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

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INTRODUCTION

1. The African Union Permanent Representatives' Sub-Committee on Economic and Trade Matters held a meeting on Wednesday, 11 November 2015 at the headquarters of the African Union Commission, Addis Ababa, Ethiopia. It also met on 11 January 2016 to adopt its report. The meeting was chaired by His Excellency Lazare Makayat Safouesse, Ambassador Extraordinary and Plenipotentiary of the Republic of Congo in the Federal Democratic Republic of Ethiopia, Permanent Representative to the African Union and the UN Economic Commission for Africa and current Chairperson of the Sub-Committee.

MEETING PARTICIPANTS

2. Out of fifteen members of the Sub-Committee, the following twelve members attended the meeting:

- 1) Congo (Chairperson);
- 2) Senegal; (1st Vice-Chairperson) ;
- 3) Comoros ;(2nd Vice-Chairperson);
- 4) Tunisia; (3rd Vice-Chairperson) ;
- 5) Zambia; (Rapporteur) ;
- 6) Benin ;
- 7) Côte d'Ivoire;
- 8) Egypt;
- 9) Ethiopia ;
- 10) Sierra Leone;
- 11) Swaziland.
- 12) Zimbabwe;

3. The African Union Commission was represented by H. E. Mrs. Fatima Acyl Haram, Commissioner for Trade and Industry and H.E.Dr. Anthony Mothae Maruping, Commissioner for Economic Affairs. (see list of participants in the Annex to the Report).

ITEM 1: OPENING OF THE MEETING

4. In his opening statement, the Chairperson of the Sub-Committee informed participants that the objective of the meeting was to discuss the reports of the various important meetings organized by the two Departments and that the conclusions will be submitted to the policy organs of the African Union for the preparation of the January 2016 Summit. He then specified that this exercise was crucial in so far as 2015 is a pivotal year in the context of Africa's progress towards its socio-economic transformation. Indeed, in his view, the year was marked by major events: the adoption of Agenda 2063, the new continental strategy to catalyze the transformation of Africa over the next five decades, the launch of negotiations leading to the implementation of the Continental Free Trade Area (CFTA), the organization in Africa

of the Third International Conference on Financing for Development, the adoption of Agenda 2030 for the Sustainable Development Goals (SDGs) and the next COP 21 on Climate Change in Paris.

ITEM 2: ADOPTION OF THE AGENDA

5. The following items featured on the agenda of the meeting:

- i) Opening;
- ii) Information on:
 - a) The Continental Free Trade Area (CFTA) / Boosting of Intra-African Trade (BIAT);
 - b) 10th Ministerial Conference of the World Trade Organization;
 - c) Economic Partnership Agreements;
 - d) AGOA;
 - e) First Session of the Specialized Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration;
 - f) Third International Conference on Financing for Development.
- iii) Implementation of previous decisions;
- iv) Any other business ;
- v) Closing.

ITEM 3: INFORMATION ON TRADE AND ECONOMIC AFFAIRS

6. The Commissioner for Trade and Industry made a presentation on various issues related to Africa's trade liberalization agenda. Her statement focused on topics relating to: a) the Continental Free Trade Area / Boosting Intra-African Trade; b) the 10th Ministerial Conference of WTO; c) Economic Partnership Agreements; and d) AGOA.

7. The Commissioner for Economic Affairs gave a presentation on current macroeconomic and social development in Africa and the medium term prospects. He informed the Sub-Committee that although Africa has shown remarkable resilience during the recent episodes of economic and financial crisis, the continent is currently facing new challenges with regard to the decline in commodity prices, the severe drought in some countries and floods in others. He stressed that this situation is causing displacement of people, water borne diseases, infrastructure destruction and shortage of energy generation therefore contributing to the risks of farming, food insecurity, poverty and inequality across African countries. He further stressed that, if

no action is taken, it is expected that these negative factors will take a toll on Africa's growth in the years to come and exacerbate social and economic problems as African countries are least diversified and virtually depending either directly or indirectly on agriculture. He finally noted that to address the situation and identify humanitarian, economic and social action that may be taken and design Africa's collective forward-looking response and build long-term resilience, the Commission was preparing the organization of a Ministerial Roundtable.

