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SC6572

EXECUTIVE COUNCIL
Twentieth Ordinary Session
23 - 27 January 2012
Addis Ababa, ETHIOPIA

EX.CL/687(XX)v
Original: English

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

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INTRODUCTION

1. During the period July to December 2011, the Permanent Representatives Committee (PRC) Sub-Committee on Economic and Trade Matters held two meetings, namely on 11 November and 09 December 2011 respectively, with a view to preparing effectively for the January 2012 Summit on Boosting intra-African trade. It also met on 22 December 2011 to adopt the reports of the two meetings. All meetings were chaired by Amb. Mokhtar Chaouachi, Permanent Representative of Tunisia, Chair of the Sub-Committee.

COMPOSITION OF THE SUB-COMMITTEE

2. The Sub-Committee is composed of the following Member States: Tunisia (Chair), Swaziland (1st Vice-Chair), Chad (2nd Vice-Chair), Senegal (3rd Vice-Chair), Sudan (Rapporteur), Algeria, Angola, Burundi, Congo, Guinea, Niger, Rwanda, Sierra Leone, Uganda and Zambia

MEETING OF 11 NOVEMBER 2011

3. The meeting of 11 November was held mainly to brainstorm on preparations for the January 2012 Summit on the theme Boosting Intra-Africa Trade. It should be recalled that the Department of Trade and Industry had lined up a number of meetings in preparation for the Summit. These included, a Retreat in Kuriftu, Addis Ababa, from 25 to 27 October 2011, the African Trade Forum from 22 to 24 November in Addis Ababa, Ethiopia, the AU Preparatory Workshop for the 8th WTO Ministerial Conference scheduled for 27 - 28 December 2011 in Accra and the 7th Ordinary Session of the African Union Conference of Ministers of Trade also scheduled in Accra, Ghana from 29 November to 03 December 2011. It was therefore an opportune time for the PRC Sub-Committee to be closely involved in those activities and guide the Commission accordingly.

4. Following a presentation by the Commission of the main documents, namely the Issues paper on Boosting Intra Africa Trade, the Action Plan for Boosting Intra-Africa Trade and the Draft framework, road map and architecture for Fast-tracking the continental free trade area (CFTA), the Sub-Committee raised the following issues:

- There is need to ensure that the PRC is involved in all the processes and consultations leading to the Summit;
- The AUC should play the role of the Overseer for the continental integration process. The current Tripartite Arrangement is not an initiative of the African Union. Going forward, the AUC should conduct a review of the progress made in the implementation of the Abuja Treaty. The study should make proposals on how the countries and RECs can better implement the Treaty;

- It was not enough to suggest the establishment of an arrangement similar to the SADC-COMESA- EAC Tripartite in West, Central and North Africa, there is need to commission studies to establish the reasons why there is little trade among the countries in these regions;
- Concern was expressed on the non-implementation of decisions of the Policy Organs of the AU and the lack of follow up on the same;
- The Summit of Heads of State and Government should give adequate attention to the challenges being faced by traders in Africa and see intra African trade as the potential driver to propel economic growth in the continent;
- Some countries trade on a bilateral basis but on the whole there is a lack of trade information, trade facilitation and standards on the continent;
- With regard to the Architecture, the Commission should remember the decision of the Malabo Summit that the Conference of Ministers of Integration will cease to exist;
- The proposed African Trade and Integration Council is an unnecessary bureaucracy. There is need to pool together synergies in Economic Affairs and Trade;
- The Abuja Treaty is still in force, can it be revised?

5. Thereafter, the Sub-Committee made the following proposals with a view to strengthening the documents:

- There is a need for clear actions on the trade information cluster as there are African companies that are producing high quality goods that compete in European markets but very little is being done to service markets in African countries; an example of the Algerian Pharmaceutical Industry was given;
- There is need for action to address standards and quality assurance infrastructure in African countries in the Action Plan;
- There is need for reliable trade statistics that show the level of trade between Africa and the rest of the world, Intra-Africa trade and more importantly the level of inter-REC trade exchanges;
- There is need to show in the document the expected percentage increase in the volume of intra-Africa trade and the time by which the increase could be achieved;

- The African Trade and Integration Council (ATIC) and the Conference of Ministers of Integration should be removed from the proposed Architecture;
- The African Trade and Integration Council (ATIC) can be replaced by a High-Level African Trade Committee (HATC) and detailed Terms of Reference developed accordingly for the HATC;
- There is need to develop or strengthen the capacity of African countries to collect accurate statistics on intra-African trade. Such information is very important in policy making in trade and regional integration;
- The papers need to promote the use of Value Added Tax as opposed to Customs duty as sources of revenue for governments;
- There is need to highlight in the concept papers the effect of trade preferences that African countries are receiving from other countries and other trade agreements with third parties and how these could affect efforts to boost intra-African trade. In this regard, the meeting noted that the trade preferences that African countries receive from developed countries create some level of dependence that is not in the interest of the continent;
- The action plan should be “costed” with realistic monetary values indicating the costs of implementing the Action Plan;
- There is need to review the process of continental integration since the inception of the implementation of the Abuja Treaty. A review should also be carried out to get some insights on how Member States are addressing the issue of the Rationalisation of RECs in the continent;
- The Documents need to benefit from the inputs of Trade Experts in the capitals of Member States.

6. A short presentation was made by the Ambassador of Zambia on the possibility of establishing a Tripartite Community for the Central, Western and Northern Regions. The Ambassador highlighted the positive developments that have resulted in the establishment of the SADC-EAC-COMESA Tripartite Free Trade Area in East and Southern Africa. It was then suggested that a similar arrangement could be duplicated among the Regional Economic Communities in Central, Western and Northern Africa.

