



IMPLICATIONS OF REGIONAL INTEGRATION ON ZAMBIA



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PRESENTATION OUTLINE

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- 2) Zambia's Participation In Regional Integration
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INTRODUCTION

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- Zambia is currently a member of the Common Market For Eastern And Southern Africa (COMESA) and the Southern Africa Development Community (SADC).
- Zambia recently became a signatory to the COMESA-East African Community (EAC)- SADC Tripartite Free Trade Area (TFTA) Agreement on 17TH June, 2016.
- The Country is also involved in negotiations of the Continental Free Trade Area (CFTA) which were launched in 2015.

ZAMBIA'S PARTICIPATION IN COMESA

- ▶ COMESA was formed in December 1994 to replace the former Preferential Trade Area that had been in operation since 1981.
- ▶ **COMESA's vision** is to be a fully integrated, internationally competitive regional economic community with high standards of living for all its people ready to merge into an African Economic Community
- ▶ COMESA FTA took effect on 31st October, 2000 with 9 participating Member States. Today, 16 countries are participating in the FTA.
- ▶ Zambia is fully implementing the COMESA FTA at 100% liberalization.

Countries not fully implementing the FTA under COMESA

- DR Congo will reduce tariffs for COMESA originating goods in three phases of 40% in the 1st year (2016); 30% in the 2nd year (2017) ; and 30% in the 3rd year (2018).
- Swaziland is under derogation from the COMESA tariff liberalisation by virtue it being a member of the Southern African Customs Union (SACU).
- Eritrea is offering 80% tariff preference to COMESA originating products on a reciprocal basis.
- Ethiopia since 1998 has reduced tariffs for COMESA trade by 10%.

ZAMBIA'S PARTICIPATION IN COMESA CONT..

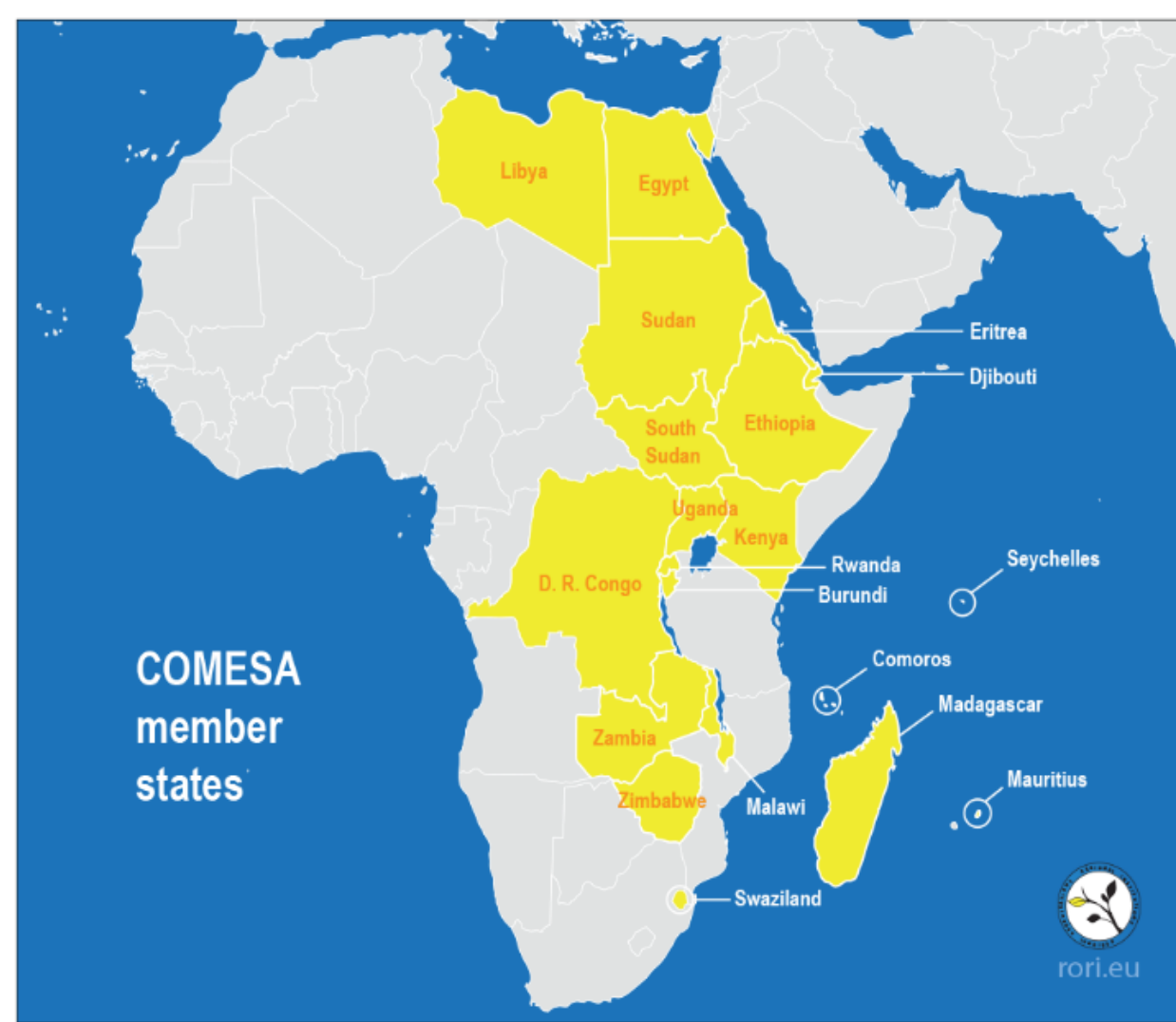
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COMESA MAP

