Trade and regional integration

- Basic principles
- The EU-Africa Strategy
- The EU-Africa Action Plan
- Economic Partnership Agreements (EPAs)
- What Africa needs: More investment

Regional integration in Africa: Principles

Why regional integration?

- Enhancing growth and competitiveness: improved business opportunities
- Economies of scale
- The benefits of common rules
- The need to provide regional public goods
- Overall objectives: peace and development

Regional integration in Africa: Principles

How regional integration?

- Facilitating trade in practice: infrastructures
- Harmonising rules to unify markets
- Regional integration as a stepping stone for full participation in the global economy (EPAs)

The EU-Africa Strategy: Two pillars

"Raising potential":

- Private sector development
- Infrastructures

"Improving opportunities"

- RECs as building blocks of the continental integration process
- Cooperating on standards and regulation

The EU-Africa Action Plan

Focus on concrete deliverables:

- Support the African integration agendas (both at regional and pan-African levels)
- Strengthen African capacities in the area of rules, standards and quality control

EPAs: Basic principles

- A new trade and development partnership (reciprocal, yet asymmetrical, agreements)
- An improved business environment: legally-safe agreements, better rules
- A key instrument to support regional integration
- An ambitious development package

EPAs: The two step approach

- Until end 2007: focus on market access/non-LDCs (WTO-compatible agreements, including development cooperation)
- From 2008 onwards: further negotiations and completion of full regional EPAs (trade-related rules)

EPAs: Who's already concluded?(I)

First-step agreements

- EAC: all 5 members
- SADC: Botswana, Lesotho, Swaziland, Mozambique
- ESA: Seychelles, Zimbabwe, Mauritius
- Pacific: Papua New-Guinea, Fidji

EPAs: Who's already concluded?(II)

Ongoing negotiations

- Western Africa: first-step with Côte d'Ivoire and Ghana (close to conclusion)
- Central Africa: first-step with Cameroon and Gabon
- Caribbean: full EPA with whole region

Growing Investment…

- FDI soared in 2006 to reach $1,306 billion, a growth of 38% from the previous year
- Despite this increase, Africa's share of total FDI decreased from 3.1% in 2005 to 2.7% in 2006

…but distributed unevenly

- The top ten countries received 90% of this inflow with Egypt alone getting more than $ 10 billion, followed by Nigeria.
- The bulk of this FDI is due to the search for new natural resource reserves, especially oil, which explains that LDCs (including Burundi, Djibouti, Ethiopia, Guinea-Bissau and Madagascar) accounted for 23% of the FDI.
- The bulk of the investment goes to the mining and extractive sector and fails to fertilize the economies of the countries concerned as it should.

Need to spread its impact

- Hence the EU strategy to boost investment in the manufacturing sector to develop local value addition,
- By improving the business climate (infrastructure, legislations, regulatory frameworks),
- By strengthening local and regional markets that can absorb increased production of goods and services,
- And by providing seed money through the Investment Facility managed by the European Investment Bank.