Egypt was followed by Kenya, Zambia and Congo DR with shares of 20%, 17% and 13% respectively. On the import side, Zambia registered the biggest market share of 19% in 2012. Zambia was followed by Libya in second position with an intra-import market share of 15.8%, slightly above the previous year's share of 15.5%. Congo DR and Egypt were ranked in third and fourth positions with shares of 13.4% and 7.8% respectively. (See Table 5 below).

Table 5: Intra-COMESA Trade, 2012, Values in US$ millions and % Shares

Rank	Exporter	Value	% Share	Importer	Value	% Share
1	Egypt	2,480	26.8	Zambia	1,872	18.6
2	Kenya	1,871	20.2	Libya	1,587	15.8
3	Zambia	1,587	17.1	Congo DR	1,348	13.4
4	Congo DR	1,209	13.1	Egypt	781	7.8
5	Uganda	493	5.3	Kenya	726	7.2
6	Rwanda	306	3.3	Uganda	714	7.1
7	Sudan	276	3.0	Zimbabwe	641	6.4
8	Ethiopia	264	2.8	Sudan	582	5.8
9	Mauritius	207	2.2	Malawi	428	4.3
10	Malawi	169	1.8	Rwanda	421	4.2
11	Libya	127	1.4	Ethiopia	236	2.3
12	Zimbabwe	121	1.3	Burundi	157	1.6
13	Swaziland	45	0.5	Mauritius	149	1.5
14	Madagascar	41	0.4	Madagascar	146	1.5
15	Burundi	40	0.4	Djibouti	99	1.0
16	Djibouti	15	0.2	Eritrea	92	0.9
17	Eritrea	7	0.1	Seychelles	45	0.4
18	Seychelles	5	0.1	Comoros	33	0.3
19	Comoros	1	0.0	Swaziland	5	0.1
	Total	**9,263**	**100**		**10,063**	**100.0**

Source: COMSTAT Database

35. As for the top-most traded products within the region in value terms, Copper ores and concentrates were still ranked as number one for the third year running from 2010. (See Table 6 below). Ranked second after the Copper ores and concentrates was black tea, previously ranked number one in 2009 and 2008. Portland cement and cobalt ores and concentrates were ranked in the third and fourth positions respectively in 2012.

Table 6: Intra-COMESA Top Domestic Export Products and Rankings, 2008-2012

	SITC	Description	2012 Values (USDM)	R12	R11	R10	R09	R08
1	2831	Copper ores and concentrates	760.93	1	1	1	3	2
2	07414	Other black tea (fermented) and other partly fermented tea	382.03	2	2	2	1	1
3	66122	Portland cement	252.33	3	4	3	2	4
4	28793	Cobalt ores and concentrates	171.94	4	14	7	12	506
5	0441	....seed	160.32	5	21	47	47	68
6	66245	Glazed ceramic flags and paving, hearth or wall tiles;	151.34	6	65	24	13	17
7	07111	Coffee, not roasted, not decaffeinated	141.19	7	17	20	16	10
8	3346	Petroleum oils and oils obtained from bituminous minerals	138.30	8	47	52	8	26
9	0449	....other	134.54	9	10	66	290	23
10	00119	Other than pure-bred breeding animals	105.22	10	19	40	148	157
11	1211	Tobacco, not stemmed/stripped	99.82	11	12	13	5	6
12	06112	Beet sugar, raw	99.03	12	1623	236	1837	330
13	33525	Oils and other products, n.e.s., the non-aromatic constituents.	95.74	13	1647	1532	818	1,041
14	89319	Articles for the conveyance or packing of goods, n.e.s.;	93.93	14	34	35	41	33
15	68262	Copper powders and flakes	93.30	15				
16	54293	Medicaments, n.e.s.,	92.18	16	20	22	19	21
17	63512	Pallets, box pallets and other load boards; pallet collars	90.95	17	745	761	792	851
18	52255	Cobalt oxides and hydroxides; commercial cobalt oxides	90.01	18	9	9	90	
19	06129	....other	88.36	19	11	12	14	20
20	66134	Marble, travertine and alabaster and articles thereof,	86.22	20	133	110	448	591

36. The percentage of intra-COMESA trade to total COMESA trade in 2012 stood at 7%, a slight decline from levels of 8% registered in 2011. At country level, member states trading more within the region are Rwanda, Congo DR, Zambia, Burundi, Uganda and Malawi. See Table 7 below.

Table 7: Intra-COMESA Trade as a Percentage of Total Trade by Country, 2003-2012

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Burundi	22	21	18	17	26	22	26	25	19	19
Comoros	3	4	3	9	3	5	5	8	5	19
Congo DR	16	13	8	12	18	17	22	21	22	24
Djibouti	14	6	9	1	8	4	18	28	37	5
Egypt	3	2	2	2	2	4	4	4	3	3
Eritrea	3	1	9	13	5	13	17	33	13	13
Ethiopia	6	4	6	8	5	5	4	5	5	4
Kenya	15	16	16	12	11	11	11	12	12	11
Libya	1	0	1	1	1	2	3	3	3	4
Madagascar	4	5	6	4	5	3	5	7	5	5
Malawi	13	13	14	13	15	9	10	13	14	15
Mauritius	5	4	4	4	5	5	5	4	5	5
Rwanda	24	25	32	48	38	40	37	33	29	34
Seychelles	2	4	2	2	3	4	6	4	12	3
Sudan	10	7	5	5	5	4	4	5	6	9
Swaziland	4	3	2	5	9	9	6	4	3	1
Uganda	25	25	28	20	22	20	21	21	21	14
Zambia	15	13	13	9	12	16	16	17	17	19
Zimbabwe	3	6	13	5	10	7	6	7	5	7
Total	**6**	**5**	**5**	**5**	**6**	**6**	**6**	**7**	**8**	**7**

37. In discussing the agenda item, the meeting raised the following points:

a. There was need for deeper analysis for the trade developments as regards to the factors that impede growth in intra-COMESA trade and general global trade and come up with recommendations to increase the trade;
b. The prevalence of NTBs has a negative effect on intra-COMESA trade;
c. There was need to continue evaluating the effect that the COMESA Rules of Origin have on intra-COMESA Trade and industrialization;
d. Intra-COMESA trade was dominated by products like tea and minerals and not manufactures and therefore there was need to focus on industrialization;
e. There was need to make use of COMESA Trade Facilitation instruments that have been put in place such as the Regional Payments and Settlement System (REPSS), the COMESA Virtual Trade Facilitation System and the COMESA Electronic Market exchange Systems in order to improve trade among the Member States;

f. Focus should be put on trade promotion by organising more trade fairs, conducting market surveys, and organizing buyer-to-seller meetings and meetings of the Trade Promotion Offices;
g. Member States should be adding value to their products as a way of improving intra-COMESA trade; and
h. The Member States yet to join the FTA should do.

38. The meeting was further reminded that the source of trade data in COMSTAT were the National Statistical Offices (NSOs) of the Member States and that the Rules and Regulations governing production of trade statistics require that Member States submit data to the Secretariat at least three months after the reference period, latest by December each year.

39. The meeting was informed that the Secretariat was organizing a meeting of Trade Promotion Organizations in the second half of the year 2013 to discuss issues of trade promotion and a manufacturers' meeting has been scheduled for Rwanda in July 2013.

40. On the concern that intra-COMESA trade decreased to 7% in 2012, the meeting was informed that various COMESA programs under implementation, including the trade facilitation, elimination of NTBs, infrastructure development, and ICT, some of which were on the meeting's agenda, were designed to continue increasing intra-COMESA trade. Importation of inputs to support investment and production can initially give the impression that intra-COMESA trade is decreasing

Recommendations

41. ***The Committee welcomed and noted the presentations on Macroeconomic and Trade Developments, and recommended as follows:***

a. ***There is need for deeper analysis for the trade developments as regards to the factors that impede growth in intra-COMESA trade and general global trade and come up with recommendations to increase the trade;***

b. ***There is need to continue evaluating the effect that the COMESA Rules of Origin have on intra-COMESA Trade and industrialization;***

c. ***As intra-COMESA trade was dominated by products like tea and minerals and not manufactures, there is need to focus on industrialization;***

d. ***There is need to make use of COMESA Trade Facilitation instruments that have been put in place such as the Regional Payments and Settlement System (REPSS), the COMESA Virtual Trade Facilitation System and the COMESA Electronic Market Exchange System in order to improve trade among the Member States;***

e. ***Focus should be put on trade promotion by organising more trade fairs, conducting market surveys, and organizing buyer-to-seller meetings and meetings of the Trade Promotion Offices;***

f. ***Member States should be adding value to their products as a way of improving intra-COMESA trade; and***

g. ***The Member States yet to join the FTA should do so.***

INTERNAL MARKET

PROGRESS REPORT ON FTA MEMBERSHIP *(Agenda item 5a)*

COUNTRY REPORTS ON PARTICIPATION IN THE INTERNAL MARKET *(Agenda item 5a)*

Introduction

42. The meeting received updates on non-FTA Member States regarding progress towards their participation in the FTA as follows.

D R Congo

43. The Government of the DR Congo has made the decision to join the COMESA FTA following the impact assessment study recommendations. The instrument of accession that was developed for that country is before the legislature in DR Congo. It is expected that D R Congo will finalise its internal consultation processes and join the FTA as soon as possible.

Eritrea

44. The State of Eritrea had by 1998 reduced tariffs by 80 percent and the Secretariat has been supporting the Government to build the capacity of Customs to implement the FTA and other trade related programmes. A workshop has been planned for the second half of the year 2013 on COMESA programmes focusing on rules of origin and benefits of FTA.

Ethiopia

45. Ethiopia has conducted an impact assessment study in 2011 to address key areas including the Macro-economic framework for competitiveness, Trade and Investment, Industry, Agriculture, and Agro-industries competitiveness and Institutions and infrastructure. A national validation workshop was held on 16 May 2013 at the Ministry of Finance and Economic Development of Ethiopia to validate the report presented by the consultants on assessing the competitiveness of Ethiopia to beneficially participate in the COMESA FTA. During the validation workshop, the Hon Minister stated that Ethiopia should play an important role in regional integration in COMESA as a founding member and hence it was imperative that the

country joins the COMESA FTA as competition was inevitable in the current tariff liberalized international trade arena.

46. The principal concern of the Government and private sector was the competitiveness of industry when Ethiopia accedes to the COMESA FTA and, in this regard, the consultants are finalizing the study taking into account the following information, as requested by Ethiopia:

a. Statistics especially on trade flows including identification of the potential market for Ethiopian competitive products,
b. The COMESA harmonized standards.
c. Proposals on accessing the adjustment funds under RISM
d. Case studies of the experience of some member states showing how revenue collection in fact increased following the implementation of regional liberalization programs.
e. Need for continuous capacity building on Rules of Origin, NTBs, Technical Barriers to Trade (TBT) and Sanitary and Phyto-Sanitary Measures (SPS).

47. It is expected that the consultants will finalise their report within the next three to four months for adoption by Ethiopia and for its necessary action of commencing the process of accession to the FTA.

Uganda

48. Uganda has made significant progress in its bid to join the COMESA FTA family after the announcement at the last Summit in November 2012 by the President of Uganda that Uganda is joining the COMESA FTA. It was expected that the accession instrument from Uganda will be received any time now soon.

49. It noted that at the time of launching the COMESA FTA on 31 October 2000, Uganda had reduced its tariffs for COMESA originating goods by 80% and only has to remove the remaining 20% to be in the FTA.

South Sudan

50. On 9 July 2011, South Sudan became independent. Prior to South Sudan’s independence, Sudan was, in 2000, part of the founding Members of the COMESA FTA. In terms of the COMESA Treaty, South Sudan would become a Member of COMESA through accession to the Treaty. The process of South Sudan acceding to the Treaty would enable the country to participate in the COMESA FTA. Taking into account that South Sudan was a new country the Secretariat will have to undertake capacity building programmes to enable the Government to implement COMESA programmes.

Swaziland

51. Swaziland is under derogation. Council at its 28th Meeting decided that the derogation to Swaziland be extended beyond December 2010 and that it be linked to the establishment of the Tripartite FTA when Swaziland would participate in the Tripartite FTA.

Discussion

52. In the discussion, Eritrea informed the meeting that it required capacity building in COMESA trade programmes focusing on Rules of Origin and NTBs in order to facilitate their participation in the FTA.

53. Uganda informed the meeting that the national processes for acceding to the FTA were at an advanced stage and it was expected that Uganda would deposit the instrument of accession soon. The meeting urged Uganda to finalise its internal processes and deposit the instrument of accession to the FTA with the Secretariat in order to enhance regional trade.

54. Information was sought as to why Swaziland's participation in the COMESA FTA was linked to the Tripartite FTA. The meeting was reminded that Swaziland has been under derogation for a long time due to its membership in SACU and the Tripartite FTA, by establishing a common FTA trade regime among all the tripartite countries, would ultimately assist to address the issue of multiplicity of trade regimes and membership.

55. The meeting sought clarification on whether South Sudan was a member of COMESA. It was clarified that the country was a member of COMESA before the split and it was hoped that South Sudan would soon finalise its formal accession to COMESA in accordance with Treaty provisions.

Recommendations

56. ***The Committee recommended as follows:***

- ***a.*** ***The Republic of Uganda be commended for taking the decision to join the FTA and be urged to deposit the accession instrument with the Secretariat so as to complete the accession process by the time of the next meeting of the Policy Organs in October 2013;***

- ***b.*** ***That DR Congo be commended for taking the decision to join the FTA and be urged to speed up the process of internal consultations and to provide a time frame when it will be able accede to FTA;***

- ***c.*** ***That Ethiopia be commended for the resolve to join the FTA and be urged to speed up the process so as to reap the benefits of trade liberalization in the region;***

- ***d.*** ***That the Secretariat should assist the acceding Member States by way of capacity building in specific areas such as Rules of Origin as well as***

sensitization workshops on the benefits and opportunities in the FTA for stakeholders;

e. ***That the Tripartite TFTA negotiations be kept on course and finalised by June 2014, in accordance with the negotiations roadmap, to enable Swaziland to participate effectively in both the Tripartite FTA and the COMESA FTA; and***

f. ***A workshop be organized for Eritrea in the second half of 2013 focusing on rules of origin and benefits of the COMESA FTA.***

UPDATE ON NON-TARIFF BARRIERS *(Agenda item 5b)*

57. The meeting was informed that the COMESA region had attained trade liberalization through the FTA that has resulted in regional trade values rising from US $ 3.1 billion in 2001 to US $ 19.3 billion in 2012. With the advent of tariff liberalization, the region had witnessed the proliferation of all forms of Non Tariff Barriers (NTBs) that stifle the free flow of intra-COMESA trade thereby impacting on volumes and values negatively.

