COMESA BUSINESS COUNCIL
Voice of the Private Sector in the Region
BUILDING REGIONAL GOING GLOBAL

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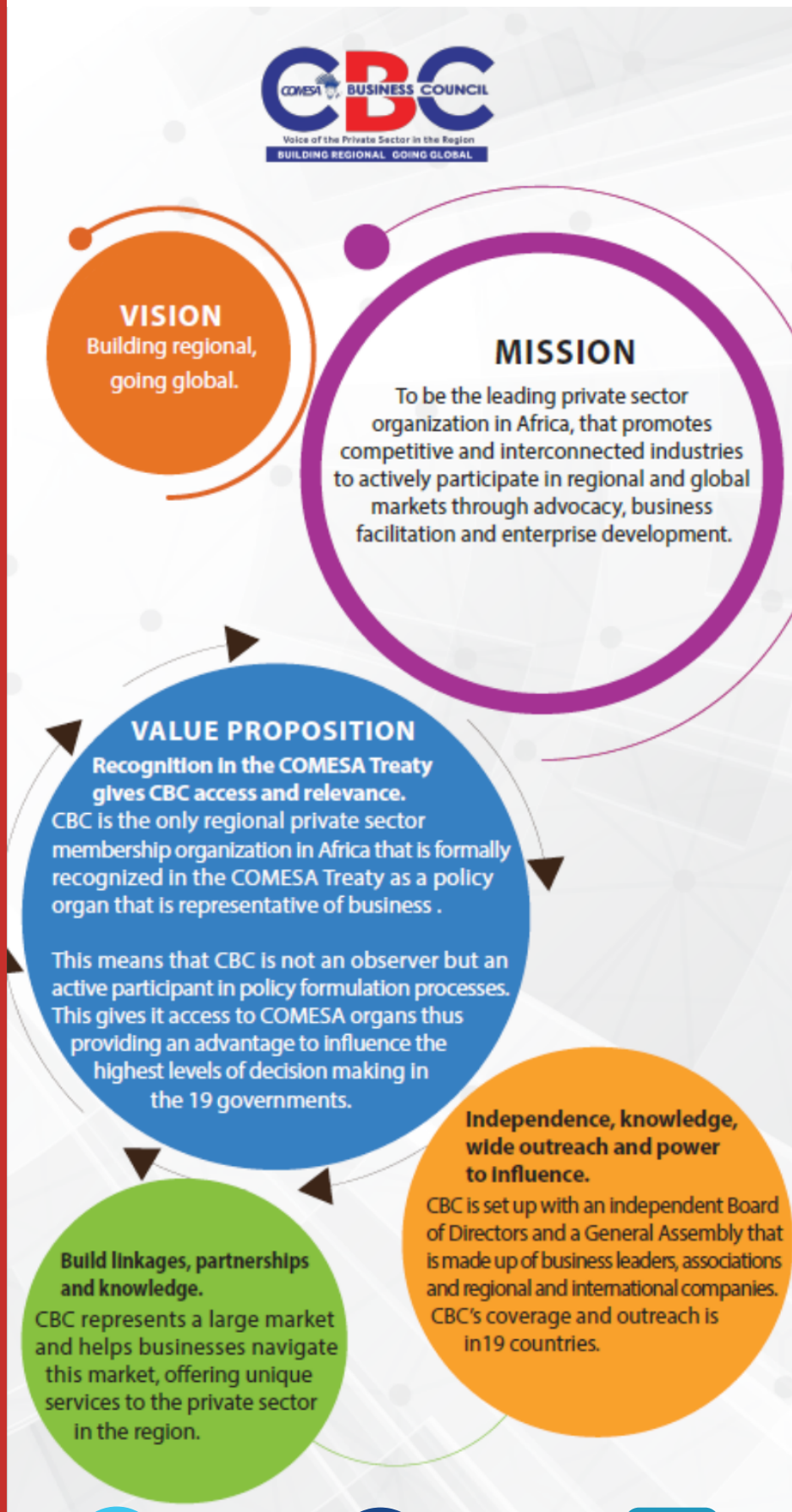
INSIDE THE NEWS THIS WEEK



REGIONAL TRADERS PUSH FOR SINGLE CUSTOMS BOND

Traders in landlocked states in East Africa are pushing for a single customs bond guarantee scheme for the whole region amid concerns that high cost of complying with Kenyan and Tanzanian laws have raised their cost of production. While the region operates as a single customs territory, Tanzania does not recognise the Common Market for Eastern and Southern Africa (COMESA) Customs Bond Guarantee Scheme which shippers execute at the Mombasa port to move goods through Kenya, Uganda, Burundi, Rwanda and South Sudan.