a) CONTINENTAL FREE TRADE AREA / BOOSTING INTRA-AFRICAN TRADE

8. On this agenda item, the Commissioner informed the Sub-Committee of the progress made since the launch, at the June 2015 Summit, of negotiations for the implementation of the CFTA. She said that the CFTA is a priority initiative of the AU's Agenda 2063, which sets out the vision of Africa's development path over the next five decades. The CFTA is a pillar for the implementation of the Aspiration of Agenda 2063 for a prosperous Africa based on inclusive growth and sustainable development. She added that this aspiration relies on the implementation of policies aimed at achieving systematic convergence with more developed countries and regions, as well as increased streamlining of Africa into the global economy as a respected partner. In this context, she stressed that the negotiations will be conducted simultaneously on the double fronts of trade in goods and services. In terms of financing the negotiations, she stated that the funds received from the European Union and other partners such as the German Technical Cooperation (GIZ) will help facilitate the process. Concerning hurdles in the process, she highlighted the lack of expertise within the Department and said that corrective measures are being implemented through the recruitment of 14 highly skilled staff members. Given the complexity of the negotiation process, she stressed the need for the designation of national focal points who will be upgraded through adequate training that will enable facilitation of the negotiations.

9. She informed the Sub-Committee that to Boost Intra-African Trade, there is an urgent need for the industrialization of the continent with a view to releasing its economic potential, thus fostering economic and social transformation, which is a requisite for the structural transformation required by Agenda 2063. In addition, industrialization is essential to combat the illegal migration flows that are depleting the continent of its workforce. Regarding the pillar on trade facilitation, she informed the Sub-Committee of the progress made under the Bali agreements.

b) 10th MINISTERIAL CONFERENCE OF THE WORLD TRADE ORGANIZATION

10. On this item, the Commissioner commended the imminent organization on African soil, in Nairobi, Kenya, of the WTO 10th Ministerial Conference. In this regard, she highlighted the main positive developments related to the preparation of this event and advocated for the formulation of a common African position that should lead to better consideration of the crucial issues of African development. She welcomed the coordination efforts being made by the African Group in Geneva in this regard. She also informed the Sub-Committee of the main conclusions of the

preparatory meeting held in Nairobi and insisted that the common African position to be presented reflects the commitments of African Union Member States rather than that of the African Union Commission.

c) ECONOMIC PARTNERSHIP AGREEMENTS

11. On this agenda item, the Commissioner informed the Sub-Committee about the progress registered by Member States in terms of signing EPAs and the different regional commitments related thereto. She stressed that as regards the Economic Community of Central African States (ECCAS), only Cameroon has signed the EPA. She also highlighted the case of the Economic Community of West African States (ECOWAS) where the Heads of State and Government of the region validated the conclusions of the agreement in principle while reaffirming their strong commitment in favour of regional integration in the context of a participatory, consensual and constructive approach that can lead to the finalization of the EPA negotiations. She informed the Sub-Committee of the AU's efforts for the signing of the EPAs and drew the attention of the Sub-Committee on their potential negative impacts on intra-African trade and industrial development in the continent. In this respect, she stated that Member States are slow in meeting their commitment to transmit to the AUC and ECA, for action, copies of their EPA evaluation. In conclusion on this item, the Commissioner gave an overview of the main conclusions of the EPA Negotiations Coordination Meeting held in Brussels which are as follows;

- a) AUC and UNECA should undertake by March 2016 a comparative analysis of the various EPA texts (including those concluded in the Caribbean and the Pacific so as to define common issues that can be jointly addressed during the implementation process/identify specific issues affecting some regions and for further engagement with the EU. In this regard, Member States or RECs should submit a copy of the initialled, signed or ratified EPA texts to the African Union Commission by 30 November 2015;
- b) Where negotiations have not commenced, Member states and RECs should prepare regional positions in Trade In services, Investment, Competition, Intellectual Property rights, and other trade related areas before engaging on them in the EPA negotiations;
- c) Member States should ensure that the provisions of the CFTA are more favourable than those granted under the EPAs;
- d) The AUC should create a platform for Member States and RECs that are implementing the EPAs to share their experiences and develop a monitoring system to review the potential impact of EPA implementation on the proposed CFTA;
- e) Taking into account experience of trade liberalisation processes, AU Member States should consider the establishment of an adjustment mechanism to address potential challenges that may arise in the implementation of the CFTA;

