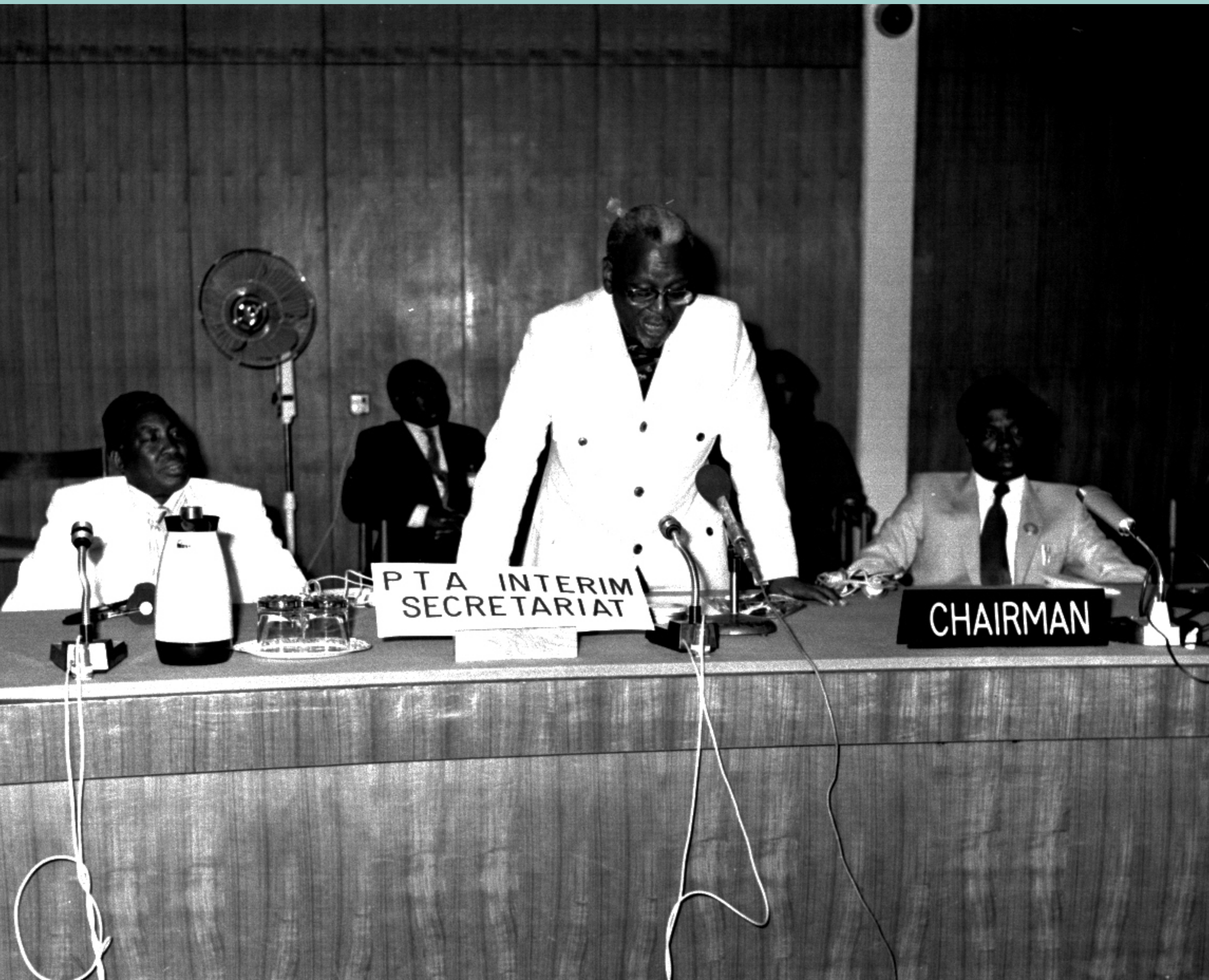
From PTA to COMESA

THE **EVOLUTION** OF THE PREFERENTIAL TRADE AREA **(PTA)** INTO
THE COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA **(COMESA)**



Cover Page Picture: The First Meeting of the Authority of the Preferential Trade Area for Eastern and Southern African States in Lusaka, Zambia on 16-17 December 1982. The UN Economic Commission for Africa (UNECA) was then the Interim Secretariat of the PTA, from December 1981 to December 1982. Standing is Professor Bax Nomvete, then working with UNECA, who later became the Secretary General of the PTA. Professor Adebayo Adedeji (Right), then Executive Secretary of the UNECA was the Interim Secretary General of PTA. On the left is Honourable Leonard Subulwa, M.P, Minister of Commerce and Industry, Zambia.

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Abbreviations

ACP	African Caribbean and Pacific
ADB	African Development Bank
ACTESA	Alliance for Commodity Trade for Eastern and Southern Africa
AEC	African Economic Community
AGOA	African Growth and Opportunity Act
ANC	African National Congress
ASEAN	Association of Southeast Asian Nations
ASYCUDA	Automated System for Customs data
ATI	African Trade Insurance Agency
AU	African Union
BLS	Botswana, Lesotho and Swaziland
CAADP	Comprehensive Africa Agricultural Development Programme
CAF	Central African Federation
CBC	COMESA Business Council
CCC	COMESA Competition Commission
CCIA	COMESA Common Investment Area
CEMES	COMESA Electronic Market Exchange System
CET	Common External Tariff
CFTA	Continental Free Trade Area
CMI	COMESA Monetary Institute
COMESA	Common Market for Eastern and Southern Africa
CVFTS	COMESA Virtual Trade Facilitation System
ECECAS	Economic Community of Eastern and Central African States
EAC	East African Community
EAPP	Eastern Africa Power Pool
ECOWAS	Economic Community of West African States
ECECAS	Economic Community of Eastern and Central African States
ECOSOC	Economic and Social Council
EEC	European Economic Community
EPA	Economic Partnership Agreement
EU	European Union
FAO	Food and Agriculture Organization
FCCI	Federation of Chambers of Commerce and Industry
FDI	Foreign Direct Investment
FEMCOM	Federation of National Associations of Women in Business in Eastern and Southern Africa
FTA	Free Trade Area
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
ICC	International Criminal Court
IFC	International Finance Corporation
IGMOU	Inter-Governmental Memorandum of Understanding
IMF	International Monetary Fund
INT	Intergovernmental Negotiating Team

LLPI	Leather Products Institute
LPA	Lagos Plan of Action
MULPOC	Multinational Programming and Operational Centre
NAM	Non-Aligned Movement
NTB	Non-Tariff Barriers
OAU	Organization of African Unity
PAC	Pan Africanist Congress
PTA	Preferential Trade Area
RCTG	Regional Customs Transit Guarantee
REC	Regional Economic Communities
RIA	Regional Investment Agency
RCTG	Regional Customs Transit Guarantee System
RCTD	Road Customs Transit Declaration Document
SACU	South African Customs Union
SADC	Southern African Development Community
SDR	Special drawing right
SME	Small & Medium Enterprise
SMMEs	Small, medium and micro enterprises
SSA	Sub-Saharan Africa
STR	Simplified Trade Regime
SWAPO	South West African People's Organisation
TC	Travellers' Cheques
UAPTA	Unit of Account of PTA
UN	United Nations
UNECA	United Nations Economic Commission for Africa
WTO	World Trade Organization

FOREWORD

This report traces the origins and evolution of the Preferential Trade Area (PTA) for eastern and southern African states from 1966 when the then newly independent states agreed to the establishment of the Economic Community of Eastern and Central African States (ECECAS), to the Lusaka Declaration of Intent of 1978 which launched negotiations for the establishment of the PTA and its eventual creation by means of a treaty on 30 September, 1982. From the start, it was clear that the PTA was more than a classical preferential trade organisation given its developmental integration programmes and distinguishing features, which include market connectivity, infrastructure connectivity and institutional connectivity. These continued to inform and inspire COMESA from its creation in 1994 to date. The significant contribution that its eleven market driven financial and technical institutions have made to national development and regional integration is highlighted with facts and figures.

Two decades after its formation on 8 December 1994, COMESA continues to thrive and is facilitating the integration of the eastern and southern African region's trade with that of the world. Its success must be examined through a historical lens, particularly colonialism and its impact on economic development. The integration process was predicated on deep egocentric tendencies, occasioned by the divergent colonial legacy that saw the configuration of geographically artificial states. In the late 1950s and early 1960s, arbitrary borders and great ethno-linguistic diversity led to the continent's high number of conflicts and inflated trade and communication costs. Paradoxically the emergence of the modern post independence states gave rise to a more fragmented Africa.

The different political and geo-political settings that influenced the creation of the PTA and

COMESA are traced with particular emphasis on institution building, stakeholder participation and the contribution and impact of COMESA programmes on regional integration. In the first decade between 1982 and 1992, most member state economies had 'command economies' and consequently, the first four years of tariff reductions witnessed a slow growth of regional trade. This was attributed to the restrictive Rules of Origin (RoO) for PTA originating products which qualified under the criteria of majority management and equity holding. This trade regime excluded products that were produced by multinational companies in PTA states because they did not qualify under the PTA's RoO. The RoO were reformed thanks to the inclusion of the private sector through the PTA's Federation of Chambers of COMESA which participated at PTA policy organ meetings. The PTA Treaty stipulated that decisions had to be taken by consensus, the failure of which meant that programmes could not be implemented. This explains why the COMESA Treaty that replaced the PTA provides for a qualified majority, which allows for multi speed and variable geometry.

In light of the circumstantial context within which COMESA was born, it is imperative to review its challenges and successes against the current reality of the global economy. In a world where the prices of commodities are the basis of interstate relationships and where trade pacts lead the way for diplomatic relations and engagements, we are increasingly witnessing the diminishing role of politics as a priori to economic integration. This does not in any way discount the value of political affiliations and partnerships, especially for strategic reasons, but alludes to the fact that politics alone cannot spur accelerated economic integration. The emergence of a new world economy that is defined, among others, by 3D printing, artificial intelligence and nano technology would require that COMESA member states become knowledge, learning and innovation economies to realise structural economic transformation, inclusive and self sustaining growth and development.

Sindiso N. Ngwenya
Secretary General
COMESA

Introduction

1

A critical examination of world economies today reveals a cross cutting and recursive trend of convergence. From time to time, Heads of States and Governments meet to sign reciprocal bilateral and multilateral deals. There is a deliberate attempt by international actors and agents, and more so those that sit at policy tables to level the playing field. This trend does not begin and end at the political scene but goes far and beyond to gain expression in professional bodies, trade unions, academic standards and the like. Such standardisation measures make it easy for them to conduct trade with one another and are in fact championed for by the World Trade Organization, which seeks to achieve universal trade liberalisation.

Trade liberalisation can be seen as the end product of a lengthy process consisting of a mix of different strategies and initiatives. Fundamentally, the coalescing of economies to form bigger conglomerates with standardised features and operations procedurally manifests itself as a piecemeal process, rather than as a continuous one. This implies that progress is periodic, with episodes of little integration at the elementary phases, and more sophistication at the advanced stages. Regionalisation is a convenient starting point for the integration of a wider area.

In a general sense, regionalisation refers to a group of countries coming together to develop formal agreements that outline the framework within which they will conduct business with each other. A prominent integration scholar, Ernst Haas, defines it as:

> **"The process whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations and political activities towards a new centre, whose institutions possess or demand jurisdiction over pre-existing national states. The end result of a process of political integration is a new political community, superimposed over the pre-existing ones" (Haas, 1961).**

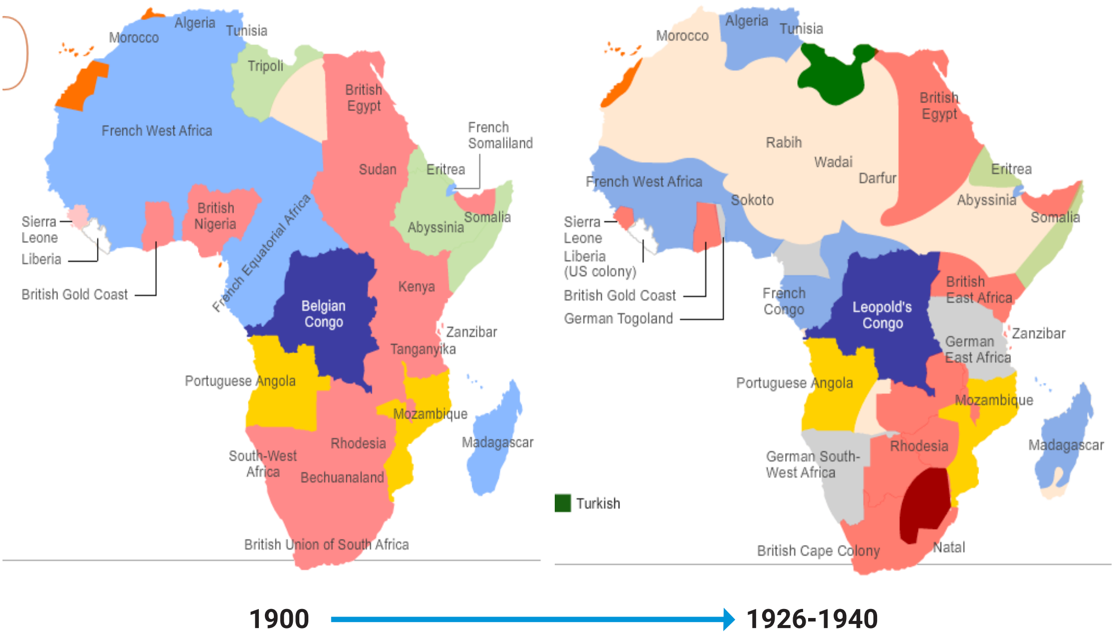
While Ernst's definition has a bias towards political unification, it also holds true for economic integration. In Africa, regional integration is a definite trend, with eight notable economic communities recognised by the African Union (AU), the continent's peak political association. Of these, the Common Market for Eastern and Southern Africa (COMESA) is the largest economic community, comprising 19 member states and covering an area of 12,873,957 km2 as shown in Figure 1.

Figure 1: COMESA member states, May 2018

COMESA was formed on 8 December 1994 by means of a premeditated transition from its precursor, the Preferential Trade Area (PTA). Slightly before the formation of the PTA in 1981, the East African Community (EAC) and Central African Federation (CAF) had collapsed, thereby giving a strong indication of the weaknesses of economic integration founded on cosmetic political and neighbourhood alliances. As with most Regional Economic Communities (RECs) in Africa, COMESA's formation had a heavy political influence and elitist consensus. However, to survive beyond its predecessor's weak political links, the organisation has had to entrench itself within the region's vital economic precincts so as to remain relevant and achieve the objectives for which it was established.

The success of the bloc must be examined against the emergence of the newly independent African states in the late 1950s and early 1960s. At the time, trade and communication costs were high and the continent was beleaguered by numerous conflicts due to the arbitrary borders that had been created as well as its great ethno-linguistic diversity. Figure 2 shows the existential challenges faced by advocates of regional integration in a continent where paradoxically the emergence of the modern post-independence states has given rise to thicker borders.

Figure 2: The evolution of independent African states from the Berlin Conference of 1884-85 to 2018



COMESA's progress has been steady but slow in comparison with other blocs such as the Association of South East Asia nations (ASEAN). In this publication, we examine the organisation's history and objectives, its achievements and challenges and deduce a way forward.


COMESA

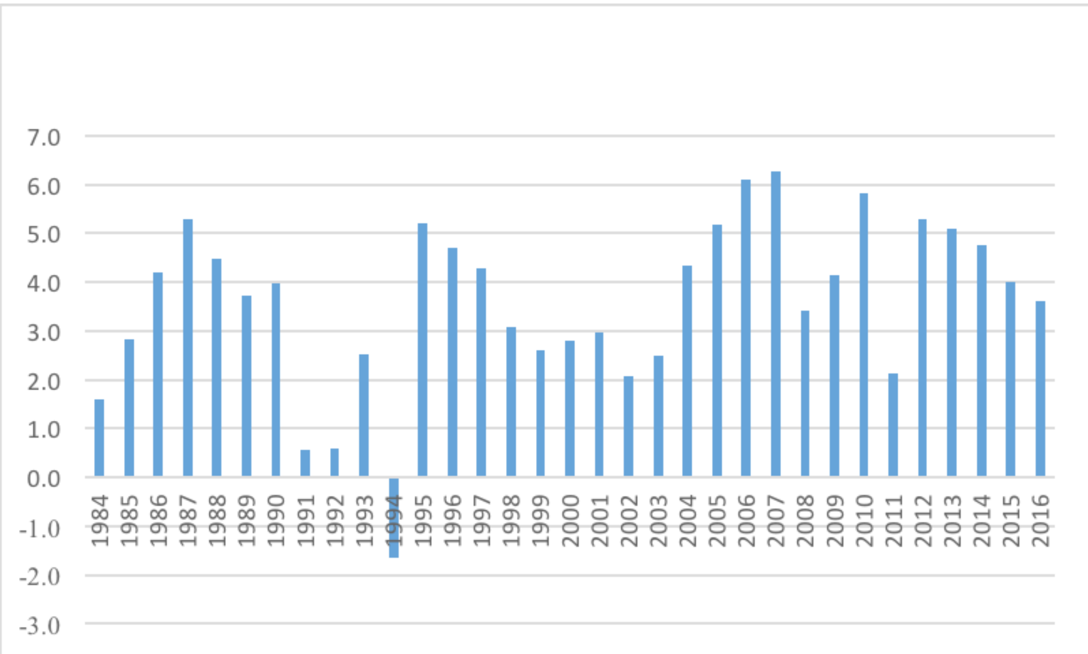
Historical background to the creation of the PTA/COMESA

2

The concept of economic integration is not nascent in Africa and goes back to the early 1960s soon after African countries gained their independence. Early meetings of the fledgling African states set out to map common challenges and propose viable solutions for them. Around this time, there was an unprecedented climate of optimism and Pan Africanism, and it is therefore not surprising that the participating countries prioritised political liberation of the remaining colonial states alongside economic integration (Odén, 1996). This was fuelled by the size of the countries' individual markets, which were too small to support meaningful and accelerated economic development.

