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06 - 10 August 2006

<u>Preparation Paper</u>

Economic Commission for Africa (ECA)

“Trade Facilitation in Africa - Challenges and Opportunities”

Honourable delegates,
Distinguished observers,

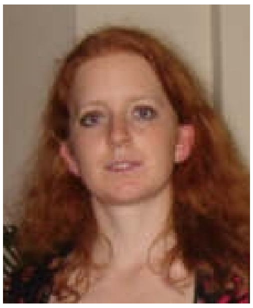
On behalf of the *Economic Commission for Africa* it is a pleasure for me to welcome you to the UN conference 2006, the VIMUN – a unique challenge for interacting with other highly motivated people from around the globe, challenging your diplomatic skills and debating real-impact issues in the original committees of the United Nations in Vienna. Apart from that, the VIMUN is a great opportunity and extraordinary event to become part of an international network of students and young professionals and an excellent platform to exchange knowledge and experience, as well as to get better insight into the working procedures of the United Nations. As a committed chairteam, it is our dearest aspiration that the debate about African-related issues will set new standards by illustrating the potential of a committee striving for solutions through joint efforts. Together we will negotiate and find common resolutions for our topic that should be more than bare theories, but realistic approaches to the problems. The following information in the form of the preparation paper will provide you with the basic knowledge concerning the topic of “Trade Facilitation in Africa” referring to one of the Commission’s six programme divisions “Trade and Regional Integration”. Therefore we kindly ask you to prepare yourself thoroughly to be in the position to actively participate in the debate as an appropriate representative of your country in the ECA. We want to add that the Commission’s main objective is the encouragement of economic co-operation among its member states. We are looking forward to hearing your diverse and elaborate contribution to the debate and are curious to witness your productiveness and co-operation result in promising resolutions.

Yours sincerely,
ECA-Team

Chairperson – Sarah Schübl

As a student of *International Business Administration* and *Economics*, as well as *Political Science* in Vienna I am persistently pursuing international challenges supporting my permanent self-development. Consequently, I am very much looking forward to getting to know enriching personalities from all over the world and controversial points of views not only in relation to the highly challenging topic of “Trade Facilitation in Africa”. My enthusiasm for the Model United Nation simulations started during the VIMUN 2000 and I hope you will enjoy the fruitful discussions during VIMUN 2006, too. For me, the VIMUN has been an enriching experience that has expanded my perception beyond country’s borders and I can only strongly encourage all delegates to prepare carefully and participate actively during the conference!

Co-Chairperson – Johanna Weberhofer



After having graduated from the University of St Andrews in Scotland with a degree in *International Relations* and *Arabic* in 2004, and a highly motivating internship at the ETC (human rights training centre) last year, I will soon graduate from the Diplomatic Academy of Vienna – the oldest secular diplomatic training school in the world! In looking to prepare myself for a career in international institutions, the opportunity to co-chair this exciting and dynamic committee will be a very formidable experience indeed – I cannot wait to meet you all, and to engage in lively (hopefully!) discussions on current African issues of global importance. MUNs have been a big part of my life since 2000, and have taken me inter alia to places as “exotic” as Istanbul, Sharm El-Sheikh (Egypt) and China as delegate or faculty advisor. These experiences have always been very eye-opening, especially when it came to learning how others viewed the very same issue we were discussing. Good luck in preparing for the conference, and don’t hesitate to contact me or Sarah if you have any questions!

Usher – Sara Helen Kaweesa

As a fresh person on the VIMUN Team, I eagerly await the August 2006 Conference for many a reason but most especially for a fact that it is one way of complementing academic experiences with professional development in yet another large international setting. Owing to a diverse background comprising biological sciences and education in both Africa and Europe, I can only and certainly say that I look forward to meeting new people, exchanging information and enjoying my role as an usher at the conference as we extend our horizons!

1. Introduction to the Committee

The UN has a rich number of agencies operating on the African continent. The most important and most influential of these agencies is the UN Economic Commission for Africa (ECA) with its headquarters in the Ethiopian capital of Addis Abbeba. The current Executive Secretary of the UN Economic Commission for Africa is Mr. Aboulie Janneh of Gambia, who leads the organisation at the rank of Under-Secretary General.

ECA (Economic Commission for Africa) was established in 1958 by the UN Economic and Social Committee (ECOSOC) as one of the five regional commissions under its supervision. ECOSOC, one of the five main bodies of the UN System, created ECA with the following objectives in mind:

- promoting economic and social development on the African continent
- maintaining and boosting economic relations between African and non-African countries
- encouraging the co-ordination of development policies

Created to establish co-operation among its member states (the nations of the African continent), the Economic Commission for Africa acts as the regional arm of the UN in Africa, and is mandated to support the economic and social development of its 53 member states under the administrative direction of the United Nations headquarters. All African countries except Western Sahara are members of the ECA. English, French as well as Arabic are the three UN working languages that are used in Africa, although Portuguese and Spanish are national languages in some countries in the region too.

