Tradequity

A Newsletter of CUTS Africa

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World Competition Day says no to Cartels

As the international competition community once again gears up to observe the second World Competition Day on 5th of December this year (dedicated to the theme: Cartels and their harmful effects on consumer), there is a need to reflect on measures to protect consumers from cartels, and sharpen such measures to the extent possible. This would not only shake up entities that have flagrantly practised exploitative practices, but would also bring the average consumer closer to the process of competition reforms in developing countries.

There is need to appreciate that consumers in different countries are affected differently by cartels depending on the extent to which their economies have put institutions in place to protect them against such cartels. The World Competition Day being observed on 5th of December (in response to a global call by CUTS) for this second year allows a scope for greater discussions and dissemination of the beneficial effects of competition on the average consumer – either directly or indirectly. In effect, it is expected to result in greater public understanding and support on the issue. This year's events should allow stakeholders to say out loud 'No More' to the perpetrators of cartel activities. This article urges countries to stand up and protect their consumers.

Evidences from the ground shows that Africa is extremely prone to cartels. An earlier study by Evenett, Jenny and Meler in 2006 revealed that 87 cases of cartels, representing about 34 percent of all the anticompetitive practice cases, were reported in different newspapers in sub-Saharan Africa during the period 1995-2001. The number increased to 102 during the period 2002-2004. It is not difficult to understand why the continent is prone to cartels.

Firstly, firms have realised that there is a low possibility of being punished from being involved in cartel activities, given that even in countries with a competition law, in the unlikely event that they succeed in cartel-busting, sanctions are not too prohibitive. Cease and desist orders and fines that are often lower than profits from cartelisation cannot act as deterrents.

Secondly, the probability of getting caught is very low given the absence of competition laws in them or limited provisions thereof.

Thirdly, for many products, the elasticity of demand is very low, which gives cartels an opportunity to raise prices and gain more revenue. Many markets are highly concentrated due to both behavioural and structural factors and this is often aided by vested interest, resulting in higher prices due to limited options for consumers.

Fourthly, consumers in Africa rarely possess the bargaining buyer power needed to force suppliers to take them seriously. Consumers are seldom united here, like in other parts of the developing world, which makes it difficult for them to fight against perpetrators of cartels.

Fifthly, across many countries, the business associations that have been formed across many sectors provide a platform for producers to meet and discuss viability strategies, including prices. Although these associations are prohibited from discussing pricing or common business arrangements in order to prevent cartels, their discussions are rarely monitored by competition authorities or other watchdogs. In countries without competition laws open discussion on pricing by cartels is not uncommon. Cases of price fixing are therefore, often result of formal or informal trade associations.

The prevalence of cartels in Africa is also a cause of concern from the development and poverty alleviation perspective. The most critical sectors of the economy, such as food, health and transport are not spared, leaving consumers with no option but to pay large amounts of money for these essential goods and services.

It is within this context that calls are being made for countries in Africa and elsewhere (on the occasion of the World Competition Day) to strengthen their competition law enforcement processes in collaboration with the civil society to effectively deal with cartels. In countries without a competition law, consumer organisations need to team-up with the media and spread the word around. Consumers have long being victims of exploitative practices of firms – and it's time now to say 'No more' this December 5th!

IN THIS ISSUE

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CUTS Africa
Email: lusaka@cuts.org (Lusaka)
Email: nairobi@cuts.org (Nairobi)
Website: www.cuts-international.org/ARC

Cost of Money Rises Steeply

The Central Bank of Kenya (CBK) raised its policy rate by the highest margin ever, in a surprise move that marked the International Monetary Fund's (IMF) return to Kenya's monetary policy. A statement released by the Bank of the Monetary Policy Committee said the Central Bank Rate (CBR) – the principle instrument that the CBK uses to transmit its decisions – is to rise by 5.5 percentage points, marking a steep tightening of monetary policy to reduce inflationary pressure and stabilise the shilling.

Njuguna Ndung'u, the Central Bank Governor, also said the Cash Reserve Ratio (CRR) or the money that commercial banks must keep with the Central Bank as a bulwark against their operations would rise to 5.25 percent in another measure aimed at limiting the amount of money in circulation.

The twin decisions marked the greatest influence that the IMF has had over Kenya's domestic policy in nearly 10 years and came after the country's recent engagement with the Bretton Woods institution for foreign exchange support.