7. In the discussions that followed on the issue, it was noted that there was need for a consultative process among the countries that will be involved in the proposed arrangement. The Commission was called upon to analyse the proposal and other practical modalities before taking the matter further.

PARTICIPATION OF THE SUB-COMMITTEE IN ACTIVITIES OF THE TRADE AND INDUSTRY DEPARTMENT LEADING TO THE SUMMIT

8. Some members of the Sub-Committee participated in the Trade Forum in Addis Ababa on 22 – 24 November, in the preparatory workshop for the 8th WTO Ministerial Conference on 27 – 28 November in Accra and in the 7th Ordinary Session of the Conference of Ministers of Trade also in Accra from 29 November to 03 December 2011. They had the opportunity to strengthen the delegations from the capitals and enrich the debate and outcome of the meetings.

MEETING OF 09 DECEMBER, 2011

9. The main objective of the meeting was to take stock of the outcome of the Accra Trade Ministers meeting and to chart the way forward. The Deputy Chairperson who was present at that meeting, highlighted the importance of the PRC Sub-Committee in light of the developments in the global economy in general and the potential for an economic recession in Europe. He noted that Europe is Africa's biggest trading partner hence should it experience an economic recession; that would adversely affect African exports to Europe and slow down economic growth and development in Africa. Going forward, one of the ways of addressing the challenge is to promote intra-African and South-South trade.

10. The Sub-Committee then received an official briefing on the outcomes of the Accra Trade Ministerial Conference. It was informed that Member States reiterated their commitment to the establishment of a Continental Free Trade Area (CFTA), in line with the recommendation of the 6th Ordinary Session of the Conference of African Union Ministers of Trade held in Kigali, Rwanda in November 2010. The Accra Conference also considered and agreed on the proposed architecture and the Action Plan on Boosting Intra African Trade. On the proposed CFTA it was noted that it could be pursued along the lines of a coalition of willing countries and building on the achievements that have been made in the implementation of regional Free Trade Areas. The fears of hesitant countries were allayed by the fact that some countries experienced increased government revenues as a result of regional trade liberalisation.

11. The Sub-Committee was informed that the proposed governance Architecture will be used as a platform for sharing good practices among the REC's. The High Level African Trade Committee (HATC) will be composed of the current Chairpersons of the Regional Economic Communities at the Head of State Level. The HATC will receive the Reports of the African Union Conference of Ministers of Trade. The Conference of Ministers of Trade will consider the actions implemented at the national and regional levels with regards to the implementation of appropriate policies related to infrastructure, agriculture, trade finance, industrialisation, trade facilitation and internal market issues with the view to boosting intra-African trade. Progress reports on national and regional developments will be submitted to the Ministers by the various Committees and institutions that are part of the proposed architecture.

12. The Sub-Committee was informed that Ministers agreed to the establishment of the CFTA by the year 2017 with the possibility for a review depending on progress in the negotiations and according to Member States' preferences. The first three years, 2012-2014 will be used for the completion of Free Trade Areas FTA(s) by the COMESA-EAC-SADC Tripartite and through arrangements similar to the Tripartite Initiative by the Member States in the Northern, Western and Central parts of Africa. The negotiations for the establishment of the CFTA between the Tripartite and other regional FTAs will be carried out between 2015 and 2016, culminating into the CFTA by 2017.

13. Going forward, the African Union Commission will develop Implementation plans and modalities for the realization of the CFTA processes in the following areas: modalities for negotiations, determination of tariff phase down schedules, harmonisation of Rules of Origin, simplification of Customs Procedures and nomenclature, elimination of non-tariff barriers, design of appropriate trade defence mechanisms and developing adjustment cost mechanisms.

14. In the discussions that ensued, the following issues were raised:

- While there is potential for African enterprises to do business, there is a general lack of information on business opportunities in the continent and in some instances African enterprises are reluctant to do business with other African enterprises;
- For Africa to boost intra-African trade there is need to upgrade national and regional infrastructure in the areas such as railway, roads and port facilities among other things;
- There is need to look beyond tariff reduction and find ways to ensure that Customs procedures facilitate trade;
- As requested by the Ministerial Conference the AU Commission should now focus on developing the modalities for the implementation of the CFTA. In that regard, there is need to develop strategies aimed at increasing the level of intra-regional trade in Central Africa where trade statistics show that it is less than 2% of the region's total trade;
- With regards to the proposal that disputes that arise in the implementation of the CFTA be taken to the AU Tribunal, It was proposed that arrangements should be made for dispute settlement before matters are taken to the Tribunal.

15. On the Proposal for a Common and Enhanced Trade Preference System for Least Developed Countries (LDCs) and Low Income Countries (LICs), the meeting was informed that the Ministers of Trade endorsed the proposal and it will now be submitted to the G20 and other development partners. The proposal was developed in such a way that only African countries will be able to benefit and if implemented, will help African

countries develop their capacity in the dynamic sectors of the economy like manufacturing and help build their competitiveness. The meeting was further informed that some members of the European Union are favourable to the proposal.

16. The Sub-Committee received a report on the state of play of the Doha Development Agenda (DDA) negotiations and the preparations for the 8th WTO Ministerial Conference scheduled for 15 – 17 December, 2011.

17. The Sub-Committee was also informed that the tenure of office of the current Director-General of the WTO is coming to an end. A proposal was made for African countries to consider supporting a credible African candidate for election as the next Director General of the WTO. Since the WTO was established, there has never been a Director-General from Africa.

CONCLUSION

18. Both the Sub-Committee and the Commission appreciated the excellent working relations that have prevailed between them during that period and committed themselves to enhance their cooperation to ensure that the implementation of the outcome of the January Summit on Boosting intra-African trade indeed benefits the continent.

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