The Commission is organised around its headquarters in Addis Abbea (Ethiopia), and includes five sub-regional offices whose task is to add a sub-regional perspective to the agenda of the Commission and to assist with various outreach activities. These sub-regional headquarters are found in the following countries: Cameroon (for Central Africa), Rwanda (East Africa), Morocco (North Africa), Niger (West Africa), and Zambia (Southern Africa).

The work, and thus the mandate of the Commission are divided into 6 substantive programme divisions:

- development policy and management
- economic and social policy
- gender and development
- information for development
- sustainable development
- trade and regional integration

The European Commission for Africa deploys several modalities and services to support its 53 member states: policy analysis (and advocacy), enhancing partnerships, technical assistance, communication and knowledge sharing, and supporting sub-regional activities.

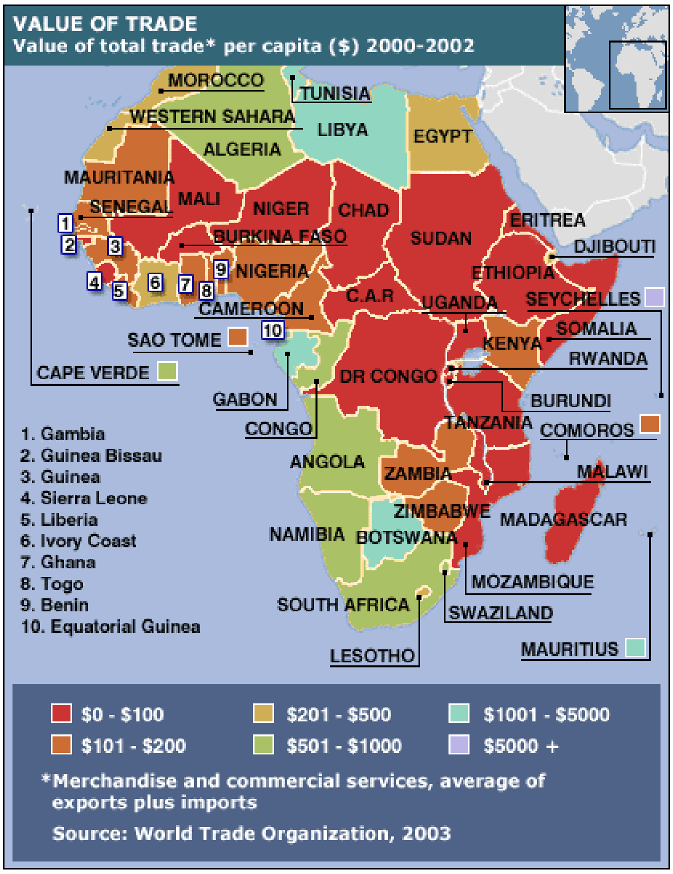
The activities of the ECA take place within the framework of ECOSOC, the principal organ of the UN to coordinate economic, social, and related work of five regional commissions (ECA being one of them), 10 functional commissions, and 14 UN specialised agencies. To quote from the official ECOSOC website: “The Council serves as the central forum for discussing international economic and social issues, and for formulating policy recommendations addressed to Member States and the United Nations system. It is responsible for promoting higher standards of living, full employment, and economic and social progress; identifying solutions to international economic, social and health problems; facilitating international cultural and educational co-operation; and encouraging universal respect for human rights and fundamental freedoms.[1]

The ECA serves as a policy advocate on critical development issues, as well as to encourage the initiatives and reforms necessary for economic and social advancement in Africa. The focus for advocacy is on internal and on external clientele. On the Africa continent, policy advocacy on behalf of the ECA includes the promotion of best practices in economic and social development, and sound policies to that effect.

[1] http://www.un.org/docs/ecosoc/ecosoc_background.html

2. Introduction to the topic

The African economy experienced its highest economic upward trend in the last decade. This improvement was underpinned by a strong global recovery, higher commodity prices and higher oil production plus increasing oil prices. Good macroeconomic management, better agricultural performance across the continent, improved political situations in many countries and continued donor support through aid and debt relief were contributing to this trend: *"Africa's real GDP is estimated to have grown by 5.1 percent in 2005, roughly the same rate that was achieved in 2004. ... the relatively high rates of growth recorded over the last five years confirm the continued recovery of African economies. ... Thus far [however] increased growth seems to have had a limited effect on poverty reduction. In fact, growth has largely concentrated in relatively capital-intensive sectors with little spillover effects on employment creation and on the rest of the economy*"[2] (United Nations, ECA). Consequently, other – more balanced – measures of trade facilitation and economic growth have to be taken into account in order to realize growth potential and finally reduce poverty. Consequently, Africa appears to be at the turning point of economic progression. Better leadership, economic and social performance and improvement in policies and institutions still showed impacts on the overall African development.



