Challenges and Prospects for the Transformation of the Common Market for Eastern and Southern Africa by 2025

by

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Abstract

The objective of this research is to examine the challenges that have impeded the progression of the Common Market of Eastern and Southern Africa to a full regional economic community and explore prospects for the institution to be transformed to a competitive regional economic community by 2025. Hence, the research concludes that the Common Market of Eastern and Southern Africa has faced several challenges including persistent protectionism, inadequate political will and high occurrence and recurrence of conflicts among other factors that have slowed down its culmination to the desired full regional economic community. This research is informed by wide evidentiary base which includes policy papers, organisational reports and news, newspaper articles and journal articles.

Keywords: Common Market of Eastern and Southern Africa, challenges, prospects, economic community

Introduction

The transformation of the Common Market of Eastern and Southern Africa (COMESA) to a full regional economic community has been confronted with several political and economic challenges. While members of COMESA concluded the COMESA Treaty in which they undertook to cooperate in trade, labor, transport, communication, peace and security within a common market and to progress to an economic community, the achievement of these objectives has left a lot to be desired. Even though headway has been made in respect of the movement of goods, people and capital among other modalities, state individualism appears to have persisted within the institution.

From an institutionalist perspective, the existence of COMESA as a common market since its establishment has benefited the member states; however, an in-depth analysis of the institution points to the fact that the shortcomings of achieving free trade have outweighed the benefits of trading freely within the common market. Hence, the challenges that have confronted the realisation of the full benefits of a common market have culminated to hinder the transformation of COMESA to full and competitive economic community.

At the epicenter of the challenges that have hindered the development of COMESA to a full regional economic community is the selfish nature of the state. Apart from agreeing to cooperate especially on trade related issues, each COMESA member state has appeared to be concerned by its own individual interests that it unilaterally pursues. This is not to imply that the members are not committed to economic integration. It should be understood that behind economic cooperation lies state interests that require the state to always pursue selfishly as its foreign policy goals and objectives. To this end, the transformation of the organisation to a full economic community has been a mammoth task given the obstacles at hand. It is therefore the focus of this paper to examine the challenges transforming COMESA to a full regional economic community. Notwithstanding the challenges that COMESA is facing to becoming a fully fledged economic community, prospects for the successful transition from a common market to an economic community should not be dismissed. Concerted efforts that have culminated in various summits of heads of states are tips of the iceberg that by 2025 COMESA could have successfully transformed to an economic community with zero custom tariffs on inter-COMESA trade. Furthermore, the experiences of not-so-free trade that COMESA members have exposed each other to could work to catalyse the progression of COMESA to an economic community, provided they learn from the past and present and work collectively towards the common goal of having an economic community. More so, issues of protectionism, overlapping membership and other challenges can be dealt at the multilateral level to promote the establishment of an economic community.

COMESA was established in 1994 as a successor of the Preferential Trade Area that had existed since the year 1981. According to the COMESA Treaty, COMESA was established as an "organisation of free independent states which have agreed to cooperate in developing their natural and human resources for the good of all their people" and to promote peace and security in Eastern and Southern Africa (COMESA Treaty, 1994). Members of COMESA include Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe. An analysis of the COMESA member states reveals that there are some influential states from both Eastern and Southern Africa that are not part of COMESA. For instance, South Africa, Botswana, Namibia, Lesotho and Tanzania are not state parties to COMESA. Even though membership of regional economic communities is voluntary, the absence of other states can be interpreted as a sign of divisions with the two sub-regions which has undoubtedly slowed the progress of turning the common market to a full economic community.

As a common market, COMESA's primary objective is to foster economic integration through promoting free trade among the nineteen member states. Hence, at the turn of the new millennium, a Free Trade Area (FTA) was realised among Djibouti, Kenya, Malawi, Mauritius, Sudan, Zambia and Zimbabwe with the elimination of tariffs among COMESA-originating products pursuant to the 1992 tariff reduction schedule (Overview of COMESA, Nd). Burundi and Rwanda joined the FTA in 2004 (Ibid). While these developments are an expression of commitment to regional economic integration, the absence of the eight other COMESA members from the FTA can be interpreted as a drawback to trade liberalisation and economic integration in Eastern and Southern Africa.