58. Article 49 of the COMESA Treaty, provides for the elimination of Non Tariff Barriers, and prohibits the introduction of new ones. Council, in its various meetings particularly the Twenty-Ninth, decided that reported NTBs should be removed within a period of sixty days to facilitate intra-regional trade. In that connection, COMESA has developed mechanisms to identify, report and monitor the elimination of NTBs including the on-line Reporting and Monitoring Mechanism. In addition to resolving disputes arising from the application of the mechanism, Institutional structures at regional and national levels to address NTBs related matters have been established.

Reported and Pending NTBs

a. Export of fridges and freezers from Swaziland to Zimbabwe; rules of origin query:

The committee recalled that a second verification mission was undertaken by Zimbabwe to Swaziland in December 2011 and that Zimbabwe requested for more information to enable it finalise the Verification Mission report. Swaziland had not yet availed the requested information. The Secretariat was taking up the matter to explore other available options and would provide technical guidance to both countries with a view to resolving the trade impasse and resuming trade on the affected products.

b. Query by Kenya on Egyptian White milled Sugar and LG electronics- Rules of Origin:

The meeting recalled that Egypt reported during the Policy Organs meetings in Kampala, Uganda in November 2012, that Kenya undertook a verification mission to Egypt to ascertain the originating status of exports of white milled sugar and LG electronics in

July 2012. The Secretariat had been informed by Egypt that no report had been received from Kenya to date despite requests and reminders to that effect.

c. Trade impasse on Kenyan Milk and Milk products to Zambia - SPS and Standards:

   i. The Committee recalled that following fruitful bilateral consultations between the two countries, trade on milk powder and condensed milk from Kenya to Zambia had resumed.

   ii. The meeting recalled that exports of fermented milk products such as yoghurt and other milk products were to be considered upon further bilateral consultations between the two Member States understandably by March 2011 whereas exports of UHT milk were to resume upon full compliance with Zambian raw milk standards by Kenya.

   iii. The meeting further recalled that Kenya requested for a study tour of Zambia's milk value chain and pursuant to that, the Thirtieth Meeting of the Council of October 2011 in Lilongwe, Malawi, decided that the Secretariat facilitates a study tour on Zambia's milk value chain by Kenya as had been agreed between Kenya and Zambia at the Twenty-Seventh Meeting of the Trade and Customs Committee.

   iv. Pursuant to the Council decision, Kenya undertook the study tour of the Zambian milk value chain where the Secretariat participated as good offices from 29 October to 2 November 2012 in Zambia.

d. Query on Mauritian soap exports into Madagascar - Rules of Origin: both countries are yet to agree on costing method;

   The Secretariat sought the concurrence of Madagascar (Mauritius had agreed) on the proposal to engage an international costing expert as the two countries could not agree on that. However, Madagascar is yet to respond to the Secretariat on that proposal.

e. Query on Pure palm - based cooking oil exports from Kenya to Zambia - Rules of Origin;

   It was reported that the two countries were still undertaking bilateral consultations on the matter.

Discussion

59. The meeting considered the above pending as well as partially resolved NTBs as reported by the affected Member States both off-line and on the online NTB reporting and monitoring system with a view to providing a way forward for the resolution of the NTBs.

60. The meeting noted that a number of NTBs were reported but resolved in good time and so did not find their way to the on-line reporting and monitoring mechanism.

61. The meeting underscored the importance of adhering to Treaty provisions on NTBs and in this regard there was need for monitoring the NTBs with a view to evaluating progress being made in resolving them and whether Member States were refraining from introducing new ones.

62. As regards, the trade impasse of export of fridges and freezers from Swaziland to Zimbabwe, Zimbabwe reiterated that it is awaiting additional information as had been requested during its last verification mission to Swaziland to enable the two Member States finalise the report of the Joint on the Spot Verification.

63. Kenya informed the meeting that it had not been able to produce a report of the verification mission it undertook to Egypt on the originating status of white milled sugar and LG electronics as the mission was inconclusive. In this regard, as requested by Egypt, Kenya proposed for a second verification mission in August 2013 and Egypt promised to revert after it received official communication from Kenya with proposals on dates. Egypt further stated that the verification will cover farms and sugar factories.

64. With regard to the trade impasse on Kenyan milk and milk products to Zambia the meeting noted that the two Member States held a bilateral meeting in the margins of the Twenty-Ninth Trade and Customs Committee Meeting and agreed that a further bilateral meeting be held on 23 – 25 July 2013 in Lusaka, Zambia to discuss the draft report of the study tour prepared by the Kenyan delegation and to resolve the impasse.

65. Mauritius reported that Egypt was charging an anti-dumping duty of 20% on Mauritian sugar that has forced the exporters to change the HS classification of the sugar to avoid the anti-dumping duty. In response Egypt clarified that due to internal reasons, the country was imposing a temporary (200 days) 20% safeguard duty on all imports of raw and white milled sugar from all over the world, including COMESA. However, a country whose exports are less than 3% of the total imports into Egypt is not subjected to the duty. Egypt was in the process of reviewing the safeguard duty. Mauritius undertook to communicate officially to the Secretariat on the matter for appropriate action.

66. As regards monitoring and tracking of NTBs, the meeting was informed that the Tripartite NTB online reporting and monitoring mechanism can provide tracking of NTBs in terms of age and status on resolution.

Recommendations

67. ***The Committee recommended as follows:***

- ***a.*** ***Member States with outstanding NTBs are urged to remove them as soon as possible in accordance with the Council decisions and where there are difficulties, the Secretariat should assist as appropriate including facilitating verification missions; and***

- ***b.*** ***Kenya and Egypt should agree on mutually acceptable dates for another verification mission to conclude ascertaining the originating status of white milled sugar and LG products.***

REPORT OF THE MEETING OF TRADE AND LEGAL EXPERTS TO DELIBERATE ON DRAFT NTB REGULATIONS *(Agenda item 5c)*

68. The Secretariat made a presentation of the report of the Trade and Legal Experts on Draft NTB Regulations (attached as Annex I) held on 13-14 June 2013. The meeting was informed that the experts deliberated on the comments and proposals received from Egypt.

Discussion

69. In the discussion, the meeting noted the need to clarify that the suspension of preferential treatment envisaged in the draft NTB Regulations would have to be commensurate with the impact of the NTB in question.

70. The meeting pointed out that the flow of the three stages for the resolution of NTBs as contained in the current draft NTB Regulations was not clear in that one could not easily understand the termination of one stage and commencement of the other.

71. The meeting agreed to delete column three of annex 2, and remove the reference to the Secretariat initiating dispute resolution through Arbitration by the Court of Justice in annex 3.

72. The meeting was informed that the draft NTB Regulations would be subjected to a thorough drafting exercise by the Legal Drafting Sub-committee and thereafter considered by the Legal Affairs Committee before submission to the Attorneys General and Ministers of Justice.

73. After considerable deliberations, the meeting pointed out that further work needed to be done on the draft NTB Regulations before adoption by the policy organs, namely, the flow of the three stages, failure to comply with solutions reached in the stages, and suspension of concessions. In this regard, the meeting agreed that there was need for Member States to consult their stakeholders and provide further comments to the Secretariat by 30 August 2013. It was further agreed that a meeting be held in the margins of the Policy Organs meetings in October 2013 to deliberate on the comments thus received in order to finalise the Regulations.

Recommendations

74. ***The Committee recommended as follows:***

a. ***Member States with comments on specific Articles of the Draft NTB Regulations should submit them to the Secretariat by 30 August 2013; and***

b. ***A meeting to consider the comments received be held in the margins of the Policy Organs meetings in October 2013 to finalise the Regulations.***

REPORT ON THE LAUNCH OF THE TRIPARTITE SMS NTB REPORTING TOOL *(Agenda item 5d)*

75. The Secretariat presented the Report of the Tripartite NTBs On-line reporting and Eliminating Mechanism Meeting to Launch the SMS Reporting Tool that was held on 9-10 April 2013 in Lusaka, Zambia. The meeting was informed that the objective of the SMS NTB

reporting tool was to assist those traders that did not have ready access to the internet to report the NTBs in a timely manner.

76. The meeting was informed that the users of the SMS reporting tool will be able to send SMS/Text message to a central line in a designated country and that the system will be managed by a system administrator. The administrator will then upload the received report to the online reporting and monitoring system.

77. **The meeting noted the report.**

UPDATE ON THE SIMPLIFIED TRADE PROCEDURES *(Agenda item 5e)*

78. The Secretariat made a presentation on the Simplified Trade Regime (STR) pointing out that the STR remained the main small scale trading procedure under implementation by COMESA. The newly introduced Passenger and Cargo Manifest (PCMS) between the borders of Zambia and Zimbabwe sought to enhance data capture and trade facilitation where small traders' volumes were slowly being considered in national accounts and decision/policy making by authorities.

79. The STR was being implemented in seven COMESA countries (Burundi, Kenya, Malawi, Rwanda, Uganda, Zambia and Zimbabwe) while the PCMS is under pilot in two Member States, Zambia and Zimbabwe.

80. The PCMS presents an opportunity for Member States to capture data that would otherwise be lost from informal cross border trade. The system allows for data to be captured at the port of departure for onward transmission to the borders.

81. COMESA continues to monitor activities of the border posts in the implementation of the STR through the Trade Information Desk Officers who are mandated to collect data on number of transactions, types and volumes of products traded as well as recording non-tariff barriers and help in resolving them between traders and officials.

82. The past 10 months or so have seen a stagnation of STR transactions at under 100 per month for most of the borders except Uganda and Kenya where the traffic for small scale trade is high mainly in agricultural commodities. The total number of transactions of STR for the region is however rising at a steady rate approaching 1000 in a month. For most of the borders, small scale trade is mostly in manufactured products largely imports from China, South Africa, Botswana and Tanzania all of which are not COMESA Member States.

83. Women continue to dominate the sector and therefore Member States should intensify women empowerment activities in the areas of cross border trade and remain steadfast in addressing gender related barriers to trade within and among the borders.

84. The shortcomings identified in the slow STR implementation are better captured under the newly introduced passenger and cargo manifest system. The system unlike STR, captures

all small scale trade through passenger vehicles regardless of whether they qualify for duty free/STR or not.

Discussion

85. In the discussion, the meeting raised concern that the STR seemed to be promoting trade in manufactured goods from China, South Africa, Botswana and Tanzania and not so much intra-COMESA Trade.

86. Further concern was raised on the engagement and payment of the Trade Information Desk Officers (TIDOs).

87. Kenya raised concern over the pending request with Secretariat to convene a meeting between itself and Ethiopia to operationalise the STR between the two Member States.

Recommendations

88. ***Based on the lessons and findings from analysis in the implementation of the STR and the passenger and cargo manifest system within the region, the meeting recommended that:***

- ***a.*** ***Member States continue implementing the reforms under the STR which include among others, reduction of processing fees to a maximum of $1 for all STR transactions, expand the list of commonly traded products, expand the STR value threshold to allow as much trade as possible ($1000 for COMESA and $2000 for all EAC/COMESA STR countries and Zambia);***

- ***b.*** ***Member States support the implementation of the newly introduced Passenger and Cargo Manifest system by allocating office space for officers at borders and passenger terminals;***

- ***c.*** ***Revenue authorities and Ministries of Trade are encouraged to conduct awareness meetings for traders and refresher training workshops for staff on matters relating to STR and PCMS in order to ensure smooth operations at border stations; and***

- ***d.*** ***The Secretariat should facilitate the meeting between Kenya and Ethiopia to conclude the STR between them by December 2013.***

Regulations on Small Scale Traders *(Agenda Item 5f)*

89. The Secretariat made a presentation on the Regulations on Small Scale Traders in COMESA. The background to the Regulations was that there was need to ensure that the small scale traders were aware of their rights and obligations at the borders, that they were decently treated by officials and that some minimum standards were applied by the officials in dealing

with the small scale traders. The D Regulations for Small Scale Cross-Border Traders is attached as Annex II.

Discussion

90. In the discussion, the meeting requested that the Regulations be discussed first by the relevant experts who deal with small scale traders before the Regulations could be tabled before the Intergovernmental Committee meeting. It was proposed that since the Regulations are meant for Small Scale Traders the title of the draft regulations should be amended to reflect that. In this regard the meeting agreed that a meeting to discuss the Regulations be held in the margins of the next Policy Organs meetings.

Recommendations

91. ***The meeting recommended as follows:***

a. ***Member States should provide comments on the Draft Regulations on Small Scale Traders to the Secretariat by 30 August 2013; and***

b. ***A meeting to discuss the Draft Regulations on Small Scale Traders be held in the margins of the next Policy Organs meetings.***

Trading for Peace *(Agenda Item 5g)*

92. The meeting received a report on the Trading for Peace project.

93. In 2006, COMESA, in consultation with USAID and DFID, agreed to take advantage of what appeared to be an emergence of peace and security in the Great Lakes Region, evidenced by the signing of Peace Agreements and promising democratic elections in Burundi and the DRC after decades of conflict. Trading for Peace is a COMESA programme whose aim is to build peace in the COMESA region through the facilitation and formalization of cross border trade and the building of trust between all stakeholders in cross border trade.

94. In its first phase, the project investigated trade flows in the region through research, with a focus on the Eastern Congo, along three main export corridors, the northern corridor, the central corridor and the southern corridor. The detailed research was published in October 2007 as *Trading for Peace: Achieving Security and Poverty Reduction through Trade in Natural Resources in the Great Lakes Area*.

95. The second phase of Trading for Peace focused on supporting capacity building and networking for stakeholders related to trade at the Great Lakes Region. The project supported cross border fora, bringing together officials and traders from both sides of the border as well as officials from capitals, and CSOs between DRC and its eastern neighbours (Burundi, Rwanda Uganda and Zambia).

96. The need for information access to small scale traders to minimise uncertainty and smuggling led COMESA to install Trade Information Desks (TIDs) starting with one at Kasumbalesa in DRC on the border between Zambia and DRC. To date, Trading for Peace has installed 10 TIDs across five borders. These are: Kasumbalesa/Kasumbalesa (DRC/Zambia); Goma/Rubavu (DRC/Rwanda); Bunagana/Bunagana (DRC/Uganda); Kavimvira/Gatumba (DRC/Burundi); Kasindi/Mpondwe (DRC/Uganda). These TIDs have been equipped with two computers each, a scanner, photocopier and printer. The TID is managed by a Trade Information Desk Manager.