(BD, 02.11.11)

Mauritius Economy Grows in 2011

The economy of Mauritius grew 4.1 percent in 2011 and will expand at a fractionally slower pace of four percent in 2012, the Statistics Office said. The Indian Ocean Island's tourism sector, a key driver of economic growth and source of hard currency, saw revenue increase to US$1.45bn in 2011 official data showed.

This is mainly because of the textiles industry which is one of-time cornerstone of the roughly US$10bn economy grew by 8.3 percent sharply up on the 0.7 percent growth recorded in 2010. Finance Minister Xavier Duval cut his 2011 budget deficit forecast to 3.4 from 3.8 percent and welcomed improved coordination of fiscal and monetary policy to steer the country through the global downturn.

(TP, 13.12.11)

Guidelines for Metal Exports

Zambia's new government plans to institute new guidelines for metal exports in the first quarter of 2012 that aim to enhance transparency in Africa's largest copper producer. Currently, there are claims that the data declared at Zambia's exit points was inaccurate and this was compounded by the fact that most of Zambia's copper is destined for Switzerland but little of it shows up in Swiss customs figures, raising questions about transparency.

Therefore, the country's new President, Michael Sata, expressed concern that copper exporters are misrepresenting the amount of metal leaving the country hence the proposed guidelines to be instituted in 2012. The said guidelines were expected to submit the draft in January 2012 to the Minister of Mines and Finance for review and approval.

(Reuters, 29.12.11)

Tax Key to Industrialisation

The prospects of a common market provides for Kenya – as much as other EAC member states, the strongest promise yet in an increasing globally competitive environment. With a combined population of 150 million, a common market will make the EAC one of the biggest, and most attractive single African markets, at par with Nigeria, Egypt, South Africa and Morocco, certainly an improvement of its current position in the global economic landscape.

A common market will create a temporary, if strategic buffer between the forces of globalisation and local economies, allowing the EAC respite to recalibrate and boost its economic competitiveness, before fully joining the ebb of globalisation.

(BD, 21.11.11)

EU Funding for Infrastructure

The European Union (EU) approved US$66.1mn funding for key infrastructural projects in Zambia. The priorities of this programme are transport infrastructure roads and aviation and also support to public sector capacity in agriculture.

It will, therefore, contribute to socio-economic development of Zambia by developing trade access for the movement of services, goods and people. The project will further contribute to a safe and reliable road network in Zambia.

(ZDM, 15.11.11)

EAC Talks on Labour

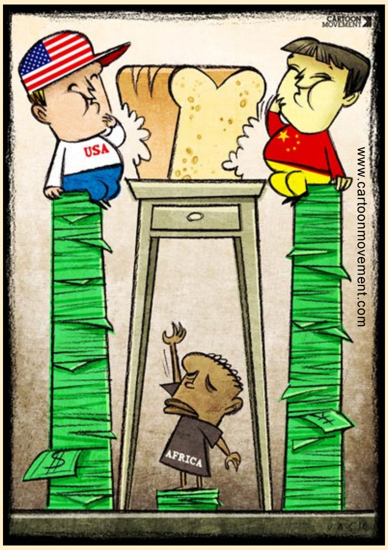
The East African Community (EAC) member states are negotiating agreements that will facilitate free movement of professional across borders. The professionals that are set to benefit once the agreements come into force are in accounting, legal and architecture services.

In EAC, Kenya has the most developed services industries in areas of finance, construction, communication, education, among others. Therefore, successful conclusion of these agreements will greatly benefit some of the arms that need to expand.

(DN, 15.11.11)

Food Prices to Remain High

The East African countries will continue spending more on food imports as global food prices are expected to remain high and volatile. According to the World Bank Group's Price Watch, uncertainties are likely to remain in the medium term due to structural factors.



"Volatility, which is higher in low income countries, is expected to persist in the medium term due to multiple global and domestic factors. Structural factors contributing to the volatility include rising populations and changing diets, increasingly intertwined relations between food and energy prices, and increasing production of biofuels," says the report.

All the five EAC member states are food deficit countries and depend heavily on imports to meet their demands. A large portion of their budgets is spent on food imports such as rice, wheat, maize and edible oils.

(TEA, 14-20.11.11)

Britain Calls for More Trade

Trade and integration within Africa is critical for tackling poverty in the region, observes British Prime Minister David Cameron. He indicated that UK and Zambia have good bilateral relationship and that his government will remain committed to working with the Zambian government as development partners particularly in supporting Zambia's trading through encouraging British investment and a flow of trade between the two countries.

