STATEMENT

COVID 19: Bracing for Impact in COMESA

As the spread of the Novel Corona Virus (COVID 19) accelerates across the world, the level of infection in the African continent has been relatively low, compared with other continents. This may partly be attributed to the comparatively low integration of Africa with the rest of world. However, there are all indications that the spread of COVID 19 is on an upward trajectory, and therefore our region must be prepared to grapple with the devastating secondary health, social and economic ramifications of the disease.

Currently, the most affected regions and countries are, incidentally, the major trading partners for COMESA, that is Europe, China and the United States. Any economic slow-down in these countries have global repercussions given the interconnectedness and fragmentations in production, trade and investments. The magnitude of the effects on trade and investments for African countries will depend on the sizes and economic structures as well as characteristics of the various economies. For the big economies, the effects would be much larger owing to their stronger interconnectedness with the rest of the world compared to smaller economies. In addition, more diversified economies will most likely experience less severe effects compared to low diversified ones in the wake of reduced demand for exports and cut down in supply from import sources.

Thus, commodity dependent countries in COMESA like D R Congo and Zambia are likely to be hit harder by the crisis following China's reduced demand for copper and cobalt. Services-oriented economies, such as Egypt, Ethiopia, Rwanda and Kenya where air transport services, financial services and tourism services are relatively strong are more vulnerable, given the nature of the epidemic. The cancellation of air flights, travel bans and restriction of movements of persons will slow down growth leading to job cuts.

Latest statistics indicate that the EU, South Africa and China are the leading export destinations for COMESA exports and accounted for 32% (US$ 36.1 billion), 13% (US$ 14 billion) and 6% (US $ 7.3

billion) share of total exports, respectively during 2018. Reduction of consumption demands in these markets coupled with low diversification implies cut down of export earnings from these markets in the short to medium term. At the same time, the EU, China and US are the biggest sources of imports into COMESA countries accounting for 32% (US$ 48 billion), 20% (US$ 29.4 billion) and 8% (12 billion) share of total imports respectively (2018).

Manufacturing and industrial sectors in COMESA and Africa are will be impacted by a decreased supply of key components from China, Europe and America. This is a result of likely delays in the global supply chain. It is expected that there would be reductions in FDI inflows to Africa in the immediate future as the most affected countries in Asia, Europe and the US shift focus to address the health and economic impacts caused by the COVID-19 crisis.

In the tourism sector, countries will experience reduced incomes generated from Meetings, Incentive travel, Conventions and Exhibitions (MICE). Reductions in investments in the tourism sector in several African countries is inevitable following massive restrictions on travel and social activities across the world. The business health of major airlines has been put to test following travel cancellations and indeed some have already stopped flying in the region with countries like Mauritius, Seychelles, Rwanda and Kenya most affected. Given the relatively weak and over stretched public healthcare systems in Africa, the current low spread of COVID 19 is likely to change in the coming weeks and may be catastrophic.

Our countries must brace themselves for increased disease burdens – social and financial burden of the COVID-19. They should therefore mobilize human and financial resources and coordinate preventive measures to counter the likely spread of the disease. This is coming amidst other secondary effects including fiscal constraints, debt sustainability, poverty and un-employment;

Second, reduced imports of manufactured products, input supplies, travel restrictions and FDI inflows are likely to put further constraints on growth and development. Hence, Central Banks in our Member States should keep interest rates low to encourage private sector (including SMEs) borrowing to stimulate domestic production and consumption.

Third, African governments must provide and sustain a conducive environment to private sector to expand production capacities and enhance competitiveness and reduce over-reliance on extra-African imports even for basic commodities.

Fourthly, our countries are encouraged to learn and apply best practices that have worked elsewhere in slowing the spread of the COVID 19. These include restrictions on travel and congregational gatherings, working from home, encouraging cashless transactions, disinfecting public places, enhanced screening and intense public awareness among other measures.

Finally, the COVID-19 pandemic should be a clarion call for our countries to consolidate and strengthen regional economic integration in Africa towards meeting the aspirations of structural transformation, sustainable and inclusive growth. Thus, adherence to the timetables of the negotiations in the continental and the tripartite free trade areas is of essence. In the COMESA region, implementation of the Digital Trade Facilitation and other instruments and the liberalization of services remain core to strengthening the stability of regional economies against external shocks.

Chileshe Mpundu Kapwepwe
SECRETARY GENERAL

23 March 2020