

# TRADE IN SERVICES

- *COMESA PERSPECTIVES*

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# Who is COMESA

- 19 Member States, from North to South, to Central and East Africa
- Market of 420 million people
- GDP of USD 392 billion
- Intra-COMESA trade has reached USD 14.3 billion, rising from USD 3.1 b in 2000
- A FTA since 31 December 2000, a Customs Union with a 3-year transition period since 7 June 2009
- Is actively engaged in the COMESA-EAC-SADC tripartite process to build a Tripartite FTA and consolidate regional infrastructure covering 26 countries, or half of Africa

# What COMESA is about

- Vision – to be a fully integrated, internationally competitive, prosperous REC, with high living standards particularly for the ordinary people, the lot at the bottom of the pyramid. We are keepers of our brothers, particularly the poor and the marginalised, and we pursue social justice
- FTA 2000, Customs Union 2009, common market 2015, monetary union 2018

# THE SERVICES PROGRAM

- The trade in services program of COMESA aims to liberalise trade in services, in the sectors and on the terms determined by the Member States
- The programs covers all services sectors, beginning with priority services designated by the individual Member States

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# WHY A SERVICES PROGRAM?

# Cross border investment

- COMESA share in Africa's 2008 FDI inflows (87,647 million USD) was 25%, with Egypt, Libya and Sudan as the leaders
- COMESA investment outflows were 2,142 million USD in 2008 compared to 406 million USD in 2007, an increase of 428%; which means that in 2008, COMESA countries increased their investment abroad
- Among the cross-border investing countries are: Egypt (1,920 million USD) sharing 90% of total COMESA FDI outflows, followed by Sudan (98 million USD) with 5% of share, and Mauritius (52 million USD) with 2% of share

# Leading intra-COMESA investment

- 43 of the 50 largest intra-COMESA investments between 2008 and 2010 were in the services sector, the other 7 being in manufacturing, processing, extraction
- The 43 were in business, telecommunications and financial services, more than 50% being in financial services

# CoZ ...

- Services sectors constitute on average 50% of the GDP of the Member States
- Services constitute up to 60% of the value of products
- Services provide key development infrastructure, and promote competitiveness, eg, energy, transport, banking, telecommunications
- Services deal with key practical problems, eg, logistics in agricultural trade and transit trade
- Constitute key development sectors, providing employment – tourism, telecommunications
- Initiatives reflect progress on the ground, cross border services trade is already booming

# Global dimensions

- International negotiations already include services, it would be impolitic not to prioritise regional services liberalisation, in order to avoid less preferential treatment at the regional level
- Globalisation has been driven largely by services, particularly telecommunications and transport; progress on services assists beneficial participants to participate in globalisation

# Integration imperatives

- The services program is integral to the formation of the COMESA Common Market by 2015, which like all common markets will have free movement of services, labour, persons and capital, and will recognise the right of establishment and residence
- Integration is to promote social economic development through policy harmonisation and coordination and creating a better environment for social economic activity, including larger markets in the services sector

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If you asked us what the COMESA services program is like

# KEY INSTRUMENTS

- COMESA Regulations on Trade in Services
- COMESA Services Negotiating Guidelines
- The treaty – the common market program
- COMESA Policies in various areas – ICT, Energy, IPR
- COMESA Programs – eg on civil aviation, investment (Agreement), trade facilitation

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# THE SERVICES REGULATIONS

# THE NEGOTIATIONS

- The COMESA services framework was negotiated in the course of 4 meetings of the trade and legal experts of the Member States
- and adopted by the Council of Ministers and endorsed by the Heads of State and Government in June 2009
- The experts resolved all the issues, except the provision on vulnerable states, which was resolved by the Senior Officials after protracted negotiations and re-drafting; they have flexibility as well as LDCs

# Vulnerable states provision

***The liberalization process shall be concluded by the Committee on Trade in Services and according to negotiating modalities to be established by Member States taking into account the different levels of development among the Member States and Special and Differential Treatment may be granted based on the level of commitments that will be submitted at a later stage of negotiations.***

***The Liberalisation process under paragraph 1, shall be conducted with the aim of promoting the economic growth and development of the Member States, in conformity with the principle of asymmetry. Special flexibility to such Member States may inter alia take the form of (a) a transition period for liberalization; and (b) opening fewer sectors or types of transactions.***

# KEY PROVISIONS

- MFN
- Market access – positive list approach
- National treatment
- Progressive liberalisation, rounds of negotiations
- COMESA Committee on Trade in Services
- A standard trade in services agreement

# INSTITUTIONAL FRAMEWORK

- The Committee on Trade in Services held its inaugural meeting in September 2009, adopted its Rules of Procedure, providing for membership by all Member States with the possibility of including the private sector in the delegations
- The Committee adopted the Negotiating Guidelines for the First Round of Negotiations, now on-going
- The Committee makes recommendations to be adopted by Council of Ministers as Decisions, that are binding on Member States and become obligations and rights

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# GUIDELINES FOR SERVICES NEGOTIATIONS

# PREPARATION OF THE GUIDELINES

- The Guidelines were considered and adopted by the Committee in one sitting, containing a negotiating roadmap
- They were prepared jointly by COMESA Secretariat and UNCTAD
- UNCTAD has been a partner since the commencement of negotiations on the services framework

# KEY PROVISIONS

- Negotiations proceed on the request and offer basis
- All services sectors are to be covered
- 7 indicative priority sectors were agreed, subject to further national consultations
- So far, 11 member states have submitted lists of their confirmed priority services sectors
- Detailed guidelines on scheduling of commitments, drawn closely along the WTO guidelines

# PRIORITY SERVICES SECTORS

- Only minimal limitations may be made in the services priority sectors – this is the main negotiating distinction from the other sectors
- The indicative list of priority sectors: Business, Communication, Transport, Financial, Tourism and travel related, Energy, Construction and Related Engineering

# How were the sectors selected?

- It is understood that commitments in the priority sectors will assist to attain a credible level and amount of liberalisation, support the strengthening of infrastructure, promote competitiveness, build the capacity of micro and small and medium enterprises, and contribute to the COMESA-EAC-SADC Tripartite process of merging the three regional economic communities. (para 17 of Guidelines)
- In the discussion that followed Member States were of the view that there should be an indicative list of priority sectors that included the four sectors that were common between EAC and SADC; namely financial, communication, business and transport services. Tourism, energy and construction and related engineering services would also be added to the indicative list given their importance. (para 32 of Report of the Committee)

# UPDATE ON SUBMISSIONS

- 11 Member States have submitted confirmed priority sectors
- All 11 have included communications and tourism, 10 have included financial services, and 9 have included transport services, 7 have included both construction and energy
- RD Congo and Djibout indicated 10 services sectors; Kenya, Mauritius and Uganda indicated 7 sectors; Swaziland, Zambia and Zimbabwe indicated 6 sectors

# REGIONAL SERVICES COALITION

- The Council agreed and directed that the COMESA Regional Services Coalition should be established, based at COMESA Secretariat
- Ongoing work includes preparation of the charter, and an inventory of regional services associations and national coalitions of services associations, who are expected to be the members of the regional association

# THE MAY 2010 MEETINGS

- The Committee on Trade in Services will meet on 17-21 May 2010 in Harare, to finalise the priority services sectors, and exchange views on negotiations in the other areas
- Recommendations will be made on the regional services coalition