97. Taking leaf from Trading for Peace, the COMESA Regional Food and Risk Management Programme (**REFORM**), now called CBT (Cross Border Trade) Desk, began to install TIDs and have installed a total of 16 in Malawi, Zambia, Zimbabwe, Kenya, Uganda and .

Accomplishments, Gaps and Opportunities

98. The TfP and CBT Desk have made some very significant strides in the promotion of:

a) enhanced relations between border communities in countries of the Great Lakes region by providing opportunity to share problems and air their differences; and also relations between traders and service providers and other border officials, where complaints brought to the TID are often quickly resolved;

b) the development of programmes by identifying common priorities; and

c) exposing the traders to the COMESA simplified Trade Regime.

Sustainability of the Trade Information Desks

99. In the long term, however, sustainability will be addressed by installing TIDs within the premises of CBTAs, which are membership organisations and which can therefore run them sustainably. Where CBTAs do not have premises at border areas, then the programme will assist them with premises in the form of containers.

100. Trading for Peace conducted a study on the sustainability of TIDs and the report for the study was validated at a workshop, on 16-18 May, 2013, in Bujumbura, Burundi. The study found that TIDs will be sustainable if they are found valuable. The TIDs can be enhanced in capacity to enrich the data collection mechanisms and thus provide data that can be used for planning and decision making.

101. The validated Sustainability Plan looks at COMESA Trading for Peace continuing with the funding of the TIDs for a transitional period of three years (April 2013 to April 2016), after which the TIDs would be handed over to a strengthened CBTA.

102. **The meeting noted the report.**

Report on RCTG *(Agenda item 5g)*

103. The Meeting received the Report of the 7th Meeting of the Management Committee (MC) of Regional Customs Transit Guarantee (RCTG-CARNET) Scheme that was held on 5-6 June 2013, in Lusaka, Zambia and noted the key highlights of the report as follows.

a) Progress on the implementation of the RCTG Scheme

a. The RCTG Scheme had been implemented in the Northern Corridor countries of Kenya, Rwanda and Uganda and preparations were at an advanced stage to commence operations of the Scheme in Djibouti-Ethiopia-Sudan Corridor;

b. Tanzania was in discussions with the Trademark East Africa (TMEA) to start the pilot test with Burundi of a different transit system (ASSET) and preferred to commence the roll-out of the operations of the RCTG CARNET with Malawi. The Secretariat was assisting Malawi and Tanzania to carry out activities to finalize the preparations for the roll out of the RCTG CARNET between the two countries; and

c. The fact that Zambia had not yet ratified the RCTG Agreement had continued to stall the implementation of the Scheme in North-South Corridor and the Secretariat jointly with Zambia Revenue Authority (ZRA) were planning a Stakeholders' Workshop with a view to mobilize support and build consensus for the ratification of the RCTG Agreement and implementation of the scheme in Zambia

b) Appointment of the Manager for the operations of the RCTG CARNET

That pursuant to the directive of the Council of Ministers that the RCTG scheme should be private sector driven, the Secretariat signed an Agreement with Indigo Logistics & Procurement Ltd on 18 March 2013 to manage the operations of the RCTG CARNET for a period of three years. The focus and priority of the RCTG Manager would be in the Northern Corridor countries where the operations of the RCTG had commenced.

c) Interfacing the RCTG-Management Information System with ASYCUDA World

The progress made by the Revenue Authorities of Rwanda and Uganda on the modalities of integrating the RCTG-MIS with their Customs IT system (ASYCUDA World) which would enhance information exchange as well as streamlining bond acquittal.

d) Enhancements on RCTG-MIS and the Carnet Form

That the RCTG-MIS had been improved in line with the Stakeholders' views during the Meetings and Workshops. The Carnet format was revised with a view to make it simple, user friendly, economical and compatible with Customs Single Administrative Document and IT systems.

e) Advance of US$1M to the RCTG Scheme by the Yellow Card Reinsurance Pool

The meeting noted that the Seventh Meeting of the Management Committee had recommended to the Council of the RCTG Scheme the following regarding advance of US 1million to the RCTG Scheme by the Yellow Card Reinsurance Pool:

a. The Council of Bureaux of the Yellow Card Scheme advance and the Pool disburses US$0.5million and thereafter on need basis;

b. The advance funds be reimbursed after a grace period of three years of the commencement of operations of the RCTG Pool;

c. The Council of RCTG repay the advance amount in three annual installments after the grace period as follows: First payment US$150,000; Second payment US$150,000; and Third payment US$200,000;

d. The interest rate payable be 1.5% per annum; and

e. The Council of RCTG and the Council of Yellow Card Scheme sign a formal agreement on the amount advanced. The Pool Managers to prepare the agreement for signature of the Chairpersons of the two Sectoral COMESA Institutions.

104. The meeting was informed that the RCTG and the Yellow Card Schemes were being integrated into the COMESA Virtual Trade Facilitation System to facilitate trade.

105. **The meeting noted the report.**

ELECTRONIC CERTIFICATE OF ORIGIN *(Agenda item 5h)*

106. The meeting considered a proposal to move away from the manual certificates of origin to the electronic certificate of origin. Trade facilitation plays an important role in intra-regional trade through application of various instruments including the COMESA certificates of origin.

Current Status of COMESA Certificates of Origin

107. The meeting recalled that the COMESA Member States having recognized the need to facilitate intra-regional trade, agreed to speed up the process of clearing and facilitating intra-regional goods at entry ports through the circulation of electronic specimen signatures of officials authorised to sign the COMESA certificates of origin.

108. Notwithstanding the circulation of electronic specimen signatures, the Member States agreed that hard copies in originals should still be circulated through the Secretariat.

109. Despite the above arrangements, challenges have been experienced as regards the administration of the above procedures as goods wait at ports of entry for days pending certification due to any of the following:

a. No prior specimens had been circulated by the exporting Member State;
b. The available specimens are not legible;
c. The signatory has been transferred but no notification to that effect; and
d. Late circulation of specimens by the exporting Member State.

110. These challenges make a case for electronic certificates of origin (eCO) to effectively facilitate intra-regional trade in real time if regional goods have to remain competitive. Recognising the value addition that the eCO could bring to intra-regional trade, experts from Secretariat and three Member States were facilitated to participate at the International Chambers of Commerce (ICC) Certificate of Origin Council Meeting that was organized by ICC World Chambers Federation (WCF) in Doha, Qatar on 21 April 2013 to discuss several issues affecting the membership of ICC WCF and in particular to recognize the importance of electronically issued Certificates of Origin.

111. Among the presentations made at this meeting, the one of interest to COMESA was from the Korean Chamber of Commerce and Industry (KCCI), which show-cased how the Chamber had managed to successfully issue electronic certificates of origin while maintaining high levels of security. It was learnt that the KCCI issued over five million certifications on line last year and that the demand for the service is on the increase.

112. Further, it was learnt that eCO systems are able to include security features such as online verification of the authenticity of COs and optical watermarking technology. eCO systems also provide electronic application as well as issuance, complete with digital rubber stamps of the chamber and signatures of authorized officials. Many Chambers of Commerce and Industry provide online CO services to speed up the application and issuance process and provide a more secure documentation environment.

The rationale for eCOs

113. The eCOs assist to keep pace with the rapid worldwide shift to e-business, and many international Chambers of Commerce and Industry are now issuing COs electronically, complete with digital rubber stamp and signatures, to provide CO in a secured documentation environment.

114. The benefits of the eCOs are not only to facilitate and provide secured trade, but also:

a. saves time;
b. saves labour cost;
c. increases transparency;
d. increases efficiency and improves productivity;
e. reduces paperwork through online data exchange and integration;
f. minimizes data inaccuracy through data sharing;
g. fights forgery;
h. provides 24/7 convenience and the convenience of online application tracking; and

i. More importantly, eCO also provides the convenience of having a direct link to banks for LC clearance and Customs for speedy Customs clearance.

Discussion

115. In the discussion, the meeting pointed out that the proposal to have the region utilize the electronic certificate of origin was a very good one and that this was the future of trade facilitation. The meeting noted that by 2017 all exporters to the EU market would be required to utilize electronic certificates of origin; consequently the use of the eCO would not be an option but a priority for member states. The Secretariat should therefore prioritize this activity.

116. The meeting further stated it would be important to manage the transition from the manual to telectronic certification including ensuring that the system was secure. In this regard it was imperative that the Secretariat works out clear timelines on what would need to be done to operationalize the eCO. This should include both human and institutional capacity building of the Member States.

117. Taking cognizance that there would be cost implications with the utilisation of the eCO, the meeting requested the Secretariat to explore funding avenues to support the initiative. The meeting noted that it would still be necessary for Member States to circulate hard copies of the specimen signatures as is the case currently for purposes of reference and retention.

Recommendations

118. ***In view of the challenges being experienced in the region as regards certificates of origin and taking cognizance of the many envisaged benefits that could result in application of the eCO, the Committee recommended as follows:***

a. The region accepts and adopts the utilization of electronic certificates of origin;

b. The Secretariat should work out the finer details of how Member States would adopt the utilization of the eCO including concrete case studies of where the eCOs have been successfully issued;

c. Member States that do not have enforceable mechanisms currently, should work with Secretariat to enact laws where they do not exist, to allow for the issuance and acceptance of eCOs;

d. Member states ready to start implementing the eCO should be allowed to do so as lead countries;

e. The Secretariat should explore funding avenues to support the eCO initiative;

f. The Secretariat should prioritize this activity; and

g. ***Upon request from Member States, the Secretariat should hold workshops on the eCO.***

OPERATIONALIZATION OF REPSS *(Agenda item 5j)*

119. The Secretariat made a presentation on the operations of the Regional Payments and Settlements System (REPSS) noting that the COMESA Clearing House (CCH) was established in 1984 (as the PTA Clearing House), for the facilitation of the settlement of trade and services payments amongst Member States. However, with the liberalisation of current accounts and the repeal of exchange control restrictions, the need for the Clearing House to restructure its services to be more relevant to this liberalised market setting, was identified by COMESA Governors of Central Banks. The Clearing House was thus mandated, to design and implement, among other facilities, a Payments System designed to reduce costs of regional transactions in a liberalised foreign exchange regime.

120. The Clearing House introduced the Regional Payment and Settlement System (REPSS), which allows Member States to transfer funds with speed and efficiency and at reduced costs within COMESA. REPSS is built on open standards and is also accessible to Non-Member States.

COMESA Treaty Provisions with regards to Settlement of Payments through COMESA Clearing House

121. Article 73 of the COMESA Treaty spells out that Member States undertake (until a common Central Bank is established) to settle all payments in respect of all transactions in goods and services conducted within the Common Market through the Clearing House and Article 14 of the Clearing House Charter specifies that all transactions among Member States, including contributions and subscriptions to COMESA Institutions, shall be settled through the Clearing House.

The REPSS Process

122. Under REPSS, importers and exporters deal with their local commercial banks for trade documentation. The importer’s payment to the exporter is channelled through the Central Bank of the importer to the Central Bank of the exporter using the REPSS platform. Central Banks send payment messages to REPSS on a particular day and at the end of the day, REPSS nets the payments and settlements to the respective Central Banks accounts. The Central Banks credit the commercial banks’ accounts with them and the commercial banks then credit the exporters’ accounts accordingly. The credibility of the Central Bank and pre-funding of account by commercial banks provide guarantee of payment.

Key Benefits of REPSS

123. The following are some of the main benefits of REPSS

a. It guarantees prompt payment for exports as well as other transfers. This is because T+0 Settlement is possible with the Settlement Bank being within the operating times of all other participants. The settlement period is, therefore, greatly reduced;

b. Eliminates mistrust among traders because of Central Bank involvement. This in turn increases trade within the region;

c. Reduces number of transactions as all transactions are credited on a net basis and volumes are high. This in turn reduces transaction costs;

d. Reduces foreign funding as the amount to be paid at the end of the day by a participant is on a net basis;

e. Reduces foreign counterparty exposures – the participants are able to send payment instructions through REPSS to the Settlement Bank, thus reducing transactions and exposures via correspondent banks;

f. Reduces foreign correspondent banking charges as payments are channelled through REPSS which has lower charges and the Settlement Bank is a member of REPSS;

g. Settlement Finality – all payments are guaranteed as instructions, once cleared are final and irrevocable;

h. Reduces collateral requirements as Central Banks are directly involved in the System and trade is mainly amongst members; and

i. Eliminates the need for confirmation of Letters of Credit and opens up avenues for trading on Open Account and therefore saves millions of dollars in confirmation fees.

COMESA Certificate of Origin and REPSS

124. As a way to ensure that REPSS is used as intended by the traders, the COMESA Certificate of Origin may be made to specify that **payment will be made through REPSS**. This means that in addition to goods enjoying preferential tariff treatment at borders, the traders also enjoy seamless payment movements and reduced costs.

Update on REPSS Operations

125. REPSS started LIVE operations on 3 October 2012 and registered its first transaction between Bramer Bank of Mauritius and Fina Bank of Rwanda, through their respective Central Banks. This is indeed a great milestone in COMESA's quest to achieve regional economic integration.

126. The Eighteenth Meeting of the COMESA Committee of Governors of Central Banks, held in Kigali on 11-12 December 2012, extended the period of transacting on REPSS free of charge (except for SWIFT messaging and other related charges) to 30 September 2013, as a promotion incentive for utilisation of the system by all stakeholders in Member States.

127. While the Central Banks of Mauritius and Rwanda are already transacting on the live system, the Central Banks of Egypt, Kenya, Malawi, Sudan, Swaziland, Uganda, Zambia and Zimbabwe are expected to go live during the second half of 2013.

128. A REPSS User Group has been set up, with the aim of, among other things, attending to Operational and Policy Issues arising out of REPSS operations. Current membership of the Group comprises of the Central Banks of Egypt, Kenya, Mauritius, Sudan and Zambia and its first meeting was held from 10 to 12 June 2012 and hosted by the Central Bank of Egypt at its Headquarters in Cairo. The 2nd Meeting of the User Group is scheduled to take place during the first week of July 2013 and the following four Central Banks will join the group: Malawi, Rwanda, Swaziland and Uganda.

129. The meeting noted of the Report on REPSS and the inclusion of Fields 47A & 49 in SWIFT MT 700 (Opening of Letters of Credit) specifying that payment shall be through REPSS and confirmation instructions.

