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**REPORT OF THE HIGH LEVEL COMMITTEE OF HEADS OF  
STATE AND GOVERNMENT/CHAIRS OF THE REGIONAL  
ECONOMIC COMMUNITIES (RECs) ON BOOSTING  
INTRA-AFRICAN TRADE**

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**I. BACKGROUND**

1. The 18<sup>th</sup> Ordinary Session of the Assembly of Heads of State and Government of the African Union that met in January 2012 on the theme of “Boosting Intra-African Trade, decided to adopt an Action Plan for Boosting Intra-African Trade and to set up a Continental Free Trade Area (CFTA) by an indicative date of 2017. The Heads of State and Government also agreed to establish a High Level Trade Committee (HATC), comprising of the current Chairs of the RECs to play a facilitating role in the implementation of the Action Plan for boosting intra-African trade and the establishment of the CFTA.
2. During the debate that preceded the adoption of the above-mentioned Summit decision, the Heads of State and Government raised some issues and concerns about the CFTA agenda, in response to which the Chairperson of the African Union set up a Committee of seven Heads of State (whose membership coincides with that of the HATC) to reflect further on the issues raised and make recommendations to the 19<sup>th</sup> Ordinary Session of the Assembly to be held in July 2012.
3. Following the decisions taken by the 18<sup>th</sup> Ordinary Session of the AU Summit, the Commission convened a meeting of Senior Officials in April 2012 to discuss and make recommendations on the various cross-cutting issues relating to the boosting of intra-African trade, including those raised by the Heads of State in their debate. The meeting was followed by that of the Task Force comprising of Ministers from the member countries of the HATC. The Ministerial meeting, convened on 14 June 2012 in Washington DC on the margins of the 12<sup>th</sup> AGOA Forum, was chaired by H.E. Mrs. Hannah Tetteh, Minister of Trade and Industry of the Republic of Ghana and attended by Ministers from Angola, Benin, Côte d’Ivoire, Ethiopia, Kenya and Malawi. Also in attendance were the representatives of the African Union Commission (AUC), United Nations Economic Commission for Africa (UNECA), East African Community (EAC), and the Economic Community of Central African States (ECCAS). The Ministerial meeting considered and approved the Report of Experts and Senior Officials and made recommendations for the consideration of the Committee of Seven/HATC as outlined here-under.
4. On the margins of the 19<sup>th</sup> Ordinary Session of the AU Summit, the Commission convened a meeting of the High Level African Trade Committee (HATC) to discuss their terms of reference, receive the report of the Committee of seven Ministers of Trade, and Considered the draft decision on Boosting Intra-African Trade and Fast Tracking the Continental Free Trade Area (Doc. Assembly/AU/11(XIX)). The meeting was attended by Angola, Chad, Côte d’Ivoire, Ethiopia, Kenya, Libya, Malawi and the Chief Executive officers of COMESA, EAC, ECOWAS, ECCAS SADC, and UMA. In addition there were delegates and Ministers of Trade from Zambia, South Sudan, and Swaziland in attendance. The meeting considered and approved the Draft Terms of Reference with amendments, considered the Report of the High level Committee of Heads of State and Government/ Chairs of the Regional

Economic Communities (RECs) on Boosting Intra-African Trade to be presented to the General Assembly and reviewed the draft decision.

## **II. ISSUES AND CONCERNS RAISED BY THE 18<sup>TH</sup> SESSION OF AU SUMMIT**

**5.** In their review of the issues and concerns raised at the January 2012 AU Summit, the Ministers, while urging the Commission to ensure that the issues are effectively addressed at the highest political level, observed the following:

- The positive GDP growth figures recorded across African economies in recent times and the inability of such developments to positively impact the lives of the citizens, especially as regards the reduction of poverty and unemployment and the need therefore to promote inclusive and employment -generating growth;
- The need to embark on a comprehensive policy programming reflecting a holistic continental agenda and;
- The need to effectively sensitise and engage the RECs on the key continental development frameworks such as PIDA, AIDA, CAADP with the objective of streamlining their programmes with these frameworks.

