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EXECUTIVE COUNCIL
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**REPORT OF THE SUB-COMMITTEE ON ECONOMIC
AND TRADE MATTERS**

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PERMANENT REPRESENTATIVES COMMITTEE (PRC) SUB- COMMITTEE FOR TRADE AND ECONOMIC MATTERS

REPORT

Venue: Nelson Mandela Hall Date: 4 April 2022 Time: 15:00hrs

I. Introduction

1. The Meeting of the Permanent Representative Committee (PRC) Sub Committee on Economic and Trade matters was held on Monday, 04 April 2022 in Nelson Mandela Hall at the African Union Headquarters, Addis Ababa, Ethiopia. The objective of the Meeting was to consider the draft annual calendar of activities for PRC Sub-Committee on Economic and Trade Matters and consider the draft Policy Brief on the Economic Impact of Russia-Ukraine conflict on African Economies. The meeting was chaired by H.E. Mohamed Arrouchi Permanent Representative of the Kingdom of Morocco to the African Union, in his capacity as the Chairperson of the Sub Committee.

II. Participation

2. The following Members of the Sub Committee attended the Meeting: Algeria, Benin, Burundi, Burkina Faso, Cameroon, Cote d'Ivoire, Djibouti, Democratic Republic of Congo, Egypt, Eritrea, Ethiopia, Ghana, Libya, Liberia, Lesotho, Kenya, Madagascar, Mauritius, Malawi, Mauritania, Morocco, Namibia, Nigeria, Rwanda, Seychelles, Senegal, Sierra Leone, South Africa, Tanzania, Togo, Tunisia, Uganda, and Zambia. The meeting was attended by the Commissioner for Economic Development, Trade, Tourism, Industry, and Minerals accompanied by Acting Directors for the Directorate of Economic Development, Integration and Trade; and for Directorate of Industry, Minerals, Tourism, and Entrepreneurship.

III. Adoption of the Agenda

3. The agenda was adopted without amendments and is attached as Annex II to this report.

IV. Agenda items

AGENDA ITEM 1. Opening of the Meeting

Opening Remarks by H.E. Ambassador Mohamed Arrouchi, Chairperson of the PRC Sub Committee on Economic and Trade matters.

4. In his remarks, the Ambassador indicated that the meeting was timely and critical as the world was faced with the unfortunate crisis posed by the Russia-Ukraine conflict exacerbating the adverse effects posed by the COVID-19 pandemic on African economies and livelihoods of African people. He indicated that the current conflict has disrupted the food and oil supply chains, resulting in severe food insecurity and skyrocketing prices leading to inflation and swallowing meagre tax revenues and high fiscal deficits.

5. Furthermore, His Excellency pointed out that while the challenges persist, the Russia-Ukraine conflict availed an opportunity to build strong and more resilient African

economies. The Ambassador emphasized the importance of renewed partnerships in advancing Agenda 2063, particularly strengthening South-South Cooperation, which allows for sharing knowledge, skills, and successful initiatives in areas such as agricultural development, health, climate change, and so on. He further highlighted the readiness of the Kingdom of Morocco to host a retreat aimed at promoting South-South Cooperation. He concluded by underscoring the important role of the Sub-Committee as a platform to engage debate economic and trade issues and the imperative to involve experts of finance and trade from the capitals in the discussions of the Sub-Committee.

Consideration and Adoption of the Agenda Items:

6. The meeting adopted the following Agenda Items:
 - Opening Remarks
 - Policy Brief on the Economic Impact of Russia- Ukraine conflict on African Economies
 - Draft annual calendar of activities for PRC Sub-Committee on Economic and Trade Matters
 - Closing

AGENDA ITEM 2. Policy Brief on the Economic Impact of Russia- Ukraine conflict on African Economies

7. The presentation was delivered by H.E. Amb. Albert Muchanga, Commissioner for Economic Development, Trade, Tourism, Industry and Minerals Department. **The draft policy brief is attached to this report as Annex I.**

8. In his presentation, the Commissioner stressed the importance of developing the policy brief, which assessed the challenges and opportunities posed by the Russia and Ukraine conflict on African economies. Although the direct effects of the conflict on Africa were still not clear, both Russia and Ukraine are strategic trading partners for most Member States. African countries imported agricultural products worth US\$4 billion from Russia in 2020. About 90% of this was wheat, and 6% was sunflower oil