Recommendations

130. ***The meeting recommended that:***

> ***a. An additional Section for Payment through REPSS be inserted in the Proposed COMESA E-Certificate of Origin; and***
>
> ***b. The Clearing House in collaboration with the Secretariat should carry out Sensitization campaigns for the stakeholders with the view to having all Member States participate in the REPSS.***

REPORT OF THE FOURTH MEETING OF THE COMMITTEE ON THE CUSTOMS UNION *(Agenda item 6)*

131. The Secretariat presented the report of the Fourth Meeting of the Committee on the Customs Union which was held on 10-12 June 2013 to discuss implementation of the key instruments to operationalise the Customs Union. The Committee considered a comprehensive roadmap for the two year extended transition granted by the Authority in November 2012. The meeting noted that the top priority now was for the Member States to adopt the CTN/CET and migrate to COMESA CMRs given that already one year had already passed and yet there was still a lot of work to be done in the remaining short period to address the concerns of Member states with regard to implications of embracing a Customs Union.

132. The meeting further noted the concerns raised by Member States which included fear of loss of revenue; fear of closure of indigenous industries due to competition from imported goods; loss of sovereignty with regard to decision making; the need to deal with national tariff lines at 5%; some countries had more than 50% of their national tariff lines at 0% rate and found it very difficult to move them upwards; some countries needed considerable space to allow their industries to recover; synchronizing the Tripartite FTA and the Customs Union Agenda at this point in time; how Member States that belonged to EAC Customs Union will implement the COMESA Customs Union; the lack of capacity, information and co-ordination on the ground; and some Member States have argued that the FTA was sufficient. The meeting appreciated the work so far done in addressing the raised concerns and urged Member States to work closely with the Secretariat for further technical assistance.

Discussion

133. The meeting reiterated its view with regards to the concerns raised by Member States that these were real and need to be addressed before the implementation of the Customs Union. The meeting appreciated the recommendations in the earlier studies on the 5% and substantial number of tariff lines below the CET issues, and noted the Council Decisions over the years, which have evolved in accordance with progress made.

134. However, on the basis of the Decision of the Thirtieth Meeting of the Council in 2011, Egypt and Zimbabwe requested that the studies on these two issues be revisited, to provide concrete policy recommendations on addressing the issues, so as to assist these Member States to implement the Customs Union. Some Member States, on the other hand, stated that there was no need for further studies on these two issues, in light of the extensive work already done, the Council Decisions on the various policy issues such as the Decision setting a threshold of 20% for the list of sensitive products, and recommendation of the Committee on the Customs Union that the priority now was for Member States to produce their country profiles on their readiness to implement the Customs Union clearly setting out the progress made and the challenges being faced, after which a midterm review will be undertaken.

135. The meeting further pointed out that it was necessary to indicate the benefits of joining the Customs Union to the Member States and also further to explain how the policy space under the Customs Union would be utilized by Member States. In addition, the meeting called for trade remedies that are easy to use and for sensitization of stakeholders on their use.

136. Similarly the meeting pointed out that the concerns on losing sovereignty be addressed by explaining and demonstrating the benefits that Member States are expected to gain from the Customs Union such as boosting prosperity for the people of the region. It also pointed out that the fear of loss of indigenous industries as the result of implementation of the CET would have serious implications on certain Member States unless practical measures were taken.

137. It was pointed out that there was a real possibility that implementation of the CET could require a renegotiation at the WTO of some bound tariff rates, especially under the International Technology Agreement. In response, it was recalled that on the issue of WTO re-negotiation arising from raising of tariff bindings, a specific question was raised at a previous COMESA-WTO seminar of 2010 in Harare and the explanation provided was that there would be no need to re-negotiate the tariff bindings of COMESA Member States as the CET rates were lower on the whole than the national rates of the Member States.

138. The meeting sought clarification on the nature of harmonization between the COMESA and EAC. It was pointed out that COMESA and the four EAC Member States are involved in discussions to harmonise their CTN/CETs and Customs laws. In this regard, the meeting agreed that the proposed meeting between the four countries and COMESA Secretariat should be held to discuss harmonization of COMESA/EAC CETs and Customs laws by 15 September 2013.

139. The meeting noted the various reports of the Member States on the implementation of the Customs Union and the ongoing consultations between the COMESA/EAC four Member States.

140. A modification was made to the country report on Swaziland to be as follows: "Swaziland reported that the country is trading in COMESA under derogation. The life span of the current derogation is linked to the establishment of the Tripartite FTA. However, Swaziland has submitted its final list of sensitive products."

141. On a proposal that COMESA should go slow on the Customs Union in light of the Tripartite FTA, the meeting recalled that the matter had been discussed on a number of occasions already and noted that Council Decisions have been taken on the matter, to the effect that the Customs Union and the Tripartite FTA are not inconsistent and progress should be made on both regimes.

142. The meeting recalled that a number of the concerns of the Member States have been raised in the past and some have been addressed over the years, while others continue to pose a challenge. The issue of benefits of the Customs Union, for instance, has been explained over the years through the structuring of the CET, the specific rates on the tariff lines, and the stakeholder workshops before the launch of the Customs Union, as well as the simulations done by partners such as the Economic Commission for Africa. The studies during the three-year transition period have established that there are benefits for Member States from implementing the Customs Union. The meeting underscored, however, that in light of the Council Decision requesting the Secretariat to work closely with Member States to address the concerns raised by Member States, and in light of the need to address specific issues in each Member State, the Secretariat should closely engage each Member State so that specific issues are effectively addressed to assist the Member State to participate in the Customs Union.

143. The meeting noted that while there will be country-specific concerns, regarding which the Secretariat should work with each Member State when so requested, there are cross-cutting issues, such as HS 2012 transposition and finalization of the exemptions regime, as well as overarching policy questions such as thresholds for sensitive products. The meeting further noted the various Council Decisions that have addressed pertinent policy questions including the setting of the threshold at 20% for the list of sensitive products, and that have instructed that the CTN be transposed to the HS 2012 and the exemptions regime be completed, on which work has been undertaken as reported under other agenda items.

144. Relevant Council Decisions since the Thirtieth Meeting of the Council were read out to the meeting and the meeting noted them, both those addressed to the Secretariat to undertake some work and those that required Member States to take a number of actions in implementing the Customs Union.

Recommendations

145. ***The Committee recommended as follows:***

a. ***The Secretariat should continue to work with Member States to address the concerns raised in relation to the implementation of the Customs Union with a view to completing the implementation of the Customs Union by June 2014 as decided by the Council and the Summit;***

b. ***Member States should take advantage of the availability of policy space such as the lists of sensitive and excluded products to address some of***

the concerns that have been raised including the policy decision setting a threshold of 20% for the list of sensitive products and 5% for excluded products, while fully taking into account the fact that there will be a number of inactive national tariff lines regarding which implementation of the CET would not pose adverse implications;

c. ***Member States that are able to implement the Customs Union should go ahead and do so within the two year extended transition period while those that require more time be allowed to complete their preparations, in accordance with the principle of variable geometry;***

d. ***The Secretariat convenes a meeting of the four COMESA/ EAC Member States by 15 September 2013 to discuss harmonization of COMESA/EAC CETs and Customs laws;***

e. ***While taking into account all the relevant Council Decisions, the Secretariat again reviews the studies on the 5% and the substantial tariff lines below the CET issues and provide concrete policy recommendations for Member States particularly Egypt and Zimbabwe on how they can participate in the Customs Union; and***

f. ***Each Member State should take responsibility for organizing a national stakeholder workshop to produce clear positions on the Customs Union, and should then report a clear decision on the Customs Union. The Secretariat should facilitate such workshops upon request.***

Report of the Second Meeting on Exemptions

146. The meeting considered the report of the second meeting on exemptions. The meeting noted that a follow up meeting to clean up the exemptions schedule was not held due to that fact that only three Member States had submitted comments which was not adequate to justify a meeting, and called upon the remaining Member States that have comments to submit them by 30 August 2013.

Recommendations

147. ***The Committee recommended as follows:***

a. ***Industrial exemptions should be discussed at a meeting to be convened after consultation with Member States;***

b. ***The structure of one developed and used by the experts at their Second Meeting be maintained in finalizing the exemptions regime;***

c. ***Member States should submit comments by 30 August 2013 to enable the Secretariat prepare a final document on exemptions; and*** *d.* ***The draft regional specific and general exemptions be developed as the basis for the discussions at the next meeting on finalization of the regional exemption regime to be submitted to policy organs.***

Report on the COMESA CTN/CET HS 2012 version transposition

148. The meeting considered the report on the COMESA CTN/CET Transposition. In considering the report, the meeting noted that there was need to convene at some stage a meeting to discuss new splits that arise over time that some Member States wanted to include. The meeting agreed that a specific meeting be convened in the future specifically to address this issue.

149. However, it was pointed out that the region spent seven years developing the regional CTN/CET. Consequently the splits that emanated from the transposition of the 2007 COMESA HS version to the 2012 HS version were already taken care of during this exercise. The proposal to hold a meeting to consider new splits from Member States should therefore be considered against this background.

Recommendations

150. ***The Committee recommended as follows:***

a. The revised draft COMESA CTN/CET HS 2012 be submitted to the Policy Organs for adoption;

b. Member States should take practical steps to domesticate the COMESA CTN in its entirety;

c. Member States who require support from the Secretariat to undertake national consultative meetings should write a request to the Secretary General;

d. The COMESA CET (rates) be adopted in two phases namely:

i. where the MFN rates are the same as those in the COMESA CET, Member States should adopt the rates immediately;

ii. where the rates are different Member States should develop alignment schedules to align them during the extended transition period; and

iii. Member States who haven't done so and who can now do so should submit their final lists of sensitive/excluded products by 30 September 2013.

e. A meeting be convened after consultations to address national splits that have come up over the years, taking into account the extensive work already done to develop the CTN which has been adopted by the Summit as a key instrument of the Customs Union.

Considering a Comprehensive Roadmap for the two-year extended transition period

151. The meeting took note of the proposed implementation plan which required national action plans and serious commitment to finalize the basic instruments within the agreed extended transition period. The meeting further noted that Member States are required to indicate their plans for domestication of the CTN, CET, and CMRs in line with the Council decision that the implementation of the outstanding issues should be completed by end of June 2014 so that the Customs Union can commence on 1 July 2014. In this regard, Member States should implement the following schedules and instruments:

a. Schedule I: list of products whose MFN rates already aligned to the CET, which should be adopted immediately without delay;

b. Schedule II: list of products whose MFN tariff rates are not aligned to the CET but which will be aligned within the extended transition period and each Member State should plan how to finalize the adjustment of these tariff lines and indicate a time frame when these tariff lines would be aligned to the COMESA CET rates.

c. Schedule III (a): list of products not aligned to the CET, and whose alignment will take longer than the transition period. This is the list of sensitive products and should constitute not more than 20% of the national tariff lines; and

d. Schedule III (b): list of products whose MFN tariff rates are different from the COMESA CET rates and which are not intended to be aligned to the CET now, or in the foreseeable future; being products to be excluded from the CET for religious and cultural reasons and should not comprise more than 5% tariff lines of the national tariff.

e. Migration to CTN: Member States should adopt the COMESA CTN in its entirety by completing the necessary national process required for its Gazetting and finalize this within the extended transition period by June 2014.

f. Domestication of CMR: each Member State should adopt the COMESA CMR in its entirety by undertaking gap analysis between the CMR and its national customs laws, then completing the necessary national process required for Gazetting and finalize this within the extended transition period by June 2014.

Recommendations

152. ***The Committee recommended as follows:***

a. ***A midterm review on the status of implementation on the Customs Union should be undertaken to assess progress and make recommendations on the readiness of Member States to implement the Customs Union in accordance with the key schedules and instruments to be implemented;***

b. ***Member States should profile a status report on their implementation of the key instruments of the Customs Union highlighting clearly progress made, challenges and proposals on the way forward and submit their country reports based on the agreed format as specified in the Para. 151 above to the Secretariat by 30 August 2013; and***

c. ***The Secretariat should analyze the reports of the Member States and compile by 30 September 2013 a final midterm review report on the readiness of COMESA to implement the Customs Union.***

Report of the Fifth Meeting of the Committee on Trade in Services *(Agenda item 7)*

153. The meeting received a Report of the Fifth Meeting of the Committee on Trade in Services that was held on 5-7 June 2013 in Kampala, Uganda. The Committee on Trade in Services conducted negotiations on schedules of specific commitments in the four priority service sectors of transport, communication, tourism and financial. Fifteen Member States submitted their schedules of specific commitments which are negotiated.

154. The expectation was that the Committee on Trade in Services would complete the negotiations in the four priority sectors and recommend the schedules for consideration by the Trade and Customs Committee and the Policy Organs. The Fifth meeting of the Committee on Trade in Services realised that the schedules of specific commitments needed to be looked at again to take account of the comments/requests made during the meeting and to ensure that the Central Product Classification (CPC) codes were inserted in each sub-sector of services that was in the schedule(s) as well as the use of the correct WTO-GATS language.

155. It was pointed that the use of Economic Needs Tests (ENTs) could act as disguised restrictions to trade in services and therefore there was need to ensure that wherever ENTs were required, it was essential to specify the institution administering them as well as the criteria and timeframe for the results of the ENT to the conveyed to the applicant ENT service suppliers.

Discussion

156. In the discussion, the meeting stressed the need for the schedules of specific commitments received from Member States to be cleaned up before they could be submitted for consideration by the Policy Organs.

157. The meeting stated the need for the provision of technical assistance to Member States upon request, not only in preparing schedules of specific commitments, but also in domesticating the schedules under the national systems.

158. The Secretariat was requested to undertake an assessment of the schedules prepared by Member States to establish the extent of new market access offered under COMESA under the schedules of specific commitments, on the basis of coverage and depth and taking into account that Member States have made specific commitments under the GATS at the WTO and already have existing national laws with provisions on market access in the services sectors negotiated.

Recommendations

159. ***The Committee recommended as follows:***

a. ***Wherever ENTs are required, Member States should clearly specify the institution that would be administering them and the criteria and timeframe for the results of the ENT to be conveyed to the applicant service suppliers;***

b. ***The Member States should by 7 July 2013, undertake consultations on outstanding issues raised in the meeting and submit reviewed schedules to the Secretariat;***

c. ***Member States should provide CPC codes in their schedules of specific commitments, including the Annex on Financial Services in the banking services, and also provide the accepted GATS language where that has not been done to consistently maintain uniformity in all Member States schedules of specific commitments;***

d. ***Member states that have commitments in the telecommunication sector should adopt the WTO Reference Paper as an Annex attached to the schedules of specific commitments for all COMESA Member States;***

e. ***Those Member States that require Technical assistance in scheduling and domestication of the schedules should make their requests to the Secretariat;***

f. ***A meeting of the Committee on Trade in Services to verify the final schedules of specific commitments of Member States should be organized before the adoption by the Council of Ministers, in the margins of the Intergovernmental Committee;***

g. ***The schedules of specific commitments produced by the Committee on Trade in Services be submitted for adoption by Council of Ministers;***

h. ***That Council should consider adopting the schedules and attaching them to the Regulations on Trade in Services;***

i. ***Member States domesticate the schedules as soon as possible in accordance with the Treaty once adopted by the Council; and***

j. ***The Secretariat should undertake an assessment of the schedules prepared by Member States to establish the extent of market access offered, including in light of their current WTO commitments***.