It can also be argued that the absence of other COMESA members for the 2000 FTA illustrates the extent of individualism among other member states. It suffices to highlight that some of the members missing from the FTA are members of other organisations such as Southern African Customs Union (SACU). These are Lesotho, Namibia, South Africa and Swaziland. Whilst there is nothing wrong in having some countries establish their own economic cooperation arrangements outside COMESA, the existence of multiple economic cooperation arrangements within a single region creates the problem of multiple membership and backlash which are also detrimental to economic integration and the establishment of a single economic community in Eastern and Southern Africa.

Against this background, it is the objective of this paper to examine the challenges hindering the progression of COMESA to a fully fledged Economic Community. The primary aim of the paper is to critically examine how issues of barriers to trade, multiple and duplication membership and state interests have become obstacles for the development of COMESA from a common market to an economic community. There is limited scholarly work on the challenges mentioned above; hence, the paper contributes to the narrow knowledge base on the challenges facing the transformation of COMESA. In spite of the challenges mentioned above, the paper acknowledges the prospects for the transformation of the organisation to an economic community by the year 2025. There is no doubt that the challenges confronting COMESA's transition can be overcome. To this end, the paper contributes to policy analysis, debates, research and policy formulation in respect of COMESA's transformation to a full economic community.

The major objective of this paper is to critically examine the challenges that are confronting the transformation of COMESA from a common market that it has been since 1994 to a full economic community. After examining the challenges, the paper explores the prospects for achieving an economic community from COMESA by the year 2025. It is therefore indicated in this paper that the challenges facing the organisation can be overcome, leading to the successful transition of the institution to an economic community.

The hypothesis advanced in this research is that state individualism is the major challenge slowing the progress of transforming COMESA to an economic community. Hence, once the challenge of state individualism is tackled and COMESA member states commit to economic integration, the objective of achieving an economic community by 2025 will be achieved.

Perspectives on Challenges Confronting COMESA

While challenges of economic integration within COMESA present an excellent opportunity for interrogation, literature on challenges hindering the transformation of the common market to a fully fledged economic community is still nascent. Policy pundits, the academic community and other researchers have explored the benefits, successes, trade restrictions and the inadequacies of promoting economic integration among industrialising states. In other words, literature on COMESA omits the factors hindering the progression of the common market to an economic community. To this end, this paper fills the above gaps.

Analysing the successes of COMESA in respect of trade liberalisation has been the preoccupation of scholars of economic integration and organisational reports and news. In 2013, COMESA published the COMESA Success Stories hailing the Regional Payment and Settlement System (REPSS) that became operational in 2012 to allow member states to transfer funds on the same day at low costs (COMESA Success Stories, 2013). Indeed, the system is of great importance to importers and exporters to reliably and conveniently transfer and receive funds. As of October 2016, only Uganda, DRC, Kenya, Swaziland, Zambia, Malawi, Sudan, Rwanda and Mauritius had joined the system, and the US dollar, Euro, Chinese Yuan and Indian Rupees with provision for the Swiss Franc, British Pound and Japanese yen are recognised within the payment system (Osemo, 2016). The electronic payment system has the advantage of easing transaction (Daily Monitor, September 2015).

Even though the system is a "great milestone in COMESA's quest to achieve regional economic integration" (COMESA Success Stories, 2013), not all COMESA members have joined the electronic money transfer system. Furthermore, the fact that some Eastern and Southern African states are not part of COMESA as well as the system presents a serious challenge to the envisaged level of economic integration within the region. Since the above literature concentrates solely on the success of COMESA, this paper takes a different twist by delving into the challenges to achieving an envisaged economic community.

Challenges to regional integration in Africa have also been explored by a number of scholars. However, specific focus on COMESA's transition to an economic community as a challenge to regional integration has escaped the attention of much of the available literature. According to Melo and Tsikata (2014: 2), issues of unfulfilled good intentions and sustainable economic bases coupled with questionable political motives, geography and uneven distribution of benefits have hampered the efficacy of Regional Economic Communities (RECS) in Africa.

These scholars examined challenges facing all regional economic communities in Africa including COMESA, and their arguments are reflective of the obstacles to regional integration in Africa. The gap in this literature is the focus on all regional economic integration arrangements. This research fills this gap by focusing on COMESA only; this reduces the problem of generalising some of the above mentioned challenges to suit every REC.