**6.** In the margin of the 19<sup>th</sup> Ordinary Session of the AU Summit, the HATC addressed the issues and concerns, shared best practices and provided the following guidance:

- Significant development in intra-African Trade is taking place thus strengthening the conditions for the attainment of the CFTA. For example over the last ten years, the trade between ECOWAS and COMESA increased tenfold, notably on manufactured goods.
- The need for accelerated Industrialization and innovation was emphasized.
- Trade in Services is a significant component of Africa's GDP and should be considered as a major element for Boosting Intra-African Trade. As an example the expansion of banks across the regions is evidence of increasing Intra-African Investment and Trade.
- The importance of inviting Private Sector Champions to HATC meetings was underscored.
- Furthermore HATC members pointed out the importance of harmonizing legal regimes and removal of tariff and non-tariff barriers.
- The engagement of the African Union in the mobilization of resources for major continental projects such as trade related infrastructure was highlighted. The modalities of managing the finances should be developed jointly by the Commission and the RECs.

- Improved security in the continent remains a critical factor for enhanced trade and investment. In this regard, the HATC should liaise with the Peace and Security Council as and when necessary.
- Standardized ICT Inter-connection, resource mobilization, currencies convertibility, and the risk of fraud were all highlighted.
- Member States and RECs were encouraged to build upon the best practice, for example, the one-stop border post, and the establishment of Intra-Africa Trade Centres that have been implemented by some Member States and RECs.
- There was consensus that the CFTA is feasible within the indicative time frame.

### **Road Map/Architecture**

7. The Road Map for boosting intra-African trade has provided an Action Plan which identifies a number of critical elements that would have to be addressed in order to boost intra-African trade. These are, among others: trade policy making, trade facilitation, trade related infrastructure, productive capacity, trade information, and trade finance. The Road Map has also proposed modalities for fast tracking the CFTA with a deadline of 2017 as earlier indicated and an architecture for facilitating the processes. With respect to the architecture, one of the organs proposed is the HATC, composed of the Chairpersons of the Eight Regional Economic Communities (RECs). The Abuja Treaty Establishing the African Economic Community provides for the establishment of a Continental Customs Union (a higher level of integration than the CFTA) by 2019. Hence the indicative date of 2017 for the CFTA is not unrealistic considering recent developments such as the Tripartite FTA initiative by the EAC, COMESA and SADC and the high level of political commitment by the Heads of State to Africa's market integration as reflected by the establishment of the HATC and the adoption of the Action Plan. Ministers agreed that a solid foundation has been laid for the establishment of the CFTA and the boosting of Intra-African trade.

### **The HATC**

8. The proposed Terms of Reference (TOR) to guide the operations of the High Level Trade Committee were considered by Senior Officials and Ministers. The TOR capture the functions proposed in the architecture: to serve as champions and mentors for the implementation of the Action Plan and the fast tracking of the CFTA and to facilitate Africa's regional integration process through the sharing of experiences, best practices and challenges, and unlocking any blockages that might arise during the process. The Committee will also monitor progress of the CFTA and Action Plan implementation and advise the Summit accordingly. Ministers recommended the consideration and adoption of the TOR by HATC/Committee of Seven Heads of State.

### **Intra-African Trade Flows**

9. The consideration of the issue of intra-African trade flows by Senior Officials and Ministers was guided by the Report of a technical study. The study, while

acknowledging the widely accepted relatively low level of intra-African trade, revealed an interesting trend in its performance and that is the rapid growth and large share of trade in manufactures as compared to trade in commodities. Trade in manufactured products accounts for 46 % of intra African trade compared to 10% for agricultural products. Manufactured products also feature prominently in unrecorded or informal cross-border trade between African countries. Conversely, the trends also indicate that while Africa's trade with the rest of the world is dominated by export of commodities and raw agricultural products, manufactured products constitute the bulk of the continent's imports from the rest of the world. Based on the foregoing, it was concluded that there exists a huge potential for intra-African trade, especially in manufactured products.

**10.** The CFTA initiative will offer a large market of over a billion people, immense opportunities for reaping economies of scale in manufacturing, and will be a significant incentive for inflow of investment. Going by the experience of COMESA which achieved a six-fold increase in intra-regional trade after the establishment of its FTA in 2000, the attainment of the CFTA is bound to lead to a significant growth of intra-African trade and the enhancement of the current trend of growth of trade in manufactures which in turn will contribute to the attainment of rapid and inclusive economic growth and development.