At the time, Africa was the world's most unintegrated continent. Its agricultural and mineral export sectors had few linkages with each other as was the case with the food production and manufacturing sub-sectors. Transport links within and between the countries were neither adequately coordinated nor complementary. The lack of interdependence and disconnect between sectors translated to a lethargic industrialisation ecosystem and broadly defeated the goal of generating self-sustaining growth and development premised on meaningful value addition processes.

Figure 3: Average GDP growth since 1984



Source: UNCTAD

The United Nations Economic Commission for Africa (UNECA), set up by its Economic and Social Council (ECOSOC) became the champion for regional integration and proposed the division of Africa into regions for economic development (Matthews, 2003). During the early years of independence there was a clamour for a Pan African all-embracing approach that comprised continent-wide integration. However, this position was reviewed as the merits of a geographically narrower approach became prominent. It was believed that a narrower coverage was more organic in that it envisaged a gradual process of development and consolidation beginning at the sub-regional levels and building on such elementary cooperation to achieve geographically wider forms of cooperation. With this approach in mind, UNECA convened a ministerial meeting in Lusaka, Zambia in 1965 to consider and evaluate proposals for the establishment of a sub-regional economic bloc. At this meeting, it was agreed that an economic community of eastern and central African states be drawn up with headquarters in Lusaka. At the first meeting of the Interim Ministerial Council in Addis Ababa in May 1966, the Terms of Association to govern the interim arrangements before the signing of the formal Treaty were adopted and signed by 10 states, namely: Burundi, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Somalia, Tanzania and Zambia (PTA, 1987a)

However, the project to implement the agreement stalled within a year, with the last notable milestone being a recommendation for an interim programme of action for implementation in 1967, put forward by an interim economic committee of officials (PTA, 1987a). The recommended activities included:

- Preparation of a concise list of industrial projects of a multinational character.
- The creation of a permanent transport and communications committee.
- Initiation of negotiations for the elimination of tariff and non-tariff barriers to intra sub-regional trade in selected products produced by the member states.
- Preparation of studies on alternative arrangements for achieving a sub-regional economic community.

These were later incorporated into the PTA Treaty at the time of its official adoption. Despite the stalling of the project, the momentum for cooperation did not wither. New blocs sprouted, such as the Economic Community of West African States (ECOWAS) in 1975 and the EAC in 1967, comprising Kenya, Tanzania and Uganda. Both were formed based on neighbourhood arrangements. The EAC had origins in the 1910 East African Harbours and Ports Authority Agreement and as it flourished, Burundi, Ethiopia, Somalia and Zambia applied for membership. Unfortunately, by the early 1970s the community started to decline and was dissolved in 1977.

Meanwhile in southern African countries, the apartheid menace was at its height and manifested unpalatable economic consequences to neighbouring countries through trade interlinkages. There was an obvious overdependence on the South African economy, which was choking under apartheid due to sanctions and exclusivist and discriminatory policies. In light of the collapse of the EAC, the failure of central African community initiatives and the apparent destabilisation of the economies of the southern African states by apartheid, the need for a sub-regional economic arrangement re-emerged, this time as urgent. Indeed, since the achievement of political independence, most of the countries had attempted to restructure or modernise their economies individually, but no significant or lasting successes had been registered. What was now clear was that none of the states could achieve the objective of creating viable and competitive production enterprises by themselves, nor could they build the requisite physical infrastructural facilities and the technical and managerial skills to sustain a vibrant economy. It was contemplated that a new bloc be established to provide a counterweight to South Africa and resuscitate dwindling political cooperation within the region.

In full realisation of the weaknesses of isolated markets, the Organization of African Unity (OAU) held a conference of Heads of States and Government in Libreville, Gabon in June 1977, in which they adopted the Kinshasa Declaration of the Eleventh Extra-Ordinary session of the OAU Council of Ministers, calling for the establishment of an African economic community in successive stages, beginning at sub-regional levels. In a pleasant display of reinvigoration, UNECA began quiet preparations in earnest through its sub-regional office, the Multinational Programming and Operational Centre (MULPOC) for Eastern and Southern African States (Matthews, 2003). In March 1978 the first extra-ordinary meeting of the Ministers of Trade, Finance and Planning was held in Lusaka, Zambia. The outcome was a recommendation to establish a sub-regional economic community, initially as a preferential trade area that would gradually be upgraded over a ten-year period until a common market had been established. To this end, the ministers adopted the ‘Lusaka Declaration of Intent and Commitment to the Establishment of a Preferential Trade Area for Eastern and Southern Africa’ and created an Inter-Governmental Negotiating Team to create the treaty for the establishment of the PTA (PTA, 1987a).

Beginning with an inaugural meeting held in Addis Ababa in 1978, the Intergovernmental Negotiating Team (INT) convened a series of eight meetings hosted by various member states, the last of which was held in January 1981. Negotiations concluded by the INT eventually led to the convening of the second and third extraordinary conferences of the Ministers of Trade, Finance and Planning. The second extra-ordinary conference was convened in May 1978 to resolve issues which could not be resolved at the level of the INT, while the third was held in October 1981 to review and adopt the treaty. In the meantime, the Libreville strategy was translated into a programme of action by the second extra-ordinary session of OAU Heads of State and Government, and the first ever OAU economic summit convened in Lagos in 1980. The Lagos Summit adopted a plan of action which was dubbed ‘the final act of Lagos’. Among other things, the Lagos Plan of Action (LPA) enjoined all independent African countries to take all necessary steps towards strengthening existing sub-regional economic cooperation groupings, and establish new ones as necessary, and thereby covering the continent, sub-region by sub-region. It also aimed to promote coordination and harmonisation between the groupings with a view to gradually establish an African economic community by the end of the century. As expected, the LPA was aptly supported by UNECA. The talks culminated in a Heads of State and Government summit convened in Lusaka in December 1981. It was at this summit that the treaty establishing the PTA was signed by nine states, namely: Comoros, Djibouti, Ethiopia, Kenya, Malawi, Mauritius, Somalia, Uganda and Zambia; it was subsequently ratified according to its provisions in 1982.

The **PTA's** Objectives and Activities

3

At the time, the PTA was the largest regional economic cooperation arrangement. Although designed as a treaty for the establishment of a preferential trade area, its aims extended far and beyond. Its ultimate objective was to promote cooperation in all fields of economic activity to achieve sustained transformation of the member countries' structure of production from low yield (i.e. producing mainly unprocessed and semi-processed products for export to developed countries) to highly productive and dynamic economies that could produce consumer and capital goods for national and sub-regional markets (Carter, 1997).

Figure 4: The PTA logo

In a broad sense, the cardinal features of the PTA were the reduction and eventual elimination of tariff and non-tariff barriers on selected commodities traded within the region with a view to attain a common market when the tariffs were eventually alleviated (Okoth, 1990). The objectives were stated with more precision as follows:

1. To promote cooperation and integration covering all areas of economic activity, particularly trade and customs, industry, transport and communications, agriculture and monetary affairs.
2. To raise the standard of living of people in the region by fostering closer relations between member states.
3. To create a common market by the year 2000 to allow the free movement of goods, capital and labour within the sub-region.
4. To contribute to the progress and development of all other African countries.

It is not lost to observation that the fourth objective was explicitly political, thus underpinning the proposition that economic associations can be engendered within the ambit of political pursuits. This was a hallmark feature of earlier associations of the 1960s and 1970s, but unlike that preliminary phase, the PTA had a clear economic blueprint for implementation and a slightly more committed membership than previous formations.

The following six areas were identified as priorities to actualise the objectives:

1. The promotion of intra sub-regional trade in commodities originating in the sub-region and the creation of institutional mechanisms, including monetary arrangements for facilitating intra sub-regional trade.

2. Inter-country cooperation and specialisation in the rationalisation of existing national excess capacity and high-cost industries, and in the development of basic and strategic industries, using agricultural raw materials and minerals produced within the region to produce consumer and capital goods as well as intermediate goods to be traded between the PTA member states.

3. Inter-country cooperation and specialisation in agricultural development with an emphasis on the production of staple food crops, livestock and fisheries; and in cooperation in the field of research in these sub-sectors.

4. Cooperation in the improvement of existing inter-country transport links and where necessary, the creation of new inter-country transport links to facilitate intra PTA trade.

5. Cooperation in the development and exchange of technical professional skills, including the creation of sub-regional consultative services in key sectors, based on available skills in the sub-region

6. Cooperation and collective action in the mobilisation of financial and material resources – both from within and from outside the sub-region – for the implementation of PTA projects, identified and prepared by business people and government experts acting collectively.

As can be seen from the focus areas, the PTA was an inter-sectoral and inter-state mechanism. However, its founders understood clearly that a once off big push would be counterproductive. As such, they prescribed that the provisions of the treaty be implemented on a step by step pragmatic basis, in all sectors of the region's economy to minimise the stresses and strains that would arise in the short term. Their first concern was the economic adjustments that each member state would have to make within their domestic economies, and secondly, they were concerned about the adjustments that each country would have to make in respect of their political and economic relations with other participating countries. Furthermore, there was anxiety about the economic problems that would arise as a result of the inevitable unequal distribution of benefits between the participating countries during the early stages of the integration process. The PTA treaty, therefore, had a number of in-built step by step sectoral and inter-sectoral mechanisms which combined the careful balancing of a project by project approach within each sector, with inter-project and inter-sectoral programmes aimed at the gradual integration of all sectors, in all countries (Martin, 1989).

As soon as it was formed, it became necessary to translate the articles and protocols of the treaty into actionable programmes and concrete projects, with a view to accelerate the process of restructuring and transforming member states' economies. The lead sectors of the economy identified by member states as most vital in the early bridge-building phase were:

- Trade promotion
- Transport and communications
- Monetary cooperation

The following sections of this publication examine some of the key milestones and preparatory work that the PTA accomplished.

> ***Other programmes included the harmonisation of PTA flight schedules, the establishment of three regional aircraft maintenance centres and the creation of inland water and coastal maritime transportation.***

3.1 Transport and communication

The PTA initiated programmes for the rehabilitation and upgrading of sub-standard inter-state roads and railway systems, as well as the construction of new transport links. These programmes were adopted in 1985 and their implementation was declared a priority in countries such as Ethiopia and Djibouti due to the poor state of their transport infrastructure and limited connection with other member states. Further developments in 1986 saw the introduction of a 'Road Customs Transit Declaration Document', for a PTA harmonised customs control transit system to facilitate uninhibited cross-border transit by PTA vehicles. Additionally, a PTA 'Motor Vehicle Insurance Scheme' (the 'Yellow Card'), which was intended to eliminate the costly and cumbersome practice of taking out insurance cover for every cross-border transit operation became operational in July 1987 (Martin, 1989). More ambitious transport plans were set up for the establishment of a PTA airline, a PTA Railway system, a shipping line and an inland water system (PTA, 1985b). Other programmes included the harmonisation of PTA flight schedules, the establishment of three regional aircraft maintenance centres and the creation of inland water and coastal maritime transportation systems (Martin, 1989).

The implementation of these mega infrastructure projects was slow, and it was not until 1990 that the African Joint Air services (AJAS) was formed as a nucleus of a COMESA regional carrier under the auspices of the African Airlines Association (AFRAA), pioneered by the national airlines and Governments of Tanzania, Uganda and Zambia, with technical support being provided by the COMESA head office in Lusaka and the AFRAA Secretariat in Nairobi. This association concretised itself into a corporate operating entity, whose maiden flight took place on 1 July 1995, under the trade name Alliance Air, providing daily passenger services between Johannesburg, Dar-Es-Salaam, Entebbe and London, subsequently expanding to Frankfurt via Kilimanjaro. In the advent of the withdrawal of Zambia, the shareholding of Alliance Air consisted of Tanzania, Uganda and South Africa, through TRANSNET, which joined the consortium during the founding stages of the joint airline. Alliance Air`s head office was located in Kampala, Uganda. The joint airline operated successfully until 2000, when it ceased operations, following the Government's decision to opt for privatisation.

In terms of communication and information sharing, from the onset, PTA policy organs recognised the deep information asymmetry in the region and took a decision to establish a 'Trade and Information Network' in 1985. Sharing information was touted as a potent weapon to deal with persistent structural deterrents in trade. It was envisaged that with perfect information, competitive markets could be attained and rent seeking merchants effectively barred from sustaining prohibitive distortions that only serve their interests. More commendable and impressive was the fact that the Trade and Information Network, set up in Lusaka was computerised, thus indicating the forward-looking and aspirational nature of the PTA even in its infant phase. In 1989, the network was boosted by the addition of an Automated System for Customs data (ASYCUDA) as a special unit (Buyonge & Kireeva, 2008).

3.2 Customs and Trade

The operational phase of the PTA, through the reduction of tariff barriers to trade, commenced in July 1984, two and a half years after the signing of the treaty. In the meeting marking this occasion, member discussions revolved around how to strike common ground on a list of commodities for which preferential customs treatment could be given i.e. a common list. In October of the same year, the customs and trade committee met in Addis Ababa to begin the second phase of negotiations on additional commodities to be included in the common list (PTA, 1984b). They also sought agreement on the formula for further reductions of tariff and non-tariff barriers to trade. In 1985, the committee met again in Lusaka, Zambia to finalise the negotiations for adding additional commodities to the list and set out a timetable for the reduction and elimination of trade non-tariff barriers between member countries. At the meeting, it was noted that all member states would be expected to reduce their PTA tariff rates to zero by 1992. In full recognition of the unique custom practises in Comoros and Djibouti, and in a bid to preclude them from the likelihood of steep inequitable tariff reductions, it was recommended that their PTA tariff rates be reduced gradually (PTA, 1985b).

By 1986, nearly all of the important substantive programmes on trade liberalisation provided for in the treaty had been established. In its Lusaka meeting that year, the committee had more of an operational than strategic orientation, showing readiness for the implementation of its preparatory work and plans. Among other things, it considered the simplification and harmonisation of trade documents and procedures between member states and planned for the first ever trade fair to be held in Nairobi, Kenya in 1986. This new phase of operationalisation and implementation was marked with specific reference and focus on the following:

1. Publication of the PTA tariff rates by all member states in respect of both the first common list of commodities and the additional commodities (to the common list).

2. Implementation of the decisions on the relaxation and/or elimination of non-tariff barriers.

3. Implementation of measures for the realisation of further tariff reductions as from 1 October 1986, on commodities in the approved common list.

4. Establishment of bonded warehouses and transit or customs areas.

5. Submission of customs seals to the PTA Secretariat and issuance of clear instructions on transit procedures to custom officials

The 1986 meeting was an important tipping point in the history of COMESA, not only for its operational implications but because there was an agreement at the level of Heads of States and Governments regarding the contentious issue of rules of origin. These gains notwithstanding, especially those of creating reconciliation in the grey areas of common list items and striking a consensus in the rules of origin, the implementation process was lethargic and attracted the intervention of the PTA Authority, which noted with concern that there was a backlog in the implementation of approved activities on trade liberalisation. By the late 1980s it was crystal-clear that a review of the implementation process was an almost necessary function of the committee, and it became a key discussion point at every other meeting. It was in one such meeting in 1989 that after the review, and in keeping with the directives of the Authority, that the following actions were identified as speedy remedies to clear the backlog:

- The establishment of an additional list of commodities that would receive preferential treatment when traded within the PTA region

- The adoption of the recommendations pertaining to the expeditious use by all PTA states of the Road Customs Transit Declaration Document (RCTD).