"The UK and Zambia have a strong bilateral relationship built on deep foundations going back many years, and we are keen to work closely with you. The two countries will continue to discuss key areas of co-operation and my Minister for Africa Henry Belligham will visit the country soon to commence the talks", David said. *(ZDM, 13.10.11)*

Cross-border Traders Hail FTA

Enhancing intra-regional trade has been at the helm of the Common Market for Eastern and Southern Africa (COMESA), Southern African Development Community (SADC), Economic Community of West African States (ECOWAS) and EAC etc. Whereas other regional blocks in West Africa and other parts are making strides in improving and enhancing trade opportunities, the proposed Tripartite Free Trade Area (FTA) among COMESA, EAC and SADC, has been received with an uplifting attitude.

Zambia's Cross-Border Traders Association feels the Tripartite FTA will encourage trade liberalisation and customs cooperation and the boldness by the three regional was encouraging.

Association Chairperson Felix Daka said trade liberalisation and customs cooperation and creating an enabling environment and legal framework will encourage the growth of the private sector as well as establish a secure investment environment, and the adoption of common set of standards.

(ZDM, 02.11.11)

One-stop Border to Ease Trade

The new facilities at Kasumbalesa border post, a border bordering Zambia and Congo DRC, have improved trading activities through reduced traffic and shortened crossing time to desired international levels, says the Zambia Kasumbalesa Venture Company. Previous border facilities were poor and therefore crossing time for bulk cargo used to take up to seven days and the queue of trucks would cover about 12 kms up to Chililabombwe.

But from February 2011 when the company started test runs on new facilities Banda, truckers are getting cleared within a day and on average, 500 to 600 trucks are crossing the border daily from the previous 200 trucks when there were no modern facilities in place . *(TP, 12.10.11)*

Malawi Consider Signing EPAs

Malawi is among some of the countries that has been given time to consider signing for the Economic Partnership Agreements (EPAs) during a Joint Africa, Caribbean and Pacific-European Union (ACP-EU) Ministers of Trade Committee (JMTC) meeting held in Brussels, Belgium in December 2011.

The meeting proposed EU amendment to regulations that seeks to remove from the list of beneficiaries countries that initialed or signed the Economic Partnership Agreements (EPAs) but have not yet endorsed them. However, after negotiations Malawi was among the countries that were considered to take its time and consult thoroughly on the best strategy for the implementation of the EPAs. *(DT, 21.12.11)*

No Need for Policy Changes

South Africa has no need for additional policy changes to deal with the impact of the Euro zone debt crisis on its economy. There are considerable risks to the domestic economy and South Africa would maintain an accommodative fiscal stance and reduce the budget deficit at a slower pace than previously anticipated.

South African leaders have been worried about the worsening debt crisis in the eurozone, its biggest trading partner and its impact on the local economy. In its medium-term budget policy outlook, the National Treasury said the 2011-12 budget deficit would be 5.5 percent of gross domestic product (GDP), wider than previous forecasts of 5.3 percent.

(BD, 29.11.11)

Value Addition Part of Farming

For a long time, farmers have been exploited by middle-men largely because they sell cheaply during the harvest. This means they fail to maximise on their returns because high supply depresses prices. Yet, it is acknowledged that adding value to crops is one of the ways of raising the quality of life of farmers, who, in Kenya's case, constitute the largest segment of the population.

That is why the banana farmers of Murang'a, who have found a formula to turn their crops into wine should inspire others and policy-makers. These farmers are seeking money to build a fully-fledged factory that could provide jobs and a ready market for their crops. Their modest success should inspire others to explore the possibilities of introducing value-addition to other crops, including grains and fruits.

(BD, 26.10.11)

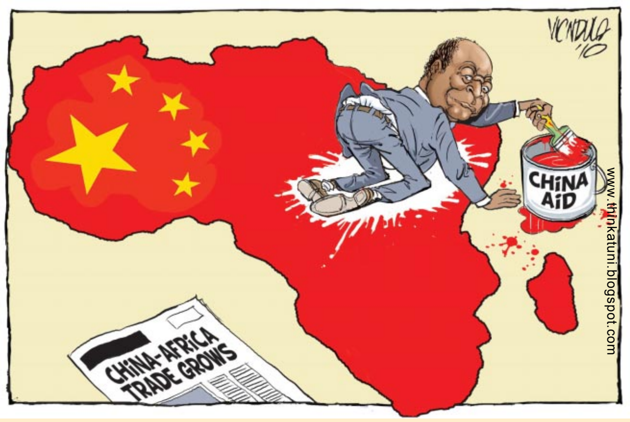
Trade Deficit Blamed

South Africa's trade deficit narrowed in November 2011 but was still large at R8bn, mainly reflecting a surge in oil imports, figures from the South African Revenue Service (SARS) showed. The data is volatile but the November deficit was a surprise as it normally shrinks considerably as imports taper off ahead of the year-end.