In general, Africa is rich in natural resources such as minerals, timber and oil, but trade with the rest of the world is often difficult, since factors such as poor infrastructure, government instability, corruption or the impact of Aids on the population of working age prevent efficient economic structures. Some countries observe international trade as unfair and as the developed world favouring. This point of view is mainly nourished by the argument that rich countries "dump" subsidised products on developing nations by undercutting local producers. In particular, the poor countries accuse the World Trade Organisation (WTO) of forcing developing nations to open their markets to the rest of the World but failing to lower rich countries' tariff barriers in return. In return, the WTO argues that low income countries receive special treatment, including exemption from some regulations that apply to richer nations.

2005 has been a vital year for Africa, though in future the intra-African as well as international encouragement of trade will depend on the individual countries. The figure established by the WTO 2003 shows the individual countries and their trade involvement on the basis of total trade value per capita in Africa. It provides a very good overview of the merchandise and commercial services in the different nations.

In regard to "Trade facilitation in Africa", aspects entail the simplification, standardization and harmonization of procedures and associated information flows required for moving goods from seller to buyer. These facilitating measures have the potential to save both governments and trade hundreds of billions of dollars in transaction costs. The Economic Commission for Africa will continuously support the work of the African Group in the current negotiations on trade facilitation as well as in the efforts by African countries to share "best practices" on trade facilitation processes.

The upcoming section will focus on three main elements or problem fields of Trade in Africa, namely "national issues", "intra-African issues" and "international issues" that should also be highlighted during the VIMUN 2006 debate. The prospects for boosting and diversifying Africa's export flows will largely depend on these aspects ranging from improved market access to FDI promotion and good governance.

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[2] http://www.africafocus.org/docs06/econ0601.php

3. National Issues

Building Capable States and Improving Governance

The prerequisites for any economic structure and sustainable growth as stated in the "World Bank Group Action Plan 2005" are the capable state and the good governance practice from individual countries. The New Partnership for Africa's Development (NEPAD) is one of the responses to the challenge of implementing sound governance and institutional capacity. The overall goal should be the strengthening of capacity and public expenditure management, which implies that states have to foster transparency, accountability and performance of key state institutions. The improvement of effective in-country capacity building and governance in connection with the fight against corruption are the most important issues to address. However, good governance practice has to be tailored to the different country circumstances. Apart from that, the implementation of improved governance will take time and sustained efforts to be established. In particular, the public sector has to introduce basic capacity and public expenditure management. Furthermore, capacity-building is highly required in post-conflict states in order to deliver essential services, since countries emerging from conflict are often constraint in their capability to deliver essential services, such as health, water supply, sanitation, and education critical for societal consolidation. The basic service delivery within the context of weak state capacity has to be enforced.

African leaders are already taking diverse actions at the regional level in order to resolve conflicts, improve governance and foster competitiveness in their own country. The certification of good practice in governance through the Africa Peer Review Mechanism (APRM) resulted in improved reputation of the region. Another initiative promoting better governance is the Extractive Industries Transparency Initiative (EITI). These programmes are important means for establishing trade flows within countries, Africa but also at an international level.

Economic growth

The African economy is highly influenced by public sector activities. Therefore, the African private sector is mainly underdeveloped, not least because of the high-cost and high-risk business performance. The costs of doing business in Africa are guessed to be about 20-40 percent above the average risk for other developing regions. As a result, the individual countries have to create investment incentives for African (and other entrepreneurs) to engage in business, as well as improving the investment climate in general. This economic turn can only be achieved through the commitment of Africa's senior political leaders supporting reforms in policies and institutions directly impacting the costs – regulatory costs, unsecured land property rights, inadequate and high cost infrastructure or ineffective judiciary systems of doing business. A durable improvement in the policy and institutional environment is still recognizable across a growing number of countries, as well as the inflation stabilized.

Simultaneously, the specific requirements of African enterprises that are mainly micro, small or medium enterprises have to be noticed when implementing reforms. In particular, these African enterprises suffer limited access to financing instruments, a restrictive business environment with strong incentive for informality, as well as poor management and technical capacity in addition to difficult access to information. Apart from that, the African states have to strive toward closing the infrastructure gap. Infrastructure investment requires further reforms improving performance, regional transmission networks, and expansion of access in rural and peri-urban areas. Furthermore, the necessary transportation infrastructure has to be established in accordance with the main trade routes. In particular, the road networks have to be rehabilitated and independent financing and management mechanisms established. In regard to the water supply and sanitation, necessary reform programmes have to be introduced to expand services guaranteeing sufficient water and sanitation offer. Thus, significant scale-up financing for infrastructure has been decided, as well as additional donor support for infrastructure mobilized.