9. Similarly, Ukraine exported US\$2.9 billion of agricultural products to the African continent in 2020. — About 48% of this was wheat, 31% maize, and the rest included sunflower oil, barley, and soybeans. In a continent that imports nearly two-thirds of the wheat, it consumes, and because 8.3% of the wheat comes from Ukraine and 22% from Russia, trade-in agricultural commodities could become more complicated in the context of heavy sanctions, particularly for key importing countries. The Commissioner further noted that commodity markets of oil and gas are also increasing rapidly globally. All these led to inflationary pressures and expectations, which were quite high before the conflict, are now significantly much higher. He also indicated that the sanctions imposed on Russia and Russia counteractions would depressed African, exacerbated inflation, reduce drastically tax revenues, exacerbated inflation, high fiscal deficits, risk of debt

distress for several countries, high external debt levels, increased borrowing cost; worsened balance of payments difficulties and led to currencies depreciation.

10. The Commissioner also pointed out the opportunities that could be derived from the conflict. Some countries could fiscally benefit in terms of potentially additional energy exports- To date; a third of the gas consumed by Europe comes from Russia. The gas exporting African countries could optimize the conflict as demand from Europe arises due to restrictions in Russian supply. In addition, the European Union, at the onset of the conflict, announced an interest in diversifying sources of energy supplies to lessen reliance on Russian supply. Moreover, his Excellency indicated the continent should harness the enormous potentials by fast-tracking the implementation of agenda 2063 flagship projects including the Comprehensive Africa Agriculture Development Program (CAADP, the Agreement and Protocols Establishing the African Continental Free Trade Area; the Protocol Related to Free Movement of People, etc. He also recommended that African countries should create an enabling environment for private sector engagement in productive transformation to achieve sustainable development.

11. In conclusion, the Commissioner emphasized the pertinence of the Commission to work closely with various partners including the African Development Bank; African Export Import Bank; United Nations Economic Commission for Africa, International Monetary Fund and World Bank to facilitate alignment of efforts aimed at assisting African Union Member States, to meet the economic and social challenges caused by the Russia-Ukraine conflict. To this end, the Commissioner recommended that each Member states to issue a national policy paper on the economic impact of the Russia and Ukraine conflict that contains among others, urgent policy responses aimed at stabilizing the economic dislocations and imbalances at the national level including domestic and debt situations; steps being taken to provide safety nets to cushion the vulnerable from emerging shocks and, inter-alia, measures being taken to stimulate investments.

V. Discussions

12. In the ensuing discussion, the meeting noted the importance of building strong and resilient economies by harnessing the continent's resources and minimizing reliance on international communities, which continue to cause shocks that impede Africa's growth.

VI. Recommendations

13. In the light of the presentation, PRC Sub-Committee formulated the following recommendations:

- a) The title of the policy brief should be reflected as the Economic Impact of Russia-Ukraine conflict on African Economies instead of the Economic Impact of Russia's Invasion of Ukraine on African Economies;

- b) The recommendations should be strengthened and highlight the opportunities availed by the Russia-Ukraine conflict in building strong, resilient and sustainable African economies;
- c) Member States should be conscious about taking a side in the Russia and Ukraine conflict; and
- d) Share the draft brief with the AU Member States and request them to send the papers prepared for their economies so that a comprehensive study on the impact may be developed at the continental level to be considered by the upcoming STC on Finance, Monetary Affairs, Economic Planning and Integration.

VII. AGENDA ITEM 3. Draft annual calendar of activities for PRC Sub-Committee on Economic and Trade Matter

14. In the absence of the Commissioner; who had an urgent request to meeting with the Vice-President of the African Development Bank, the presentation of the annual calendar of activities of the Sub-Committee was delivered by Dr. Dossina Yeo, Acting Director of the Directorate of Economic Development, Integration and Trade, ETTIM.

15. After the presentation, the meeting requested that all overlapping activities with other Sub-Committees should be eliminated and to keep dates flexible in the calendar to accommodate possible changes. **The draft annual calendar of PRC Sub-Committee activities is attached to this report as Annex II.**

Conclusion

16. In His concluding remarks, the Chairperson of the PRC meeting emphasised the importance of the Commission and the PRC Sub-Committee to react quickly and provide support to the Member States through the development of policy briefs, specifically on exogenous shocks continuing to disrupt African economies and derailing the realization of Agenda 2063. Regular meetings should be conducted to assess progress on the implementation of the annual calendar of activities.

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