Nedbank Chief Economist Dennis Dykes said, "It's not great and in the context of the year as it looks like the trade gap for the last quarter will be significantly higher than seen early in the year." The SARS data showed that during the first 11 months of 2011 the cumulative trade deficit reached R21.3bn, comparing poorly with a shortfall of R5.3bn in the same period in 2010. *(BD, 30.12.11)*

China, EAC in US$500m Trade

China has entered into an agreement with the EAC on economy, trade, investment and technical cooperation. The agreement seeks to further open up opportunities for Sino-EAC trade, which in 2010 stood at nearly US$4bn, 39 percent up from 2010. In the period under review, Kenya alone saw the value of China's exports grew by 62 percent bringing in US$1.5bn.



The new agreement is expected to increase trade and investment through promotion of the commodity trade, joint venture investments, infrastructure and human resource development.

China and the EAC have also created a Joint Committee on Economy, Trade, Investment and Technical Co-operation (JCET) to spearhead the implementation of the agreement.

At the trade talks, China and EAC placed emphasis on infrastructure development, on area in which the EAC has great interest and in which China has made big strides.

(TEA, 28.11.11-04.12.11)

Horticulture to Turn Economies

The marketing of horticultural crops such as bananas and mangoes can heavily contribute to the economic growth of Malawi, Mozambique and Zambia, a joint report by the International Institute of Tropical Agriculture and the Horticulture Research and Development Network for Southern Africa established.

The research findings indicate that bananas and mangoes are important crops in the Chinyanja Triangle comprising of some parts of the three countries not only as cash crops but also for food security. The banana and mango value chains in these countries comprise a number of key participants such as farmers, traders, processors and consumers.

"If marketing of these commodities is enhanced, they can contribute greatly to economic growth especially at micro-level such as at household level in rural areas," says the report. *(NTA, 07.12.11)*

EU Shuns Fresh Produce

Kenya fresh produce exports to Europe face a bleak future following a rise in the number of consignments locked out of the key market due to health concerns.

Fresh exporters eyeing the EU market said they have been witnessing challenges with shipments since 2010 when the block reviewed regulations on usage of pesticides.

The notifications of rejections have been growing especially among supermarkets and retail outlets in the Scandinavian region. Stephen Mbithi, the CEO of Fresh Produce Exporters Association of Kenya (FPEAK) said buyers in the EU have mainly raised concerns over the usage of a pesticide known as Dimethoate which is popular among Kenyan vegetable producers. The pesticide in mainly used by tomato, cabbage and kale farmers to kill mites and insects.

(BD, 28.10.11)

Kenya Retains Import of Sugar

Kenya will retain the current enlarged import quota of duty-free sugar from Africa's largest market as part of a deal that saw the country granted a two-year extension to fully liberalise its sugar sector. The lowly 10 percent duty presently charged on consignments outside the 34,000 tonnes special quota from the COMESA will also be continued as a strategy to wean the local industry from competition.

"The other terms and conditions to be retained as contained in the COMESA Council Directive of 2007 and the extension will be last", Trade Permanent Secretary, Abdulrazaq Ali said.

(BD, 21.10.11)

Top 100 Predicts Strong Growth

The Top 100 Annual Survey is an initiative of the Business Daily (a Nation Media Group publication) and KPMG Kenya. The survey which is in its fourth year seeks to identify and recognise Kenya's fastest growing medium-sized companies, and to showcase business excellence and successful entrepreneurship stories within this important business segment.

A Top 100 company is one that has succeeded in progressively growing its market position, translating the growth into a fairly sound financial position and good returns for its shareholders, employees and the community over time.

(BD, 24.10.11)

Harmonising Duty Collection

The EAC is facing fresh challenges in achieving a single territory under the Common Market Protocol as partner states dither on harmonising duty collection, hurting trade in the region. Trade facilitation, the elimination of non-tariff barriers and internal tariffs are the main foundations of EAC Customs Union.

To achieve a single customs territory, member states must urgently simplify and harmonise trade documentation, Customs regulation and procedures, and adopt a uniform classification and evaluation of goods and services based on principles of equity and simplicity across the borders.

(TEA, 28.11.11-04.12.11)

Private Sector to Compete

Private sector players in the East African region should review their production strategies to enable them to compete against imported goods, Peter Kiguta, the Director General of the EAC Directorates for Customs and Trade said.

