Political Energy and Private Sector Engagement Required to Boost Intra-African Trade

10 May 2012

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- The political energy of regional leaders is required to remove bottlenecks to intra-African trade
- For Africa to realize its potential as a global trade powerhouse, the private sector must engage and convince governments to create a conducive business environment
- The lesson from Aid for Trade is that when countries have their priorities right, resources are available
- For more information about the meeting, please visit: http://wef.ch/africa2012

Addis Ababa, Ethiopia, 10 May 2012 – It is time to move past diagnosis of why African countries do not trade nearly enough with each other or to the degree that they should or could, Pascal Lamy, Director-General, World Trade Organization (WTO), Geneva, told participants at the World Economic Forum on Africa. "[The issue] of boosting intra-African trade is not so much the diagnosis on what needs to be done, but on how to do it," he said. "We know that the necessary initiatives have to happen at the regional level. Regional organizations have to address these problems one by one. The key to removing these bottlenecks lies in the political energy of regional leaders to do it."

Myriad bottlenecks include inadequate or non-existent infrastructure, length complex procedures, inefficient border administrations, regulatory discrepancies that hamper trade and economies of scale, and more recently the tightening up of trade finance. "Trade finance is the oil of trade and there is a potential problem given new financial regulations that have been developed worldwide since the financial crisis," Lamy added.

Africa's trade landscape is characterized by a patchwork of trade rules and regulations that make cross-border trade cumbersome and, at times, impossible. The regulatory environment across the continent must be harmonized if Africa is to realize its potential as a global trade powerhouse. However, African companies cannot become global players until they capture regional markets, warned Jaidev R. Shroff, Chief Executive Officer, United Phosphorus (UPL), India. "There is a lot of talk about Africa becoming a global supplier of food, energy, minerals, etc., but until governments make the business environment more competitive, it is going to be very difficult to achieve. And, unless you capture regional markets, you cannot be a global player," he said.

For Mekonnen Manyazewal, Minister of Industry of Ethiopia, infrastructure and the capacity to manage and facilitate trade is "a basic", but the need to reduce costs and diversify countries' economic base are paramount. "The issue of increasing our productive capacity and diversifying our products are key for trading. [Countries] also need to diversify their economic bases," he said. "It is time to look for quick wins by analysing the value chains from production to the markets and find the constraints that can be overcome through better coordination, better administration and efficiency."

Manyazewal called on the private sector to invest in Africa's productive capacity. Both Lamy and Jean-Louis Ekra, President and Chairman of the Board of Directors, African Export-Import Bank, Egypt, called on the private sector to engage and mobilize and create bottom-up pressure on politicians to address the issues of trade openness and competitiveness.

"A few African entrepreneurs understand trade issues. It is important that they build capacity on these issues so they can put pressure on the government to negotiate in their favour," said Ekra. In the wake of the financial crisis, many national banks are cautious, which is why one of the roles of the African Export-Import Bank is to allow banks to feel more secure about instrument issued by other banks. The private sector needs to engage in this issue. "Once the African private sector talks to itself and speaks with one voice, there are grounds to improve and increase the level of transactions among them, ” he said.

Mahmoud Eisa, Minister of Industry and Foreign Trade of Egypt, pointed out that Africa should have a target to increase its percentage of global trade from 4% and should set a target for intra-African trade. But trade without infrastructure “ will always be an intention rather than an accomplishment ” . Transport and communications are critical, but so is infrastructure such as laboratories, regulation and trade policies. Eisa pointed to the European Union, where trade regulations are harmonized, as a model. He also called for stronger standardization in the light of a “ weak ” African Regional Organization for Standardization.

All panellists agreed that for Africa to realize its potential and create economic benefits for its people, there must be a transformation by adding value to the continent ’ s natural resources. Lamy pointed out that once national governments “ get their priorities ” clear, there is funding available.

“ African countries and regions need to set up a list of priorities of what needs to be done and do it. It is not a problem of resources – we have the resources, ” he said. “ The Aid for Trade lesson is that once countries have their priorities clear, money is not a problem. ”

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