Size: 11.6 Million sq. km

Population: 482 million

**Gross Domestic
Product :** \$667 billion



➤ ZAMBIA'S PARTICIPATION IN SADC

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- The Southern African Development Community Conference(SADCC) was formed by the frontline states(Zambia included) in 1980 in Lusaka, Zambia to fight for political liberalization of its member states.
- The Treaty establishing the Southern African Development Community(SADC) was signed in 1992 after member states recognized the need to develop the region and bring about economic development of its member states through regional integration.
- The main objective of SADC is to achieve economic development, peace and security, economic growth and alleviate poverty as well as support the disadvantaged through regional integration.

ZAMBIA'S PARTICIPATION IN SADC CONT...

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- The SADC Regional Indicative Strategic Development Plan outlines integration milestones in SADC as follows:
- Free Trade Area by 2008
- Customs Union by 2010
- Common Market by 2015
- SADC attained status of free trade in 2008 after achieving 85% tariff liberalization
- There has not been much progress regarding other milestones such as achieving the Customs Union because it has been generally agreed that member states need to consolidate the FTA and deal with challenges.

ZAMBIA'S PARTICIPATION IN SADC CONT...

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- Zambia is fully implementing the SADC Free Trade Area agreement after fully liberalizing its tariffs on 1st January, 2012.
- 12 out of the 15 SADC countries are currently implementing the SADC FTA.
- The countries that are not yet implementing the SADC FTA are Angola, DRC and Seychelles.

ZAMBIA'S PARTICIPATION IN SADC CONT...

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- Impact of the SADC Free Trade Area has been that intra SADC Trade has more than doubled from about \$13.2billion in 2000 when the tariff phase down commenced to about \$34billion in 2009.
- However this growth has not been without challenges.
- Negotiations are still ongoing on rules of origin particularly for flour for which there is currently no rule.
- There are also still discussions reviewing the rules of origin for textiles and clothing.

ZAMBIA'S PARTICIPATION IN SADC CONT...

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Zambia's Participation in the Tripartite

- The Tripartite FTA consisting of 26 Member States brings together three Regional Economic Communities (RECs), COMESA-EAC-SADC.
- Rationale for TFTA aims to address overlapping membership across the RECs and to create a large integrated market.
- TFTA has three pillars: Market Integration, Industrial Development, and Infrastructure. A parallel track on free movement of business persons is being negotiated.
- Negotiations commenced in 2011 and the TFTA Agreement was signed on 10 June 2015, Egypt, currently 17 signatories.
- Zambia signed the Agreement on 17th June, 2016 becoming the 17th Country to sign the Agreement. Zambia also signed the declaration launching Phase II of Negotiations.