#### **Trade related infrastructure and weak productive capacities**

**11.** In a second paper that analysed the issues of concern raised in the Summit debate, the deficiencies of trade related infrastructure and weak productive capacities were acknowledged, especially the fact that lack of efficient transportation (roads, air, water), energy and ICT, added to the overall cost of doing business, cost of production and cost of logistics. Indeed the impact on landlocked countries was noted to be even more critical as it accounts for three quarters of trade costs. The paper however did an analysis of the state of infrastructure development in other developing countries' regional integration schemes such as Common Market of South America (MERCOSUR) and the Association of South East Asian Nations (ASEAN) at the launching of their FTAs, and compared these with the level of infrastructure in Africa as revealed in a 2008 Africa Infrastructure Country Diagnostic (AICD). The result indicates that at the point that the FTAs of these other developing regions came into effect, they were at a lower stage of infrastructure development than where Africa stands currently.

**12.** Furthermore, the report provides a review of the state of infrastructure development in Africa and highlights the on-going efforts and initiatives under the PIDA, AIDA, CAADP, 3ADI etc., which have adopted a holistic approach aimed at improving multi-modal infrastructure networks across the continent. Specific reference was made to the 51 programmes and projects estimated at US\$68 billion to be fully implemented by 2020, the Priority Action Plan under the PIDA aimed at accelerating infrastructure development on regional and continental basis in addition to other initiatives at the level of the RECs. The Action Plan for the Accelerated Industrial Development of Africa (AIDA) provides a continental framework for addressing the root causes of Africa's low industrial development.

**13.** It was noted that African governments are also currently involved in the structural transformation and diversification of their economies by redirecting

resources and production to priority activities for industrialization as well as adopting new approaches to industrial policy and other policies aimed at enhancing the competitiveness of African economies. The Tripartite FTA, which is made up of 26 African countries occupying almost half the size of the continent and expected to be launched in 2014, is also underpinned by a number of parallel, robust infrastructure development programs designed to consolidate the regional market through interconnectivity in both transport and telecommunications. Thus a solid foundation is being laid for the building of infrastructure and the enhancement of productive capacity to make the CFTA a realistic and beneficial initiative. The need to draw from the existing continental initiatives (PIDA, AIDA, 3ADI, etc) and develop an intra-African trade related infrastructure and productive capacity building programmes was underscored.

#### **IV. RECOMMENDATIONS**

**14.** In view of the foregoing analyses and deliberations, and the positive indicators emanating therefrom, the following conclusions and recommendations were made:

- a) The trade flow analysis has demonstrated that there are positive aspects of intra-African trade manifested particularly in the significant level of manufactured goods in the trade composition. Countries are therefore urged to build on this encouraging trend by:
  - Promoting and encouraging value addition to products;
  - Developing and strengthening backward and forward linkages between the agricultural and manufacturing sectors; and
  - Exploiting the larger economies of scale prospects and opportunities offered by the CFTA.
- b) The on-going consolidation of the COMESA-EAC-SADC Tripartite FTA, the harmonization of trade policies, as well as the removal of tariff and non-tariff barriers by Member States provide a firm foundation from which trade between African countries can be developed and strengthened;
- c) The reasonably promising sophistication of intra-African trade should therefore spur African countries to fully support the establishment of the CFTA and position themselves to maximize the benefits from this expanded economic and market space;
- d) The issue that African countries produce and trade in similar products should not be seen as a constraint but rather as a challenge and opportunity for African countries to develop competitive advantages that foster high value added production, export diversification and quality assurance among other things; Major projects are also underway at the regional level to strengthen trade facilitation measures to further enhance the free movement of persons, goods and services across borders;
- e) Furthermore, evidence abound that the continent has sufficient intra-African infrastructure density, comparable to MERCOSUR and ASEAN

countries at the time these regions embarked on their respective regional integration groupings. Besides, the continent is also making strident efforts, through PIDA and other initiatives, to boost this capacity;