Aside from the infrastructural requirements, African states need to increase the quality and the relevance of post primary education systems that again will improve technological know-how and innovations. The training of skills is poorly financed in many African countries failing to establish the adequate preparation for the labour market. Consequently, national innovation systems are still nascent. Additionally, very few relations are existent between firms and local repositories of knowledge and skills such as universities, centres of excellences or technical institutes. This again implies that the potential for a knowledge-driven transformation of local economies is restricted leading to an unfavourable investment climate and unattractive labour conditions for investors.
In regard to efficiency, African countries have to make agriculture more productive and sustainable to accelerate growth in this region. This can mainly be addressed by abolishing domestic barriers to higher

farm productivity at the national level. Besides, international advocacy can be helpful in dismantling obstacles to agricultural production and exports. Physical investment in agriculture, particularly for irrigation, water resource management, rural roads and other infrastructure, research and extension is necessary. Furthermore, public service delivery in rural areas, as well as higher productivity through the use of more fertilizers and improved agricultural practice enhanced. The African countries have to develop programmes for further expand investments in agriculture science and technology in order to fortify national innovation systems in agriculture as intended in the World Bank Group Action Plan 2005. Consequently, agricultural trends have to be regarded, as well as productivity and output assessed and appropriate feedback tools developed.

Little or no growth countries		Slow growing countries		Sustained growing countries		Oil countries	
Median growth: 1.7% Range = -2.4~2.7% 31% of Africa population		Median growth:3.5% Range = 0.5~2.0% 6% of population		Median growth: 5.2% Range =4.2~10.0% 35% of population		Median growth: 5.2% Range = 1.7~23.2% 29% of population	
Zambia	2.7	Guinea	4.0	Rwanda	10.0	Equatorial Guinea	23.2
Sao Tome & Principe	2.7	Gambia	3.9	Mozambique	8.2	Angola	6.7
Lesotho	2.7	Seychelles	3.5	Uganda	6.5	Sudan	6.2
Madagascar	2.7	Niger	3.5	Mali	6.1	Chad	4.3
South Africa	2.6	Togo	3.4	Cape Verde	6.0	Nigeria	3.1
Cote d'Ivoire	2.1	Namibia	3.3	Botswana	5.8	Congo	2.8
Central Afr. Republic	1.9	Swaziland	3.1	Benin	5.3	Gabon	1.7
Kenya	1.7	Malawi	3.0	Mauritius	5.2		
Eritrea	1.6			Senegal	5.0		
Comoros	1.5			Tanzania	4.8		
Burundi	0.0			Cameroon	4.7		
Zimbabwe	-0.8			Ethiopia	4.6		
Guinea-Bissau	-1.2			Burkina Faso	4.5		
Sierra Leone	-1.8			Ghana	4.3		
Congo, Dem. Rep.	-2.4			Mauritania	4.2		

Table: Average Annual GDP Growth betw. 1995-2004, Source: World Bank Group Action Plan (2005): 4.

Nevertheless, it should be mentioned that economic growth will not be effective to reach the Millennium Development Goals and reduce poverty by 2015. Instead economic growth has to be shared and poor and other excluded groups such as women have to participate in and benefit from growth modifications. Therefore, it is essential to establish a connection between the poor or women and the market as major success factor for future social change. However, the fastest growing countries have done relatively well in terms of poverty reduction and are most likely to meet the income poverty MDG target of halving poverty by 2015.

Trade Facilitation

Nation states have to create the necessary preconditions to push exportations. In particular, export competitiveness, growth and diversification are essential to achieve long-term growth and poverty decline in Africa. The World Bank Group Action Plan 2005 indicates that although the global rate of trade has increased immoderately over the last three decades, Africa’s share of world exports has dropped from 3.5 percent in 1970 to less than 2.0 percent in 2003. The limited market access abroad and protectionist practices are other main reasons for poor trade development that can only partly influenced by national policy. In addition to that, the basic market institutions in Africa are missing, as well as adequate infrastructure, highly performing customs and functioning trade-related services, as well as the appropriate access to finance. Even though an increasing number of African states realized the weak basic trade arrangements, only few countries stepped forward to implement powerful programmes such as the 23 Sub-Saharan countries that increased financial trade support.

Resolutions

Resolutions should focus on the different country problems in accordance with the above mentioned issues. It is obvious that trade commitment and the facilitation of trade is dependent on various factors and cannot be easily enhanced by single measures. Therefore we expect all delegates to bear the national barriers in mind when writing resolutions. Lastly, significant and measurable outcomes at the countries should be reached with the undertaken action or programme.