Tanzania is the only East Africa Community (EAC) state that does not belong to the COMESA trading bloc, having opted to integrate its market with Southern Africa Development Community countries (SADC). That means a trader who orders goods through Dar es Salam will have to execute a Tanzanian security bond then revert to either national or COMESA one after crossing the border.

"Manufacturing in a landlocked country that imports nearly everything through Kenya or Tanzania is a real challenge," said Mr Salim Somji, chairman of Burundi-based Siphar S.A, a pharmaceutical manufacturer. "When everyone is thinking of competing in the expanded EAC market, we can only think of competing in other landlocked states of the region."

Regional customs bond guarantees ensure that the government is able to recover duties and taxes from the guarantors should the goods in transit be illegally disposed of for home consumption in the country of transit. While COMESA bond is more expensive, with its value being at 0.5 per cent of goods on transit, traders say it is efficient. The national guarantee schemes, which cost as low as 0.2 per cent of the cargo value, must be executed at every border point, causing delays. To cut cost of imports for landlocked countries, traders say the EAC bloc needs to come up with a regional bond scheme that incorporates Tanzania.

"We prefer a single regional bond being executed at the port of entry instead of several national security bonds," said Mr Businge Rwabwogo, general manager in charge of operations at Kampala-based Mukwano Group of Companies, a firm which ships in between 200 to 250 containers of raw materials per month through Mombasa port.

At a recent media tour organised by the EAC and German agency GIZ, traders asked the shipping lines to take cue from governments "which allow us to move goods on the strength of bonds" and stop demanding cash deposit on containers. They also accused Kenya of charging $200 (Sh20,000) as toll charges on EAC registered trucks and a lesser $100 on Kenyan vehicles. Kenya and Tanzania, the traders said, are fond of erecting roadblocks that slow cargo movement every time shippers lobby successfully for a weighbridge to be removed. Overall, says Mr Rwabwogo, it costs $4,800 to move a 40ft container from Dar to Kampala and only $2700 from Mombasa to Kampala due to efficiencies on the Kenyan corridor.

https://www.businessdailyafrica.com/corporate/shipping/Regional-traders-push-for-single-customs-bond/4003122-4808812-r3cbkfz/index.html

COMESA WELCOMES SOUTH AFRICA'S RATIFICATION OF TRIPARTITE FREE TRADE AGREEMENT

The Common Market for Eastern and Southern Africa (COMESA) has welcomed South Africa's move to ratify a free trade agreement involving three African regional blocs. The Tripartite Free Trade Area was launched in December 2014 and COMESA, the East African Community (EAC), and the Southern African Development Community (SADC). COMESA Secretary-General Ms. Chileshe Kapwepwe said the South African government sent a notification on its decision to ratify the agreement, bringing the number of countries to do so to four, after Egypt, Uganda and Kenya.

"This is excellent news. This development moves the tripartite process to near operationalization," she said in a statement released by the regional bloc. She said the process of ratification has been set in motion in a number of member states and it is expected that the target will be reached by the end of April 2019, which was the deadline set by tripartite members.

According to her, following South Africa's ratification, 10 more ratifications are needed for the agreement to enter into force. COMESA's Director of Trade and Customs Francis Mangeni said the development buoys the expectations around the tripartite free trade area agreement, which groups 29 of the 55 countries negotiating the African Continental Free Trade Area. He said in the statement that all the annexes to the tripartite free trade area agreement have been concluded, adding that once the threshold for minimum number of ratification is achieved, the implementation of the agreement will start immediately.