Member states should adopt policies that promote trade of goods manufactured within the EAC Customs Union which will help manufacturers grow and develop capacity to attain high standards.

(TEA, 28.11.11-04.12.11)

Growing & Deeper Integration

From the turn of the millennium there has been a growing and deeper integration between governments in the Southern Africa region and beyond. Of particular interest has been the close cooperation that has developed between regional customs administrations.

These developments required robust and corresponding action on the part of the private sector and culminated in the official launch of the Federation of Clearing and Forwarding Associations of Southern Africa (FCFASA) in Lusaka, Zambia, on March 29, 2010.

FCFASA has since provided a convenient platform for dialogue between the SADC secretariat, SADC customs administrations and the clearing and forwarding industry, thus presenting an appropriate opportunity for co-operation which is very critical to our industry as we go forward.

(Trademark SA, 21.10.11)

Regional Perspective on SADC

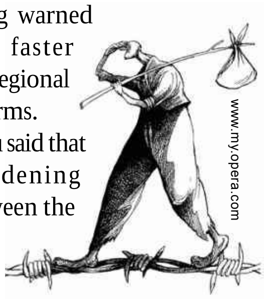
Sound infrastructure is a critical determinant of growth in Southern Africa. Over the period 1995-2005, infrastructure improvements have boosted SA's growth by 1.2 percentage points per capita per year. This positive growth effect has come almost entirely from the growth of mobile telephony; improvements in the road network made small contributions.

Inadequate power infrastructure has eroded growth more in SA than in other parts of the continent. If Southern Africa's infrastructure could be improved to the level of the strongest-performing country in Africa (Mauritius), regional per capita growth performance would be boosted by some three percentage points.

(WB, 06.12.11)

Hurdles to EAC Integration

The sorry state of national politics and growing inequalities are big hurdles to the integration of the EAC, a former Secretary General of the blog warned while calling for faster implementation of regional legislative body reforms.



Juma Mwapachu said that addressing widening economic gaps between the rich and the poor across the five East African countries remains a priority if policy makers are to whip citizens along regional trade block. It is estimated that more than half of the EAC population lives in abject poverty according to recent households surveys. *(TEA, 28.11.11-04.12.11)*

SNIPPETS

Grant to Mitigate Climate Change

Norwegian government has given the COMESA US$20mn to help the region mitigate climate change. The US$20mn is expected to help the region over a two-year period to address the increasing threats to the environment and support research institutions to develop better technology in agriculture. COMESA Secretary General Sindiso Ngwenya, said climate change and climate variability is a challenge that faces all countries in eastern and southern Africa. *(ZDM, 20.11.11)*

IDC to Act for Regional Bodies

South Africa's Industrial Development Corporation (IDC) should be made a "common tripartite institution" to accelerate large-scale industrial projects in 27 African countries. COMESA, EAC and SADC agreed in June to establish the continent's largest free trade zone by 2013. Should the agreement be implemented, these regions will have a combined estimated population of 590-million with a GDP of US$1tn a year. *(BD, 06.12.11)*

Inflation Blamed on Trade Barriers

Reduction of barriers to trade could reduce inflation and the high costs of food prices within the East African region. According to the Chief Executive Officer of Trade Mark East Africa, Frank Matseart, construction of roads and removal of road blocks could increase boarder trade among EAC countries by over 10 percent, thereby having a direct effect on inflation. *(TS, 27.10.11)*

Adoption of Uniform Labelling

The COMESA business community has called for adopting a uniform labelling for all products made within the region. The entrepreneurs want COMESA member states to adopt the 'Made in COMESA' label as an alternative to country of origin labelling for products that meet COMESA rules of origin requirements. *(TS, 24.10.11)*

EAC to Adopt Single Currency

The EAC will move to a single currency by June 2012 making it the second regional block to adopt a single currency after the EU. For a common currency to be adopted, the region's member states must negotiate and agree upon a backlog of 85 articles. So far, only 15 articles pertaining to the establishment of the common currency have been negotiated and agreed on, with 24 other articles discussed subject to approval by the heads of states. *(DN, 29.11.11)*

Women Participation in Trade

A plan has been mooted that will ensure women entrepreneurs participate fully in regional and international trade. It proposes that strong networks be created to enable women access markets such as the EAC, COMESA or even the EU. The East African Women Entrepreneurs Exchange Network covers seven countries and ensures that women entrepreneurs get access to any of these markets. *(TS, 22.11.11)*

EAC Moves to Common Taxes

The EAC is expected to move closer to harmonising taxation among member states following an earlier agreement to remove double charges for businesses operating in two or more countries. The East African Business Council in conjunction with the EAC plans to chart a common taxation policy for the trading block. Tax harmonisation is seen as key to realisation of a common market. *(BD, 08.11.11)*

Justice on Climate Change!