- Strengthening of the operational effectiveness of the PTA Federation of Chambers of Commerce and Industry with reference to the speedy implementation of programmes emanating from the Federation, including buyer-seller meetings, trade fairs etc.

In addition to the above recommendations, there was a careful examination of developments in the international market, and a formulation of proposals to ensure that the PTA's economic cooperation would not be sterilised by them. If anything, the region wanted to benefit to the maximum from global happenings. At the time, there were an ongoing series of multilateral trade negotiations, such as the Uruguay Round, and Lome IV negotiations with particular reference to the creation of a single Economic Community Market. Further, the negotiations of the fourth African Caribbean and Pacific (ACP) group with the European Economic Community (EEC) had begun the previous year and were scheduled for conclusion in 1989. It is of note that these negotiations were held at a unique point in history when 12 members of the European Community were in the process of integrating their national markets into a single market. This Single Market, which came into effect in 1992, was construed as a major game changer and caused ripples in the dynamics of international trade. Among other hallmark features, the single European market was to have a joint market of nearly 320 million people and produce about a quarter of the world's output of market economies. It would also enable free movement of goods, services and factors of production within the single market, thus making it difficult to ignore. For this reason, it became incumbent on the African parties to realign their interests and relations, particularly with regard to the ACP/EEC Cooperation Arrangement. Other unfolding events included the results of the Uruguay Round of General Agreement on Tariffs and Trade (GATT) negotiations, which would have obvious implications on preferences and guarantees, and impact on the region's customs system.

While being aware of the above developments, and in full familiarity of the potential ramifications thereof, it became imperative that the ACP (PTA) group of countries consider the implications and potential effects of the Lome IV and Uruguay Round of negotiations with a view to ensuring that the new norms to be established for future cooperation would be beneficial to the group. The PTA countries were better off pressing for an increase in the volume of financial assistance from the EC and for the inclusion of an appropriate provision to this effect in the Lome conventions to attain accelerated development. Considering the above, it was felt that the PTA member states should organise themselves so that acting collectively and in concert with other African countries, they could adopt a common position and strategy for the negotiations.

3.3 Clearing and payments

One of the main obstacles to trade in the early years of setting up the PTA was the scarcity of foreign exchange and subsequent delays in the payments and settlement of transactions. Each central bank within the region introduced exchange control regulations with the aim of safeguarding their position in respect of the outflow of foreign exchange. Some of the inhibitive regulations prevalent in most member states included:

- Limiting the amount that any businessperson was allowed to travel with outside their home country to sell goods or services each year. This had trade implications by limiting the number of countries a trader could visit, and thereby limited their capacity to develop intra PTA trade. It also curtailed the quantity to be traded with one country.
- In some countries there was no forex allowance for tourism.

- There was no externalisation of funds arising from travels such as airline ticket sales, except where a central bank considered it possible to accommodate such transfers of funds, to countries in which the airlines originated.
- The exchange of experts within the PTA sub-region to assist in development work was restricted under exchange control regulations, to restrict the outflow of forex as fees.
- At other times, travel was discouraged because travellers departing from the country they were visiting were not allowed to encash, in full, the local currency of that country.

For these and other reasons, in 1984 a clearing house was set up to strengthen trade by promoting the use of national currencies for the multilateral clearing and settlement of payments, and for transactions in goods and services between PTA member states. It was hoped that this would generate the progressive establishment of a sub-regional payments union, which would eventually culminate into a monetary union. Initially, the Clearing House was housed and collaborated under the Reserve Bank of Zimbabwe, with the intention of becoming a stand-alone institution in two years. However, logistical reasons forced the postponement of the two-year deadline twice in 1986/1987 and in 1988/1989. It finally received a charter and independent housing in 1992.

The Clearing House was one of three cooperative structures in Sub-Saharan Africa in the form of clearing house arrangements organised in the context of major integration initiatives. It was a statutory institution of COMESA with a governing body formed by the Governors of Central Banks. Transactions channelled through the Clearing House involved payments for goods and services produced and traded between firms and individuals in member countries. Transactions were effected in the currency of the beneficiary's country of residence. Both the importer and the exporter dealt with their respective central banks. An exporter's central bank paid the exporter in domestic currency, and the importer's central bank received payment from the importer in the domestic currency. The Clearing House undertook the netting for settlement purposes at the end of the 60-day transaction period. The final settlement for the Clearing House was in convertible currencies at the end of each transaction period.

For purposes of the protocol, the unit of account for the clearing house was Unit of Account of PTA (UAPTA) which was equivalently set to the Special Drawing Right (SDR) of the International Monetary Fund (IMF), and later in relation to the USD. All transactions were expressed and recorded in terms of UAPTA. There was slow progress in using the Clearing House, and this was communicated in the Zimbabwe 1985 meeting of the Clearing and Payments Committee. It was a matter of great concern that only five percent of the Clearing House's potential was being utilised, with the following reasons being cited as the cause:

- Delay in some monetary authorities making use of the facility.
- Six monetary authorities had not yet started using the facility, and even the nine that had started were not fully exploiting it..
- Lack of clarity in respect of the legal entity with which monetary authorities were to deal with.
- Uncertainty as to what transactions were eligible for settlement through the Clearing House.
- Slowness in the integration of the commercial banks into the PTA Clearing House, resulting in the absence of a widespread network of correspondent relationships among commercial banks .
- Lack of adequate information on import and export structures of member states.

A study group was formed to address the above challenges and investigate possible solutions. The group's findings and subsequent recommendations were adopted at the first extraordinary Summit in 1986 and led to significant improvement in the utilisation of the facility. For example, transactions posted for the period January to September 1987 compared to the same period in 1984 showed an increase of 79.5 percent in utilisation.

This commendable improvement was attributable to the implementation of the recommendations of the study group, one of which was that all payments for transactions of goods and services should be channelled through the Clearing House. A more profound effect of the intervention was that even the airlines began settling intra PTA transactions through the Clearing House.

However, despite these initiatives, the total level of utilisation for the settlement of intra PTA trade was estimated at not more than 25 percent. There was a need to conduct more awareness and educational campaigns to increase the visibility of the house. To this end, it was recommended that a regional advisor be procured with the sole aim of giving counsel on adequate measures to be taken to improve uptake. Among other initiatives, his/her counsel would also guide the processes of mounting and marketing educational campaigns.

By the end of 1988, there were further gains in the utilisation of the House. The amount of hard currency used in intra-PTA trade decreased from 86 percent in 1984 to 50 percent in 1988, while the use of local currencies increased from 14 percent to 50 percent in the same period. The upward trend in hard currency savings and in the use of local currencies reflected an increase in the volume of PTA trade channelled through the facility - it increased from UAPTA 86 million in 1984 to UAPTA 260 million in 1988. These years marked the best performance of the Clearing House, in terms of the share of intra-regional trade and financial transactions that went through it.

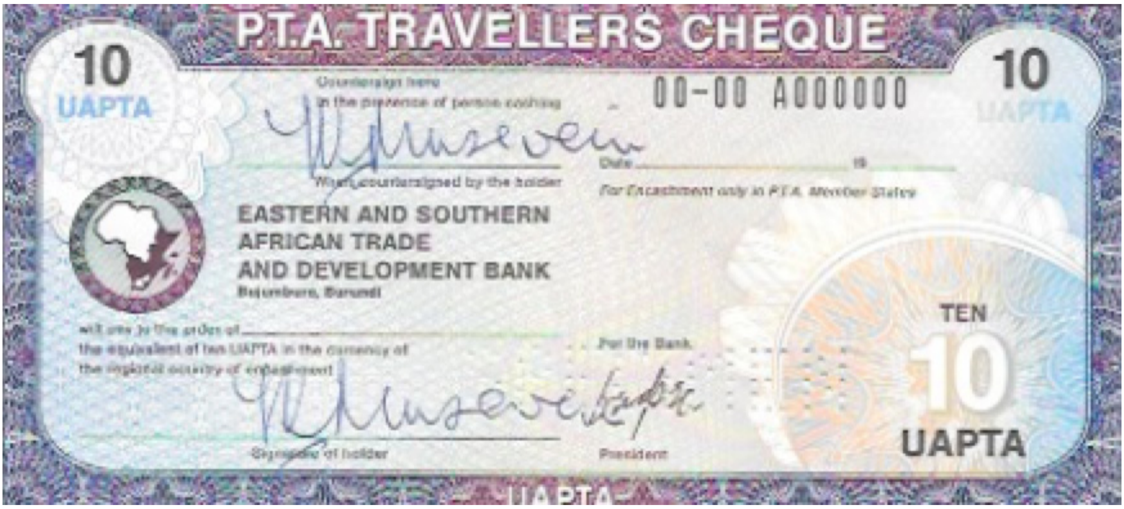
As a complement to the Clearing House, the PTA also launched Travellers' Cheques (TC). A TC was a financial instrument intended to facilitate interregional commercial and other transactions. These were commissioned in August 1988 to solve the problem of scarce foreign exchange which inhibited intra-member state travel and trade. The instrument was owned by the Committee of PTA Central Bank Governors which allocated the responsibility of its management to the PTA Bank. In 1989, the Clearing and Payments Committee met in Arusha, Tanzania and reported that the total amount of cheques negotiated was over six million UAPTA 10 months after the launch of the product. The committee projected that this figure was bound to increase given that Kenya had commenced selling and encashing the cheques, and other countries were preparing to follow suit. Some obvious advantages of the cheques were as follows:

- They facilitated travel in the PTA sub-region by businesspeople and thus led to increased intra member state trade as businesspeople were able to market their goods in different countries.
- They facilitated the encashment of local currency on the departure of businesspeople from the PTA country they had visited, by buying UAPTA TCs using the unspent balance of local currencies.

The invoicing of trade transactions was easily carried out, as knowledge of UAPTA as a currency was widely marketed through the cheques.

To a measurable extent, the objectives of the TCs were achieved considering that total sales amounted to UAPTA 59.8 million in 1995. However, their relevance and popularity began to wane in the late 1990s as a market response to liberalisation of exchange rates in the region. In 1991, sales were as high as 12 million UAPTAs but decreased to a meagre 3.3 million UAPTAs in 1995. Further, they faced stiff competition from more established TCs denominated in readily convertible currencies and credit cards. To save the cheques, the PTA approached the Commonwealth Secretariat to fund a study, the findings of which would determine the policy directive to be pursued with the cheques. The study showed that the TC was a product in the decline stage of its life cycle and was unlikely to achieve any further market penetration. Simply put, it had outlived its usefulness. As with the TC, the Clearing House was also rendered dysfunctional through foreign exchange liberalisation and ceased operations in 1997.

Figure 5: UAPTA Travellers' Cheques



3.4 Commercial banks

As mentioned earlier, trade and monetary cooperation were key focus areas in the action plan for the operational phase of the PTA. By 1985, a series of intervention strategies had already been initiated to augment these two sectors, key among them being developments in customs and tariff barriers reduction as well as the establishment of the Clearing House. Barring these developments, it was clear that the success of the region could not only be predicated on trade liberalisation measures or clearing and payments arrangements alone. In the first meeting of commercial banks held in Zimbabwe in 1985, the Secretariat explained in detail the challenges faced by the Clearing House, including the gridlocks encountered in the payment and settlement of transactions. It was thought, and rightly so, that commercial banks were better placed to identify problems in the working of the clearing house system because for most part they were the contact institutions with traders. It was quite easy for them to identify challenges with payment procedures, documentation, opening accounts and problems involved out of commissions for accounts cleared outside of the sub-region such as those cleared in London, New York, Tokyo etc.

Commercial banks were therefore seen as not only capable of identifying problems but also helpful in recommending solutions and in offering technical advice to central banks. As a result, a proposal was put forward to form an association of commercial banks whose objective would be to provide a forum for the discussion of common problems and exchange ideas on the best possible way to make the clearing and payment system effective (Carter, 1997). It took only four consecutive annual meetings to form the association of commercial banks, which by 1989, had its inaugural meeting in Arusha, Tanzania.

According to the Articles for the establishment of the bank, its main objectives were the following:

- To act as a forum for the exchange of information on banking practices in the COMESA sub-region and serve as a forum for the discussion of common problems.
- To enhance the promotion and strengthening of links between banks in the sub-region.
- To serve as a medium of discussions between banks and relevant COMESA organs COMESA.
- To seek ways and means by which the Association could contribute to the development of banking, trade, commerce, agriculture, industry, transport, communications and tourism within the COMESA region.
- To facilitate training in the banking field through the exchange of trainers and students between and among training institutions in the common market.
- To facilitate the harmonisation of training of banking personnel with a view to forming a sub-regional Institute of Bankers in the COMESA region.
- To facilitate the harmonisation of banking operations.

3.5 Federation of Chambers of Commerce and Industry

The concept of economic integration is elitist, and in the specific case of the PTA, was driven by technocrats in a top down approach. In fact, some economists have argued that the practical experience of the PTA was a far cry from its theoretical propositions due to the wide gap in the paper plans and their solid manifestations (Odén, 1996). While this assertion remains debatable, there was a likelihood that policy makers might have been forging on without a critical mass of economic actors. As such, there was a need for a forum to unpack crucial information and developments in the region and ensure that they permeated through to the real economic agents i.e. businessmen. For this reason, the formation of a Federation of Chambers of Commerce and Industry (FCCI) was an early priority and preoccupation of the PTA, the main functions of which would be ensuring direct representation of economic interests in government circles, assisting members of the chambers in dealing with public authorities and providing members with business information. Further, it was believed that the federation would play an important role in promoting imports and exports through, among other things, training on export techniques and problems, organising trade missions and storing trade and economic information for use by the business community.

It would be a grave mistake to assume that the involvement of the private sector in formulating programs and policies with PTA member states proceeded smoothly. At the 1984

Intergovernmental Committee Meeting in Harare, Zimbabwe, senior officials could not agree on the participation of the private sector at intergovernmental meetings. One Head of Delegation of a country quipped "We don't need the private sector. When we return to our countries we will tell them what we have decided." This attitude was a blow to the senior experts at the PTA Secretariat who had invested a great deal of intellectual and emotional capital into including the private sector in such meetings; it was also a death knell to the implementation of trade liberalisation. The situation was salvaged by the consummate diplomatic skills of the Secretary General, Professor Bax Nomvete, who decided to informally caucus with Ministers and persuaded them to accept not only the establishment of the PTA FCCI but the idea that their representatives sit in all meetings and contribute to regional cooperation and integration. This was another first for the PTA at a time when the majority of its members were command economies.

Prior to the formation of its formal structures, the PTA had already made attempts at reaching out to the business community in individual countries, as occurred at the Zambian Chamber of Commerce in 1984 when the Secretariat addressed itself to the members of the Lusaka Chamber of Commerce and Industry, in a detailed exposition that laid bare the PTA's objectives, its challenges, developments and intentions going forward, as well as the crucial role of traders, producers and manufacturers in the region. In June and December of the same year, the first and second workshops of PTA businessmen was held in Harare and Lusaka respectively, with the second workshop culminating in the adoption of the constitution for the PTA FCCI.

In 1985, the federation was properly constituted and held its inaugural meeting in Nairobi, Kenya. Its overarching role was to spearhead the integration process at the microeconomic level with the goal of achieving macro level integration. Notable programme activities included:

- The launch of a PTA FCCI business Journal and Trade Guide.
- The mobilisation of resources from donors and international organisations for the financing of programme activities.
- Arrangements to facilitate and strengthen effective participation of PTA businessmen in buyers and sellers' meetings on concrete products, identified in demand supply surveys.
- Arrangements for PTA trade fairs.

3.6 Agriculture

In 1985, the PTA's Ministers of Agriculture held their first meeting in Zambia to discuss the region's food and agricultural crisis (PTA, 1985a). It had become apparent that per head food production had been declining and that this trend showed some persistence. The position was also confirmed by the Food and Agriculture Organization (FAO), which then made a report to the United Nations (UN) that African countries were in grave distress and urgently needed food.

The food scarcity could be traced to poor agricultural practises as well as an overreliance on food aid and large-scale food imports from outside the region. In earlier years, foreign exchange earnings were higher, which caused an unprecedented culture of importing food commodities, as it seemed a more secure method of meeting burgeoning demand. Another reason was the overemphasis on cash crops, and very little regard for food crops.

The flip side of these strategies was that commodity prices in international markets had deteriorated, leading to a crunch in foreign exchange reserves. It became increasingly difficult to fund the import of investment and consumer goods and sustain food import levels. The immediate function of the ministerial conference was to come up with a road map to apprehend the crisis in the short run and ensure long term regional food sustainability. It was agreed that any proposed solutions had to be structured around the African farmer and rigorously pursued within the framework of collective self-reliance. The crux of the recommendations involved a framework for inter-country specialisation, cooperation and complementarity in sub-regional agricultural development, addressing each sector of agriculture.