- f) Building on existing global infrastructure and productive capacity development initiatives (PIDA, AIDA, 3ADI), trade related infrastructure and productive capacity building programmes should be developed and targeted towards the boosting of intra-African trade;
- g) Implementation of priority infrastructure projects should be accelerated;
- h) Economic asymmetries among countries should be addressed to facilitate inclusive growth and development;
- i) Boosting of domestic resource mobilization and utilization should be accelerated and innovative financing mechanisms established;
- j) Promotion of investment in manufacturing and intra-regional trade in locally made goods should be accorded high priority;
- k) The building of the capacity of the labor force in value-added manufacturing and technologically advanced production should be enhanced;
- l) Given the positive indicators for trade flows and efforts at infrastructure development, the challenges currently faced should not in any way deter the proposed plans for boosting intra-African trade and pursuit of the CFTA objective.

## **V. IMPLEMENTATION OF THE DECISION OF THE ASSEMBLY**

**15.** Since the adoption of the Assembly Decision, some progress has already been made in preparing for the establishment of various organs and mechanisms adopted by the Assembly. The Terms of Reference of the High Level Trade Committee have been drawn up for the consideration of the Committee. A number of technical partners have indicated their preparedness to collaborate with the AU in setting up of the organs of the CFTA Architecture, such as the African Trade Observatory. For greater effectiveness and strategic reasons, it is recommended that some of the organs be established in collaboration with partners such as the UNECA, African Development Bank and RECs with a semi-autonomous status in order to facilitate institution building with the scope to involve the African private sector, civil society, and the diaspora. The detailed terms of reference and modalities will be presented to the Conference of Trade Ministers before the January 2013 Summit.

**16.** The Commission is in the process of establishing a Technical Working Group in order to harmonise the rules of origin, building on the experience of the current Tripartite FTA rules of origin negotiations, with the participation of the private sector. The Technical Working Group was tasked by the Assembly to conclude its report by December 2012.

**17.** The Commission is also in the process of developing modalities for the establishment of the African Business Council, building on existing structures at the regional level, in accordance with the road map for implementing the Action Plan and the CFTA.

**18.** In April 2012, the Commission organized a Round Table of Partners in order to solicit support for technical assistance and resource mobilisation, with positive preliminary response from Partners. More clarity will emerge after the elaboration of the implementation strategy and articulation of specific projects and activities.

**19.** The constitution of a Task Force composed of the AUC, UNECA and AfDB has also been proposed, with the main responsibility of developing the Implementation strategy for the Action Plan on Boosting Intra African Trade and developing modalities for the operationalization of the activities for the CFTA negotiations process in line with the Road Map that has been endorsed by Summit..

**20.** In the meantime, the AUC and the respective Regional Economic Communities should explore ways to ensure that regional Free Trade Areas and Customs Unions are operating effectively. At an AU Commission/RECs Coordinating Meeting on Economic Partnership Agreements held in May 2012, it was reiterated that the multiplicity of trade regimes in one regional grouping and indeed at the Africa Union level is a threat to regional and continental integration and it was concluded that the proposed continental FTA can be a solution whereby all trade regimes will be harmonized, including with third parties. In this regard, it was highly recommended that the CFTA should take precedence over EPAs and that efforts should be deployed to ensure that EPAs contribute to boosting intra-African trade and strengthening Africa's integration.

**21.** More focus should be put on the harmonization of regional trade policies and the removal of tariff and non-tariff barriers by Member States to facilitate intra-regional trade. The challenges that prevent Member States from effectively participating in regional free trade arrangements should be addressed; these include revenue loss, and the existence of non-tariff barriers. A platform to share information online across RECs and with the AUC is being developed with technical support from development partners and the private sector on the initiative of SADC, EAC, ECOWAS and COMESA.

## **VI. STRATEGIC GUIDE AND POLICY FRAMEWORK FOR THE IMPLEMENTATION OF THE DECISIONS TAKEN AT THE JANUARY 2012 SUMMIT**

**22.** The Member States, RECs and the AUC all have a critical role to play to popularise the historic decisions taken in January 2012 and to consistently link the regional integration efforts to economic empowerment of all citizens, especially women, youths and other disadvantaged groups as well as to food security and sustainable development. For example, mainstreaming intra-African trade in all national and regional trade and investment policies/strategies would be a concrete step in the right direction.