According to Mangeni, negotiations on the tripartite rules of origin have advanced, adding that from a total of 5,387 tariff lines, rules of origins have now been developed for 3,267 tariff lines, representing 60.8 percent of all the tariff lines. "A number of tripartite instruments have also been developed and are now ready for use. The tripartite guidelines on implementation of trade remedies are ready for use and so are certificates of origin, export declaration and import declaration forms among others," he said.

http://www.xinhuanet.com/english/2018-10/09/c_137521598.htm

INDUSTRY MINISTER LEADS DELEGATION TO TURKEY

Industry and Commerce Minister Nqobizitha Mangaliso Ndlovu is leading a delegation of manufacturing executives who are attending the 2nd Turkey-Africa Economic and Business Forum, which begins in Istanbul today.The Confederation of Zimbabwe Industries (CZI), the country's leading industry body, has been invited to the summit by its counterpart, DEIK, the foreign economic board of the Turkish industry. CZI Matabeleland Chapter president, Mr Joseph Gunda, confirmed the trip yesterday.

"We just arrived today in Istanbul for the Turkey-Africa II Economic and Business Forum. Our new Minister of Industry, Honorable NM Ndlovu is also attending together with members from his office and Government and African Union representatives from all over Africa including Zimbabwe," said Mr Gunda who is general manager of General Beltings.

This year's two-day indaba (10-11 October) is jointly organised by the African Union Commission, the Turkish Ministry of Commerce and DEiK, under the theme: "building a sustainable future together through investments and joint ventures".

The forum is expected to address four key sub-themes that include infrastructure, construction, manufacturing, tourism and fashion with the aim of promoting Africa and Turkish investments through analysing trade and economic relations between Africa and Turkey. The gathering will also seek to evaluate Turkey's approach to investment in Africa, facilitate interaction between the two business communities and initiate dialogue between Turkish investors, the AU and the various regional economic blocs.

It is also aimed at highlighting the expectations engendered by Agenda 2063 as a programme for social, economic and political transformation that will make Africa a prosperous, united and economically independent continent.

The forum is expected to attract over 3,000 participants and be attended by the President of the Republic of Turkey, the chairperson of the African Union, the Turkish Minister of Trade and ministers of African countries, NGOs, chambers of commerce and industry, business councils, associations, professional organizations and entrepreneurs from Turkey, African diplomatic missions to Turkey and media from Turkey and Africa.

https://www.chronicle.co.zw/industry-minister-leads-delegation-to-turkey

EAC READIES FOR TALKS OVER NEW UNIFORM TAXES

Member states the East African Community have put together country positions on how they intend to review duties on goods entering the regional bloc, setting the stage for negotiations ahead of the planned implementation of a new Common External Tariff on July 1, 2019. EAC's current CET of zero per cent on raw materials and capital goods, 10 per cent on intermediate goods and 25 per cent on finished goods was agreed upon by the member states on June 23, 2003. It is argued that these rates have been overtaken by changes in both the region's economic conditions and new trade issues. The final CET document prepared by national consultants together with a regional consultant appointed by the EAC Secretariat has been deposited at the Secretariat.

Principal Secretary in Kenya's Ministry of EAC Affairs Susan Koech said partner states are awaiting communication from the Secretariat to start negotiations to reach a common ground on the treatment of sensitive items which have enjoyed excessive preferential treatment through frequent stays of applications. In the 2018/2019 budget, the EAC Council of Ministers approved various stay of application of CET duty rates on select items in Tanzania, Kenya, Uganda, Rwanda and Burundi effective for a one-year period from July 1, 2018. For example, Uganda was allowed to increase import duty on chocolates, biscuits and Tomato sauce to 35 per cent from 25 per cent and to increase duty on mineral water to 60 per cent from 25 per cent. Kenya was allowed to a charge a duty rate of 25 per cent on imports of LPG cylinders instead of 0 per cent.