However, in the 1987 meeting of the committee of Agricultural Cooperation, the PTA was forced to admit that the implementation of agricultural reforms had been slow. Not much had occurred since the resolutions of 1985, even with the knowledge that agriculture was the engine of growth, and as a major stimulus, had a ripple effect on other sectors (PTA, 1987b). Further, the sector was employing 70 to 80 percent of the population at the time and was a major earner of foreign exchange. The committee was urged to review two agricultural reports and approve the following recommendations:

1. In the food sub-sector, it was agreed that the PTA sub-region should be delineated into food belts or sub areas of specialisation in different types of food crops.
2. Develop and encourage the use of appropriate technologies and production techniques by the majority of the small-scale farmers.
3. Prevent food losses.
4. Market staple food crops and agricultural inputs within the region

PTA Protocol on Botswana, Lesotho and Swaziland (BLS)

4

In 1984, the PTA established a committee on BLS states in recognition of their unique geopolitical situation and circumstances, as well as their membership of the South African Customs Union (SACU) (PTA, 1984a). SACU was formed in 1910 by South Africa and the then three British High Commission territories that are present day Botswana, Lesotho and Swaziland. As a model of economic integration, it has been the subject of much literature detailing the demerits of integration with extremely asymmetrical levels of development. Shares of revenue from the common revenue pool disadvantaged the less advanced members of the union and their special needs for development. What was worse was the fact that the agreement did not have a provision for consultations in the event of dissent, thereby leading to a unilateral interpretation and manipulation of the agreement by South Africa. Any attempts to renegotiate it were thwarted before gaining sufficient traction. It was not until after the independence of the three states in 1966-68 that their concerns were considered and the agreement was revisited. A further refinement of the agreement occurred in 1976. Since then, BLS states have received a larger than warranted share of the SACU pool of shared revenue, but that notwithstanding, the arrangement deprives those states of an important policy tool available to developing countries i.e. the ability to determine tariffs and excise tax rates (Odén, 1996).

South Africa accounted for more than 90 percent of SACU's imports, and an equally high percentage of taxable production, and its needs thus determined SACU'S duty rates and policies more so than the BLS states. As revenue from the common pool was a vital component of the national budget of these countries, loss of control over the tariff and excise tax rates had far-reaching consequences for them and occasioned an unwanted pegging of their economies to that of another country. This contagion effect was the primary source of destabilisation for them, because when South Africa was facing economic downturns, the revenue would fall, although the converse was true (Odén, 1996).

Considering the above, the founding fathers of the PTA adopted a special protocol relating to the unique situation of BLS states to provide for their gradual integration into the economic cooperation arrangement. This slow integration was aimed at restructuring their economies to reduce their overdependence on South Africa. It was also in line with the underlying objective of the entire PTA arrangement of creating an economic counterweight to South Africa's economy as part of the struggle for the political and economic emancipation of its people (PTA, 1984a).

To this end, the PTA decided that the objectives of the BLS protocol should be:

1. Economic restructuring of the states and a reduction of their dependence on South Africa without dislocation or fundamental disturbances to their economies.

2. Harmonious and coordinated socio-economic development of the states and rapid expansion of their trade with other member states of the PTA via progressive removal of barriers to such trade.

The proposed programme covered trade promotion, monetary and fiscal affairs, transport and communication, industry, agriculture and training of personnel. It was however recommended that it be implemented gradually, giving priority to trade promotion in the first phase. The discussions also touched on the real threat of South Africa becoming retaliatory to remain relevant. It was later to be realised that a vital link in that cold economic and somewhat political war lay in the unequivocal cooperation of PTA member states with the BLS states in the south or any other southern African state that was bearing the brunt for the bullish behaviour of South Africa.

The situation in the southern African states degenerated further in 1986 when South Africa staged military incursions into neighbouring states. Around this time, there were several resolutions of the OAU recognising the legitimacy of resort to armed force by national liberation movements and it called upon member states to contribute moral and material assistance to such movements (Kwakwa, 1987). Pursuant to those resolutions, several southern African states supported liberation movements such as the African National Congress (ANC). In retaliation, South Africa violated the territorial sovereignty of these states, as was the case on 19 May 1986, when there were isolated military incursions in the frontline states of Botswana, Zambia and Zimbabwe.

In the same year, the PTA Authority held its first extraordinary meeting in Bujumbura, and collectively condemned the unprovoked aggression on the independent states. The Heads of State also spoke against the repugnant policies of the minority apartheid regime and castigated South Africa for the continued illegal occupation of Namibia.

It is worth mentioning that the leaders of the southern African liberation movements, namely the ANC, Pan Africanist Congress (PAC) and South West African People's Organisation (SWAPO) of Namibia attended the Summit, and a plea was made to the Heads of State and Government to recognise them as Permanent Members of the Authority, following which they were at liberty to send representatives as participants in the meetings of technical and other policy organs of the PTA (PTA, 1986).

Deliberate and well organised economic exclusion may not be as effective as direct military intervention in conflict resolution, but it is preferable, particularly in situations where there are resource constraints (Sichangi, 2003). With the worsening situation in the south, the PTA took a decision to be more forthright with South Africa by exploring the possibility and strategy of instituting sanctions against it. For this reason, the first extraordinary meeting of experts on economic sanctions against South Africa convened in Kampala, Uganda in 1988 with ANC, SWAPO and PAC representatives. The team discussed reports generated by a study conducted to find ways to establish trade diversion from South Africa by the southern African states and explore existing and potential trade ties between those states, other PTA member states as well as member states of the Non-Aligned Movement (NAM) (PTA, 1988). The NAM, which is a group of countries that do not identify with any major power, could then easily plug themselves in the trade gap arising from the marginalisation of South Africa in so far as supply and creation of an alternative market was concerned. The following are some of the recommendations advanced in the meeting:

- The vast potential for trade between the southern states and the rest of the PTA should be exploited.
- The non-aligned countries could assist by importing from and exporting to the southern states.
- In order to facilitate trade expansion among the southern states, and their trade with the rest of the PTA sub-region, the use of the PTA's Clearing House should be improved and expanded.
- Consider the creation of additional instruments for trade expansion such as credit facilities and transport subsidies to exporters in southern African states.
- Freight traffic going through South Africa from the southern African states should be reallocated to alternative routes in the short and medium term (alternate routes were proposed for the short and medium term) etc.

South Africa became democratic in 1994, four years after Namibia. The PTA prides itself on having played a part in the political and economic struggle of the two countries, and more generally in achieving a level of economic stability among the southern African states, whose economies were deeply intertwined with that of South Africa.

COMESA Organs

5

5 Organs of COMESA

At an organisational level, COMESA is structured as follows in accordance with article 7 of the treaty:

5.1 The COMESA Heads of State and Government

This is also known as the COMESA Authority and is made up of the 19 Heads of State and Government. It is the supreme policy organ and is responsible for the general policy, direction and control of the performance of COMESA's executive functions. Put more succinctly, the Authority is concerned with the strategic trajectory of the region as well as the bloc's achievement of its aims. Decisions and directives of the Heads of State are by consensus and are binding on all subordinate institutions, except the Court of Justice.

5.2. The Council of Ministers

The Council of Ministers is COMESA's second highest policy organ. It comprises ministers designated by the member states. The Council is responsible for ensuring the proper functioning of COMESA in accordance with the provisions of the treaty. It also takes policy decisions on COMESA programmes and activities, including the monitoring and reviewing of its financial and administrative management. As provided for in the treaty, Council decisions are made by consensus, failing which they are made by a two-thirds majority of the Council members.

5.3. The COMESA Court of Justice

The COMESA Court of Justice is the organisation's judicial organ and is charged with settling disputes arising between COMESA's member states, the Secretary General, individuals and corporations. It was established in 1994 on the adoption of the treaty. Judges to the court were appointed at the 1998 third summit in Kinshasa. Between 1998 and 2003, the court was seated in Zambia and moved to Sudan in 2003.

5.4. Committee of Governors of Central Banks

The Committee Committee of Governors of Central Banks is the apex organ regarding monetary linkages in the region and monitors the implementation of regional monetary and financial cooperation programmes.

5.5. The Intergovernmental Committee

The Intergovernmental Committee brings together Permanent/Principal Secretaries drawn from a multiplicity of departments and ministries to discuss and review the implementation of regional integration programmes and activities. They thrash out issues and create policy recommendations to the Council of Ministers for decision making. Decisions of the committee are by a simple majority.

5.6 Technical committees

There are 12 Technical Committees on:

- Administrative and Budgetary Matters
- Agriculture
- Comprehensive Information Systems
- Energy
- Finance and Monetary Affairs
- Industry
- Labour, Human Resources and Social Affairs
- Legal Affairs
- Natural Resources and the Environment
- Tourism and Wildlife
- Trade and Customs
- Transport and Communications

The committees are responsible for most of the preparatory work that precedes agreements. They are also responsible for the comprehensive implementation and monitoring of programmes and making recommendations to the Council.

5.7 The Secretariat

The basic function of the Secretariat is to provide technical support and advisory services to the member states in the implementation of the treaty. To this end, it undertakes research and studies as a basis for implementing the decisions adopted by the policy organs. The Secretariat is housed in COMESA's headquarters in Lusaka, Zambia. It is headed by a Secretary General who is appointed by the Authority for a term of five years and is thereafter eligible for re-appointment for a further five years.

COMESA's Objectives and Activities

6

6.1 Overview and objectives of COMESA

As mentioned previously, the PTA Treaty envisaged its transformation from a preferential trade area to a common market in a span of ten years. In conformity with the LPA and the subsequent Abuja Treaty of 1991, the treaty establishing COMESA was signed on November 1993 in Kampala, Uganda and ratified in 1994 (Geda & Kebret, 2008). The Abuja treaty, otherwise known as 'The African Economic Community Treaty' (AEC) established grounds for mutual economic development between African states through a gradual process of coordinating, harmonising and progressive integration of existing and future activities of RECs in Africa (Okoth, 1990). It was adopted by the AU in 1991 and came into force on 12 May 1994.

In essence, the transition of the PTA into COMESA was not so much a change of philosophy but rather its evolution with a view to increase its functional efficiency. COMESA is based on the concept of multispeed development by which two or more-member states can agree to accelerate the implementation of specific provisions of the treaty while allowing others to join in later a reciprocal basis. This differs slightly from the PTA, which emphasised decision by consensus, meaning that programmes were pegged on the slowest moving member states. Under COMESA, a two thirds majority prevails where consensus cannot be reached. The treaty

> ***In essence, the transition of the PTA into COMESA was not so much a change of philosophy but rather its evolution with a view to increase its functional efficiency.***

establishing COMESA provides for enforceability of treaty protocols and outlines circumstances within which sanctions may be instituted against members. Member states are duty-bound to abide by common decisions. Sanctions may be imposed against any member state that 'deliberately and persistently' fails to comply with agreed on decisions.

Given that COMESA morphed from the PTA, its objectives are broadly similar, albeit with slight modifications. The PTA's main goal was to take advantage of its larger market size, share the region's common heritage and allow for greater social and economic cooperation. On the other hand, COMESA was established with the main aim of promoting regional integration through trade and the development of natural and human resources for the mutual benefit of all people in the region.

The PTA's heritage connection and its overall aims were a convenient point of departure for economic integration in a post-colonial era for most member states, especially as they had experienced the difficulties and challenges of pursuing isolated economic transformation and reform agendas. COMESA's objectives are predicated on an already familiar territory and thus generally feature the theme of sustenance and building on previous gains, contrary to the theme of laying foundations, which was defining for the PTA.

COMESA's founding treaty articulates its objectives as follows:

1. To attain the sustainable growth and development of member states by promoting a more balanced and harmonious development of their production and marketing structures.

2. To promote joint development in all fields of economic activity and the combined adoption of macro-economic policies and programmes to raise the standard of living of its peoples and to foster closer relations among its member states.

3. To co-operate in the creation of an enabling environment for foreign, cross border and domestic investment, including the joint promotion of research and the adaptation of science and technology for development.

4. To co-operate in the promotion of peace, security and stability between the member states in order to enhance economic development in the region.

5. To co-operate in strengthening relations between the Common Market and the rest of the world and the adoption of common positions in international for a.

6. To contribute towards the establishment, progress and the realisation of the objectives of the African Economic Community.

COMESA marked a milestone on October 2000 when nine member states, namely; Djibouti, Egypt, Kenya, Madagascar, Malawi, Mauritius, Sudan, Zambia and Zimbabwe established a Free Trade Area (FTA) amongst themselves. This number has since risen to sixteen with the Democratic Republic of Congo being the latest to join in 2016. The FTA was launched to provide member states with duty free and quota free market access to COMESA originating qualifying products. It has been touted as an effective tool in catalysing trade liberalisation among member states and is responsible for the meteoritic rise of inter-COMESA members' trade.

Following the establishment of the FTA, members began exploring the possibility of imposing a Common External Tariff (CET) in what may be considered as COMESA's most important commitment to the integration process. Preliminary talks on the same began in 2004 but did not see the light of day due to political concerns, even though the underpinning economic arguments were convincing. The members failed to reach consensus on aspects of the agreement. In particular, they had divergent propositions for the levels of the common external protection to be imposed. In 2009, at the 13th COMESA summit in Zimbabwe, there were concerted efforts to revive the discussions to establish a Customs Union, and the Heads of State succeeded in forming it (Othieno & Shinyekwa, 2011).

This was a key milestone for the region, although the resolution was seen more as a political statement than one of genuine economic intent. That notwithstanding, preparatory work is underway to operationalise it.

Over and above the free movement of goods currently enjoyed, member states have also endeavoured to create a facilitative environment for investors in the region. This resolve can be traced back to the 1998 third COMESA summit held in Kinshasa, Democratic Republic of Congo. At this meeting, there was a resounding consensus to establish a common investment area to enhance COMESA's attractiveness and competitiveness for promoting foreign direct and cross border investments (COMESA, 2011). In furtherance of this decision, and in full cognisance of the invaluable role of a trade-investment nexus as a tool for regional integration, the COMESA Authority approved a decision to form the COMESA Common Investment Area (CCIA). The investment agreement was formally adopted in 2007 by the Council of Ministers.

The CCIA's apex objective is to attract greater and sustainable levels of investment to allow for the free movement of capital labour goods and services across the borders of member states. This is particularly merited by the fact that the individual national markets of most member states are too small and insular to attract investments on their own. Market seeking foreign direct investments are naturally correlated with economies of scale.

Like its predecessor, COMESA also established institutions to facilitate the discharge of its mandate.

6.2 COMESA's overarching principles

In discharging their mandate, COMESA members adhere to the following principles:

- Equality and inter-independence of the member states
- Solidarity and collective self-reliance between the member states
- Inter-state cooperation, harmonisation of policies and integration of programmes between the member states
- Non-aggression between the member states
- Recognition, promotion and protection of human and people's rights in accordance with the provisions of the African Charter on Human and People's Rights
- Accountability, economic justice and popular participation in development
- The recognition and observance of the rule of law
- The promotion and sustenance of a democratic system of governance in each member state
- The maintenance of regional peace and stability through the promotion and strengthening of good neighbourliness
- The peaceful settlement of disputes among the member states, the active

cooperation between neighbouring countries and the promotion of a peaceful environment as a pre-requisite for their economic development

6.3 Current status of COMESA

COMESA has made significant gains in fulfilling its mandate since its inception. It is the largest economic community in Africa, with a combined population of around 450 million people, and a combined Gross Domestic Product (GDP) of USD 780 billion. Over time, membership has grown from the original 16 founder states in 1993 to the current 19 countries.

The addition of Egypt in 1999 into the bloc, and more recently Libya in 2005, gives it a true continental appeal and is testament to the irresistible allure of a successful economic alliance. Nonetheless, it is not lost to observation that five member states, namely Lesotho, Mozambique, Tanzania, Namibia and Angola left the community between 1997 and 2007 (Lesotho and Mozambique left in 1997 whereas Angola left as recently as 2007. Tanzania and Namibia left in 2000 and 2004 respectively).

The region currently enjoys a relatively deep level of integration that mirrors the gains of trade liberalisation over time. This is a result of the steady tariff reduction and its subsequent elimination in 2000.

With 16 members, the FTA has augmented intra member trade significantly. At the advent of the FTA in 2000, intra COMESA trade stood at USD 2.3 billion, while in 2014, it was at an impressive USD 22.3 billion.

COMESA members have also aggressively formed partnerships with other actors within and outside the continent. A key development in this regard is the signing of the tripartite FTA agreement between COMESA, the EAC and the Southern African Development Community (SADC) in 2015 (UNECA, 2016). The agreement includes commitments to trade facilitation, the enabling of transit trade; and the protection of infant industries and balance-of-payments related provisions. It also has provisions for enhancing co-operation between national customs authorities. Overall, it exposes the three trading blocs to a combined market of over 700 million consumers in 26 countries with a collective GDP of over USD 1.4 trillion as at 2017 (COMESA, 2018). This is a step in the right direction given the provisions of the Abuja treaty.