The world is slowly slipping into dangerous climatic levels and hence action should be taken to mitigate against this climatic change. Africa Youth Initiative, a youth organisation championing environmental issues, founder Sena Alouka said that there is need for World leaders to take decisive actions in dealing with climatic change and that developed countries should take the lead in meeting their targets of reducing their industrial emissions.

Zambia's Minister of Local government, Early Education and Environmental Protection Professor Nkando Luo also called on the African countries to demand a fair and legally binding Climate deal at the 17th UN Climate Change conference held in Durban, South Africa.

(ZDM, 21.11.11 & 02.12.11)

Charge of Climate talks

About 200 countries are converging in Durban, South Africa for the biggest climate change road show and the biggest conference of its kind ever held on the continent. African leaders need to take a united stand, and more than ever push that developed nations honor their commitments to reduce gas emissions.

The 17th Conference of the Parties (COP 17) of the United Nations Framework Convention on Climate change is important to Africa-a continent shouldering the ramifications of climate change. It is documented that 70 percent of Africans depend on rain-fed agriculture as the primary source for food. Scientists predict that drought has become more common in the continent. The Horn of Africa has witnessed the worst drought in six decades – it is clear that climate change poses a growing threat to food security. *(TS, 29.11.11)*

SNIPPETS

Tax Leads to High Prices

Prices of consumer goods are expected to rise steeply if parliament passes an IMF sanctioned bill to scrap all the tax rebates that the treasury has been offering manufacturers. The proposals contained in the Value Added Tax Bill 2011, seek to repeal tax laws by removing inputs which enjoy exemptions and those that are charged VAT at the rate of 12 percent instead of the official 16 percent. They also seek to phase out refunds for most of the intermediate goods. *(BD, 07.11.11)*

Reviving the Fashion Sector

The absence of a link between local cotton farmers and clothes designers in the world's fashion capital is the main hurdle to reviving the sector. The African Cotton and Textile Industries Federation (ACTIF) says manufacturers and designers will help farmers in East African realise better prices. *(BD, 03.11.11)*

Tea Prices High at Auction

Tea from Kenya and Burundi fetched the highest prices at the weekly Mombasa auction over the last 12 months. New data shows that of all the countries participating at the auction, Kenyan and Burundian tea remained most popular in the year-to date recording premium prices compared to the rest. *(BD, 03.11.11)*

WB Advises on Drought in EA

With the current drought still affecting large swathes of East African region, two World Bank economists working in Kenya say broad policy changes are needed to reduce vulnerability to future drought as climate change continues to reduce rainfall in the region. These include: directing more policies and services to people in arid and semi-arid lands, such as education and healthcare; reforming maize policies to reduce historically high prices; revising trade policies to ease flow of grains to the market and strengthening social safety nets to people in need. *(BD, 30.12.11)*

Maize Prices Rise

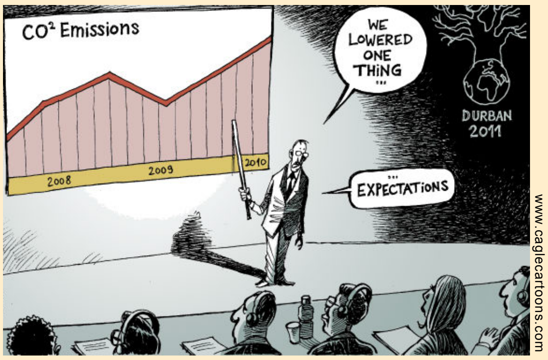
Maize prices have been rising on increased rainfall that farmers said was hampering delivery to the markets. The price of one tonne of maize increased to Sh 34,694 a tonne in December from Sh. 27,888 in October, 2011 the lowest price since May 2011. The supply is hampered by the rain currently hitting most parts of the country. Lack of weather roads in key maize growing regions had caused what he viewed as a temporary upswing in prices. *(BD, 30.12.11)*

Scientific Analysis of Farming

Scientists have issued an analysis of East Africa's climate future as the first step in a new programme that will help farmers grow crops that will best thrive in the changed weather conditions 20 years from now, a new study has shown. Climate change will significantly alter growing conditions, but in most places the new farming environment will not be novel in the global market. *(TM, 31.12.11)*