The Tripartite *(Agenda item 8)*

160. The Secretariat provided an update on negotiations on the Tripartite Free Trade that were launched at the Second Summit of Heads of State and/or Government of the 26 Member/ Partner States of COMESA, EAC and SADC held in June 2011 in Johannesburg, South Africa.

161. At the Second Summit, 23 Heads of State and/or Government signed a Declaration Launching Negotiations for the Tripartite FTA and adopted a *Roadmap for the Negotiations for the Tripartite FTA*, which stipulated that negotiations would be completed in 36 months.

Status of Negotiations

162. Negotiations started in earnest in December 2011 at the level of the TTNF when the organ (the TTNF) adopted its rules of procedure and agreed a work programme for the negotiations. The TTNF also elaborated modalities and agreed the interpretation of the principles for the negotiations.

163. It has been agreed that the EAC Partner States shall negotiate as a bloc and other countries can also form like-minded country alliances. SACU has indicated that it will negotiate as a bloc.

164. The TTNF has met 7 times since then, but has spent an inordinate amount of time (6 meetings) discussing and resolving administrative and procedural issues. The Negotiations based on the text of the 2010 draft Tripartite FTA Agreement and its Annexes started at the 7th TTNF meeting that was held in Kigali, Rwanda on 6-10 May 2013.

165. To speed up review of the draft Tripartite FTA Agreement and the negotiation process, the TTNF has established specialised Technical Working Groups in Customs Documents and Procedures; in SPS, TBT and NTBs, in Rules of Origin and in Safeguards and Trade Remedies. These Working Groups are not negotiating structures and are only serving to clarify technical issues in the Agreement and Annexes.

166. The TTNF has agreed to negotiate specific sections of the draft Agreement and accompanying Annexes during specific meetings as shown below. It is expected that negotiations for the Tripartite FTA would be completed by June 2014.

Negotiating Session	**Issues (Articles) for Negotiation**
7th TTNF Meeting May 2013	**Preamble** **Part I** - Interpretation, Establishment, Objectives and Principles (comprising Articles 1-5) **Part II** - Non-Discrimination (comprising Articles 6-7); **Part IV** - Customs Co-operation (comprising Articles 13-17); **Accompanying Annexes** 5 - Customs Co-operation in *Article 13 on Simplification and Harmonisation of Customs Legislation and Procedures* 6 - Trade and Customs Documentation and Information in *Article 14 on Trade and Customs Documentation and Information* 7 - on Tripartite transit trade and transit facilities in *Article 17 – Tripartite Transit Trade and Transit Facilities*
8th TTNF Meeting September 2013,	**Part III** - Liberalisation of Trade in Goods (comprising Articles 8-12); **Accompanying Annexes**

Kampala, Uganda	1 - Schedule of Tariff Elimination in *Article 8 - Elimination of Import Duties* 3 - Elimination of NTBs 4 - Rules of Origin in *Article 12 - Rules of Origin* **Part V** - Trade Remedies (comprising Articles 18-22) **Accompanying Annexes** 2 - on Trade Remedies **Part XI** - General and Security Exceptions (comprising Articles 41-43)
9th TTNF Meeting December 2013	**Part VI** - Trade-Related Areas (comprising Articles 23-34); **Accompanying Annexes** 8 - on competition policy and consumer protection in *Article 23 - Competition* 9 - on implementation of standardisation, metrology, conformity assessment and accreditation in *Article 25 - Standardisation, Metrology, Conformity Assessment* 10 - implementation of SPS measures in *Article 26 - Sanitary and Phytosanitary Measures* 11 - implementation of IPRs in *Article 27 - Intellectual Property Rights* 12 - implementation of measures to facilitate movement of business persons in *Article 29 - Dispute Settlement* 13 - implementation of measures on improving productive capacity and competitiveness in *Article 31 - Productive Capacity and Competitiveness* **Part VII** - Other Areas of Co-operation (comprising Articles 35-36); **Part VIII** - Organs for the Implementation of the FTA (comprising Articles 37-38); **Part IX** - Dispute Settlement (comprising Article 39); **Accompanying Annex** 14 - implementation of dispute settlement processes and measures in *Article 39 - Dispute Settlement* **Part X** - Relations with Third Parties (comprising Article 40)
10th TTNF Meeting April 2014	**Part XII** - Financial Provisions (comprising Articles 44-45); **Part XIII** - Final Provisions (comprising Articles 46-54).

Source: *Report of the Fifth Meeting of the Tripartite Committee of Senior Officials of Trade, Livingstone - Zambia, February, 2013.*

Meetings of the Tripartite Sectoral Ministerial Committee

167. In order to ensure that negotiations are on course and that Ministers are providing oversight and political guidance to the process, it is anticipated that the Tripartite Sectoral Ministerial Committee on Trade will meet from time to time to receive updates on progress in the negotiations, recommendations and to take decisions on any outstanding contentious issues that lower organs may have failed to agree on.

168. In this regard, the next meeting of the Tripartite Sectoral Ministerial Committee on Trade is scheduled to meet on 10 July 2013 in Mauritius. The ministerial meeting will be preceded by the relevant experts and senior officials meetings to adequately prepare for the Ministers' meeting.

169. The Joint Tripartite Sectoral Committee of Ministers would discuss the following, among other issues: Rules of procedure, consideration and adoption of the draft monitoring anf evaluation mechanism for the Tripartite FTA Negotiations, consideration on the Progress Report on the Tripartite FTA negotiations, consideration of the Draft Template for Tariff Offers.:
170.

171. The pace of negotiations is too slow, and if they continue at the current pace, it is unlikely that they will be concluded on time as envisaged by the Declaration of the Heads of State and/or Government.

172. While text-based negotiations have started, the TTNF is referring issues back to the Technical Working Groups unnecessarily, as these are issues it should be deciding on especially that TWGs are not negotiation bodies but rather technical groupings intended to facilitate the work of the TTNF.

Discussion

173. In the discussion, the meeting pointed out that the issue of SACU and its constituent countries negotiating as a bloc within the Tripartite would need to be discussed at a higher level for guidance in view of the fact that the Tripartite FTA negotiations were among three recognized RECs.

174. The meeting noted that COMESA will hold a consultative meeting back to back with the experts meeting preceding the Ministerial meeting, and urged all Member States to participate, so they could effectively participate in the negotiations as COMESA.

175. In addition, the meeting noted that the ministers will consider a number of issues, including the level of ambition in the negotiation modalities and the utter need to ensure the negotiations are completed by June 2014 in accordance with the road map.

Recommendations

176. ***The Committee recommended as follows:***

- ***a.*** ***COMESA Member States consider forming an alliance of like-minded countries develop common positions and support each other in the negotiations. This should include developing common tariff offers and taking a common position on key issues such as the application of the modalities and the principles and on rules of origin;***

- ***b.*** ***As the positions of most COMESA countries on most issues appear not to be far apart from those of the EAC, COMESA Member States engage the EAC Partner States and forge an even bigger alliance on specific issues;***

c. ***The overall pace of negotiations must be speeded up by COMESA countries insisting and ensuring that items agreed for negotiation at a particular session of the TTNF are exhausted before the close of that session; and***

d. ***On the basis of the principle of variable geometry, Member States that will be ready should proceed to implement the Tripartite FTA when the negotiations are concluded.***

TRADE RELATIONS WITH THIRD COUNTRIES

WTO NEGOTIATIONS *(Agenda item 9a)*

177. The meeting received a report on the Multilateral trading system overseen by the WTO focusing on selected issues of interest to LDCs and African countries.

178. The eighth WTO Ministerial Conference held in December 2011 in Geneva, Switzerland, made some important decisions on matters that concern the LDCs but the issue was how and to what extent were LDCs able to utilize the provisions. The three main issues decided upon at the eighth Ministerial Conference were the LDC services waiver, the streamlining of accession procedures by LDCs and absolving the LDCs from application of certain provisions of the TRIPS Agreement.

The LDC Services Waiver

179. The LDC Services waiver was adopted at the eighth Ministerial Conference in December 2011 in Geneva. The waiver mechanism allows the extension of preferential treatment by developing and developed members of the WTO to services and service suppliers of LDCs without the LDCs having to reciprocate.

180. This waiver, which will last for 15 years from the date of adoption, releases developing and developed-country Members from their legal obligation to provide non-discriminatory treatment to all trading partners (GATS Article II: Most-Favoured-Nation Treatment), so as to give them legal cover when they give preferential treatment to LDCs.

181. The issue at hand is that after negotiating for this waiver and the waiver having been granted, are the LDCs going to be able to utilize this waiver during the fifteen years for which it will be available? What is required to be done by the LDCs to position themselves to benefit from this dispensation?

182. One suggestion which the LDCs may consider is that they have to utilize their experts in reviewing, where applicable, their WTO Trade Policy Review reports, World Bank country reports, IMF Article IV Consultations reports, the DTIS, PRSPs, National Development plans and sectoral policy statements and documents with the aim of identifying the services sectors that are of export interest to themselves. After identifying the services sectors of export interest, they can then engage the developing and developed Members of the WTO for possible preferential treatment under the Waiver.

Streamlining Accession by LDCs

183. The process of acceding to the WTO is complex and time consuming .

184. The Eighth Ministerial Conference made an important decision which directed the Sub-Committee on LDCs to develop recommendations to further strengthen, streamline and operationalize the 2002 guidelines by, *inter alia*, including benchmarks, in particular in the area of goods, which take into account the level of commitments undertaken by existing LDC Members.

185. Following the decision of the Eighth Ministerial Conference, the WTO General Council formally approved new Guidelines on the accession of LDCs on 25 July 2012. The decision established benchmarks on goods and services, as well as elements on special and differential treatment, transition periods, transparency, and technical assistance.

186. The LDC Member States of COMESA that are in the process of acceding to the WTO, namely Comoros, Ethiopia and Sudan, should be able to utilize the adopted streamlined accession guidelines which restrain WTO Members from exacting commitments beyond the capacities of LDCs.

Intellectual Property

187. The Eighth Ministerial Conference in Geneva “invited” the TRIPS Council “to give full consideration” to a further extension of the transition period (due to expire on 30 June 2013) under Article 66.1 of the TRIPS Agreement. During the transitional period, LDCs have the freedom to choose whether or not to protect trademarks, patents, copyright, industrial designs, geographical indications or any other form of intellectual property. WTO members, at the TRIPS Council meeting on 5–6 March 2013, accepted that the deadline for least developed countries to protect intellectual property generally could be extended beyond the current 1 July 2013 date. But they were still undecided on whether to set a new deadline or leave it until each country “graduates” from being an LDC. It is expected that the TRIPS Council scheduled for 11-12 June 2013 will make a decision on this matter before the expiry of the current transition period.

188. In a related matter, the LDCs call upon Members to set up a mechanism to ensure the full operationalization and monitoring of Article 66.2 of the TRIPS Agreement obligations with a view to enabling the Least Developed Country Members to create a sound and viable technological base.

Issues of interest to the LDC and African Group for the Bali Ministerial Conference

189. At the WTO Trade Negotiations Committee (TNC) informal meeting held on 22 February 2013, the Director General of the WTO spelt out three deliverables for the Bali Ministerial Conference, namely, Agriculture, Trade Facilitation and Special and Differential Treatment Issues for LDCs.

190. The African Group gave their views as to what issues should constitute the package of possible deliverables at Bali. They highlighted issues pertaining to the development dimension, cotton, agriculture, food security, LDC issues, and special and differential treatment (S&D) as being of importance to the Group.

191. The LDC Group’s view was that a deal on Duty-Free Quota-Free (DFQF) market access for LDC products was extremely important, as that was something on which a great deal of

technical work did not need to be done and since what was needed now was simply the implementation of the 2005 Hong Kong Ministerial declaration.

192. The Cotton-4 (Benin, Burkina Faso, Chad and Mali) recounted that the Group had a draft decision on cotton ready for the last Ministerial Conference held in Geneva in December 2011, but since this became a non-negotiating ministerial, the draft decision had to be set aside. It hoped that it could get a decision taken on this in Bali.

193. The G-20, an alliance in the WTO agriculture talks, sought early agreement on tighter disciplines for administering tariff-rate quotas ("TRQ administration"). Some countries argue that the way the quotas are managed (including the methods for allocating the quotas to importers or exporters, and various other administrative practices), can be too cumbersome and hamper exporters' ability to access markets. The proposal envisages a number of measures for sharing information and monitoring how well quotas are used. If a quota is persistently under-filled, the importing government would have to apply one of a prescribed set of methods for administering quotas aimed at removing impediments.

194. The G-33's food security (stockholding for food security in developing countries) proposal seeks early approval for new provisions allowing government stockholding and purchases from poor farmers at supported prices to be excluded from calculations of the type of domestic support whose use has to be limited because it distorts markets. The main sticking points in the proposal are about provisions that would allow developing countries' governments to buy food at government-set prices ("administered prices", which would therefore provide price support for producers) with the objective of stocking it for food security purposes or distributing it as food aid — without having to count it as trade-distorting support, which is subject to limits (because, if the food were bought at market prices, the programmes would not be considered to distort trade.)

Recommendations:

195. ***The Committee recommended as follows:***

- ***a.*** ***LDC Members of COMESA do the analytical work that would enable them to benefit from the LDC waiver on services during the period for which the Waiver subsists by identifying the services sectors of export interest to them;***
- ***b.*** ***The LDC Members of COMESA that are in the process of acceding to the WTO take advantage of the streamlined procedures and benchmarks that were agreed to by the General Council in July 2012 with regard to their offers on goods and services schedules; and***
- ***c.*** ***The issues raised by the G-33, G-20, LDC and African Group with regard to Trade Facilitation and Agriculture be supported as issues for which a Bali outcome can be reaped.***

PROGRESS REPORT ON EPA NEGOTIATIONS *(Agenda item 9b)*

196. The meeting received an update on EPA negotiations under the ESA configuration. ESA and EU have now been negotiating EPAs for the past 9 years. The major objectives of these negotiations include that: EPA will be an instrument for sustainable development; support regional integration among the ESA states; be compatible with WTO rules; take account of the

different needs and levels of development of ESA countries and EU and build on the Cotonou acquis. The main areas under negotiations are development co-operation, market access in trade in goods, services, agriculture, fisheries, trade-related issues, dispute avoidance and settlement as well as institutional and final provisions.