4. Regional Issues

Trade Facilitation in Africa: Inner-African perspective

The African continent continues to present the world with formidable challenges in the field of development. Recent WorldBank-reports confirm that almost ¾ of the world's poorest nations (34 out of 38) are situated in Africa. Furthermore, only a few African nations are on track to meet many of the MDGs, that set a powerful agenda for a global partnership against poverty. In other words, the aspirations that are outlined in the 8 development goals and its associated targets and indicators represent "a powerful framework for action.[3]

The ECA will avail itself of this framework for action that the MDGs as a whole represent, and will focus on challenges and opportunities in the field of trade facilitation. Achieving the MDGs by 2015 is inextricably linked to faster and more focused progress on economic growth, notably through trade facilitation. The 2006-session of ECA will avail itself of this framework for action that the MDGs as a whole represent, and will focus on challenges and opportunities in the field of trade facilitation. African leadership has successfully attempted to take leadership with regards to conflict resolution, good governance as well as poverty reduction at a regional level too. The MDGs provide a useful template along which an African solution can be crafted towards the attainment of trade facilitation for Africa as a means to reduce poverty on the continent.

This committee will explore multifaceted approaches to trade facilitation in the African context, key challenges, opportunities that have presented themselves, possible African solutions and corresponding measures taken at the national and international level. Inner-African aspects of the issue of trade facilitation will highlight previous regional attempts at highlighting the problem and discuss to what extent these various attempts at trade facilitation worked and if there is room for further improvement. In this process, delegates will exchange policy opinions on the following issues: regional trade networks in the financial sector, intra-African trade (tax advantages, etc.), free-trade arrangements and government participation in foreign fairs and exhibitions, the application of international standards to the African situation, and last but not least regional integration efforts.

To that effect, the institution of *African Development Indicators (ADIs)* put together economic, social and environmental data from a variety of sources to present a broad picture of development across Africa.

Most African countries have already recognized the benefits of regional integration and participate in at least one regional arrangement. While past performance has been mixed, there is renewed momentum for a more pragmatic approach to regional integration. In addition, the New Partnership for Africa Development Initiative (NEPAD) led by African leaders, has identified regional integration as one of its priorities to overcome the fragmentation of the continent and to reduce Africa's economic marginalization. To support this trend, the World Bank and other international institutions have created departments for the development of strategies to be implemented in the various African sub-regions by way of regional projects and programs, in particular in the trade and infrastructure sector.

Regional Integration

As stated in official UN documents[4], for example the Millennium Declaration of 8 September 2000, the MDGs are country goals, and not regional ones. It is for this reason that the ECA and African IOs like NEPAD and AU occupy a facilitative role, assisting the countries to set policies and projects for the realization of these goals. ECA is fully committed to supporting regional integration in Africa, and closely co-operates with African ministers on the modalities for the eventual acceleration of regional integration efforts. From 12-14 April 2006, African ministers of trade meet in the Kenyan capital Nairobi to review progress on measures to increase intra-African trade, current WTO-negotiations, and negotiations for the new Economic Partnerships Agreements (EPAs) with the European Union (for details: April 2006-edition of TRIDNews[5]).

At a recent ECA-trade forum meeting, African ministers with a portfolio for regional integration called for an increased support for the acceleration of the timetable for achieving an African Economic Community, as well as the coordination, harmonisation and rationalisation of the policies and programmes of the

[3] www.mdgender.net
[4] http://www.undp.org/mdg/undps_role_regional_africa.shtml
[5] www.uneca.org/trid

regional economic communities on the African continent. Additionally, African regional economic communities were urged to put a higher emphasis on the four freedoms (free movement of persons, goods, capital and services) in cross-border transactions in order to strengthen further efforts at regional integration.

African trade ministers have consistently reaffirmed their commitment to common positions with the ACP-countries on WTO-issues, also with regards to the ongoing Doha Round. It is expected that the success of these multiple rounds of trade negotiations is measured against so-called development benchmarks adopted by African countries. A particular point of concern in this context is the agricultural market, where the need for progress is expected to be achieved through a tariff reduction formula, special products, special safeguard measures, preferences and, finally, commodities. In the face of commodity-dependent countries, any resolution on trade facilitation in Africa should also deal with their concerns as commodity-dependent countries continue to suffer price declines and unpredictable fluctuations, in addition to supply-side constraints faced by most countries across the entire continent. In this context, development partners are called upon to adequately finance trade-related technical assistance programmes as part of existing delivery mechanisms. Another important point that is always made related to the requested consistency of trade agreements with the constitutive act of the African Union and the treaty establishing the African Economic Community.