Figure 6: COMESA-EAC-SADC Tripartite Free Trade Area

A more recent trend in the region relates to a representation role. COMESA is regularly notified by the World Trade Organization (WTO) to support negotiations on behalf of member states (COMESA, 2014). As an example, the bloc has been actively lobbying for increased access to opportunities offered under the United States' African Growth and Opportunity Act (AGOA). In terms of this Act, SSA countries qualify to export close to 8,000 types of products to the US duty and quota free. COMESA has been consistent in requesting that the goods basket to be considered under the AGOA for member states be expanded. Further, in 2009, COMESA facilitated the US-COMESA Trade and Investment Agreement, which among other things sought to boost business between the US and the entire region. These developments show that COMESA continues to firm up its representative stature to the benefit of its members.

COMESA's lobbying extends beyond economic frontiers to the political. Member states appreciate that peace and security is crucial for economic success. In fact, one of the aims listed in the establishing treaty is 'strengthening of peace, security, stability and good governance'

(COMESA). Pursuant to this aim, at the fourth summit of the Authority held in Nairobi, Kenya in May 1999, Ministers of Foreign Affairs were mandated to hold annual meetings to discuss issues relating to the promotion of peace, security and stability. COMESA also participates in elections of member states as observers.

A key and integral component of the COMESA success narrative has been its institutions. These are needs based and respond to very specific niches in the region. More than providing expertise in specific areas, the institutions are involved in skills development and extensive market research that allows them to link evidence to their decision-making processes. Cutting edge developments borne out of the sophistication of COMESA institutions include the COMESA Virtual Trade Facilitation System (CVFTS) and the online trading system, known as the COMESA Electronic Market Exchange System (CEMES). The latter brings buyers and sellers together in a real time virtual market.

The institutions discussed earlier were borne out of need, such as the ATI Company, which is also the consequence of a study undertaken in 2000. The study grants the company foundational legitimacy, as it serves to plug a gap and correct market distortions. This trend of development stimuli stemming directly from the market describes the model assumed by integrating economies in Africa. The paradigm is that of linear market integration, following stepwise integration of goods, labour and capital markets and eventually monetary and fiscal integration (Rathumbu, 2009). This holds true for COMESA, which started off in an organic evolution as a PTA, became a FTA, and now has an inoperative customs union.

6.4 Forces that influence the pace and direction of regional integration

There are a number of influencing factors which are key for COMESA to complete the remaining stretches of integration. The first of these is the exponential global growth in technology and technology related innovation. It is arguable that the declaration of the COMESA FTA in 2000 and the millennial tech boom in the years thereafter were mutually exclusive, but over time, it has become increasingly clear that the two are co-integrated and buttress the concept of economic cooperation.

Technology is not only significant in rendering geopolitical zonings redundant but alleviates cross border information asymmetry. In the pre-tech age, trade involved actual movements of people and goods to markets and was characterised by physical deliveries of commodities by trading pairs. The process was labourious and allowed for less trading especially when there were long distances to be covered. Today, while this means of trading persists, in some cases, physical markets have become obsolete as more people sell and buy commodities online. The underlying message is that brick and mortar has lost its premium in determining the authenticity of a business, and with this, the physical importance of business locations also vanishes.

The emphasis on technology has also bridged the communication gap and traders can now access actionable information from anywhere at terrific speeds. It is known that in a distorted market that features information asymmetry, a few informed traders capitalise to arbitrage and make riskless profits, and consequently raise transaction costs. Improvements in technology have broken such barriers to level the playing field for all actors. The dual result of enhancing communication and eliminating physical barriers between traders is that there is little reliance on coincidence of wants while matching of transactions is effortless. As information costs reduce, integration will increase between member states.

While the technology boom has spread its tentacles to virtually all sectors of the global economy, some industries have been more profoundly affected than originally expected. One of these is mobile banking, which has completely changed the banking and financial sector in COMESA countries and improved the ease of doing business. This innovative product allows traders to settle transactions and make purchases remotely, and obtain microfinance credit facilities in more advanced set ups (Rathumbu, 2009). The credit facility is accessible to buyers and sellers and is fundamental in facilitating regional trade.

Participation in the capital market was previously a preserve of the sophisticated and elite of society. Advancements in technology have expanded this clique to include more participants, as evidenced in the 2008 public listing of Safaricom Limited in Kenya, a tech giant in the region. Most of the subscriptions during the public offering, including those from Uganda and Tanzania were made and settled electronically by means of mobile banking and other online platforms. More importantly, traders did not have to travel physically to Nairobi, Kenya but could create online accounts and profiles with brokers. Regional stock exchanges are also adopting more techno-savvy interface platforms for their clients, with the most notable being the initiation of Direct Market Access and online trading of shares. These developments have effectively forced the amalgamation of individual economies to form bigger ones.

The second influencing factor on COMESA's integration goals is industrialisation, which is likely to contribute to the long run realisations of comparative advantages within the region and lead to further intra regional trade. In 2016, the COMESA Authority adopted a 10-year strategy for the industrialization of the region by means of structural transformations (Woolfrey & Verhaeghe, 2017). A very crucial departure of the current strategy from previous industrialisation approaches is that it recommends tailor-making the approaches on a country by country basis as opposed to the formulation of a 'one size fits all' strategy. This is clearly a move in the right direction and a conformity with economic theory.

The case by case approach means that each country will be looked at as a novel case, and attempts will be made to see its distinguishing features. It is hoped that this will greatly influence the integration process by accelerating intra regional trade.

The third influencing factor that COMESA must consider is the aggressive upgrade of local infrastructure and communication interlinkages. The region is committed to considerably increasing cross border communication lines and transport corridors, which will connect countries for commodity transportation and movement of people. This has traditionally been achieved through the construction of new facilities, the creation of missing links and the rehabilitation and upgrading of existing ones with the aim of raising the capacity of current links, particularly where traffic volumes have exceeded design volumes. In the past, COMESA members and African states in general have underscored the significance of regional road and rail networks and have lacked the capacity and sometimes the political will to concretise those aspirations.

Some major road projects which have been undertaken along the main transport corridors include: Lamu corridor, Djibouti corridor, the Central Corridor, Northern Corridor and Dar es Salaam Corridor. Plans are also underway for the development of new railways along corridors such as Djibouti, Lamu and Nacala in a move that is expected to see regional transport improve significantly and grow trade. Members are also at advanced stages of having a single air space and are committed to the process of making air travel cheap in the region. COMESA was again a trail blazer for the liberalisation of the air transport market through its COMESA Legal Notice No.2 of 1999 (COMESA, 1999). This Notice provides automatic traffic rights to COMESA airlines for third, fourth and fifth freedom traffic rights. The COMESA Legal Notice Number 2 informed the Yamoussoukro Decision under the auspices of the Organization of African Unity in 1999 (COMESA, 1999). The AU's launching of a Single Air Transport Market in January 2018 is the culmination of pragmatic step by step integration of the air transport market for which COMESA can proudly take credit. In 2015, the Secretariat was able to secure funding of USD 10 million from the African Development Bank to spearhead the process of airspace integration. Once implemented, the project will see a surge in regional air transport, the creation of additional jobs and a flourishing tourism sector.

As a fourth influence on the integration process, COMESA should also consider global political alignments and alliances. For example, China is increasing its interest in Africa by courting African leaders and has injected capital and new energy through several grandiose infrastructure projects. It gifted the AU its current headquarters in Addis Ababa in a very calculated bid to cement its relationship with the continent's leaders. China has footprint projects throughout Africa and distinguishes itself from the West by stressing its role as an equal economic partner. Notable projects include a rail project in Kenya and Ethiopia, a stadium in Lusaka, and several roads across the entire COMESA region. Despite the downsides of excess Chinese involvement in Africa, especially the debt implications of the same, it is evident that the continued partnership of the Chinese will definitely lead to more integration.

Africa's diplomatic relations with the West have become frosty with time. In the past, Africa was pegged to it by way of donor funding, which was more often than not contingent on the fulfilment of conditions that were not outrightly in the continent's best interests.

For example, Sub-Saharan countries that enjoy the exporting benefits enshrined in AGOA must allow the importation of second hand clothes from the US. This is seen by some quarters as insulting to human dignity and is a threat to their young and fledgling textile industries. In March 2018, the US president threatened to suspend Rwanda's participation in AGOA if it did not rescind its decision to ban US second hand clothes imports. If these manipulative tendencies are anything to go by and China's courting persists, regional integration will look inward for markets.

It must be remembered that the need for political cooperation was a contextual prelude to the formation of the PTA. It occurred when regional cooperation agreements were collapsing and against the need for a resurgence of some sort in the political space. As such, political clout remains central to the process of economic integration. This was illustrated in 2013, when the AU requested that sitting Heads of State be granted immunity from the International Criminal Court (ICC) in solidarity with the President of Kenya who had a case therein. In 2017, they adopted a recommendation to withdraw from the Court for alleged 'harassment' and unfair targeting of African leaders. This rare show of solidarity and political camaraderie will be the greatest external influencer of economic integration going forward. It becomes even more important when the region faces common threats such as insurgent groups and acts of terrorism.

6.5 Specific key interests that influence, promote or hinder regional integration

Over and above the aforementioned forces, integration or lack of it is also a result of actions from specific interests and interest groups which can either work for or against the integration process. For example, the involvement of the private sector is significant in the formation of an economic union. Adam Smith, who is widely regarded as the Father of Economics, proposed a plausible hypothesis of the free hand, in his book 'Theory of Moral Sentiments'. In his view, markets tend to regulate themselves by means of supply, demand, competition and self-interest. The interaction of these forces, the result of which is sometimes called 'the invisible hand' corrects any market distortion by itself and restores equilibrium. This characteristic precludes the role of government in the conduct of business or interference of any sort. In so far as the 'invisible hand' and the private sector is concerned, appealing to self-interest becomes key in encouraging investors to participate so as to achieve market competitiveness.

The private sector is motivated to make profits and takes advantage of any opportunity to do so. It does this with more efficiency than can be achieved by the public sector as it is not bureaucratic and does not have unnecessary hold ups. However, when its profit-making goal is affected adversely by new initiatives and programmes, they may work to defeat the initiatives, and by so doing, prove injurious to the entire process of merging economies. Illustratively, private players are notorious for selfishly causing delays using judicial instruments such as court orders and injunctions against governments or other players, demanding that certain processes be scrapped off or halted altogether until consultation has occurred.

These unnecessary distractions persist until that time when the impact on their market share, customers, revenue etc. is known with certainty. Put differently, the private sector is always looking out for its own self-interest, which means that it can work for or against the integration process depending on the impact on their interests.

A good example is in the introduction of COMESA Yellow Cards for member states. When first introduced, in the late 1980s, there was an aura of scepticism around them. However, as the popularity of the product grew in leaps and bounds, insurance companies, motivated by their profit-making instincts, helped make the product one of the most successful products in the COMESA region by agreeing to be issuers of the same. By the end of 2017, there were over 150 insurance companies scattered across the region selling the product, to the extent that some non-member states have since climbed onto the bandwagon of Yellow Card users. On the flip side of toxic business communities and their role in slowing down the integration process, some member countries yield to the malicious petitions of their citizens to impose bans and restrictions on agricultural imports in a bid to protect the local market. These restrictions, which stem from purely protectionist perspectives, even when it is clear that the restricting country lacks a competitive edge in the production of the same, serve to compound market wide inefficiencies. Such wrangles, premised on the appeasement of a lobbying business community, send a strong reminder that private sector interests will continue to shape the pace and direction of the integration process in the region.

Considering the above, the bone of contention then becomes how to best implement plans without yielding to the counterproductive agitation of some players. It goes without saying that creativity is paramount, and COMESA should look to find new knowledge on transition dynamics from existing policies to new ones. For example, when a market is liberalised, there should be a systematic means through which the policies are introduced, so that the perceived negative externalities are absorbed more comfortably and seamlessly. Where appropriate, policies should be piloted before they are firmly adopted to minimise conflicts. Conducting pilot experiments before official adoption has become fashionable in the regulation of financial markets, through what has come to be known as a regulatory sandbox. COMESA should adopt it.

Another key interest sweeping beyond national boundaries is the heightened interest in ecology. There is a consciousness in the majority of world nations concerning the sustainability of the planet, and this has spurred debates on how best to cooperate in achieving climate sustainability goals. From a very global perspective, the Paris accord summit convened by the UN and well attended by most nations, indicates a clear understanding of the fact that efforts to mitigate climate change and the degradation of the natural environment are a collective responsibility that demands international cooperation.

This realisation becomes more important in the COMESA region where harsh climate changes affect agrarian stability, and subsequently, the core of the aggregate economy via droughts, flash floods, insufficient rainfall etc. Flash floods also damage roads, bridges and other infrastructure, thereby wrecking connective networks and the life-line of inter- and intra-state trade. COMESA has undertaken several joint initiatives and strategies to address these problems, calling for concerted efforts from member states to achieve them. Some of them are as follows:

- Building a shared vision on climate change for Africa.
- Enhancing regional and national cooperation to address the effects of climate change.
- Providing for the integration of climate change considerations into policies at regional, national and sectoral levels.
- Capacity building and improving member countries' knowledge base to effectively address climate change impacts.
- Improving collaboration between stakeholders in climate change matters
- Developing a framework to establish an African Bio-Carbon Facility.

These methods, and several others, call for sophisticated skills and are fueling interstate trade, as labour and services flow from highly skilled regions downwards. Farmers are exchanging ideas on sustainable farming methods that are uninterrupted by cyclical weather patterns. There has also been significant technology exchange with the aim of reducing carbon emissions, especially in the green and renewable energy sector. These concerns will certainly lead to more integration in the region.

A more direct ecological contribution in direct inter-state trade is in the case of jointly shared resources. Some countries in the region share resources and even in the absence of a trading relationship between them, the resources have become a significant reference point for their unification. A befitting illustration is the sharing of Lake Victoria in East Africa by three countries: Kenya, Tanzania and Uganda. All three have had to form an institution to outline a sustainable way of exploiting the lake and its fishing resources between them. The same can be said of Lake Malawi, which is jointly shared between Malawi, Tanzania and Mozambique. The Maasai Mara game park in Kenya and the Serengeti in Tanzania alternatively host wild beasts in the region too and are compelled to partner in wildlife conservation and shared tourism initiatives. Although Tanzania is no longer a member of COMESA, it is clear that shared resources catalyse regional integration. On the converse, sharing resources and caring for the environment can degenerate to severe conflicts that dampen the slightest indication of cooperation between some countries. Practical examples of the same arise in situations where one country desires to control or influence the common resources, much to the displeasure of the others, or in the rarer case of ownership tussles.

As climate change is a global call for the well-being of every person, the region has few options regarding environmental consciousness and the prudent utilisation of resources. However, new research can be conducted to reveal more sustainable ways of exploiting the natural resources that attract conflicts. For example, Egypt and Sudan use most of the Nile's water for conventional agricultural activities such as irrigation. More research may lead to more sustainable practises such as hydroponics technology which utilises minimal water to farm and rear fish.

6.6 Salient features and trends in the interplay between regional integration and poverty

COMESA's objective is to promote integration through trade and the development of natural and human resources for the mutual benefit of all people in the region. This can be interpreted to mean welfare gains to lift citizens out of poverty. It is often thought that regionalisation reduces poverty by increasing investments and creating jobs, but the details of the exact mechanism through which this is achieved are scanty. This has elicited some interest in the recent past and preliminary work indicates that expectations should be tempered. Poverty is a complex phenomenon and can be described using various methods ranging from levels of income, consumption, access to social facilities etc.

Assuming that regional integration improves trade, the following have been identified as transmission channels through which trade impacts on poverty: price changes and welfare, wages and employment, government revenues, economic growth and macroeconomic stability. To further gauge their impact, these channels can be classified depending on the immediacy and directness of their impact into first, second and third order effects (Gasiorek, Byiers, & Rollo, 2016).

1. First order effects: These are the most immediate and direct approaches and often relate to price effects such as income and government revenue. Lowering prices by way of reducing or abolishing tariffs translates directly to consumer gains in welfare. However, from a production perspective, they may mean more competition and a drop in welfare as prices fall. Most certainly, the poor rely on government provisions for social welfare and services such as education and health. A reduction in government revenues by way of tariff elimination may affect the poor adversely.

2. Second order effects: These result from price changes and lead to structural adjustments such as increased employment and production patterns by households and firms. However, the impact of a price change on poverty is determined based on the sector upon which the price change is incident. For example, if a given sector requires skilled labour, and a price change that triggers more employment occurs, automatically poverty will increase for low income earners as they are laid off in preference for sophisticated labour. However, if the sector requires unskilled labour, and a price change that creates more employment occurs, then poverty declines, as more low skill labourers are employed. COMESA countries' economies are majorly agrarian, and this is indicative of unskilled labour. That said, the impact on poverty in COMESA countries, due to integration, will depend on the sector affected.