Zambia's Participation in the Tripartite cont....

The Agreement covers the following areas:

- Non Tariff Barriers
- Rules of Origin
- Customs Co-operation and Mutual Administrative Assistance
- Trade Facilitation
- Transit Trade Transit Facilitation
- Technical Barriers to Trade
- SPS
- Dispute Settlement Mechanism

Zambia's Participation in the Tripartite cont....

Population: 632 million

Gross Domestic Product : \$1.3 trillion

Covers almost half of the African Union (AU) Membership (26 out of 54)



Zambia's Participation in the Tripartite cont....

Outstanding work includes:

- Rules of Origin,
- Elimination of Duties
- Trade Remedies
- Trade in services
- Trade Related Matters
- Cross border investment
- Competition policy
- Trade and Development
- Intellectual Property

Zambia's Participation in the CFTA

- The Continental Free Trade Area (CFTA) negotiations were launched in June 2015 by the Heads of State of the African Union.
- The main objectives of the CFTA are to;
 - Create a single continental market for goods and services;
 - Facilitate free movement of business persons and investments; and
 - Pave the way for accelerating the establishment of the African Economic Community.

Zambia's Participation in the CFTA cont...

- The CFTA will bring together 54 African countries with a combined population of more than 1 billion people and a combined gross domestic product of more than US \$3.4 trillion.
- Intra-African trade is expected to increase through better harmonization and coordination of trade liberalization across the RECs and across Africa in general .
- The negotiations for the CFTA started in 2016 and are in the early stages.
- Zambia is currently participating in the negotiations.

Implications of Regional Integration

There are positive and negative implications to regional integration.

Some positive implications include:

1. Trade Creation

- i. Increase in trade that results from regional economic integration.
- ii. Gives consumers and industrial buyers a wider selection of goods and services not available beforehand.
- iii. Lets buyers acquire goods and services more cheaply following the lowering of trade barriers such as tariffs.

Implications cont...

1. Greater Consensus

- Trade Negotiations in smaller groups of countries may make it easier to gain consensus as opposed to working in the far larger WTO and other multilateral fora.

3. Political Cooperation

- A group of nations can have significantly greater political weight than nations have individually. The group may have more clout in negotiating in a forum like the WTO and other multilateral fora.

4. Employment Opportunities

- Regional integration can expand employment by enabling people to move from country to country for work, or to earn a higher wage.

Implications cont...

Some negative implications include:

1) Trade Diversion

- a. Diversion of trade away from nations not belonging to a trading bloc and toward member nations.
- b. Can result in reduced trade with a more efficient non-member nation in favor of trade with a less efficient member nation.

Implications cont...

2) Shifts in Employment

Investors may invest in the part of the region where the labour is cheaper with better systems.

Implications: The Case of Zambia

- Consumers:
 - Increased variety of products
 - Improved quality of products
 - Exposure to new products

- Producers:
 - Increased competition
 - Wider market access
 - Possibility for the formation of regional value chains
 - Increased total exports

Implications: The Case of Zambia

- National level:
 - Loss of revenue (duty)
 - Potential threat to industrial growth in the short-run
 - Increased job creation
 - Through increased market access, it is expected that there will be increased investment leading to increased economic activity ultimately contributing to increased internal taxes in the medium to long term.

Conclusion

- In view of the benefits that can accrue to Zambia through regional integration such as economic growth and development, industrial development, job creation and the potential for poverty reduction, it is necessary that Zambia continues to apply efforts towards integration.
- Going forward and in light of the new developments such as the TFTA and the CFTA, Zambia will continue to focus efforts on improving trade facilitation and reposition the industrial base to effectively respond to regional dynamics of integration and benefit from it.

Thank you!