**23.** To address some of the concerns raised by the Assembly, Member States and Regional Economic Communities are urged to prioritise the implementation of



various regional and continental initiatives aimed at addressing inadequacies in trade infrastructure as well as productive capacity such as the Programme for Infrastructure Development in Africa (PIDA), the Action Plan for the Accelerated Industrial Development of Africa (AIDA), the Comprehensive Africa Agricultural Development Programme (CAADP), the Africa Agribusiness and Agro-industries Development Initiative (3ADI), and the Minimum Integration Program (MIP).

**24.** In a Union as large as the AU, it is to be expected that the historical and political realities vary, hence a plausible approach is to allow a flexible rather than a prescriptive top down framework. In this regard, the recommended strategic guide is one which operates on the principle of countries moving at “multi speed” or “variable geometry”, which is subject to review, dependent on progress made, as already provided for in the Summit Decision. It is necessary for a programme of support to be established to assist countries that may need it in the process of the negotiations and accession to the CFTA. The objective is to ensure that the CFTA is inclusive and realised early as envisaged by the Assembly of Heads of State and Government.

**25.** Assembly Decision AU /Dec. 394 ( XVIII) requests Member States supported by the Commission and the Regional Economic Communities ( RECs) to drive the process of boosting intra-African trade and the CFTA negotiations through the implementation of short, medium, and long-term programmes and activities contained in the Action Plan at the national, regional and continental levels. While efforts are thus geared towards developing a detailed implementation strategy, it is also recommended as part of the overall strategic approach that an institutional framework be established by the Member States for purposes of effective mainstreaming of national, regional and continental policy objectives. In this regard, an indicative framework is proposed as follows:

- **National Level**

**26.** An inter-ministerial task force, co-chaired by the Ministry of Trade and the Ministry responsible for Regional Integration. This body would provide the strategic direction for the formulation and implementation of national Action Plans on boosting Intra-African trade and the fast tracking of the CFTA as well as monitoring and evaluating the progress made.

**27.** A National Steering Committee (at experts' level), comprising of the Chairpersons of the Technical Working Groups, responsible for the sectoral plans developed by each Cluster mentioned in the Action Plan. Their main responsibilities would include the consolidation of sectoral plans and ensuring that intra-African trade and regional integration is mainstreamed into national development policies/strategies. They would also be responsible of resource mobilization strategies, with a focus on domestic resource mobilisation. Additional funds could then be mobilized from development partners as necessary.

**28.** Technical Working Groups would have a membership of senior officials, private sector, civil society and experts in the various technical areas to guide and provide quality assurance at national level.

- **Regional Level**

**29.** At regional level, similar structures could be considered and replicated where they do not currently exist. It is envisaged that priorities will differ at the regional level, and this process will enable us to harmonise these priorities before they are integrated into a continental plan. This architecture, if adopted, will facilitate the task of developing a continental Implementation Strategy which is owned by the Member States and the RECs. Finally, the time available to finalise the Implementation Strategy is limited and needs to be concluded by the end of October 2012, prior to the next Conference of Trade Ministers, which is expected to consider this item before recommending the adoption by the High level Trade Committee.

**30.** On the fast tracking of the CFTA, the Commission will request the RECs to provide their Action Plans for completing FTAs by 2014 and indicating the key challenges and bottlenecks that need to be overcome with support from technical and political levels in order to move forward. Concurrently, the Commission will strengthen the inter-departmental committee on Boosting Intra-African in order to ensure alignment with various programmes and initiatives already underway. What is essential is to establish the monitoring function so that Ministers and Heads of State can be advised on key issues that need to be addressed to move the agenda forward.

## **VII CONCLUSION AND RECOMMENDATIONS**

**31.** The HATC submits to the Assembly the following:

- i) The present report and the enclosed HATC terms of reference;
- ii) The draft decision on Boosting Intra-African Trade and Fast Tracking the Continental Free Trade Area for adoption.

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