197. Due to evolving negotiation process the EPA process now includes two major components (a) implementation of the interim EPA and (b) continuation of full ESA-EU EPA negotiations

198. Regarding the implementation of interim EPA it is noted that the interim EPA ratified by 4 ESA countries (Madagascar, Mauritius, Seychelles and Zimbabwe) entered into force from May 2012. The 2nd ESA-EU - iEPA joint implementation committee held in Mauritius on 14-15 May 2013 agreed to set up the EPA Fund as provided in the iEPA. Meanwhile the iEPA ESA countries are preparing a detailed article by article EPA aid for trade matrix that will indicate commitments arising due to EPA, the resources required to meet these commitments, resources available and then determine the resource gap for which additional resources are required. This work will be extended to the full EPA and the outcome will be used to mobilise resources for implementation of EPA. The next ESA EPA technical meeting on the full EPA is scheduled for first week of July 2013 and joint meeting with EU is planned for the 3rd week of July 2013.

199. In terms of the full EPA negotiations, the 17th ESA Council held in Kampala in November 2012 reaffirmed ESA commitment to successfully negotiate and conclude a full and inclusive EPA by 2016 when the market access regulation 1528/07 is likely to be removed. Council underscored the need for sustained continuous and robust engagement with EU at all levels so that EPA negotiations that support regional integration and development are concluded timeously.

200. So far key outstanding issues under full EPA negotiations include the following;

First tier issues

a. On development cooperation**,** two key issues that remain outstanding and contentious are additionality of resources and linking trade liberalisation to development benchmarks. While ESA will be insisting on additional resources to address EPA implementation especially adjustment costs, ESA is working on priority regional projects and mobilizing resources including from other partners than EU.

b. On trade in goods outstanding and contentious issues include provisions on substantial all trade liberalisation (SAT), timeframes for liberalisation, treatment of export taxes and agricultural safeguards.

i. On export taxes, ESA maintains its position for policy space to introduce export taxes for industrial development objectives without prior EU consent. This is a red line issue for ESA

ii. On Rules of origin cumulation provisions the, EU has made new proposals that which include: cumulation on materials which are MFN 0%, diagonal and full cumulation with other EPA signatories and OCTs, cumulation with GSP zero and quota free materials and extended cumulation with industrial materials which are duty free quota free under EU FTAs. ESA welcomed the proposal however highlighted that it would like to preserve cumulation with ACP states, reduce the list of products excluded from cumulation with South Africa and cumulate with neighbouring countries including Egypt which is in COMESA FTA

iii. On SAT and timeframes, ESA LDCs maintain their position for flexibility and longer transitional periods beyond 15 years taking into account the needs of LDCs

c. On agriculture there is generally agreed text except for export subsidies. ESA requested EU to eliminate the export subsidies and in response EU has proposed double zero approach, where EU would abolish export refunds for products liberalized by ESA. This offer was rejected by ESA. The Parties have agreed to refer the issue of export subsidies to political level.

- On Agricultural safeguards, ESA maintains its position for special agricultural safeguards based on automatic triggers to take account of the sensitivities in the sector and trade distortive effects due to EU subsidies when trade is fully liberalized under EPAs. Since agricultural export subsidies are being discussed under WTO the issue should be left for political tradeoffs at an appropriate time.

d. On trade in services no agreement was reached as regards articles on MFN, MFN exceptions and review, new financial services, anti-competitive practices and safeguard measures, where EU will revert with new positions or proposals, while ESA will revert on the new proposals EU made on telecommunications and e-commerce. On establishment / investment the meeting agreed to use the agreed provisions from trade in services as and when concluded

Second tier issues

e. Trade related Issues include competition policy, sustainable intellectual property rights, public procurement and good governance on tax matters. ESA Group has agreed to prioritize and focus on first two issues while the rest are part of the rendezvous clause. In terms of content, ESA focus is on capacity building and development cooperation while EU is seeking market liberalisation. Recently the EU proposed introduction of new issues namely personal data protection, geographical indications (GI) and capital movements.

201. Council noted that ESA remain ambitious to conclude a full EPA as the interim EPA is not good for ESA countries as they signed it under pressure to avoid trade disruption following the expiry of Cotonou trade provision on 1 January, 2008. Council underscored the need to have a secure contractual Economic and Trade Arrangement in view of expiry of Cotonou Agreement in 2020. Accordingly ESA Group is ready for the continuation of full EPA negotiations which already has significant improvements compared to the interim EPA or such improvements will be lost if full EPA negotiations are abandoned.

CHALLENGES

202. The main challenges facing the negotiations include the following:

- a. *Absence of binding commitment on development, in particular the provision of adequate additional resources on a predictable basis that will allow the ESA countries to build productive capacities in order, both to take advantage of the opportunities offered by the EPAs, and also to finance EPA-related adjustment costs ;*
- b. *The insistence of EU to limit ESA countries policy space to use export taxes for industrialization while ESA states consider export taxes as key instruments for industrialisation ;*
- c. *The issue of how much and when to liberalize. To take account the needs of LDCs ESA insists on more flexibility on how far they can open up beyond the 80% prescribed by EU and on longer transitional periods beyond 15 years ;*
- d. *Limitations on cumulation especially for chapters 1-24 with countries EU has FTAs and in particular list of products excluded from cumulation with South Africa ;*
- e. *Issues of special safeguards for agriculture to address effects of EU export subsidies remain unresolved*.

203. Redline issues for ESA include (i) policy space to use export taxes for industrialisation, (ii) beneficiation of ESA raw materials, (iii) economic and social transformation of ESA countries development of ESA region and (iv) support to ESA regional integration.

Way Forward

204. Strategic considerations for ESA in terms of the way forward include the following elements;

- a. Revive the negotiations and have continuous sustained and robust engagement with EU on every detail of the EPA and defend ESA interests objectively to ensure successful conclusion of an EPA that is development friendly and supportive of COMESA regional integration agenda ;
- b. Reality check. There is need for a joint ESA and EU reality check at ministerial level to see what can be and cannot be included/covered in an EPA especially among the outstanding issues. Other issues can be put under future agenda ;
- c. Variable geometry. Taking into account various levels of development of ESA countries Council reconfirmed the principle of variable geometry which allows some ESA countries to join the EPA earlier than while others can join latter depending on readiness while ensuring it does not undermine COMESA regional integration.
- d. Continued broad based and sustained national consultations involving private sector, civil society and more important parliamentarians for broad stakeholders' involvement and ownership of the process and outcome ;
- e. Updating and covering various current gaps in terms of information, technical, financial resources and institutional memory. Accordingly, ESA countries are

rededicating technical and financial resources at both national and regional levels towards EPA negotiations to avoid the usual slippages in the final phase of negotiations.

f. Tripartite. Due to ESA geographical position and multiple memberships affecting its membership, ESA Group is placing special attention to close coordination and harmonization of its negotiations positions with EAC and SADC in the framework of the tripartite FTA framework.

g. Pooling AU resources. ESA Group considers the use of the AU forum as important to advance the collective African EPA negotiating groups. The model EPA template should continue to serve as guide for African EPA regions.

Discussion

205. In the discussion, the Meeting noted there has not been much activity on the EPA negotiations attributing this partly to the absence of a dedicated unit responsible for EPA issues. The meeting further underscored the need to receive updates on positions being taken in the EAC/EPA negotiations for information and appropriate decision on ESA positions. It was agreed that the Secretariat circulate the update through e-mail. The meeting further noted that the biggest challenge that the ESA group was facing was the issue of harmonization in view of the fact that some members of the group had signed and others had not signed the iEPA.

206. The meeting noted that in the iEPA cumulation was only possible after the signing of Administrative Co-operation Agreement (ACA) and stressed the need for the Secretariat to facilitate discussion on this issue with the view to signing a Joint ACA. It was thus agreed that the issue be placed on the Tripartite agenda for the meeting in Mauritius.

207. The meeting raised the issue of streamlining the ESA Group into the COMESA organs, and called for due consideration of this matter.

208. On the issue of a dedicated Unit responsible for EPA issues, the Secretariat clarified that EPA issues are being handled by a Chief Technical Advisor (CTA). The meeting was informed that there were challenges in funding the CTA as Member States stopped contributions for expenses pertaining to the CTA.

Recommendations

209. ***The Committee recommended that:***

a. The Secretariat should implement the decision by the Council to convene a meeting to collectively address the issue of administrative cooperation for cumulation; and

b. A dedicated unit on EPA be established.

THE AFRICA GROWTH AND OPPORTUNITY ACT (AGOA) *(Agenda item 9c)*

210. The meeting received an update on trade and other developments under the African Growth and Opportunity Act (AGOA) under which thirty-nine out of the forty-eight Sub-Saharan African (SSA) countries and 12 of COMESA’s 17 Sub-Saharan African (SSA) countries are currently eligible.

211. The U.S. statistics for trade under the African Growth and Opportunity Act (AGOA) indicates that imports from all AGOA eligible countries under the AGOA and GSP schemes declined by 35.2% from US$53.8 billion in 2011 to US$34.9 billion in 2012. The rise of the figure from US$44.3 billion in 2010 to US$53.8 billion in 2011 could not be sustained as the US economy is not yet on a firm growth path following the global financial crisis. The 2012 US imports from sub-Saharan AGOA eligible countries is still lower than the US$66.3 billion attained in 2008.

212. U.S. imports from AGOA eligible countries of the COMESA region under the AGOA and GSP schemes fell by 33.4% from US$932 million in 2010 to US$620 million in 2011 and by a further 1.85% in 2012 to US$608 million. The fall in 2011 was largely due to the fact that D R Congo lost its AGOA eligibility and its trade with the US under AGOA declined to zero in 2011. In addition, Swaziland's exports under AGOA fell from US$111 million in 2010 to US$77 million in 2011. The first three months of 2013 show a promising start with US$163 million worth of exports having been realised compared to US$143 million for the same period in 2012.

Textile and Apparel issues

213. The statistics on textile and apparel imports from Africa during 2012 show a downward trend compared to 2011. In 2012, US imports recorded 224.830 million square meter equivalents (sme) compared to 237.636 square meter equivalents (sme) in 2011. This represented a decline of 5.39%. The decline was largely due to the delay by Congress to renew the Third Country Fabric provision under which most of the textile gain duty free access to the US market under AOGA. The provision, which was due to expire in September 2012, was only extended in August 2012 to 30 September 2015.

214. The exports of apparel and clothing from Africa to the US face competition from China and other competitive Asian countries, including Bangladesh, Cambodia and Vietnam.

The US Strategy towards Sub-Saharan Africa

215. The US Strategy towards Sub-Saharan Africa was released in June 2012 specifying that the US will pursue the following actions as a contribution to accelerate inclusive economic growth, including through trade and investment:

a. Promote Regional Integration.
b. Expanding African Capacity to Effectively Access and Benefit from Global Markets.
c. Encourage U.S. Companies to Trade with and Invest in Africa.

Possible Scenarios Beyond 2015

216. The current AGOA and the third country fabric provision have authorization though to 30 September 2015. A timely extension of both the AGOA and the third country fabric provision is essential to give assurance to investors that have positioned themselves to take advantage of AGOA. It is therefore appropriate to explore possible scenarios for US-Africa trade and economic relations beyond the current AGOA authorization.

217. According to the Brookings Institution, one possible scenario for US-Sub-Saharan Africa relations to 2015 and beyond could be to remove uncertainty associated with the impending

lapse of AGOA. For this scenario, recommended elements include: renewal of the AGOA and extension the third country fabric provisions; addressing supply side constraints; admission of items not currently on the AGOA eligible products and removal of quotas on some; designing a way of sanctioning errant countries without hurting the beneficiaries inside the countries and other economies; and designing incentives to spur US investments into Africa.

218. Another scenario concerns prospects beyond the current AGOA, that is, beyond 2015. Building on the gains from AGOA, the guiding principles for the design of a new cooperation platform should include: mutual benefits; consolidating the regional economic communities' agenda; and building synergies with other commercially inclined players. The critical areas for consideration under this scenario include:

a. Substantial investments in infrastructure and governance systems;
b. Support for socioeconomic transformation including promotion of manufacturing, services and value addition of agricultural products;
c. Removal of trade barriers for intra-African trade; and
d. Consideration of two way reciprocal trade which does not have the shortfalls associated with the Economic Partnership Agreements (EPAs).

219. Already the US and the East African Community (EAC) have made some progress under the Trade and Investment Partnership which was announced at the AGOA Forum in Washington, D.C. in 2012. This initiative supports the economic integration of the EAC and enhances the US-EAC investment relationship. The technical teams on both sides will be meeting to negotiate a proposed investment treaty and a trade facilitation agreement and agree on trade capacity building assistance, including identification and agreement of priority areas to support the Trade and Investment Partnership.

12th AGOA Forum to be held in Ethiopia

220. The 12th AGOA Forum is to be held in Ethiopia in 2013. Indications are that the Forum will be held in August 2013 and it is expected that the Trade Ministers from AGOA eligible countries will raise again the issues that they have been raising at various AGOA fora including the issue of the constraints that were being encountered in exporting to the US market under the AGOA and implore the US to consider addressing the issues.

221. The first issue is the one to do with the extension of AGOA and the third country fabric provision beyond 2015. The African AGOA eligible countries have a keen interest in the extension of the AGOA and the third country fabric provision beyond 2015.

222. The second issue relates to the constraints faced by AGOA member states in meeting the sanitary and phyto-sanitary requirements of the US as well as the infrastructural constraints by the African countries. To this extent, the US is urged to prioritize capacity building especially in infrastructure development, sanitary and phyto-sanitary laboratories, and private sector support to enable African countries take advantage of the market access offered by AGOA.

223. The third issue relates to the AGOA rules of origin that are considered to be restrictive. For instance in the case of the non-LDC countries the fabric has to be made in Africa or in the US in order for the apparel and clothing to qualify for duty free access to the US market. The

US is therefore urged to relax its restrictive rules of origin in order to promote diversification of exports into the US and also support regional integration through regional value chains.