Maruping (2005: 134) has observed the slowness of integration in COMESA with the unlikelihood of achieving the envisaged regional monetary union by 2018 and the continental monetary union by 2025. The scholar also advises against prematurely fast-tracking the establishment of an economic community in COMESA which he says could result in problems in the end due to inadequate convergence criteria, governance and political inconsistencies regarding ceding sovereignty and other related challenges (ibid: 144). Indeed, the slowness of progress with regard to transforming COMESA to a full economic community is a worrisome challenge. However, advising against the possibility of attaining a fully fledged economic community by 2025 is too pessimistic of this literature. Against the background of such pessimistic sentiments, it is the objective of this research to juxtapose the challenges facing COMESA with prospects for attaining a fully fledged economic community by the year 2025. This research considers the possibility of achieving the envisaged economic community by 2025 if COMESA members eliminate the convergence inconsistencies, individualism, overlapping membership and unilateral protectionism among other challenges.

Challenges Confronting the Transformation of COMESA to A Fully-Ledged Economic Community

The major finding of this research is that the transformation of COMESA to a fully fledged economic community with a single currency and in which all trade restrictions are eliminated has been hindered by factors that evolve around the selfishness of the state. Such selfishness emanates from the varying political motives, uneven distribution of benefits and wealth and size of territory that have slowed the transformation of COMESA. These and other challenges have culminated to persistent and unilateral protectionism, overlapping membership and struggle for political economic dominance and other state individualistic-related setbacks.

To have a COMESA economic community capable of liberalising trade and economic regimes beyond a common market has been faced with unfulfilled good intentions. While reduction in trade barriers has assisted in market integration, the culmination of such political economic benefits to the establishment of a full and competitive economic community has been slow. While full scale economic union through the establishment of an economic community would be an opportunity and remedy to the development dilemma in Eastern and Southern Africa, it appears COMESA states have been reluctant to surrender their state sovereignty to monetary and customs union in the form of a COMESA economic community.

Had it not been for such reluctance, COMESA could have long been transformed into an envisaged economic integration community. Even though state sovereignty including the state's unlimited control over its economic or monetary affairs is important, surrendering a layer of sovereignty to an economic community authority goes a long way in filling Africa's development gap vis-à-vis developed countries.

The problem of persistent protectionism by COMESA members has also slowed down chances of turning the common market to an economic community. In spite of COMESA member states undertaking to reduce barriers to trade, reduce restrictions related to the movement of people or labor and promote agriculture and other industries, protectionism still takes centre stage within the common market. For instance, in 2016 the Zimbabwean government enacted Statutory Instrument 64 to ban the importation of goods and raw materials from other countries including COMESA member states. The objective of the Statutory Instrument is to promote the Zimbabwean industries, goods and market. While this may be interpreted as a noble mechanism to boost the local market, it trumps efforts at economic integration. Other COMESA member states also still have their protectionist mechanisms in place to protect their local industries and markets. Such moves can be interpreted as minimalist and disdainful of economic integration. Be that as it may, some level of protectionism is required due to uneven distribution benefits from economic integration. However, this scuttles full scale economic cooperation, and protectionism can be cited as one of the factors that have slowed down the transformation of COMESA to a fully fledged economic community.

The dilemma of overlapping membership among COMESA members has created duplication of mandates and obligations that have made it difficult to transform the common market to the envisioned economic community. A case in point is the predicament of Swaziland. Swaziland is a member of COMESA, SACU and the Southern Africa Development Community (SADC) Free Trade Area. Moreover, Zimbabwe, which is a member of COMESA, and South Africa, a non-COMESA member, have various bilateral trade agreements including the Bi-National Commission (BNC) Agreement and Memorandum of Understanding on Trade Cooperation concluded in 2016 (South African Government News Agency, 8 April 2016). Whilst overlapping membership makes states benefit from the economies of scale from the various organisations of which they are members, the challenge of overlapping membership is the duplication of mandates and obligations which has had the implication of delaying the establishment of a single economic community in Eastern and Southern Africa. Apart from that, there is no guarantee that states like Swaziland will remain in COMESA given the lack of comprehensive political union within the institution compared with SACU. Like Namibia, Swaziland may decide to withdraw her membership of COMESA. Even though such backlashes are permitted due to sovereignty, such setbacks trump COMESA's stakes of becoming a competitive economic community by 2025.

