Alliance for Commodity Trade in Eastern and Southern Africa
ACTESA

3^{RD} PAFO CONTINENTAL BREIFING Regional Trade and Agribusiness Development: experience in the COMESA Region

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COMESA IN FIGURES

- Membership: 19 countries in Eastern and Southern Africa including North Africa
- Geographical land size: 12million sq. km
- Total population: (2011) >460 m people
- Total GDP: (2011) USD 450 bn.
- Total exports:USD 116 bn. (2011)
- Total imports: USD 153 bn. (2011)
- GDP Growth (2011) 5%

EAC-COMESA-SADC TRIPARTITE

- 26 Countries
- 610 Million People
- Represents 58% of Africa population
- GDP US$1.2 trillion
- Intra-regional trade only at 10.5 % of total trade
- 60% total arable global arable land is in Africa
- This is opportunity for agricultural growth and economic integration within Free Trade Area

STRATEGIC FOCUS

Mission

Integrate smallholder farmers into national, regional and international markets through an improved policy environment and expanded market facilities /services

Focus Area one

Policy Research Outreach and Advocacy

- Policy on inputs /outputs
- Stakeholder Outreach

Focus Area Two

Expanding Market Services and Facilities

- Market facilities and services, Information system and service Forum

(CAADP pillar II)

Focus Area Three

Capacity Building for Commercialization

- Productivity and technology adoption
- Development of Farmer Organisations

(CAADP pillar III)

ACTESA'S STRATEGIC ROLE

- **Channel between policy makers and private sector:** communicates regulatory recommendations from partners to COMESA Policy Organs and follow-up decisions
- **An information hub:** document and package information, knowledge and best practices, Review experiences,
- **Facilitates and co-ordinates activities of implementing partners:** contacts with grass roots organizations
- **Facilitates country in national investments plan on pillar 2 and 3 of CAADP**

STRATEGIC PROGRAMMES

In strengthening intra-regional agricultural trade, ACTESA has implementing programmes on:

- Seed harmonisation
- COMESA policy on Biotechnology and Biosafety
- Harmonisation and fertiliser bulk procurement with private leading role
- Regional Food Balance Sheet
- Regional Value chains in Livestock and Maize with UNECA
- Regional Commodity Exchange development

The Context

- the CAADP process, initiated by NEPAD and the AU, creates a framework for coordinating strategies and instruments in Africa's agricultural sector
- Expanding regional trade is regarded an opportunity for African countries to address major constraints to export competitiveness imposed by the small size of their economies and enhance competiveness through exploiting economies of scale associated with having a larger market.
- Regional trade is expected to enable African countries to overcome the burden associated with exporting to distant markets and an important channel through which countries can insulate themselves from external shocks **(UNCTAD, 2013).**

The Context

- Many countries within the region still impose some type of tariff, quantitative (non-tariff) restrictions and other technical barriers to trade and especially to agricultural trade **(Economic and Social Research Foundation, 2003).**
- countries within the region are prone to using non-tariff barriers (NTBs) to keep out exports of other Southern African countries, deeply damaging the prospects for intra-regional trade.

The Context

- Non-tariff barriers are a serious impediment to the growth of intra-regional agricultural trade and the associated benefits.
- They diminish the potential benefits: which include better access to partner country markets, increased export volumes and prices, improved economic welfare, more jobs, and more rapid economic growth.

The Context

- COMESA MS economies are pre-dominantly agricultural based and food dominates agricultural trade among in the sub region. Enhanced trade in agricultural products potentially provides a tool for fighting poverty, promoting regional integration, and increasing economic growth and welfare.
- Agriculture`s contribution to the national GDP ranges from 10-25% (Angola, Namibia, Zimbabwe, Zambia, Mozambique and Madagascar) up to 25-50% (DRC, Malawi, Tanzania).