3. Third order effects: These have long run impacts on a country's economic growth and transformation. The specific long run equilibrium of the economy depends largely on the persistence of the second order effects.

In conclusion, poverty will increase or decrease based on the following three parameters that define the integration process:

1. Scope of Integration - the scope affects the breadth of the targeted sectors or products and looks to evaluate whether the specific integrating industries have an impact on the poor.
2. Structure refers to production and consumption patterns.
3. Size indicates the latitude the poor have to take advantage of the opportunities that arise from the integration process, or to shield themselves against negative externalities

In the specific context of COMESA, a large population thrives in the informal sector, which is unrecognised and poorly documented. Most of the developmental work plays out in the formal space (Gasiorek et al., 2016). This makes it difficult to estimate the correlation between poverty and regionalisation. In a more general sense, intra COMESA trade has increased substantially, but remains low relative to other areas and with members outside the bloc. As a result, the effect of economic integration in opening trade opportunities with external players, and subsequently reducing internal trade, is questionable (Gasiorek et al., 2016).

It is also noticeable that bigger economies in the region such as Kenya and Egypt take most of the trade arising from regional competitiveness, due to obvious advantages of scale and skill, coupled with the fact that smaller countries have capacity constraints. Thus, any poverty gains are likely to be disproportionate and skewed on the side of the bigger players.

On a positive note, all countries in an economic community are able to gain through their utility of public goods in the short run and are certain to attain more benefits in the long run through market rationalisation and the 'invisible hand'. While the above factors have led to the conclusion that economic communities have obvious financial benefits, there is a weak linkage between these benefits and the eradication or reduction of poverty. As has been noted, the real effects of the integration process depend on how the integration phenomenon is incident on the poor in each country. It is necessary to obtain specific data about useful components of the economic ecology of these poor. The data should cover details such as patterns of expenditure, sources of income, family characteristics etc. In the interim, it is necessary to research inter-state price differentials, document poverty alleviation constraints and produce a detailed case study of the informal sector within the region.

COMESA'S Achievements

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Since its formation in 1994, COMESA has made giant leaps in fortifying and deepening regional integration through a matrix of strategies and policies. These comprise public policy recommendations and reforms, the creation of institutions and the facilitation of negotiations and agreements etc. Notwithstanding its many challenges, the gains paint a rosy picture of true economic renaissance. Significant progress has been recorded in the areas of trade, customs, transport, development finance and technical cooperation. Impressive progress has also been witnessed in the key sectors of industry and agriculture.

In gauging the success of the bloc, it should be remembered that COMESA was a sequel to the LPA, which stipulates that sub-regional integration is a precursor to the vision of a continent-wide free trade area. Therefore, trade facilitation and liberalisation rank as the most preferable success metric for the bloc. It is worth noting that trade within the region has increased multi-fold, after a lethargic and slow start. 1985 statistics were USD 834 million. This rose to USD 3 billion in 2000, when the FTA was born, and thereafter to USD 22.4 billion in 2014. However, this figure only relates to the formal sector and excludes the informal sector, which is largely unreported.

The region has also experienced a historical change in trading patterns with a moderate increase in the volume. Products traded in the community are now of a wider variety and include maize, white milled rice, construction materials such as steel pipes, sheets, cement and butane (for road construction). Another laudable achievement is that cash crops that were previously considered exclusively for overseas export such as tobacco, cotton, sugar cane, copper etc., have been integrated into the regional market. In keeping with the reality of most African economies, the region has recognised the indisputable role of agriculture and established deliberate structures to extract more value from it.

The concept of Value Addition is two pronged for the region, in the sense that it is on occasion a subtle attempt at industrialisation, whilst at other times it manifests itself as mere support to achieve particular ends. For example, COMESA supports its members through individual strategy formulation that is then aimed at assisting them to realise their value addition potential. For example, COMESA not only helped Uganda in developing an industrial policy but also assisted the country in developing sector strategies in four agro-food products i.e. meat, honey, fruits, vegetables and dairy. The same is true for Rwanda, where COMESA provided support in reviewing the Rwandese Industrial Master Plan. Throughout the region, a more incursive attempt at value addition through subtle industrialisation has been achieved through the formation, adoption and implementation of the following strategies:

- Leather and Leather Products Sectoral Strategy
- Cotton, Textile and Garments Strategy
- Comprehensive Africa Agriculture Development Programme (CAADP)

- All Agricultural Commodities Programme
- Agro Food Industries Sector Strategy
- Metallic and Non-Metallic Sector Strategy
- Tourism

The above interventions have led to a surge in the region's export values, which continue to post impressive results, especially in the wake of joint negotiations for preferential treatment with other economic communities such as the EU and the US. COMESA recognises the need to address the regulatory and policy aspects of transport and communications to increase levels of intra-regional trade. This assists in making the movement of goods, services and people between member countries easier and cheaper. For example, it was observed that the movement of goods between Mombasa and Kigali took well over 21 days. To this end, COMESA registered a big win through interstate recommendations for regional infrastructure projects and the introduction of the Regional Customs Transit Guarantee system (RCTG). Since its operationalisation in the Northern corridor in 2012, over 200 bonds worth USD 100 million were cleared by 2014. Transit charges and time were reduced, and the clearing process was simplified substantially. Due to reduced paper work, the RCTG has increased trade within the region. To consolidate the gains of the single customs territory realised under the RCTG, the region has taken a step to establish single border stops between countries and this has further increased efficiency. The benefits of single border posts are evident between Zambia and Zimbabwe as well as between Kenya and Uganda.

Other successful attempts at making transport seamless in the region involve the harmonisation of road transit charges and axle loadings. These two approaches are punitive and are designed to ensure that roads are maintained by road users. Another successful transport milestone is the use of COMESA Yellow Card, the third-party insurance scheme that cuts across all member states. The card has become popular within the region to the extent that its use currently extends beyond the COMESA member states.

Use of the COMESA Yellow Card now extends beyond member states.

In terms of air transport, the region has continued to advocate for air transport liberalisation in the context of both COMESA Legal Notice No.2 (1999) and the Yamoussoukro Declaration. The 'Yamoussoukro Decision' (adopted in 1999 by a conference of African ministers responsible for Civil Aviation, convened under the auspices of UNECA pursuant to the provisions of the Abuja Treaty) is a continental approach to air transport liberalisation. However, COMESA's regional regard has been to do the following:

1. Adopt common policies for the development of air transport in the common market in collaboration with other relevant international organisations including the African

Civil Aviation Commission, the African Airlines Association, the International Air Transport Association and the International Civil Aviation Organization.

2. Liberalise the granting of air traffic rights for passengers and cargo operations with a view to increasing the efficiency and profitability of their airlines.

3. Harmonise civil aviation rules and regulations by implementing the provisions of the Chicago Convention on International Civil Aviation.

4. Establish common measures for the facilitation of passenger and cargo air services in the common market.

5. Consider ways to develop, maintain and coordinate their navigational, communications and meteorological facilities for the provision of safe air navigation and joint management of their air space.

Some of the above activities have been implemented and the results are as follows:

- There is an increase in commercial cooperation between COMESA air carriers
- There is an increase in the establishment of new privately-owned airlines

These benefits are notable, but a great deal remains to be done to achieve full liberalisation.

COMESA has also made gains in highlighting the potential of Small, Medium and Micro Enterprises (SMMEs) in the region. SMMEs hold immense economic potential in the areas of employment creation, poverty alleviation and strengthening regional value chains. However, they have been neglected for a long time. It took a COMESA study to establish the constraints faced by this sector. These include insufficient funding, lack of managerial skills, poor machinery, unreliable raw material supply and an erratic market. To this end, COMESA partnered with the International Finance Corporation (IFC) and Elif Business Solutions to promote sustainable business management practises and build their capacity to run the enterprises.

A programme called Simplified Trade Regime (STR) was introduced in 2010 to make it easier for small scale business people to access information on how to trade across borders (COMESA, 2014). Through the STR the Secretariat managed to help establish more than twenty-two Trade Information Desks within the seven-member states by providing office infrastructure, staffing and operational resources to help support most small traders moving goods in the region. By 2013, the programme had seen a rise in the number of transactions utilizing the STR averaging at about 1000 traders per month with a mean value of USD 580 in consignments. This translated into a trade volume of over USD 500,000 a month. More interventions have been executed and there is already evidence that SMMEs are participating in intra COMESA trade. Examples are provided below:

- Malawi SMMEs are importing finished fabric, leather, soles and other accessories from Kenya, Zambia and Zimbabwe.

- Rwandese footwear SMMEs are importing leather, soles and other accessories from Kenya.
- Ugandan SMMEs are importing fabric, leather, soles, shoe lasts and other accessories from Kenya and Ethiopia.

COMESA has endeavoured to promote investment in the region by facilitating bilateral agreements; promoting export drives by individual member states and identifying specific projects that have the potential to act as growth poles between two or more member states. While several initiatives have been undertaken to realise investments in the region, the most fundamental ones are the creation of a competition commission, the establishment of the COMESA Court of Justice and the creation of robust reinsurance institutions willing to underwrite risky business ventures.

Competitive markets force economic operators to adjust to changes and to innovate. However, in some cases, business actors may deter competitive market outcomes, hence the need for a competition policy.

An efficient market cannot thrive in an environment where some firms participate in restrictive business practices which impede the efficient functioning of the common market. The COMESA Competition Commission (CCC) must be notified of all cross-border transactions which are beyond the jurisdictional scope of national competition laws. Since it opened its doors in 2013, the CCC has assessed over 175 mergers representing a community turnover of over USD 73 billion, clearly rationalising the need for its existence, and firming its place in the integration process. Moreover, it has assessed more than 13 regional distribution agreements with a view to determine whether they have the effect of substantially lessening or preventing competition in the common market. The most active economic sectors in terms of priority have been the energy, agriculture, banking and financial services, construction, insurance and information and ICT.

Globally, Africa offers the highest returns on investments and a correspondingly risky profile. Sometimes investors are keen to invest but are deterred by the prospect of losing their investments owing to its high and sometimes exaggerated risk profiles. To cater for this, COMESA has created elaborate insurance and reinsurance initiatives via ZEP-RE and ATI. Like ZEP-RE, ATI has transformative projects in agriculture, construction, energy, infrastructure, manufacturing, mining, services, telecommunications and tourism.

Despite these two complementary interventions for investor confidence, the only certain way to mitigate investors' fears is by implementing efficient and functional judicial tools. COMESA's Court of Justice has presided over several cases and set ground breaking precedents. For example, in 2015, a private firm was able to bring a matter before the court to demand the enforcement of an international agreement against a country (Mauritius). This flexibility is admirable and ensures recourse to justice for investors. There are several other COMESA institutions too, the significance of which is self-revealing as they address pertinent issues that undermine the integration process.

COMESA has also made significant progress in ensuring that the business landscape in the region is gender balanced. Since 2002, member states implemented The COMESA Gender Policy in full realisation of the worthy contribution of both genders to the production process. Before then, women were marginalised in most member countries and bore the brunt of poverty and economic bondage. Over the years this scenario has changed, particularly in the COMESA region, largely because of the revision of The Gender Policy, and through the creation of FEMCOM to incorporate women into business. According to the Global Gender Gap Report for 2015, which profiles 145 economies to see how they fare on leveraging their female talent pool, there were 12 COMESA countries on the list. It is worth noting that Rwanda was at number six, followed by Burundi at 23 and Kenya at 48. While there is a great deal that remains to be done, it is also prudent to appreciate and celebrate the gains thus far.

One of COMESA's fundamental achievements was the creation of an online system to check persistent trends of Non-Tariff Barriers (NTB) in 2008. After several rounds of negotiations, member states yielded on the tariff front but unfortunately, the barriers reincarnated elsewhere, in what turned out to be a zero-sum game futility. This is because gains on one end are offset by NTBs on another front. These barriers include bureaucratic procedures, lengthy documentation requirements, unreasonable waiting hours/days, bans, quotas, etc. Thanks to the online system, any form of NTB is reported expeditiously. Over time, the region has posted impressive success rates at obtaining solutions to reported cases. Since 2008, 172 cases were reported and 168 have been solved. In addition, a new messaging system through which traders can flag any form of NTB was launched in 2017.

Another of COMESA's obvious achievements is the creation of employment in the region. This occurs either directly or indirectly through its initiatives and interventions. The COMESA Secretariat as an organ

creates employment in its day to day running as do all the COMESA institutions.

The proportion of direct employment is however incomparable to the real benefits of integration, brought about by the chain of strategies and policies that it has implemented.

The concept of employment can be extrapolated to mean the increase in labour brought about by the augmented trade potential in the region. The process of integration has improved trade between states and is an incentive to engage more labour. Similarly, some negotiations by COMESA are trade creating and lead to increased trade with the outside world, thus creating more employment. For example, it is estimated that through AGOA, SSA countries (the bulk of which are COMESA members) had generated 300,00 jobs by 2012 (Schneidman & Lewis,

2012) Finally, the combined effects of marketing the region as a suitable investment area which attracts Foreign Direct Investment (FDI) leads to investments that create more employment (COMESA, 2011).

7.1. Contribution of COMESA Institutions to Regional Integration

7.1.1 Trade and Development Bank for Eastern and Southern Africa

Formerly known as the PTA Bank, the Trade and Development Bank (TDB) was formed in 1985 to finance trade, foster socio-economic development and boost regional economic integration in eastern and southern Africa. It was established using share capital from COMESA member states and has evolved into an autonomous COMESA-based financial institution, with non-COMESA shareholders such as Mozambique, Tanzania and South Sudan, the People's Republic of China, the Republic of Belarus, and shareholders from several African institutional investors, notably the African Development Bank (ADB), African Pension Funds and the OPEC Fund for International Development (OFID).

The TDB has grown strongly over the years on the back of reforms and innovations to become an investment-grade modern multilateral bank, with international governance and risk management standards. Since its inception 33 years ago, the bank has cumulatively disbursed USD 30 billion, of which USD 20 billion in the past seven years has been disbursed through the project and trade financing windows of the Bank. In the coming years, with the provision of commercial and political risk insurance by ATI and upgraded credit rating in recent years, it is likely to see a further quantum leap in disbursement, thus enhancing regional integration. The bank had assets of USD 5.2 billion at the end of 2017, compared with USD 1.3 billion in 2012 clearly illustrating a strong growth trajectory.

7.1.2 The COMESA Leather and Leather Products Institute

The COMESA Leather and Leather Products Institute (LLPI) was established in 1990 in Swaziland with the aim of promoting productivity, competitiveness, trade and regional integration in the leather industry. It is headquartered in Addis Ababa, Ethiopia. The LLPI is committed to transforming the COMESA leather value chain from a commodity to a product.

The institute has rebranded its name to Africa Leather and Leather Product Institute (ALLPI) in order to:

- Transform its products.
- Encompass the spirit of globalisation.
- Spearhead the region's goals so as to meet the tenets of Agenda 2063 and the continental FTA goals.

The ALLPI's main mandate is to facilitate the development of the leather sector in Africa in general and in the COMESA region in particular. The Institute's last one year activities presented were guided by its strategy (2016-2025) that takes cognisance of the global dynamics and the mega trends that affect business in the leather and other sectors.