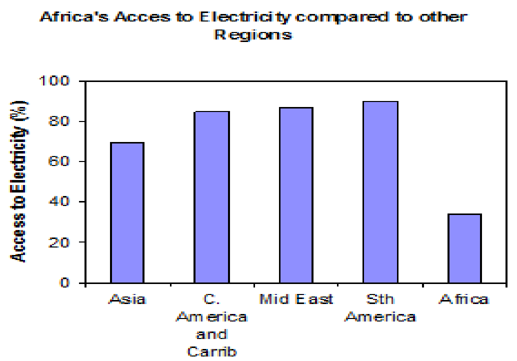
The launch by the African Union in 2001 of NEPAD for bringing regional co-operation into the mainstream of African development has reaffirmed the political commitment of African countries to integration in order to facilitate trade. Even though the pace of NEPAD's implementation process has been slow to date, the enthusiasm of the continent to design a "vision and strategic framework for Africa's renewal"[6] remains unhampered. In this context, most projects supported by the EU and the World Bank are regional in scope, and encompass regional infrastructure projects and regional capacity development, including transport corridors, inter-connected power systems, and improvement and rationalisation of systems for post-secondary level education inter alia.

In order to halt the marginalisation of Africa in the globalisation process and enhance its full and beneficial integration into the global economy, NEPAD has outlined priorities and key priority action areas:

- operationalisation of the African Peer Review Mechanism
- short-term regional infrastructure programmes (transport energy, IT, water, sanitation)
- food security and agricultural development programs in all African sub-regions
- work towards a co-ordinated African position on market access, debt relief and ODA reforms
- establishing conditions for sustainable development through regional co-operation and integrations amongst other things
- policy reform and increased investment in, for example, intra-African trade and improving access to markets of the developed world
- mobilisation of resources (see "international issues" for details)

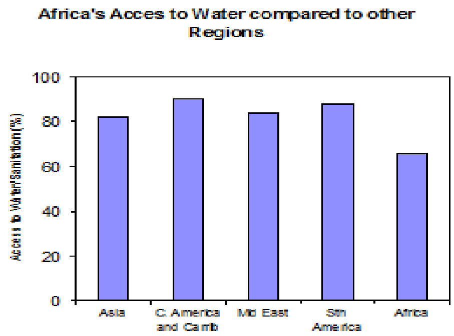
Appropriate infrastructure is regarded as a key lever for trade facilitation, and, consequently, development. The issue of infrastructure cuts across all sectors of activity and contributes to the improvement of public welfare by providing services to those who need it, thereby contributing to a great extent to the attainment of the UN MDGs. Adequate levels of infrastructure also attracts private investments in other areas of the economy. Inadequate resources to finance investments in key sectors such as agriculture, education and health constitute a major constraint on African countries. They, in turn, are largely incapable of increasing their domestic resource mobilisation capacity owing to low average incomes and savings.

Chart 1



[6] www.nepad.org

Chart 2



The African Development Bank (ADB) estimates that for the 30 or so African countries in need of additional external assistance, and in a position to use aid effectively, the requisite increase in assistance is in the order of US$ 20 to 25 billion per year. Since its establishment, the ADB Group has approved a large number of loans, grants and debt relief operations to its regional member countries. This has been made possible by resources mobilized from the capital markets through its ADB window and from donors through the ADF and NTF windows. Over the last decade alone, the ADB Group has mobilized a total of $25 billion to support the development efforts of its regional member countries.

In infrastructure, the Bank has drawn up a NEPAD Infrastructure Short Term Action Plan (STAP), which outlines priority investment projects and programs for the period 2002-2007 in the energy, transport, water and sanitation, and Information and Communications Technology (ICT) sectors. The estimated total investment cost of the projects included in the short-term action plan is approximately $8 billion, half of which is envisaged to be financed by the private sector. The Bank has already approved $520 million to finance projects identified in the plan, and has mobilized a further $1.6 billion from other sources to co-finance these projects. A special NEPAD multi-donor infrastructure facility to assist regional economic communities and countries in the preparation of bankable infrastructure projects has been established. The fund was seeded with a grant of C$10 million from the Canadian government.[7]

The following regional African organisations are players when it comes to the issue of trade facilitation, with different degrees of influence (if at all): African Union, CEEAC/EECAS (Economic Community of Central African States), COMESA (Common Market of Eastern and Southern Africa), ECOWAS (Economic Community of West African States), NEPAD, SADC (Southern African Development Community) and UEMOA (Economic and Monetary Union of West Africa).