- f) In support of the deepening of continental integration, the AUC should undertake a study on the feasibility of re-negotiating tariff liberalisation schedules and other commitments under EPAs in view of the evolving continental integration processes;
- g) Member States to engage in further consultations at the national and regional levels on the EPA Implementation Guide;
- h) The EU to be more flexible on the disbursement of EPA Implementation Fund

d) AGOA

12. Dealing with this item of the agenda, the Commissioner informed the Sub-Committee of the main conclusions of the 14th edition of the International Forum on AGOA held from 24 to 27 August 2015 in Libreville, Gabon. She said the programme aims to promote trade and investment between the US and Africa and encourage economic development and reforms in Africa by providing access and increased opportunities for investors and companies in Africa as well as eliminating quotas on textile and clothing from the continent. She further stated that better use of the AGOA potential could encourage diversification of the economy in Member States through technical assistance. She however lamented the fact that only six (6) of 39 Member States involved in this process really benefit from AGOA. To correct this trend over the next decade, she stressed that there is a framework to enhance participation of countries in this process, particularly through the formulation of National Response Strategies. She called on Member States to proceed with the formulation of the strategy papers that are essential for consolidating growth through better mainstreaming into global value chains (GVC) and international trade. She availed herself of the opportunity to inform the participants that the Obama administration and the US Congress have pledged to renew AGOA for a period of fifteen (15) years.

Discussions

13. The discussions that followed the Commissioner's presentation dealt with the following issues:

- i) Clarification on the involvement of Member States in the Nairobi and Brussels meetings;
- ii) Regarding the CFTA, the method of recruitment of experts led to extensive discussions which also addressed the role and involvement of Member States in this process. In this context, the Commissioner highlighted that the recruitment is done transparently and in strict compliance with laid down procedures;
- iii) Concerning the implementation of AGOA, the Sub-Committee discussed the root causes of failures recorded, potential remedial measures to be adopted and the role of the Commission in the process;

- iv) The participation of the Commission at FOCAC and the follow up on the commitment of China within the MOU signed between the latter and the Commission.

Recommendations

14. After discussions on this item, the following recommendations were made:

- i) The Commission should conduct a continent-wide study to investigate the causes of failures in AGOA and make the most of the experiences of countries that have recorded better economic and commercial performance in this process;
- ii) Member States should define their national strategic frameworks to take better advantage of the economic and commercial potential of AGOA;
- iii) Member States should define a common African position and respect the commitments made in this context to express the continent's demands with one voice at major international meetings on the negotiation of trade agreements;
- iv) Member States should speed up the implementation of the CFTA process by allocating the funds necessary for the indigenization of the negotiation process. This would allow the Commission to train more national experts and within the Embassies of Member States present in Addis Ababa. In this context, the Commission called for rapid signature and ratification of the Memoranda of Understanding establishing the pan-African institutions, with a view to providing the continent with adequate resources for the implementation of the Continental Development Agenda;
- v) Member States should forward their National EPAs to the Commission and the UNECA with a view to analyze them and ensure that they are compatible with Africa's development framed in Agenda 2063;
- vi) In view of the negotiations on CFTA that are about to start, Member States should expeditiously designate their Chief and alternate Negotiators as well as focal points within their respective Embassy in Addis Ababa;
- vii) The Commission should capitalize on the commitment of China within FOCAC and the MOU signed with China for industrialization.

e) FIRST SESSION OF THE SPECIALIZED TECHNICAL COMMITTEE ON FINANCE, MONETARY AFFAIRS, ECONOMIC PLANNING AND INTEGRATION

15. The Commissioner of the Economic Affairs Department presented the main conclusions of the First Session of the Specialized Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration, held in Addis Ababa, Ethiopia from 25 to 31 March 2015. He stated that the aim of the meeting was to explore the ways and means necessary for the successful implementation of Agenda 2063 over the next fifty years. In this respect, he stressed that issues related to financing, citizen participation and the definition and implementation of coherent decennial frameworks formed the basis of trade. With regard to the financing terms, particular emphasis has been placed on issues relating to internal resource mobilization through the implementation of alternative funding sources and combating illicit financial flows, which deprive the continent of resources that are essential for its development. In terms of citizen participation, it was recommended that the Commission conduct outreach activities on Agenda 2063 for the involvement of all continental forces, including women, youth and the private sector. He also insisted that the effective implementation of the STC recommendations should help strengthen financial independence to achieve the vision and aspirations of Agenda 2063.