In Tanzania, the Council of Ministers allowed the country to impose a 35 per cent levy on imports of sausages, chewing gum and other sugar confectioneries (sweets) from 25 per cent. Rwanda, on the other hand, was allowed to increase duty on imports of LPG cylinders to 25 per cent from 0 per cent and to reduce duty on iron and steel products to 0 per cent from 25 per cent.

"All partner states have completed preparing their national positions and now the next stage is to start engaging at the regional level. We are waiting for the Secretariat to give us the time for these negotiations but we expect the revised CET to be in place by June next year," said Dr Koech.

It is, however, argued that the negotiations could be complicated by countries which belong to two Customs Unions such as Tanzania which is a member of both the Southern African Development Community (SADC) and the EAC. Early this month, Tanzania Revenue Authority Commissioner for Customs and Excise Ben Usaje said EAC countries were not keen on reviewing the CET due to other pressing fiscal demands in their own countries. The proposed negotiations on the EAC CET review are also expected to consider the ongoing tariff liberalisation negotiations within the context of the Tripartite Free Trade Area which brings together the 26 member countries of the three regional economic blocs—EAC, Comesa and SADC.

To this end, Uganda want an additional band to be introduced which will subject such goods to an import duty of five per cent.

The EAC Sectoral Council on Trade, Industry, Finance and Investment had directed that the comprehensive review of the CET be completed by December 2016 for implementation from July 1 2017. But the member states failed to meet this initial date line.

http://www.theeastafrican.co.ke/business/EAC-readies-for-talks-over-new-uniform-taxes/2560-4814626-9w349lz/index.html

WHAT WILL THE US-CHINA TRADE WAR MEAN FOR AFRICA

Kenya risks falling behind its regional peers in food and industrial production, largely due to inadequate credit to farmers and manufacturers. The unfolding state of affairs is likely to stifle the country's economic growth as agriculture and manufacturing constitute about 25 per cent and 10 per cent of GDP respectively. Researchers at Mentoria Economics cite credit misallocation in a country where productive sectors such as agriculture and manufacturing are starved of cash while most commercial lending is channeled to areas where consumption is high.

The latest statistics from the Central Bank of Kenya show that 85 per cent of loan accounts are held by individuals and households, one per cent goes to agriculture and 0.16 per cent to manufacturing. Kenyans are borrowing mainly for consumption and not production, painting a grim picture of the country's economic outlook. "Agriculture accounts for only one per cent of total loan accounts despite being the backbone of the economy. This cannot be a path to sustainable economic growth," said Ken Gichinga, chief economist at Mentoria Economics.

"Our research shows that this significant underfunding in agriculture can be attributed to a variety of factors. Perhaps the most significant is the unpredictability of harvest quality and quantity, largely due to low quality of farm inputs," he added.

in a report titled "Outlook on Agriculture," the economists said farming is considered risky by the formal banking sector. "Without adequate credit, farmers are constrained to finance inputs and capital investments," the report says.

Microfinance institutions charge a high interest rate on credit, thus locking out many farmers. According to the report, advancing low-cost credit to farmers will help them increase production by giving them access to innovative technology and the farm inputs they need. Kenya's agricultural sector faces several challenges, including low productivity, while the yields and value of some crops such as for sugarcane, maize, coffee and tea have either remained constant or declined over the years. Similarly, production of fish and livestock products is below desired levels, while forest cover and tree growing have been declining due to encroachment and construction of buildings on riparian land. Limited value-addition in Kenya's agriculture sector has reduced the competitiveness of the country's produce in international markets. Kenyan farmers have been exporting semi-processed and even raw products, which account for approximately 90 per cent of total agriculture-related exports, the report states.

http://www.theeastafrican.co.ke/business/Inadequate-credit-cripples-agriculture-manufacturing-in-Kenya/

UP COMING EVENTS IN OCTOBER

COMESA BUSINESS COUNCIL

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CBC BUSINESS INTEGRITY PROJECT

"Anti- Corruption Compliance Training for Enterprises"

'Business Integrity for Enterprise Sustainability and Global Partnerships'.

CIPE 60

Mauritius- 30th October, 2018.

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4. Increased partnerships in regional and global markets.
5. Business facilitation in regional and global markets through trade promotion, linkages and advisory services
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