



**5<sup>th</sup> AFRICAN UNION /  
REGIONAL ECONOMIC  
COMMUNITIES SUB  
COMMITTEE MEETING ON  
CUSTOMS COOPERATION**

29 - 31 August 2012  
Addis Ababa  
Ethiopia

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# **AIDE-MEMOIRE**

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### **Introduction**

1. The Commission of the African Union envisages holding of a 5<sup>th</sup> AUC / RECs Sub Committee meeting on Customs Cooperation from 29-31 August 2012 at the Headquarters of the African Union Commission in Addis Ababa, Ethiopia. The meeting is organized following a decision made by the Heads of State and Government of the AU, meeting in the 18<sup>th</sup> Ordinary Session of their Assembly on the theme “Boosting Intra African Trade”; to establish a Continental Free Trade Area (CFTA) by an indicative date of 2017. This therefore calls upon for the proper coordination of the Customs projects and programmes between the Customs Cooperation Division of the Commission and the Customs Departments of the RECs.

2. One of the strongest justifications for the establishment of a CFTA is the overriding desire for greater economic independence and development, which in turn is expected to enhance the lives of the people through eradication of poverty.

### **Africa's Integration Initiatives**

3. The framework for continental integration has been laid down in the Abuja Treaty (1991) which came into operation in May 1994, establishing the African Economic Community and later confirmed by the Constitutive Act of the African Union (AU). Despite the adoption and implementation of various initiatives, results of Africa's regional integration agenda remain mixed. Whereas certain RECs have achieved tangible outcomes in some specific sectors, others have had relatively disappointing results in so far attaining the objectives of the Abuja Treaty is concerned. COMESA, EAC, ECCAS, ECOWAS and SADC have already set up Free Trade Areas, while CEN-SAD and IGAD are still in the process of doing so. While EAC has a fully operational Customs Union, COMESA launched its initiative in June 2009, with an envisaged implementation period of three years. In Central Africa, ECCAS is collaborating with CEMAC towards harmonization of their programmes. Negotiations under the Tripartite which are currently under way are expected to be concluded in 2014. With the East and South Tripartite already in the making, the North-West-Centre Tripartite becomes equally desirable.

### **Benefits of the Continental Free Trade Area**

4. Two decades after the Abuja treaty was signed, both intra-African and external trade have remained stubbornly low (UNECA 2010), thus it came as no surprise when in November 2010, AU ministers of trade strongly recommended fast tracking the CFTA, a position finally decided upon by the AU Heads of State and Government in the 18<sup>th</sup> Ordinary Session of their Assembly. Intra-African trade which is heavily impeded by NTBs, burdensome customs procedures, lengthy port handling and poor inland transport has remained relatively low. In 2009, it accounted for only 11 per cent of the continent's total trade, increasing by only 1 per cent from 9.7 per cent realised in 2000.

5. The theoretical literature shows a wide consensus that FTAs' most important benefits are heavily anchored in the expected gains from an enlarged market. With free and unrestricted movement of goods and services, investment is expected to more easily respond to the laws of supply and demand, thus leading to more efficient resource allocation.

Dynamic gains from FTAs are attained over a long period, mainly from economies of scale (due to an enlarged market); efficiency gains (due to the competitive environment and technology transfer) and increased FDI flows. The most important economic gains may be realised from the cheaper unit costs induced by economic cooperation and coordination of policies (De Melo, Panagariya and Rodrick, 1993).

6. The major contribution on the welfare implications of continental FTAs was advanced by Krugman (1991), who strongly argued that neighbouring countries have a tendency to trade among themselves. The CFTA, as well as boosting intra –African trade, can bridge the disconnect, in physical infrastructure and trade, between Southern and Eastern Africa on one hand, and Northern, Western and Central Africa on the other.

7. However, to fully reap the benefits of an FTA, members have to meet certain conditions which include stable and predictable trade policy environment, trade facilitation measures and encouraging competition among firms in the region amongst others.

### **Elaboration of the Strategic plan of the African Union**

8. Against this background and with the election of a new Commission, a new Strategic Plan will be elaborated. Following Decision EX.CL/720(XXI)ii of the July 2012 Executive Council, the Commission has been mandated to immediately start the process for preparation of the 2014-2017 Strategic Plan, taking into consideration the recommendations of the Review Report on the Implementation of the 2009-2012 Strategic Plan, and in particular and among others, the involvement of stakeholders such as Member States, other organs of the Union, the NEPAD Agency, the RECs and the Civil Society;

### **Objectives and Scope of the Meeting**

9. The meeting will therefore be expected to focus on the elaboration of a Continental Customs Strategic Plan taking into account the work already being done by the RECs. It is also envisaged that the meeting will also reflect on the milestones to be achieved in Customs in so far acceleration of the Continental Free Trade Area is concerned.

### **Expected Output and Outcome**

10. The meeting will agree on the framework of the Plan, its structure and articulation, the modalities for its elaboration and the time frame for its finalisation. The report of this exercise will initially be presented to the AUSCDGC and the AUC-RECs Committee on Coordination and the final document, once completed and agreed upon, will be incorporated into the grand Strategic Plan 2014 – 2017 of the Union.

### **Participants**

11. The meeting will comprise of the following participants:

- Customs Departments of the RECs;
- Staff of the Customs Cooperation Division of the Commission
- Representatives of other departments of the Commission (Economic Affairs, Bureau of the Legal Counsel, Rural Economy & Agriculture etc.)
- Representatives of the UNECA and ATPC
- Representatives of the AfDB
- One observer from each of the following Customs administrations: (i) Nigeria Customs Service (current chair of the AUSCDGC) and (ii) Ethiopian Revenue and Customs Authority (host country)

## Information

12. The following staff can be contacted for further information relating to this Meeting:

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Trade and Industry Department  
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