Furthermore, it should be observed with concern that there are several other Eastern and Southern African states that are not members of COMESA, but have their own economic integrative arrangements. For instance, Tanzania is member of the East African Community (EAC) and South Africa, Namibia, Lesotho and Botswana are members of SACU. Though being a member of any free trade area is voluntary, having various FTAs within a single region is not the best way of achieving economic integration. In fact, having various integrative arrangements symbolises lack of unity and political purpose to have a single economic community. However, significant efforts have been made to have a single free trade area. Such efforts have culminated in the launch of a 26 member Tripartite FTA between COMESA, EAC and SADC in 2015. Be that as it may, the absence of other African states from the Tripartite FTA is worrisome as it negates the prospects of economic integration. Nonetheless, the launch of the Tripartite FTA should be commended as a step in the right direction in relation to the attainment of an economic community by 2025.

The lack of political will to work towards comprehensive economic integration appears to be another challenge that has trumped efforts at making COMESA an economic community. While it is in the interests of states within COMESA to cooperate to survive economically against the threats of political economic marginalisation in the brutal global economic system, Eastern and Southern African states' lack of complementarities stemming from uneven distribution of wealth, varying political preferences, geographical location and sovereignty has diminished incentives for full scale economic integration needed to accelerate the transformation of COMESA to an economic community most Eastern and Southern African states aspire it to be. This has led to alarming rate of individualistic policy preferences within COMESA states instead of moving towards the goal of turning the institution to an economic community.

The occurrence and recurrence of conflicts in Eastern and Southern Africa has also had a bearing on the development of COMESA to an anticipated economic community since its formation in 1994. The Eastern and Southern parts of Africa have almost always been preoccupied with large scale conflicts and small scale crises whose resolution and attempts thereof have directly and indirectly redirected efforts at making COMESA realise its full potential. Political crises in Zimbabwe, Lesotho, Madagascar and Kenya as well as conflicts in Sudan, Burundi, Ethiopia and Eritrea since the turn of the 21st century have affected COMESA's transition. This is because the time, financial commitment and efforts devoted to resolving these and other crises and conflicts could have been devoted towards making COMESA an economic community. While the efforts and commitment cannot be measured quantitatively, there is no doubt that attention directed towards coming up with solutions to the predicaments could have been utilised to come up with policy directions, recommendations and solutions to the slowness of progress in transforming COMESA to an envisaged economic community in the past decades.

The challenges that have confronted the transition of COMESA since 1994 are not unassailable. More so, it is not too late to deal with challenges of economic integration to achieve an economic community within the COMESA system by 2025. The challenges are mainly structural and once structural mechanisms that address the issues hindering the transition of COMESA are put in place, achieving an economic community will be undemanding. The only major adjustment that needs to be made is related to complementarities among member states. Since lack of complementarities among member states is the primary source of persistent protectionism, individualism and lack of political will to move from goods market to monetary integration and finally a fully fledged economic community, there is need to address this structural problem. It suffices to say that it is only a matter of convening summits and other meetings to negotiate and agree on how to remove trade barriers in a manner that benefits all states in COMESA. The distribution of gains can easily be apportioned pursuant to economic scale among COMESA member states.

The research contributes to policy debates and analysis on the challenges that have slowed the transformation of COMESA to a competitive and full economic community. The challenges that have been highlighted in this research could be used for reference purposes to influence future policies regarding the transition of COMESA. Furthermore, the research could be utilised to explore more challenges that emanate from the ones that have been examined in this research. Since this research delved more on the political economic aspects of the challenges facing COMESA, researches with similar objectives could rely on gaps left in this research and explore the challenges from purely economic and/or legal standpoints.

Conclusion

In the final analysis, challenges that have slowed the progression of COMESA from a common market to an economic community stem from lack of complementarities and appropriate structural mechanisms to ensure equitable distribution of gains. Hence, persistent protectionism, lack of political will and other related challenges have emanated from lack of complementarities. Apart from that, the preoccupation with resolving conflicts and crises in Eastern and Southern Africa has divided the attention that could have been wholly devoted towards transforming COMESA into an economic community. Having explored all these challenges, it suffices to highlight that chances of achieving an envisioned economic community by the year 2025 are high if concerted efforts are directed towards addressing these challenges.

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