Table 1: ALLPI Ativities

No.	Activity/ Intervention	Output/Impact	Total Number	Estimated Budget	Remark
1	Leather sector Policy/ strategy	ALLPI facilitated development of leather sector specific strategies for all its member states (Burundi, Eritrea, Ethiopia, Kenya, Malawi, Rwanda, Sudan, Uganda, Zambia, Zimbabwe) and five non member states (Djibouti, D.R Congo, Mauritius, Swaziland, Nigeria).	15	300,000.00	Some of the strategies started earlier
2	Business Plan	Business plans for different incubation centers and support institutions were developed or are in progress in Kenya, Malawi, DR Congo, Sudan, Uganda as part of strengthening leather sector business through value creation and opportunity management	9	135,000.00	Some of the business plans are not completed
3	Exposure to Regional Markets	ALLPI co-organised trade fairs in Sudan and Ethiopia and facilitated/sponsored the participation of 95 SMEs in trade fairs in Ethiopia, Sudan and Zambia. Training in export readiness was given to 20 SMEs from Burundi, Rwanda, Uganda and Tanzania.	95 SMEs	60,000.00	-
4	Curriculum Development	ALLPI designed 21 specialised training modules and developed vocational and diploma level curricula in leather technology for Burundi, Eritrea, Sudan, Swaziland and Uganda. The 21 specialised training modules are under implementation on the basis of demands from member states	21 Specialized modules plus 4 Level I to III and Diploma curricula	21,000.00	-
5	Training in cleaner technology and REACH compliance	Projects in REACH compliance in Ethiopia and Sudan and Cleaner Technology (Switch Africa Green) in Kenya were successfully implemented. More than 50 representatives of leather enterprises took part in the project activities and training	50 trained plus technical support to enterprises	450,000.00	UNOPES -200,000 EU-250,000.00

6	Training	Training was conducted in in footwear making, cottage tanning, cluster management and governance in Rwanda, Djibouti, Eritrea, Zambia, Zimbabwe, Uganda and Kenya	256	153,000.00	-
7	Common use equipment	Satellite design studios were equipped through ALLPI facilitation in Ethiopia, Sudan, Uganda, Malawi, Zambia, Zimbabwe, Swaziland and DR Congo; Others are in progress	8 countries	Over 1 million	TDB-75,000.00 RISM-More than 1 million
8	Regional Expert Teams	Expert Teams at regional level were organized to review and harmonize training curricula; Academia platform, Regional Design Studio,	26 Experts	-	Drawn from different member States

The institute is accepted as a major reference point in the development of the leather sector at both regional and global levels and the rebranding has thus been successful. As such, key to its refocused drive is ensuring appropriately aligned policies and skills development as well as Small and Medium Enterprise (SME) support to spur the regional leather value chain in pursuance of the 2017-2026 leather sector strategy. In conjunction with the European Union, the institute has commissioned several design studios in the member states and is deliberately driving education campaigns through academies to increase the density of leather skills in the region.

7.1.3 ZEP-RE (PTA Reinsurance Company)

The COMESA reinsurance company, ZEP-RE (PTA Reinsurance Company) is a regional organisation charged with the task of promoting trade, development and integration within the COMESA region through the trade of insurance and reinsurance business. ZEP-RE was created by an agreement of Heads of State and Government of the COMESA region on 21 November 1990 in Mbabane, Swaziland. The company was established in September 1992 and commenced writing business on 1 January 1993. It is headquartered in Nairobi, Kenya and operates eight regional and country offices in the following states: Ethiopia, Kenya, Uganda, Sudan, Zambia, Zimbabwe, Cameroon and Ivory Coast.

During its twenty-five years of existence, ZEP-RE (PTA Reinsurance Company) has grown from a fledgling entity to a confident regional reinsurer with business activities spanning the African continent and beyond. During this period the profile of shareholders has evolved to include more private sector and multinational development finance participation. Their shareholding has grown from USD 5 million to USD 225 million and operating markets have increased from five to 55 countries within and outside the African continent. Cumulatively the company has underwritten over USD 950 million in premiums and paid out over USD 450 million in claims.

ZEP-RE has been very successful in discharging its founding goals, which include insurance industry development, the creation of regional capacity and economic development. The Company has also been an active proponent of developing a robust African insurance industry through the provision of reinsurance and supporting the growth of indigenous companies. ZEP-RE has also been a great supporter of regional training programmes by facilitating workshops. Over the last 25 years the company has undertaken over 200 training programmes and trained over 10,000 personnel. It has established the ZEP-RE Academy with the goal of ensuring that training programmes are formalised and standardised across the region.

ZEP-RE has now embarked on its next growth phase aimed at making it a billion-dollar company and a leading reinsurance player on the African continent.

7.1.4 The Federation of National Associations of Women in Business

The Federation of National Associations of Women in Business (FEMCOM) in eastern and southern Africa was established in July 1993 with the endorsement of the Authority (made up of Heads of State and Governments of the COMESA member states). FEMCOM develops entrepreneurship in the COMESA region and beyond by means of programmes that promote, encourage and serve the needs of women and their businesses, working in collabouration with relevant partners. It has National Chapters in all the 19 COMESA member states and is headquartered in Malawi.

7.1.5 The COMESA Monetary Institute

The COMESA Monetary Institute (CMI) was established in 2009 at the 13th Summit of the Authority held in Victoria Falls. Its principal focus is to achieve regional macroeconomic stability and ultimately attain monetary union (a single currency) via a phased approach. This will enable the common market to attain the status of an economic community.

The CMI undertakes capacity building and research activities to improve macroeconomic management and financial stability in the region with the aim of enhancing the COMESA Monetary Integration Programme. The impact of these has been clearly demonstrated by the high quality research produced by participants in the training/workshops and presented in the CMI Annual Research Forums. The Institute produces manuals for these activities and publishes books on its research activities. From 2011 to 2017 the CMI held over 40 formal workshops and training programmes, some in collaboration with member countries' central banks and others with cooperating partners such as the IMF and the Bank of England. It has also trained over 900 participants from member countries' central banks and conducted and published 42 country specific studies focussing on macroeconomic management in member countries.

7.1.6 The African Trade Insurance Agency

The African Trade Insurance Agency (ATI) is a Pan African institution that provides commercial and political risk insurance to companies, investors, and lenders interested in doing business in Africa. It was launched in 2001 after a World Bank funded study in 2000, under the leadership of COMESA to investigate why the region was not attracting enough foreign direct investments to provide insurance and guarantees for the purposes of trade, investments and other productive activities in Africa. The findings of the study showed that political risk was inherent to Africa and accounted for most of the investors' reluctance. As such, the ATI was initially tailored to address the lack of political risk cover by developing a leveraged political risk insurance scheme covering export and import transactions into, within and from the African region. It has since diversified its product offering to cover credit insurance. Its head office is in Nairobi, Kenya and it has other offices in Uganda, Tanzania and Zambia.

Since its inception the ATI has supported businesses to the tune of USD 35 billion and insured trade and investments totalling USD 2.4 billion (Kennedy, 2018). These investments are strategic and further Africa's development agenda. For example, it provided insurance cover on a USD 159 million loan to Ethiopian Airlines to support the carrier's fleet expansion. In recent times, the organisation has focussed on helping governments reduce their cost of borrowing and provides an alternative to raising foreign currency debt through bond markets or syndicated loans. To achieve this, it plans to work with more governments to provide a one-stop risk mitigation solution to lenders. As proof of its premium financial status, the institution was rated A/stable by

S&P's in 2017. In the same year, it continued its year on year profitability streak, by recording a 55 percent jump in profits (Kennedy, 2018).

7.1.7 The COMESA Competition Commission

The COMESA Competition Commission (CCC) is a supranational competition authority charged with the mandate to enforce COMESA's competition regulations in the common market. It promotes and encourages competition by preventing restrictive business practices and other limitations that deter the efficient operation of markets, thereby enhancing the welfare of consumers in the common market and protecting them against offensive conduct by market actors. The Commission is also mandated to assess mergers in the common market. Headquartered in Lilongwe, Malawi, it was established in 2004 and became operational in 2013.

Since its inception, the CCC has assessed over 175 mergers representing a community turnover of over USD 73 billion. It has also assessed more than 13 regional distribution agreements to determine whether they have the effect of substantially lessening or preventing common market competition. The most active economic sectors in terms of priority have been the energy, agriculture, banking and financial services, construction, insurance and Information and Communication Technology sectors. The companies' turnover has grown steadily over the past five years and is summarised in the table below:

Table 2: Comesa Competition Commission Turnover

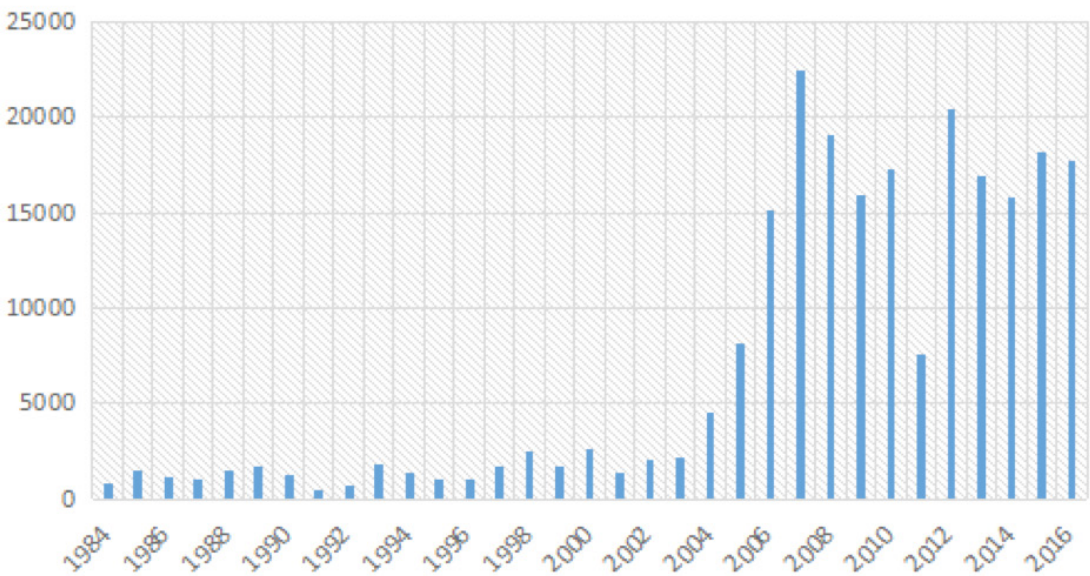
No.	Year	Total turnover (USD)
1.	2013	12,604,902,490
2.	2014	5,303,525,178
3.	2015	8,289,891,230
4.	2016	11,082,540,315
5.	2017	18,707,134,754
6.	2018 (up to June)	17,684,381,646

The Commission derives revenue from the investigation and assessment of mergers and other statutory notifications. Out of the 175 mergers assessed since its inception, a total of USD 27,868,046 in merger notification fees has been paid to it. The fees are disbursed equitably to member states affected by mergers. A total of USD 13,934,022.85 has been disbursed thus far.

7.1.12 The COMESA Regional Investment Agency

The COMESA Regional Investment Agency (RIA) was launched in 2006 to effect COMESA's ultimate objective of creating a fully integrated, internationally competitive and unified regional economic community in which goods, services, capital and persons move freely, for the region's sustainable economic development. The principle route that was chosen to realise this goal is development integration through increased trade and investment. The RIA office is in Cairo, Egypt.

Figure 7: COMESA RIA – Regional FDI since 1984



7.1.13 The COMESA Business Council

The COMESA Business Council (CBC) is a business member organisation and COMESA recognized recognised private sector institution. It functions as the voice of the region's private sector. It was established in 2005 with the objective of providing a platform for three core services, namely:

1. Business support services and linkages
2. Policy advocacy
3. Membership development

It aims to address pertinent constraints to business and competitiveness in the region, influence policy formulation agenda on behalf of the private sector and increase private sector participation in the regional integration agenda. It is headquartered in Lusaka, Zambia.

7.1.14 The Alliance for Commodity Trade for Eastern and Southern Africa

The Alliance for Commodity Trade for Eastern and Southern Africa (ACTESA) was initially launched by the COMESA Ministers of Agriculture in 2008 and was formally established by COMESA Heads of State and Government in June 2009 in Victoria Falls Town, Zimbabwe. On the one hand, the establishment of ACTESA was a response to the region's need for a mechanism that would address the specific needs and requirements of small farmers in their production and marketing.

This was against the backdrop of escalating commodity prices and so was quite opportune as a current affair. On the other hand, ACTESA's establishment was aimed at ensuring practical implementation of the Comprehensive Africa Agricultural Development Program (CAADP) at the regional level, which was viewed as a defining strategy to eradicate poverty and hunger in the region. It is headquartered in Lusaka, Zambia.

7.1.15 The Eastern African Power Pool

The Eastern Africa Power Pool (EAPP) was established in 2005 by means of the signing of an Inter-Governmental Memorandum of Understanding (IGMOU) by seven eastern African countries. It was adopted as a specialised institution to foster power system interconnectivity by COMESA Heads of State and Government in 2006. Its main goal is the optimum development of energy resources in the region and the establishment of regional power interconnections to increase people's access to the electricity supply in the eastern Africa region. It is headquartered in Addis Ababa, Ethiopia.

COMESA'S challenges

8

The above achievements notwithstanding, COMESA and other regional integration initiatives in Africa face a number of serious constraints and challenges. To begin with, it is commonly acknowledged that all things rise and fall on leadership. Therefore, the primary suspect for any shortcomings of the motive to unite stems from flaws in the region's political processes and stability. Not all of its member countries enjoy political tranquillity and enduring peace, and this is a necessary incentive to deepening inter-state trade. In fact, the World Bank funded study in 2000 cited political risk as the main deterrent to investment in the region.

There is a seeming interdependence in the interaction of national economies which becomes contagious. When individual member states enjoy relative peace and calmness, turbulence from neighbours can destabilise them and reverse their gains. A good example is Kenya, which bore the largest brunt from the displacement of Egyptian president Mohammed Morsi in 2013. As a result, the country recorded a 16percent decline in exports to Egypt. Burundi has also suffered the vagaries of civil war in the past, to the extent that the functions of the PTA Bank were inhibited, and the headquarters had to be relocated. The horn of Africa suffers regular bouts of terrorism and this makes growth in this region quite fragile and unsustainable, regardless of its imminent potential etc..

The paradigm of the political economy throughout the region also exposes a number of challenges such as funding for COMESA programmes and institutions. In an unfortunate turn of events, it is not lost to observation that despite the rhetoric for regional unity, member states do not appear to endorse the conversations with financial commitments. They constantly under-provide financial support, thus limiting the capacity of the Secretariat, or compelling it to resort to alternative means of funding such as donor support. Clearly, there is a mismatch between the clarion call to unite and the budget priority afforded to such calls. This culture of political indifference and apathy is extended to the implementation of agreed resolutions. Some members are selective as to what initiatives they implement and what they do not. For example, contentious issues such as gender inclusivity or capital-intensive infrastructure projects are not universally implemented in the region and if they are, the approach is often lacklustre and devoid of honesty. There has been a chronic record of slow and delayed ratification and implementation of decisions in the region.

Closely tied to the political will of member states is strong national loyalties that appear to temper the momentum for Pan Africanism. COMESA states are small, young and have deeply entrenched perceptions of sovereignty. As such, it is sometimes observed that they tend to assert themselves by being either uncooperative or slow in the implementation of resolutions, especially when adherence to a supranational body is demanded. The desire for self-preservation is overwhelming and waters down cooperation efforts. This may explain why there is a slow adoption of policies, especially those that stipulate that borders be opened up. This is in many cases a misconstruction of policy objectives.

The infrastructure in some member countries is wanting and poses a major challenge to the integration process. Some of them inherited colonial infrastructure and have done little to upgrade it or develop new projects, either because of resource limitations or failure to prioritise them. Sometimes governments make a trade off between such projects for social development projects such as education

and health as they afford politicians more clout and visibility to the electorate. This puts the regional agenda into jeopardy. Poor infrastructure compounds transport costs and imposes a barricade to the facilitation of trade.

There are also too many top-heavy institutions within the region. These organisations have too many political appointees and account for systemic inefficiencies and typical bureaucracies. In some cases, the consultations that are made before matters can be tabled at respective parliaments for adoption take too long and are not thorough. Worse still, even after adoption by the legislature, the organisations charged with the responsibility of disseminating the information to the public rarely do an impressive job. The net effect of this is that in some cases, the populace is not aware of developments in the region and cannot take advantage of the same. The presence of institutional weakness triggers a domino effect and results in other problems further down the line. For example, if an institution asked to send nominees for a training or a deliberation process fails to do so because of a weak structure, it faces hardships of some sort later on or has to play catch up.

The COMESA region is a conglomeration of 19 states at different levels of economic development. The disparity between some countries is very large as is evident when Egypt is compared to Kenya (for example). Egypt, the largest economy in the region is eight times bigger than the second, Kenya. With gaps like these, it is often difficult to obtain consensus on some policies, let alone their adoption (Matthews, 2003). In addition, the interests of bigger economies seem to override those of the smaller ones. For example, the Indian Ocean Island nations have not been particularly favoured by the scheme for regional infrastructure development because of their location and weaker impact. Only in the recent past have they been considered.