The role of the African Union is well-known, whereas the now inactive EECAS has had to scale down its efforts to promote regional co-operation and the establishment of a Central African common market due to the non-payment of membership fees by its member states since 1992. One of the main objectives of COMESA has been the establishment of a Free Trade Area (FTA) by the year 2000 and all countries are supposed to have reduced tariffs by 80% as at October 1996. In fact, only 5 countries (Comoros, Eritrea, Sudan, Uganda and Zimbabwe) have reached this level, with Kenya, Malawi and Mauritius on 70% and processing the 80% level. Tanzania is also currently processing the 80% tariff reduction, which is now before parliament. All other countries, except Angola, Ethiopia and Zaire (which have yet to reduced tariffs by the 60% reduction rate), and those countries which still enjoy a derogation from publishing these tariffs (Lesotho, Swaziland and Namibia) have reduced tariffs by either 60% or 70%. ECOWAS, founded in 1975, is a regional group of fifteen countries. Its mission is to promote economic integration in "all fields of economic activity, particularly industry, transport, telecommunications, energy, agriculture, natural resources, commerce, monetary and financial questions, social and cultural matters...". SADC was founded in Lusaka, Zambia, in 1980, following the adoption of the Lusaka Declaration - Southern Africa: Towards Economic Liberation, with the main aim of coordinating development projects in order to lessen economic dependence on the then apartheid South Africa.

Resolution

Questions a resolution must answer should include the best mechanisms for the promotion of economic growth, and prioritisation of investment by the AU and other regional organisations in terms of cross-continental development. It follows that the issue of regional economic integration efforts will permeate any discussion of trade facilitation that emanates from a regional perspective. Finally, delegates should aim at bringing their respective country positions in line with the MDGs of the United Nations, and also try to address the question of independence of individual government policy and the concerns it raises over sovereignty.

[7] www.nepad.org

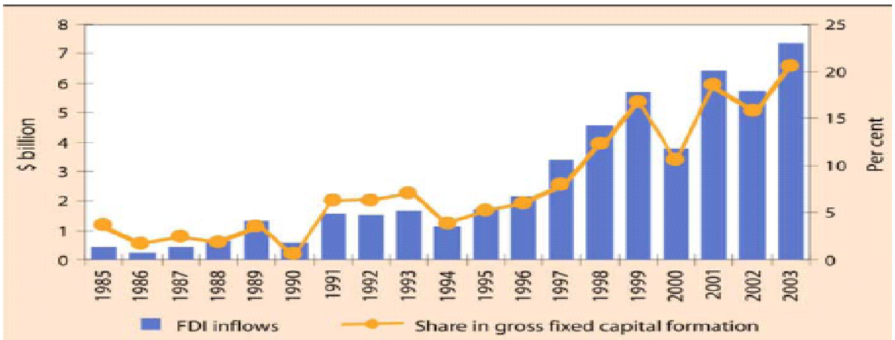
5. International Issues

Improving market access for African exports

The access to foreign markets is another barrier that prevents substantive trade development. Furthermore, protectionist practices have to be reduced such as subsidies in foreign markets. The Doha Round will have a significant positive impact on the African countries, since they can benefit from opened industrial countries and other developing country markets for specific crops. Despite a commitment under Uruguay (known as Uruguay Round) to reduce import duties, some developing country products exported to industrial nations, such as sugar, metals, cereals and textiles, continue to face tariff barriers, in some cases of more than 100 per cent. African ministers also went to Doha hoping to obtain binding commitments from rich countries to reduce the agricultural subsidies that enable the North to export cheap food to developing countries, to the detriment of farmers in the South. As well, they wanted binding commitments on food aid, grants and technical assistance from the industrialized countries, as compensation for the negative impact of removing agricultural import barriers. Finally, they sought an explicit affirmation that safeguards on intellectual property rights could be overridden for public health purposes, without fear of triggering trade sanctions or legal challenges. Additionally, Africa can profit from a reduction of barriers in non-agricultural sectors, especially in other developing country markets (e.g. Latin America). On the other hand, multilateral liberalization by the US and EU would erode the benefits of preferential access granted to many African countries and lead to a significant decline in agricultural subsidies hurting the big food importers in Africa.

Promoting foreign direct investment (FDI) in Africa

Foreign direct investment (FDI) represents an important source of finance for developing countries. Since investments are important means for economic growth and poverty reduction in Africa, the African countries have to develop incentives to create an internationally open investment climate and attract foreign investors. When these countries were able to attract multinational companies, it was principally the result of their (abundant) natural resources and the size of their domestic market. Generally spoken, FDI in Africa is relatively low, volatile, and highly concentrated in a few countries. For example, US FDI focuses on the Sub-Saharan African region, mainly in the manufacturing sector in South Africa, and the petroleum industry in Nigeria and Angola. "*The rate of return on FDI was highest in Sub-Saharan Africa, compared with other regions in the world, perhaps because, given perceived higher risks in the region, investors chose only high-return projects*." (World Bank 2003). FDI inflows to Africa in 2003 grew by 28%, to $15 billion, in contrast to the fall in 2002 of 40%. But the volume was still below the peak recorded in 2001 (figure II.2). The recovery was led by investment in natural resources and facilitated by the continued liberalization of FDI policies. FDI inflows as a percentage of gross fixed capital formation also grew, from 12% in 2002 to 14% in 2003, the second highest level in the past decade (see figure). However, the picture varied for different countries: there was an increase in inflows in 36 countries and a decline in 17.