224. The fourth issue pertains to the fact that some products of export interest to African countries such as groundnuts, sugar and tobacco are not on the AGOA eligible product list. The US is therefore urged to expand the AGOA product list in order to further help diversify non-oil exports from Africa.

225. The fifth issue concerns the proposal in the US to extend AGOA like preferences to LDCs in other regions including in Asia. This will erode the preference that the sub-Saharan countries are experiencing under AGOA. For this reason, the US is urged to take into consideration the risk of eroding the AGOA preference margins in its future preference schemes with other LDCs and developing countries.

Discussion

226. In discussing this matter, the meeting underscored the importance of developing a strategy for lobbying US Congressmen in order to ensure a timely extension of AGOA. The strategy should include lobbying at the WTO and any other appropriate fora to implore the US to consider the preference erosion to AGOA eligible countries before extending similar preferences to LDCs in other regions.

227. The meeting noted the alternative scenarios beyond 2015 and was informed that the UNECA had been tasked by the AU to develop a paper on AGOA beyond 2015.

228. The Committee noted and welcomed the US Strategy towards Sub-Saharan Africa which includes the undertaking to extend the AGOA beyond 2015 and the GSP beyond 2013, enhance US investments in Africa, support regional integration in Africa, increase AGOA eligible products to include products of export interest to Africa, and enhance the capacity of AGOA eligible countries to comply with the SPS, TBT and other standards for better access to the US market.

229.

Recommendations

230. ***The Committee recommended as follows:***

- ***a.*** ***COMESA should devise and implement a lobbying strategy for the seamless extension of AGOA beyond 2015 on a predictable basis targeting USTR, and key congress men/women and in this regard the Secretary General should proactively engage the US Government;***
- ***b.*** ***AGOA eligible countries should lobby for the expansion of the scope of AGOA by including products of export interest to them andimproving the rules of origin;***
- ***c.*** ***The US be urged to enhance the capacity of AGOA eligible countries to comply with the SPS, TBT and other standards so as to be able to access the US market; and***
- ***d.*** ***The US consider the preference erosion to AGOA eligible countries before extending similar preferences to LDCs in other regions.***

REPORT OF THE PREPARATORY MEETING ON COMESA-INDIA TRADE AND ECONOMIC RELATIONS *(Agenda item 9d)*

231. The meeting was informed that the preparatory meeting for COMESA-India Trade and Economic relations was held on 29-30 April 2013 in Kampala, Uganda. This followed the Council decision in November 2012 that the Secretariat prepare a comprehensive paper and then convene a preparatory meeting for COMESA Member States before meeting with India

232. The preparatory meeting was briefed on the declaration and action plan of the Fifth BRICS Summit held on 27 March 2013 in Durban, South Africa under the theme. "BRICS and Africa: Partnership for Development, Integration and Industrialization". The BRICS Summit comprises leaders of Brazil, Russia, India, China and South Africa and identified areas of cooperation with Africa in infrastructure development and financing. The preparatory meeting was also briefed on a workshop on new generation investment treaties and another one on the COMESA Eternal Trade Policy as these gave insights into COMESA's relations with third parties.

233. After considering the BRICS Summit declaration, the workshops on new generation investment treaties and on the COMESA Common External Trade Policy, the following recommendations were made:

a. *COMESA should meaningfully engage the BRICS by positioning itself and its institutions such as the COMESA Infrastructure Fund to tap into the resources of the BRICS New Development Bank once it is established;*

b. *The meeting stressed the need for COMESA to consolidate and utilize the banks that already exist namely, the African Development Bank, the PTA Bank and the COMESA Infrastructure Fund; and*

c. *COMESA should position itself to develop meaningful cooperation with the BRICS countries.*

d. *In negotiating with third parties it is important that COMESA retains flexibility in light of the differing levels of development of Member States; and*

e. *There is need for capacity building of Member States in formulating investment laws and policies.*

234. The preparatory meeting then received a presentation of the draft comprehensive paper on COMESA-India Trade and Economic relations which highlighted that COMESA Member States exported mainly raw materials to India while India exported processed products to COMESA. The trade balance was in favour of India.

235. The paper further highlighted that in trade and economic relations with India COMESA should seek, project financing, access for COMESA services into India and vice versa, FDI from India, securing effective market access to the Indian market by India removing trade barriers; and preserve and strengthen the regional integration programs of COMESA.

236. The meeting noted that the preparatory meeting raised the following points:

a. There is need to clarify how the relations with India could be formulated given that COMESA is not yet a Customs Union and does not have a common external trade policy;
b. The need to establish a link between tariff liberalization and the attraction of Indian investment;
c. Be aware of the possibility of trade diversion- for instance trade that would have been created as a result of the COMESA FTA being diverted to India if the region gets into an FTA with India;
d. Carry out a SWOT Analysis for COMESA in the same way that a SWOT analysis was done for India;
e. Prepare a matrix of principles covering what COMESA has negotiated with other groups such as the EU under EPAs and the US under AGOA to inform the best way to engage with India;
f. Where COMESA Member States have trade relations with India, a matrix of successes and failures should be drawn so that lessons could be learnt from the experience;
g. Noted that India had promised to assist the COMESA Member States on irrigation which had not yet materialized;
h. Member States should not negotiate areas such as government procurement and intellectual property rights with India ;
i. It would be difficult for India to offer COMESA DFQF without reciprocity;
j. It was noted that in the negotiations with SACU, India was requesting a much higher level of liberalization in trade in goods of up to 50%, while SACU prefers to liberalise only up to 20%;
k. Given the negative trade balance that COMESA has with India, there is need to get more market access for COMESA products into India.
l. In addition to the elimination of tariff barriers, there is need for addressing other barriers such as SPS, and TBT issues.
m. Some Member States were of the view that the negotiations with India should take a pragmatic approach and be guided by the following principles, Predictability, Sustainability, Legal Certainty, Compatibility with international rules; and Consistency with international trends;
n. The agreement between COMESA and India could cover the following:

    i. Trade in Goods – an FTA or a PTA. More analytical work needs to be done to capture domestic sensitivities of Member States as well as to ensure that intra-COMESA trade is not negatively affected.

    ii. Trade in Services- focusing on ICT where India is strong and taking into account what the COMESA region was doing in terms of the priority services sectors taking into account that services negotiations in COMESA are still ongoing.

    iii. Investment; and

    iv. Development Cooperation and capacity building; and

o. The Member States will consult in their capitals and at the next preparatory meeting scheduled for June 2013 in Kampala, agree on a roadmap for negotiations in accordance with the priorities of COMESA.

Discussion

237. In discussing this report, the meeting noted that a second preparatory meeting which was planned for 17-18 June 2013 could not take place due to the low number of confirmations.

238. The meeting stated that there would be financial constraints for Member States to participate in the India-COMESA negotiations and suggested that India should finance the participation of Member States in these negotiations. In addition the meeting pointed out that the meeting should be held in the COMESA region.

239. The meeting was advised that the Joint Study Group Report will be the subject of discussion between India and COMESA and COMESA had not yet received this report from India.

Recommendations

240. ***The Committee recommended as follows:***

- ***a.*** ***The Secretariat explores the possibility of hosting meetings with India in the COMESA region as well as the possibility of India funding the participation of delegates to the meetings;***

- ***b.*** ***COMESA should take cognizance of the fact that Africa is a priority region for investment and market access for many developed and advanced developing countries, and utilize this to its benefit in engaging these partners;***

- ***c.*** ***The structure of negotiations with India be at the technical level and the appropriate structures should be established;***

- ***d.*** ***That Member States should not engage India until they have examined the Joint Study Group Report and the revised position paper on COMESA-India trade and economic relations and***

- ***e.*** ***Member States should conclude investment protection and double taxation agreements with India, in which there should be rights as well as obligations on investors to ensure that investment arrangements benefit also the host countries.***

COMESA-JAPAN RELATIONS *(Agenda Item 9e)*

241. The meeting was informed that the COMESA Heads of State and Government and the Chief Executive Officers of Japanese firms met in Yokohama, Japan and issued resolutions of their meeting on 31 May 2013. They recognized that for sustainable development to be achieved in Africa there was need to address infrastructure development, agriculture and micro-small and medium scale enterprises as well as provision of finance.

242. To this end, on infrastructure, the focus will be on Public Private Sector Partnerships between COMESA Member States and Japanese Private Sector through Special Purpose

Vehicles primarily focusing on the development of hydro power and renewable energy projects and cross border railway infrastructure including operations on the basis of anchor projects already identified by COMESA Member States.

243. On agriculture, the focus will be on supporting and undertaking investments in agriculture with the objective of realizing anchor projects already identified by COMESA Member States on Pillars 1 and 4 of the Comprehensive Africa Agriculture Development Programme (CAADP)

244. On financing, the Japanese stakeholders will mobilize equity for participation in the PTA Bank while work on Micro-Finance Training Programme to establish new financial frame work to empower MSME and farmers that was being done by the Alliance Forum Foundation Development Programme (AFDP) will continue.

245. **The meeting noted the report.**

PROGRESS AND PROSPECTS OF THE CLUSTER PROGRAM *(Agenda item 10)*

246. The Secretariat made a presentation on Cluster Development Program that was initiated in 2012 by the COMESA Secretariat, in response to Treaty provisions, summit and council decisions and the potential that SMEs hold with regard to contribution to intra-COMESA trade expansion and strengthening regional value chains, employment creation; poverty alleviation and a strong alignment that this intervention has with national priorities. SMEs in the COMESA region are facing many challenges, which among others include; inadequate technical and managerial skills, limited access to suitable finance, poor equipment and raw materials, small and erratic domestic market. This was confirmed by a profiling exercise of SMEs in the footwear, garments and cassava processing that was undertaken by the COMESA Secretariat. At least 65 percent of SMEs operating in the region are facing most of the constraints highlighted above.

247. The implementation of the program in 2012 focused on profiling, mentoring, capacity building in skills and business management and acquisition of equipment.

Objectives of the Program

248. The overall goal of the intervention is to improve the SMEs contribution to intra trade of value added products and to strengthen the regional value chains in line with the COMESA treaty, summit and council decisions and the COMESA Mid Term Strategy. This would subsequently lead to the consolidation of the internal market. According to the 2010 trade statistics cassava based starch, footwear and clothing's intra trade stood at 0.11%, 0.04% and 6.17% in that order.

249. The specific objectives of the intervention are as follows:

a. Build the competitiveness capacity of the SMEs in the three subsectors;
b. Increase the productivity of the SMEs by 25%;
c. Build the capacity of support institutions in the area of cluster management excellence;
d. Develop the capacity of SMEs to procure and market regionally; and

e. Build the capacity of Member States at regional level to transform technical institutions into incubation centre with the export trade oriented approach.

250. The expected Results/Impacts are the following:

a. Enhanced competitiveness of the SMEs in the three subsectors;
b. Labour productivity increased by at least 25 percent
c. A 5% increase in intra trade in the products of the three subsectors;
d. Increased business linkages and strengthened regional value chain;
e. An increase in the number of jobs created by the SMEs in the three subsectors

The Rationale for the Cluster Approach

251. The COMESA Secretariat has selected the cluster approach in dealing with a plethora of challenges that SMEs are facing in the region. This is mainly because empirical evidence in both developing and advanced countries have shown that firms located in clusters are more likely to be innovative, pay higher wages, and achieve greater productivity than firms that are geographically isolated. This leads to increased efficiency and quality through:

a. Competition;
b. Relationships;
c. Reinforcing growth; and
d. Customization of SMEs services.

Implementation Summary: 2012

252. Since its inception in April 2012 the program has implemented the following activities: business and technical training and acquisition of materials. The summary of implementation is illustrated in the table. Other training programs would be starting soon. It is fundamental to note that the program has managed to take off at a faster pace because Member States already have mechanisms of working with SMEs, which is being strengthened and complimented by the regional dimension being brought by the COMESA Secretariat.

253. In addition to the above the Cluster Program has supported the participation of 23 SMEs in the All Africa Leather trade fair on a cost sharing basis. This initiative has helped SMEs to create regional linkages amongst themselves. During the Fair they held 100 matching business meetings with potential suppliers of leather, shoe lasts and other accessories from Ethiopia.

Preliminary Assessment of the Impact of the intervention

254. There is already evidence on the ground that SMEs are participating in intra trade, examples are elaborated below:

a. Malawi SMEs are importing finished fabric, leather, soles and other accessories from Kenya, Zambia and Zimbabwe;
b. Rwandese footwear SMEs are importing leather, soles, lasts and other accessories from Kenya.
c. Uganda SMEs are importing fabric, leather, soles, shoe lasts and other accessories from Kenya and Ethiopia.
d. Some of the products that were show cased by footwear and leather goods SMEs which were drawn from eight COMESA during the 2013 All Africa Leather

Fair have caught international attention. To this end the Hong Kong Fair organizers of Market Access Fair, have requested a group of SMEs that will be supported to show case their products in international fair. This is a good example for the cluster initiative being leveraged by other sources of funds.

e. Two women SMEs in Malawi supported under this program are working together to export Africa print Fabric bags to the USA under AGOA. They are seeking for support to enter the European market.

Way Forward

255. The next phase of the program COMESA will focus on working with stakeholders at National level to establish model SMEs business incubation centres that can act as a learning centres. This will require , selection of MSME with great potential for incubation, erecting industrial shades, identification of technical and business/marketing training service providers ,private sector MSME coaching and mentors, provision of common machinery, training of trainers and cross learning for officers responsible to managing SMEs and Cluster program. This will ensure that the funds allocated for MSME support by member states and donors provide firm foundation to ensure sustainability of this intervention.

256. **The meeting noted the report.**

REPORT OF THE WORKSHOP ON INCLUSIVE GROWTH *(Agenda item 11)*

257. The meeting received a report of the workshop on Regional Integration and Inclusive Growth that was held on 16-17 May 2013 in Lusaka, Zambia.

258. The meeting was informed that the Secretariat made a presentation on a draft paper on inclusive growth in the COMESA region to the workshop. The issue of inclusive growth is mandated by the Treaty in Article 3a and b which state that among the aims of COMESA is the attainment of sustainable growth and development of the Member States and the promotion of joint development in all fields of economic activity in order to raise the standards of living of the peoples of the region. The paper highlighted a broad picture of the growth experience of sub-Saharan Africa covering the period 1960 to 2000 and thereafter. The presentation covered a range of areas including providing a definition of inclusive growth, a reflection of the literature on inclusive in Africa, lessons learnt from the literature and COMESA's programmes that have a bearing on addressing pro-poor growth in the region.