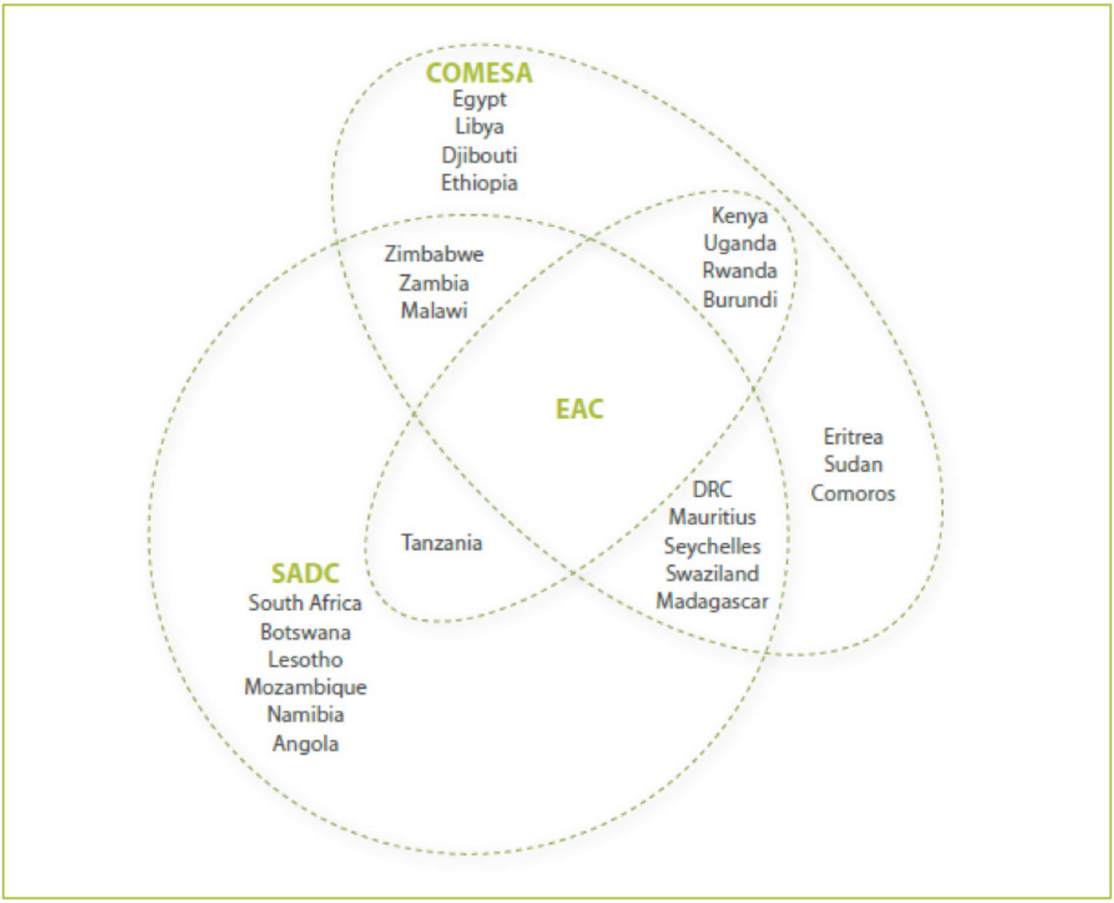
Different economic developments largely lead to the problem of regional heterogeneity and impose serious challenges in reconciling the disparities that abound. For example, the region has a skewed talent pool (which inevitably determines the quality of labour supply), different population sizes, varying GDP figures etc. Due to the idiosyncratic conditions of a country, prescribed regional approaches to solving challenges may disadvantage some economies in the short run. Although some of the problems have been addressed through agreed non-reciprocity window periods, they continue to cause agitation between member states.

Another challenge is the overlapping membership of associate states which belong to multiple economic blocs. This leads to a duplication of resources and unnecessary strain. For example, Kenya, Rwanda, Burundi and Uganda are members of the EAC, and are members of COMESA. This scenario is replicated throughout the region with members belonging to two or more

RECs. Scholars debate whether this trend accelerates or impedes the integration process to the continent-wide free trade area. However, in recent times, there is apparent convergence on the notion that it is a regressive approach to the overall integration process.

Overlapping membership is distasteful for various reasons such as financial sustainability, harmonisation of policies, joint negotiations and even the implementation process. Member states may be asked to make regular contributions to all the RECs, may be confounded with conflicting policies and be at odds with their implementation. More than this, monitoring the implementation of a multitude of programmes in the same area is exhaustive and laborious. For example, customs officials may be pressurised to deal with different rules of origin, tariff reduction rates, trade documentation and statistical nomenclatures. The range of such requirements compounds customs procedures and paperwork and is paradoxical to the concept of trade liberalisation by way of simplifying trade.

Figure 8: Overlapping membership of COMESA member states



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A classic case of duplication of efforts is evidenced in the Economic Partnership Agreement (EPA) by EAC member states and by COMESA. The process is laborious not just for EAC members but also for the EU, which must grant an audience to both a set of countries and its subset. It has been argued that states that exhibit multiplicity defeat the unification process, and only participate in it due to perceived economic benefits. Their commitment is thus questionable. A counter argument is that consolidation leads to blocs becoming complementary and aiding one another in the unification process rather than competing and thus slowing the convergence to a CFTA.

In some isolated instances, COMESA has been at a loss on how to deal with private actors and civil society groups, who wish to dislodge certain sections of policy or strategy that serve the narrow interests of selected groups. A key feature of these groups is that they are not well organised at the regional level and it is difficult to solicit their ideas at the conceptualisation stage. The input of the private sector in decision making is crucial, as it affords the Secretariat an opportunity to dialogue with them and reach a consensus from a holistic viewpoint. In 2015, Zambia's Customs Clearing and Freight Forwarding Agents' Association urged the Zambian government not to implement COMESA's Regional Customs Transit Guarantee (RCTG) scheme, because of the negative effects it would have on employment for local clearing agents.

The above illustration is just one example where the private sector or specific interest groups stall the integration process with myopic and egocentric concerns. The implementation of RCTG in the northern corridor was a huge success and has facilitated trade within the region. COMESA is still looking into ways of properly engaging the groups to pre-empt the opposition they may mount further downstream through government agencies and professional bodies as was the case above. It should be noted that in seeking their audience, COMESA is able to understand their perspectives and views on how better to achieve its mandate, seeing as that is one way of making policy from the bottom up.

The similarity of the industries in the COMESA region disadvantages the members and beats any real impetus to trade between themselves. Most of the countries have agriculture as the mainstay of their economies and end up mimicking a subsistence economy. This portends few opportunities for trade. Tea growing is carried out in Kenya, Malawi, Tanzania, Zimbabwe and South Africa. While Tanzania and South Africa are not part of COMESA, this shows the extent of the similarity in production. The scenario is repeated among COMESA coffee growers, which include Ethiopia, Uganda, Kenya, Tanzania, Rwanda and Burundi. Because the raw material base is very synonymous, the unfolding process of industrialisation is proving to be as similar as the raw material base. For example, Kenya, Rwanda, Uganda, Ethiopia etc. have textile industries that are almost exclusively sold in overseas markets because of their products are too similar to trade with each other.

COMESA also suffers from lack of agreed upon standards for trading purposes. Thus, members decide their own national standards which are then found to be incongruous with each other and hinder trade between states. Where standards exist, they are weak and fail to meet prescribed international thresholds. The challenge of standards is embodied by the 13-year-old wrangle between Kenya and Zambia, wherein Zambia has refused to admit Kenyan milk because of a mismatch of standards. While Zambia allows for a total bacteria count of 200,000, Kenya works with the international benchmark of 1,000,000 total bacteria count. The mismatch has denied Kenya access to the milk market in Zambia and demonstrates the necessity for COMESA to have strong standards, while simultaneously ensuring compatibility with world standards.

9 The way forward

It is over half a century since the contemplation of economic integration by post-colonial African leaders and while there have been undeniable gains, there is a great deal that remains to be achieved. This is slightly perplexing considering the energy, optimism and commitment of the initial visionaries. In evaluating the way forward for COMESA and the continent at large, it is necessary to understand whether this is because it was a false start on the side of the visionary African leaders, or whether it is due to an issue of congregating around the wrong nodes in the integration process (Qobo, 2007).

On a positive note, it is evident that Africa is on the right path. COMESA and all the other RECs on the continent are the surviving legacies of the forward-looking LPA. More importantly, the 2015 signing of the tripartite agreement between the EAC, SADC and COMESA was a clear indication that the goal of a continent wide FTA was not far from crystallizing. True to expectation, 2018 has seen African leaders join hands in solidarity to establish the African Continental FTA. Therefore, by all standards, the integration process is alive and well on course.

In taking stock of COMESA's progress, it is clear that the integration process has been quite costly and snail paced, especially given that nearly half a century has passed since its inception. The point of departure for this analysis is in understanding the epic-enter of the integration process in the immediate post-colonial period, and the strategies adopted by member state leaders. The main unifying factors then were the need for continental unity and an identification with anti-colonial struggles. While the liberation movement was a genuine one, the anti-colonial identity united leaders around the notion of a common enemy and was a convenient tool to externalise problems.

Due to the common enemy syndrome, most of the member states' problems and developmental issues were ascribed to imperialism (Qobo, 2007). Subsequently, the leaders predicated their development approaches on an inward-looking approach of industrialising through import substitution and intra member trade. This approach has continued to manifest in the regional blocs for a long time and has resulted in the stunted growth of countries, which appear more defensive than offensive in their participation in trade. The approach overlooks salient features of African economies such as being small, characterised by rural poverty, unskilled labour and the persistence of primary sub-economies that are susceptible to fluctuations and cyclical disturbances etc.

As the defensive approach was entrenched at national levels, all attempts at regionalisation without abolishing these distortions has been met with sharp resistance. This leaves regional agreements as endorsements of alliances and political alignments with little translation on the economic front. Success at the continental level should be firmly predicated on achievements at the domestic level. As such, policy makers in member countries need to rethink their policies and actively seek to ensure that their guidance is in sync with the continent's long term aspirations. This will accelerate the integration process.

The above recommendation stems from the fact that successful integration is driven from a bottom up approach rather than top down as observed by Oden (1996). The history of COMESA and African integration is that of a protagonist elitist group that motivates integration, and then cascades it down through policies to the populace without proper structural reforms. The latter are necessary as they lead to the evolution of economic processes, thus firming up development in an organised fashion. To draw an analogy, COMESA institutions are largely very successful. However, they are not designed by people in ivory towers but are often a response to a need. Economic integration should be market driven, just as the COMESA institutions are.

The next thing for the success of the RECs in Africa and COMESA in particular is to find new epicentres for integration and cooperation, in line with the realities of today's global economy. The old model of regionalisation is cast on the ideological paradigm of Pan Africanism and clearly falls short of modern challenges. As contemporary economies are more integrated and interconnected with each other, regionalisation should reorient from an inward looking and protective perspective to a more liberalised orientation.

COMESA should aspire to increase its trade value with the world through product differentiation and industrialisation. The biggest flaw with the industrialisation policy as presently constructed is that it focusses a great deal on import substitution and almost limits the production potential of the region. A first positive step in industrialisation is the fact that every country's industrial potential will be examined individually as opposed to previous blanket prescriptions. The sequel to such a fine start should be the related concept of human investment. The premium in any value addition process largely depends on the knowledge and skills base of labour. Speaking of skills endowment, SSA countries have a majority vibrant youthful populace and this should be leveraged to complete the full loop of predicating an industrial revolution on a well-oiled machinery of youth empowerment.

Although industrialisation and efforts to increase investments in the region are capital intensive, they are necessary as COMESA's prime objective is to improve the livelihoods of its members. Sustainable welfare gains cannot be pegged on investments heavily reliant on donor funding as is currently the case. As the sophistication of COMESA countries intensifies, long term sustainable growth can only ensue from the development of robust financial and capital markets. Consideration of sustainability is important as illustrated by events in the run up to the US presidential election in 2016. The current US president, then a presidential candidate, was clear in articulating that he would reduce his support to countries that have traditionally been helped by the US. Such realities are a wakeup call for African economies to re-examine their funding sustainability going forward, or alternatively peg their success on the mercy of well-wishers, donors and the foreign policies of other developed economies.

While other sectors are making steps to converge albeit slowly, the integration of financial markets remains elusive. One way to accelerate progress in this domain is through intensive public education on the possibilities of raising funds through capital markets, as well as opportunities for public investors. This is crucial to increase liquidity levels as well as raise confidence in the market. In terms of revamping the institutional capacity, and increasing cross-border activities, there should be harmonisation of policy that allows cross listing and cross trading between states.

This will create a huge and active securities market which will heighten the interest of international players, in keeping with the goal to integrate more with the world. A second way to deepen capital markets could be through the creation of a regional stock exchange with cross listings from the national stock exchanges (Irving, 2005). Targeting specific clients is yet another way. For example, a regional stock exchange could be used by the governments to raise Eurobonds, both for the region and the world. Countries such as Rwanda and Kenya have previously issued Eurobonds, which underscores the potential success of a project of this nature. Moreover, the use of mobile payments and banking has been fairly successful in the COMESA region and could be used to leverage on that progress to rapidly grow the economies of member states.

Like the capital markets, macroeconomic convergence has also been slow and inconsistent. It has been observed that public finances in some countries are far from stable whereas key indicators such as interest rates and inflation demonstrate a lack of competence in their management. The fact that most central banks are not independent implies that important monetary and fiscal decisions are made on the whims of central governments, even if they defy sound practice (Qobo, 2007).

As a futuristic strategy, COMESA should consider the formation of a common central bank with the aim of deliberately harmonising the macro environment. The existing framework is desirable but falls short in the sense that there is no strict enforceability of fiscal and monetary discipline. Governments engage in wanton borrowing and there are soaring debt levels in some countries, making it difficult to achieve regional targets. For example, while members agreed to adopt the Basel Accord standards in the banking sector, some countries have made little progress in this regard. The significance of the banking sector, and the entire macro-environment in the region will be key to the integration process of the future. This is because the region has already established a customs union and intends to progress to a monetary union and adopt the same currency by 2025. Failure to start now with robust discipline predicates the region for either a future with an unstable monetary policy or a scenario in which the monetary union, and hence integration process becomes still-borne.

The above considerations will only make sense in a region that is politically liberated. The economic success of Africa is dependent on the quality of regional and individual state leadership. As discussed, the role of the political economy cannot be overemphasised in the region and has a great bearing on the trajectory of integration (Qobo, 2007). Political maturity will translate to commitment to the integration process as leaders become accountable to COMESA and the electorate. Further, and more importantly, political liberation will ensure that the narrative of using political muscles for self enrichment and looting will change for the better. With better management of public coffers, it will be possible to prioritise the needs of the electorate and consider regional obligations. Further, with the democratisation of states, it is possible to achieve enduring peace and stability. The significance of regional peace leads to the bold recommendation that COMESA adopts a more aggressive way of combating political or civil tension in the region, such as through the formation of a military wing to suppress disturbances. Diplomacy and other subtler conflict resolution strategies have thus far not been very effective as evidenced by the existence of autocratic political dynasties with no regard for the rule of law.

It suffices to say that political liberation in itself is not a panacea to trade barricades between nations. Rather, the real solution is in the convergence between democratisation and the promotion of human rights. This will ensure a departure from the current paradigm of negative sovereignty, which is anti-imperialistic and state-centric (Qobo, 2007). Put differently, it will ensure that sovereignty is expressed more positively without due consideration to non-state actors in the promotion of development. It means seeing traders as people that have the freedom to go about their business and not infringing on their right of existence or lawful acts. Among other things, it means recognising the role of the media and civil society in a world that is constantly globalising. The protection of human rights in a politically mature nation will ensure a perfect sync and conformity with neighbouring states, and with the world at large.

As a final consideration, COMESA and its member states should take cognisance of the history that led to the formation of the bloc and understand the end goal contemplated by the initial architects. Every decision and policy should be made in full understanding of their effect on the context so as to aid the grand vision of achieving a continent-wide FTA. It is possible to have a few short run negative effects and disproportionate enjoyment of benefits, but certainly, the benefits of the far future are worth more.

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Annexes

11

1. Average economic growth over time

Years	Average economic growth
1990	4.0
1991	0.6
1992	0.6
1993	2.5
1994	-1.7
1995	5.2
1996	4.7
1997	4.3
1998	3.1
1999	2.6
2000	2.8
2001	3.0
2002	2.1
2003	2.5
2004	4.3
2005	5.2
2006	6.1
2007	6.3
2008	3.4
2009	4,1
2010	5.8
2011	2.1
2012	5.3
2013	5.1
2014	4.8
2015	40
2016	3.6

2. Regional FDI over time

Year	**FDI** Percentage change (USD millions)	Percentage Change (%)
1984	796	
1985	1,489	87.0
1986	1,193	-19.9
1987	1,073	-10.1
1988	1,555	45.0
1989	1,779	14.3
1990	1,250	-29.7
1991	541	-56.7
1992	752	39.1
1993	1,821	142.
1994	1,496	-17.9
1995	1,014	-32.2
1996	1,058	4.3
1997	1,876	77.4
1998	2,872	53.1
1999	2,098	-27.0
2000	3,015	43.7
2001	1,945	-35.5
2002	2,766	42.2
2003	3,483	25.9
2004	6,086	74.7
2005	9,763	60.4
2006	16,958	73.7
2007	24,004	41.6
2008	20,784	-13.4
2009	17,664	-15.0
2010	19,291	9.2
2011	9,341	-51.6
2012	20,374	118.1
2013	16,907	-17.0
2014	15,859	-6.2
2015	18,136	14.4
2016	17,778	-2.0

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