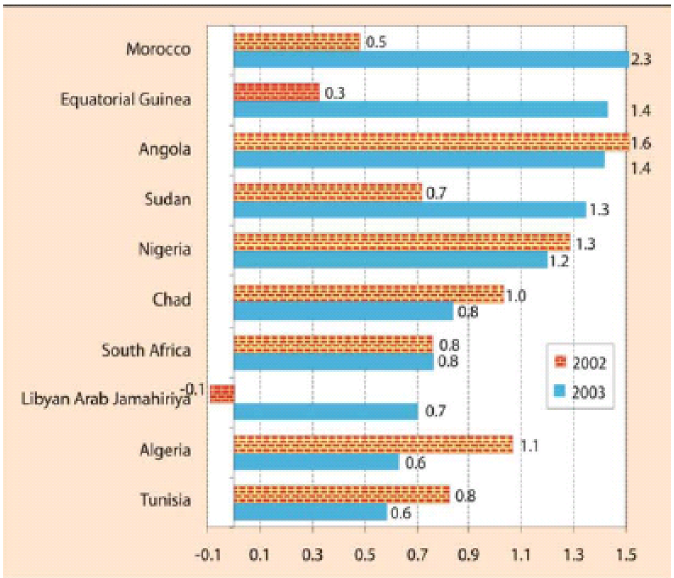
Source: UNCTAD, FDI/TNC database (www.unctad.org/fdistatistics).

Figure: FDI inflows and their share in gross fixed capital formation, 1985-2003

The value of M&A sales also grew, from $4.7 billion in 2002 to $6.4 billion in 2003. Although Africa's potential for obtaining FDI through privatization has diminished in several countries, the prospects for

2004 are quite good, mainly because of bullish commodity markets (in diamonds, gold, oil, platinum). As regards outward FDI, Africa (except for South Africa) remains a minor player (World Investment Report 2004).

A great amount of investment is key to countries in the region to benefit from development assistance. However, most African countries still show great obstacles concerning a healthy foreign direct investment environment in political and economic terms. Over the years, only the countries Nigeria and Angola have been able to successfully attract foreign investors because of their comparative location advantage in oil despite their unstable political and economic environments. It has been argued that the reforms in many African countries have been incomplete and thus have not fully convinced foreign investors to develop activities that are not dependent on natural resources and aimed at regional and global markets. In particular, obstacles such as new business entry, as well as poor governance limited property rights protection, weak market institutions, and underdeveloped infrastructure prevent foreign investors from establishing successful business in Africa. Nevertheless, FDI inflows to Africa increased from $12 billion in 2002 to $15 billion in 2003. A number of LDCs were among the top ten countries attracting the most FDI in 2003 including Angola, Chad, Equatorial Guinea and the Sudan. Petroleum exploration and extraction received the most FDI in Algeria, Angola, Chad, the Libyan Arab Jamahiriya, Nigeria and the Sudan. Among the countries in the league of the top ten recipients, Morocco was the number one recipient: inflows rose from $480 million in 2002 to $2.3 billion in 2003, thanks to privatizations (World Investm. Report 2004).



Source: UNCTAD, FDI/TNC database (www.unctad.org/fdistatistics).

a Ranked on the basis of the magnitude of 2003 FDI inflows.

Figure: Africa: top 10 recipients of FDI inflows, 2002, 2003a

African countries continued to liberalize their FDI policies increase their efforts to attract more FDI or initiated action in these respects. Burundi, Kenya, Nigeria and Rwanda resumed economic reforms, privatization and liberalization, further reducing their restrictions on foreign investors. Much of the privatization was related to infrastructure development (World Investment Report 2004).

UNCTAD projects FDI inflows in Africa to increase further in 2004. A large part of this increase will come from investment in natural resource exploitation, and will be driven by higher economic growth, an optimistic global commodities market and improving investor perceptions (World Investment Report 2004).

Resolution

Resolutions concentrating on international trade facilitation should also emphasize the mentioned issues in accordance with the individual country positions. Consequently, propositions regarding FDI, foreign market access, etc. should also include international point of views, in particular from the WTO, EU or other institutions. Apart from that, delegates should approach the question “what are the economic and political variables that influence FDI flows to Africa” in order to establish interesting resolutions.

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