259. The paper made some recommendations on the way forward for COMESA as well as providing the elements that should be contained in country policy strategies. The recommendations made in the paper are as follows:

a. A comprehensive plan for the redistribution of Member States' national public expenditures and social protections should be developed in order to cushion the most poor and vulnerable from extreme poverty;

b. Broad-based sectoral growth programmes, including the introduction of appropriate rural infrastructure and agricultural technologies be set up to benefit the poor directly;

c. The COMESA region should undertake to assist Member States to develop country strategies on growth within their national trade policies that explicitly bind in considerations of inclusive growth. This will entail undertaking additional reforms in order to create enabling environments to help span production, business activities and investment especially through science, technology and innovation attuned to inclusive growth objectives.

d. In order for COMESA programmes to deliver on the all inclusive growth objective, the region has to build strong partnerships to support the efforts. These partnerships can be with private sector big business and with international development partners that can support and fund inclusive growth programmes;

e. Consolidate existing ongoing programmes for SME development, investments in climate change adaptation, reduction of deforestation, desertification and adverse pollution of the environment, improvement of land management systems and promotion of the utility of new resources. The programmes should link up with the implementation of a comprehensive industrialisation programme that espouses value addition through private sector development, improvement of distribution and reinvestment options for extractive industries, and an intensive programme devoted to the transformation of the informal sector into a formal market economy.

260. The participants welcomed the draft paper and in discussing it, made the following points:

a. The need to focus on addressing constraints faced by SMEs;
b. The inclusion of E-Commerce in the draft paper;
c. Issues of industrialisation, particularly rural industrialisation, should be incorporated in the draft paper;
d. A background study should be conducted in order to inform policy on inclusive growth;
e. The draft paper should deal with issues of ease doing of business and involvement of the private sector in the growth process;
f. A specific focus on employment policy should be incorporated in the paper;
g. Additional partners including the AU, NEPAD, ILO,UNIDO and UNDP should be brought on board in the further development of the draft paper and in the implementation of the identified activities; and
h. The need to clearly delineate the responsibilities between the Secretariat and Member States with respect to addressing constraints faced by SMEs.

Presentations by invited partners

261. The meeting was informed that partners that include European Union (EU), the International Monetary Fund (IMF) and the United Nations Economic Commission for Africa Sub- Regional Office-Southern Africa (UNECA SRO-SA) made presentations informing the workshop of the activities they were involved in that promoted regional integration and inclusive growth.

262. A case study of Zambia’s national budget for 2013 whose theme was “Delivering Inclusive Development and Social Justice was discussed at the workshop.

263. The meeting noted that the workshop made the following recommendations:

a. A background study showing the situational analysis ought to be conducted to inform this policy paper. Among the issues to be looked into in the study are the following:

i. The need to focus on addressing constraints faced by SMEs and MSMEs; specify constraints and identify solutions- eg. Access to finance for entrepreneurs, etc.

ii. The need to clearly delineate the responsibilities between the Secretariat and Member States with respect to addressing constraints faced by SMEs

iii. The inclusion of E-Commerce in the draft paper as a potential avenue to boost inclusive growth and incomes

iv. The inclusion of industrialisation, particularly rural industrialisation in the study;

v. The paper should clearly address issues of ease of doing business and need for the involvement of the private sector in the growth process;

vi. A specific focus on employment policy should be incorporate in the policy paper;

b. Additional partners including the African Union (AU), New Economic Partnership for Africa's Development (NEPAD), International Labour Organisation (ILO) United Nations Industrial Development (UNIDO) and United Nations Development Programme (UNDP) should be brought on board in the further development of the draft paper and in the implementation of the identified activities;

c. The Secretariat should work with Member States in the preparation of country and regional strategy papers that include trade development, investment promotion, industrialisation and other policies geared towards the realisation of inclusive growth;

d. Preferential Trade Area Trade and Development Bank (PTA Bank) could be used to support the financing of SME programmes in the region or use of financial institutions and instruments as a means of enhancing the resource base for supporting SME programmes; and

e. The Secretariat to develop the Terms of Reference for the Study in consultation with Member States.

264. **The meeting noted the report.**

KEY ISSUES COMING OUT OF THE MAY 2013 AU SUMMIT *(Agenda Item 12)*

265. The meeting was apprised of the key issues that came out of the AU Summit held in May 2013 in Addis Ababa. The main issues include: alternative sources of financing, the AU Agenda, the post 2015 MDG Program and the solemn declaration on the celebration of 50 years of OAU/AU.

266. The 21st AU summit was held immediately after the celebration of the 50th Anniversary of OAU/AU which was marked by a series of conferences, panel discussions and events attended by AU Heads of States and a number of Heads of States and Heads of Delegations from all the continents that came to express solidarity to Africans.

Celebration of the 50th Anniversary of OAU

267. The morning session was a panel discussion of Heads of States moderated by the ECA Executive Secretary around four main issues: - economic opportunities for Africa; - strategic options for the future; - governance challenges; - inclusiveness.

268. The afternoon session was an opportunity for Heads of States of Africa and Guests to make statements on the theme of the celebration which was “pan-Africanism and African renaissance”. The main outcome of the 50th Anniversary was the signing of the Solemn Declaration which committed Heads of State and Africa citizens on the following:

a. Preservation of African identify and acceleration of African renaissance;
b. Struggle against colonialism and right to self-determination;
c. Accelerating integration and implementation of continental governance through for instance removal of visa, continental free trade area, merger of RECs);
d. Development of human capital , accelerating infrastructure development and industrialization;
e. Achieve the goal of conflict-free Africa by addressing the root causes of conflict and pushing forward conflict prevention;
f. Strengthening democratic governance, accountability and transparency;
g. Determining Africa’ destiny by taking ownership of African issues and mobilizing domestic resources to support African solutions options;
h. Endeavor for Africa to take its rightful place in the political security and economic systems of global governance.

Agenda of the 21st AU Summit

269. The 21st AU Summit was held on 26 and 27 May after the celebration of the 50th Anniversary of OAU. The agenda was relatively lighter compared to previous AU Summits and was focusing on: - strategic plan of AUC and AU agenda 2063; - post - 2015 development agenda; - alternative sources of funding AU programmes. The three items were quite closely related to the theme of the 50th Anniversary of OAU and very much linked to the content of the Solemn Declaration that was discussed during preparatory meetings of the celebration and signed during the 21st Summit. As usual the Summit discussed issues on peace and security and adopted the AU budget for 2014.

AUC Strategic plan and Agenda 2063

270. Drafting the AU agenda 2063 is an ongoing exercise which should be concluded by July 2014 by the adoption of AU Summit of the 2063 vision framework. It is a consultative process which must involve all Africans. Some ideas however have started coming on the flow especially the so called key drivers of change:

a. Promoting science, technology and innovation;
b. Investing in human development;
c. Managing the natural resource endowment ;
d. Pursuing climate-conscious development;
e. Creating capable development states;
f. Harnessing regional integration.

271. In the meantime AU Summit adopted in May 2013 the AUC strategic plan for 2014-2017 in the spirit of the AU vision of “accelerating progress towards an integrated , prosperous and inclusive Africa, at peace with itself, playing a dynamic role in the continental and global arena, effectively driven by an accountable , efficient and responsive Commission.”

272. The strategic plan is articulated into five pillars: (i) peace and security; (ii) social, economic and human development; (iii) integration, cooperation and partnerships; (iv) shared values; (v) institutions, capacity building and communication. The plan has 8 priorities:

a. Human capacity development focusing on health, education , science, research, technology and innovation;
b. Agriculture and agro-processing;
c. Inclusive economic development through industrialization, infrastructure development , trade and investment;
d. Peace, security and good governance;
e. Mainstreaming women and youth into all activities;
f. Resource mobilization;
g. Building a people- centered Union through active communication and branding;
h. Strengthening the institution capacity of AU and all its organs.

273. The process of defining the strategic plan involved RECs since September 2012 and COMESA was associated to this consultation with active participation of the strategic planning Unit and the COMESA LO to AU. The 2014 budget was inspired by the strategic plan. The Assembly adopted a budget of US $308,048,376 broken into US$ 137,884,958 for operating costs and US $ 170,163,418 for programs with the biggest shares allocated to social and economic development, and institutional and capacity building and communications for 35% and 29.7% respectively with 93% dependency on donors for the programme budget, thus compromising ownership by Africa.

African position on the Post-2015 Development Agenda

274. The UN Millennium Summit endorsed the MDGs in the Millennium declaration signed by 180 countries. With less than 3 years to go until the 2015 deadline, Africa‘s progress in this area remains uneven with remarkable advances in primary education, gender parity and women representation as well as immunization coverage and stemming the spread of HIV/AIDS. Heads of States are building a common position and in so doing nominated a group of Heads of States

led by President of Liberia to pursue efforts to speak one voice in the UN General Assembly having in mind the following keys priorities:

a. Structural economic transformation and inclusive growth through inclusive sustainable development , agriculture development, inclusive green growth, industrialization and value addition, infrastructure development ;
b. Innovation , technology transfer and research and development ;
c. Human development ;
d. Improvement of domestic resource mobilization and enhancing the quality and predictability of external financing.

275. It is interesting to note that promotion of intra-African trade is among the development enablers that Africa wants to rely on for the next post -2015 development agenda. You may also wish to know that a High level Panel of Eminent persons on the Post-2015 Development agenda appointed by UNSG made of among others the President of Liberia and the PM of Great Britain issued a report on 30th May that underlined the fact that the Post 2015 Development agenda is an universal agenda that should be driven by the five big transformative shifts, these are the following:

a. Leave no one behind; meaning no one should be denied universal human rights and basic economic opportunities;
b. Put sustainable development at the core of the development agenda;
c. Transform economies for jobs and inclusive growth;
d. Build peace and effective , open and accountable institutions for all;
e. Forge a new global partnership.

Alternative sources of funding of AU programmes

276. For all decisions taken on the main agenda of the Summit there was a constant reference to efforts to be deployed in mobilizing domestic resources to find African priorities and increase African ownership of its agenda. In this respect the debate on alternative sources of funding was very much relevant.

277. The Assembly received the report by Former President Obasanjo in his quality of Chairperson of the High Level Panel on alternative sources funding of AU programmes. The Panel had been tasked to review the numerous proposals that have been developed by experts for over a decade without leading to a conclusive decision by AU organs.

278. The following financing options were recommended in a series of studies conducted by AUC:

a. Levy on insurance premium(rate of 0.2% on insurance policy);
b. Import levy(0.2% on import from outside Africa);
c. Levy on hydro-carbons(0.5% on exports of hydro-carbons);
d. Levy on air tickets(US $ 5 on international and US$ 2 on domestic travel);
e. Tourism levy (US $ 1 per tourist);
f. Levy on national budgets(1% on national budget);
g. Export levy (0.2%);
h. Tax on SMS(5 US cents).

279. Out of all these proposals Obasanjo Panel suggested two options based on three principles, namely: (i) cost of administration; (ii) sustainability; (iii) impact on national economy.

280. The following options were proposed: (i) US $ 10 travel levy on flight tickets from Africa and going to destinations outside Africa or coming to Africa with a potential of US $ 650 million per year; - (ii) US $ 2 hospitality levy per stay in a hotel with a potential generation of US $ 113 million per year.

281. The Panel also recommended the establishment of a stand –alone AU foundation to receive voluntary contribution from private sector and individuals. The funds raised would be primarily allocated to infrastructures, peace and security as well as capacity building assistance.

282. The proposals by President Obasanjo Panel were opposed by small island countries and other countries relying very much on tourism sector. Other countries supported Obasanjo report arguing that Africa needs to assume responsibility of ownership of its programmes by mobilizing domestic resources and reducing external dependency. President Obasanjo and AUC Chairperson did not hide their disappointment of noting absence of consensus on this critical issue. Heads of States have referred the matter to Ministers of Finance.

Conclusion

283. The outcome of the 50th Anniversary of OAU was not more than the solemn declaration which was not finally transformed in any concrete action by the AU 21st Summit that failed to show a tangible result with respect to the African Renaissance through the decision on alternative source of funding AU programmes.

284. It is hoped that during the yearlong celebration and particularly the 22nd Summit to be held in January 2104 will be an opportunity for Africa to make tangible step towards the realization of the dream of pan-Africanism and African renaissance in assuming the financial responsibility of its destiny. In the meantime let us agree that intra-African trade will remain the main engine of socio-economic transformation of Africa.

285. **The meeting noted the report.**

DATE AND VENUE OF NEXT MEETING *(Agenda item 14)*

286. The dates and venue of the next Trade and Customs Committee meeting will be advised by the Secretariat after consultation with Member States.

ANY OTHER BUSINESS *(Agenda item 15)*

287. Egypt raised a concern with regard to the late circulation of documents and information about the venue of this meeting and requested the Secretariat to provide documents at least two weeks before the meeting. The Secretariat clarified that the documents were actually sent in time but probably due to the size of the attachments, they bounced back from some addresses. The Member States were urged to provide e-mails that can accommodate heavy attachments.

288. Seychelles informed the meeting that it became a Member of COMESA in 1993 and joined the FTA in 2009. In this regard, it reaffirmed its commitment to regional integration as per Treaty provisions. However, Seychelles raised concern on the barriers it was facing in exporting to COMESA Member States under the FTA where it stated some Member States were arbitrarily invoking unjustifiable measures that denied preferential treatment on Seychelles originating products.

289. In this regard, Kenya informed the meeting that a consignment of fish and coconut from Seychelles had been erroneously subjected to full MFN rates by Kenya Revenue Authority (KRA) at the Port of Mombasa. Further, Kenya informed the meeting that consultations are at an advanced stage between the Ministry and Kenya Revenue Authority to reimburse the duties that had been erroneously collected from the importer. Kenya regretted the incidence and reaffirmed its commitment to regional integration in a letter to the COMESA Secretary General.

290. The meeting commended Kenya for the good gesture it exhibited in fast-tracking the resolution of the challenge that the Seychelles' products were facing including the reimbursement of collected duties on originating goods.

291. The Secretariat informed the meeting that apart from Kenya, Seychelles exporters were facing similar challenges in the Egyptian market.

ADOPTION OF THE REPORT *(Agenda item 16)*

292. The meeting adopted its report with amendments.

CLOSING OF THE MEETING *(Agenda item 17)*

293. In closing the meeting, the Chairperson, Mr Deo Kamweya of the Ugandan Ministry of Trade Industry and Cooperatives, thanked the delegates for coming to Uganda and for their effective and constructive participation in the meeting and wished them a safe journey home to their capitals. He hoped that though some of the discussion was tense and sensitive, all remained friends. Delegates were then invited to lunch, and the meeting was declared closed amidst great applause.