Links between Climate & Trade

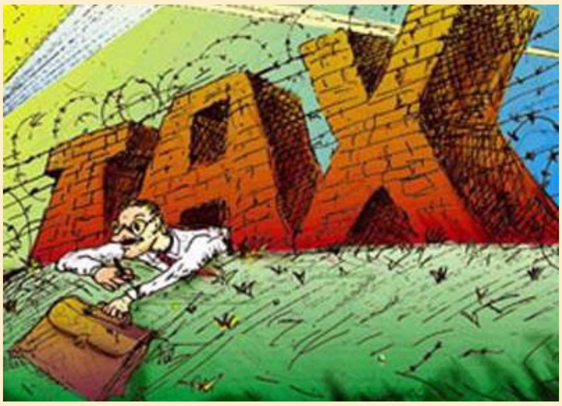
As climate change is becoming a hot issue day by day, many affected and would be affected are trying to understand its broad effects on the economy and these include regional bodies. Recent records show that the SADC Secretariat have gone ahead linking climate change to trade. Recently, a presentation on the linkages between climate change and trade in the SADC region took place at SADC Secretariat, followed by a discussion with technical staff from various directorates.



Delivering the presentation, SADC climate change expert, David Lesolle observed that the SADC region was particularly vulnerable to climate change and climate variability due to its dependence on rainfall for agricultural production. The impacts of climate change on tradable commodities are mainly from increased temperatures, which can cause droughts and result in crop failures, subsequently leading to financial losses and problems in food security. *(SADC, 27.10.11)*

Tax Harmonisation Central to Development

–Agatha Nderitu*



Economics Times

Tax harmonisation can be said to refer to the coordination of the taxation systems of the member states for the purpose of preventing any national tax measures that could have a negative effect on the functioning of the common market which could distort competition

Since the signing of the treaty for the establishment of the East African Community (EAC) in November 1999 and its enforcement in July 2000, important strides have been made towards the integration of the EAC. In 2010, the EAC entered the critical stage, becoming a fully-fledged Customs Union.

With this transition, came the imperative among all partners to eliminate internal tariffs and uniformly apply the Common External Tariff (CET), a watershed that would usher in the era of common market. The progress achieved keeps alive the long-held dream for a unified East African economic block.

The collective and individual opportunities that a common market, would create for partner states do not need belaboring. Ugandans today clearly appreciate that the creation of an EAC common market would create a 150 million strong market, whose full potential will easily rival even the largest economies in Africa – South Africa, Egypt, Morocco and Nigeria.

Yet the most critical issue which may hamper the realisation of the EAC integration process is tax harmonisation between the Partner States. Tax harmonisation involves the formulation of uniform tax structures and agreeing on common sets of internal taxes.

In the context of a common market, tax harmonisation can be said to refer to the coordination of the taxation systems of the member states for the purpose of preventing any national tax measures that could have a negative effect on the functioning of the common market which could distort competition.

While achieving similar tax rates are desirable among partner states, this tends to be a more difficult objective to achieve. In the East African context, it can be expected that similar tax rates will feasibly be a long, rather than short-term objective.

What the EAC Partner states can aim for in the short term, nevertheless, is a common tax structure across the three markets, and this applies to Uganda, as it applies to other EAC states.

What is key today, among all EAC states is to harness the momentum so far achieved towards integration, and taking advantage of every platform to advance this cause.

Such is the opportunity provided by the Public Private Dialogue (PPD) for the Harmonisation of Domestic Taxes in the EAC, jointly hosted by the EAC and the East African Business Council in Dar-es-Salaam on November 11-12, 2011. Following the PPD, a number of priorities are quite clear.

Top among these is the ratification and operationalisation of the Double Taxation Agreement (DTA), the finalisation of the Excise Management Bill and institutionalisation of the tax harmonisation under the Fiscal Committee of the EAC.

These would be preceded by EAC studies to evaluate the impact of harmonisation on excise duty structures, and identify areas of income tax that require harmonisation as the basis for developing flexible income tax procedures and a consensual national policy framework for tax reforms that would eventually convergence at regional level.

These priorities set a clear policy agenda for Uganda and its EAC partners – the establishment of tax regime that will ensure tax neutrality among EAC partner states. While harmonisation of taxes should not be understood to mean equalisation in the first instance, it is imperative that EAC Partner States, including Uganda, set a clear tax policy if the indirect tax regimes are not to interfere with the implementation of the Common Market.