The Context

- much of the agricultural trade in the region is informal, due to a range of government controls, non-tariff barriers to trade, poor cross-border infrastructure and cumbersome customs procedures. Other barriers impeding intra- agricultural trade include inadequately functioning markets and the often significant government influence on strategic markets leading to unilateral and politically motivated decisions such as export bans

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- Available evidence indicates that the Africa’s actual level of trade is below potential, from 2007 to 2011, the average share of intra-African exports in total merchandise exports in Africa was 11 per cent compared with 50 per cent in developing Asia, 21 per cent in Latin America and the Caribbean and 70 per cent in Europe **(UNCTAD, 2013).**

The Context

- In 2008 Africa imported USD 58.9 billion worth of total agricultural products compared to USD 30.8 billion worth of exports draining US 28.1 billion of its scare foreign exchange on net food imports **(FARA, 2011).**
- External market conditions have been a critical factor in the marginalization of Africa in global trade.
- African exporters also face a range of non-tariff barriers such as sanitary and phytosanitary requirements and other technical barriers to trade **(Daya et al., 2006).**
- SSA has the lowest share of intra-regional exports as a proportion of total in the world and this has been the case since the 1980s.

Definitions

- The NTB is an unnecessarily restrictive non-tariff measure (NTM) which affects trade in goods **(Keane et., 2010).**
- Non-Tariff Measures (NTMs) are loosely defined as any policy measures, except tariffs that make domestic prices to be different from the border price. These include transportation, regulations, quantity restrictions and many others. That definition sets it apart from the non-tariff barriers (NTBs) which are designed with protectionist intent

Impact of NTBs and NTMs

- Data on NTMs compiled from official reports, surveys and interviews in Mozambique, Malawi and Zambia covering agricultural products as described at the Harmonised System (HS) confirms that the three countries started with a total of 400 NTMs in the year 2000, but by end of 2010, they had a total of just less than 1400 NTMs. **(Kalaba, 2013)**.
- The FAO distinguishes core NTBs (like customs procedures) from non-core NTBs, that are difficult to locate and control since they refer to roadblocks and checkpoints combined with bribes to the police.

Impact of NTBs and NTMs

- The World Bank (2010) estimates that non-tariff barriers to trade affect considerably more than one-fifth of regional goods traded and are a serious hindrance to competitiveness in the SADC region.
- It is estimated that on average the *"tariff equivalent of NTBs"* is 40%.
- Overall five main types of non-tariff barriers are identified: inefficiencies in transport, customs and logistics; cumbersome fiscal arrangements at border posts; restrictive rules of origin which limit the application of preferential trade arrangements; poorly designed technical regulations and standards which limit consumer choice and hamper trade and other non-tariff barriers which restrict opportunities for regional sourcing. These NTBs affect a long list of food and agricultural products in the sub region.

Implications

- The implications of the escalating NTMS are at three levels (i.e) trade, price and welfare. Just as high tariffs are trade restricting, so are the NTMs. NTMs may be more trade restricting, and unlike tariffs they are seldom transparent or quantifiable.
- Secondly at the price level it means that the consumers are paying a much higher price than they should if these NTMs were to be reduced.
- Thirdly, trade restrictions, high prices and reduced trade flows are all welfare-reducing **(Kalaba, 2013)**.

Implications

- NTBs diminish the potential benefits that could be derived from the trade preferences offered through regional trading arrangements. These trade preference benefits include better access to partner country markets, increased export volumes and prices, improved economic welfare, more jobs, and more rapid economic growth. Moreover, NTBs are a serious impediment to the growth of intra-regional trade and the associated benefits (**Karugia et al., 2009).**

CONCLUSION

- Well functioning markets can reduce the cost of food, its volatility and the uncertainty of supply. Studies in the SSA region for example show that prices for maize and cassava fall significantly at open borders.
- Priorities for promoting regional agricultural trade and for transforming regional trade flows from informal to formal should include infrastructure development and trade facilitation (especially SPS, TBT and customs issues), strengthening competitiveness and market information, reducing trade barriers and enhancing regional trade negotiation capacity **(GTZ, 2010).**

THANK YOU FOR YOUR ATTENTION

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