f) THIRD INTERNATIONAL CONFERENCE ON FINANCING FOR DEVELOPMENT

16. The Representative of the Department of Economic Affairs presented the outlines of the Addis Ababa Declaration, which is the Final Document of the Third International Conference on Financing for Development, held in Addis Ababa from 13 to 16 July 2015. He stressed that the Final Document of the Conference affirms the resolute political will of world leaders to meet the challenges of financing and create, at all levels, an environment conducive to sustainable development, in a spirit of global partnership and solidarity. The Final Document therefore builds on the 2002 Monterrey Consensus and the 2008 Doha Declaration to eradicate hunger and poverty and achieve sustainable development in its three dimensions, namely economic growth for all, protection of the environment and social inclusion. He then outlined the main focus areas for the next decade, namely: i) mobilization and effective use of internal public resources; ii) private enterprises and domestic and international finance; international cooperation for development; iii) international trade and development; iv) debt and debt sustainability; v) science, technology, innovation and capacity building and; vii) data, control and monitoring while noting the relevance of each to the development of Africa. Finally, he pointed out the anchors between Agenda 2063 and the Addis Ababa Declaration in terms of financing for development.

Discussions

17. Discussions on this agenda item focused on:

- i) The current economic, humanitarian and agricultural challenges facing the continent; the meeting noted that although these negative factors poses serious threat on Africa's development, they also represent and opportunity to build long-term resilience and catalyze continental economic and social transformation under the framework of Agenda 2063 through accelerated implementation of its flagship programmes;
- ii) Terms of financing Agenda 2063 and Agenda 2030 from endogenous sources. In this context, the Sub-Committee questioned the Commission about obstacles to the effective establishment of the Pan-African financial institutions: the African Central Bank (ACB), the African Monetary Fund (AMF) and the African Investment Bank (AIB). The Commission presented the progress made in this direction and highlighted the main obstacles to this process that should ultimately lead to the financial empowerment of the continent;
- iii) The leading role of the private sector in the implementation of Agenda 2030 and Agenda 2063. The Commission availed itself of the opportunity to inform the Sub-Committee about the progress made in drafting the Pan-African Investment Code (PIC) and the Commission's Private Sector Development Strategy. It insisted that the private sector was at the core of the Commission's strategic interventions for a more inclusive and sustainable growth.

Recommendations

18. After the discussions, the following recommendations were made:

- i) The Commission should urgently organize the Ministerial Roundtable on current economic, financial, agricultural and humanitarian challenges facing the continent with a view to address these challenges and design an African forward-looking response and build long-term resilience;
- ii) With a view to facilitating the implementation of previous decisions, AU Member States should sign and ratify the Protocols and Statutes establishing the Pan-African Institutions: ACB, AIB and AMF;
- iii) The Commission should provide Member States with the Report of the First Session of the Specialized Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration and related documents.

ITEM 4: IMPLEMENTATION OF PREVIOUS DECISIONS

19. Regarding the implementation of previous decisions, the Commissioner for Trade and Industry informed the Sub-Committee on the progress made toward the effective functioning of the African Minerals Development Centre (AMDC). She said that this institution was crucial to the implementation of the African Mining Vision (AMV) as defined in 2009. She then presented the Report of the Conference of

African Ministers in Charge of Integration (COMAI) held in 2014, stating the main conclusions. Finally, she addressed the issue of alternative sources of funding to finance the transformation of Africa and the provision of such financial resources to strengthen the operational efficiency of the Commission, in a results-based perspective.

Discussions

20. Discussions on this item focused on:

- i) The importance of alternative sources of funding to spur inclusive growth and structural transformation in Africa, driven by a financially independent Commission and analysis of the main obstacles to the effective implementation of these financing tools;
- ii) The establishment of the African Minerals Development Centre (AMDC) and opportunities that can be exploited to operationalize it.

Recommendation

21. Following discussions, it was recommended that:

- i) Member States should provide strategic information to the Commission regarding their Mineral Resources with a view to ensure continental full beneficiation and shared prosperity through the AMDC;
- ii) AUC and Member States should fast-track the implementation of flagship programmes such as the Grand Inga Dam Project to unleash the economic potential of the continent.

ITEM 5: ANY OTHER BUSINESS

22. No issue was raised.

ITEM 6: CLOSING OF THE MEETING

23. In his final remarks, the Chairperson of the Sub-Committee thanked the meeting participants for their meaningful contributions and commended the Commission's efforts toward the implementation of the continental transformation agenda. He urged Member States present to plead with their respective countries and beyond for the signing and ratification of the Memorandums of Understanding on the Pan-African Institutions, which are the anchors of the integration process.

Annex: List of Participants at the Sub-Committee Meeting

11 November 2015

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