In this regard, the tax harmonisation debate should be treated with a healthy degree of circumspection by our leaders from the public and the private sector, the business community, civil society as well the media. Effort should be expended towards educating members of the public on the importance of this noble initiative. This is because the benefits of tax harmonisation stand to benefit not only the business community but also all Ugandans at large.

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* *Executive Director, East African Business Council. The article appeared in www.allafrica.com on November 22, 2011.*

Preparations Towards the WTO Ministerial Conference: *Perceptions from Kenya*

Participants at the EAC Geneva Forum

CUTS Geneva Resource Centre (CUTS GRC) in partnership with CUTS Africa Resource Centre (CUTS ARC), Nairobi is implementing a new project entitled 'Promoting Agriculture, Climate Change and Trade in East Africa'. As part of the project, CUTS ARC, Nairobi prepared a short country update note titled 'Preparations towards the WTO Ministerial Conference in December 2011: Perceptions from Kenya' the objective of the note were to:

1. identify potential areas of interest for Kenya in the WTO Ministerial Conference held in Geneva on December 15-17, 2011;
2. identify ways in which national stakeholders are consulted in the preparations towards the Ministerial Conference; and
3. gather perceptions from Kenyan society regarding the preparations for the 8th Ministerial Conference.

In order to meet these objectives, CUTS conducted a number of interviews with key experts and stakeholders to input towards the preparations of the 8th WTO Ministerial in Geneva. The report was discussed in the first EAC Geneva forum held in Geneva on the sides of the 8th WTO Ministerial Conference on December 14, 2011.

www.cuts-grc.org/pdf/EAC_Geneva_Forum-First_Kenya_Note.pdf

2nd Call for World Competition Day

This day was commemorated in form of a press briefing. It was jointly organised by the Competition and Consumer Protection Commission (CCPC) and CUTS International Lusaka. CCPC and CUTS decided to date the media from an understanding that these are stakeholders that mold the opinion of citizens; and a mindset molded on pro-competition reforms and ant cartels, is the recipe that Zambia needs.

Amb Love Mtesa, Board Chairman CUTS Lusaka and Vice Board Chairman for the CCPC Commissioner Akapelwa Simomo

Better Exploration of Trade as a Means of Poverty Reduction

CUTS International Lusaka is implementing an Aid for Trade (Enhanced Integrated Framework) project entitled 'Better Exploration of Trade as a Means of Poverty Reduction' (BETAMPOR). The objective of the project is to build capacity of state and non state actors (especially at the grassroots) in order to strengthen and influence participation in the EIF process thus helping promote the utilisation and ownership of the process.

In line with this objective, the Centre hold a sensitisation workshop in the southern part of Zambia (Livingstone in particular). Southern province is known of its agriculture and tourism potential and in line with these endowments the workshop was held to build/develop the capacity of especially grassroot players (organisations) to effectively and sustainably collaborate in the formulation and implementation of the EIF agenda and be able to engage in the complex trade arena.

Research

- CUTS International Lusaka will be producing a newsletter highlighting trade and Aid for Trade (AfT) related issues. Key dignitaries featured in the newsletter include the Former Finnish Ambassador to Zambia, Sinikka Antila, and former Zambian Ambassador to Brussels and WTO Love Mtesa.
- Other forthcoming developments include the unveiling of a research looking at the current implementation of AfT in Zambia from the country's development point of view.

Sources

BD: Business Daily; COMESA: Common Market for Eastern and Southern Africa; DN: Daily Nation; DT: Daily Times; SADC: Southern African Development Community; TM: The Monitor; TEA: The East African; TP: The Post; TS: The Standard; WB: World Bank; ZDM: Zambia Daily Mail

Tradequity newsletter: Published and composed by CUTS Africa Resource Centre, Plot no 6078/A Northmead Area, Great East Road PO Box 37113, Lusaka, Zambia, Ph: +260.1.224992, Fx: +260.1.225220, E-mail: lusaka@cuts.org, and Nairobi Resource Centre, Yaya Court-2nd Floor, No.5, Ring Road Kilimani off Argwings Kodhek Road, PO Box 8188, 00200, Nairobi, Kenya, Ph: +254.20.3862149, 3862150, 20.2329112, Fax: +254.20.3862149, Email: nairobi@cuts.org. **Head office:** D-217, Bhaskar Marg, Bani Park, Jaipur 302016, India, Ph: 91.141.2282821, Fx: 91.141.2282485, E-mail: cuts@cuts.org, Web Site: www.cuts-international.org

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