

**Commemorative Luncheon of the 40th Anniversary of the European
Business Council for Africa and the Mediterranean**

Statement by Mr Achille BASSILEKIN

Assistant Secretary General

Secretariat of the African, Caribbean and Pacific Group of States

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Mr Chairman of EBCAM,
Mr Commissioner Karel de Gucht,
Distinguished Guests,
Ladies and Gentlemen,

At the outset, I would first like to convey the sincere regrets of the new ACP Secretary General for not being able to participate at this commemorative luncheon marking the 40th anniversary of the your confederation due to another important commitment taken before the reception of your invitation. However, he will seize the first opportunity next time to address your august body.

Over the last decades, the African, Caribbean and Pacific Group of States and the European Business Council for Africa and the Mediterranean developed a good relationship and we are fully committed to expand not only the business, Trade and investment opportunities between your members and the ACP, but also to strengthen the dialogue that should catalyze this relationship; and our presence here today is just a testimony of that collaborative process.

EBCAM so far has accompanied ACP Group in specific significant occasions, like the on-going negotiations under the Economic Partnership agreements between the EU and ACP regions, the initiation of some Public-Private Partnerships between actors on both sides and it is our hope that this dialogue will be deepened now that the European Commission is shaping elements of the Future EU support to ACP private sector development for the 11th EDF.

Mr Chairman,
Distinguished Guests,

At its inception in 1975, and perhaps even earlier during the Yaoundé Conventions, the ACP Group was primarily intended to be an agent of development through promotion of better trade relations with the EU. After Lomé IV and the emergence of the Cotonou Agreement in the year 2000, our relations have gone beyond trade and

development cooperation to encompass issues of political dialogue, environment and culture within the framework of sustainable development and poverty eradication.

Following the fall of communism in Eastern Europe which shaped the contours of geopolitical choices and the enlargement of Europe to member states that do not necessarily share the same historical ties with ACP as opposed to the former 15, new elements influenced the dynamics of EU development cooperation.

We seize this opportunity to recognize that the ACP has provided since its origin a platform for harmonized action and policy in the relations of the EU with ACP Group comprising today 79 countries from Africa, the Caribbean and the Pacific and soon 80 (with the prospect of South Sudan joining ACP Group). Today, we believe there is a solid foundation for the continued existence of the ACP Group beyond its traditional relationship with the EU.

The key principles underpinning intra-ACP cooperation are anchored on commitment to diversity as a source of strength and a shared vision of a common future; democracy and rights based development; solidarity in facing the global challenges; promoting our human development and gradual integration into the global economy; and at the cultural level, fostering a close relationship between Africa , the mother continent, and its diasporas disseminated in the Caribbean and the Pacific regions, with a total population of one billion people.

When the Commission was putting together its new development Policy agenda, we were consulted as a major constituency and development partner. The agenda for change emerged as a bold approach anchored in the vision of streamlining EU's development assistance and ensuring greater effectiveness and development impact in the priority areas of energy, infrastructure, good governance and private sector development.

Turning now specifically to economic development which I believe should be at the heart of our dialogue, we see there a great potential in strengthening the EU/ACP relationship through increased trade and investment opportunities between EBCAM members and the existing or potential partners in ACP. There is a great deal of hope and optimism for growth in ACP countries spearheaded by the optimistic economic

perspectives of Africa, Africa here representing 90% of the ACP Group both in terms of aggregated population and GDP.

In fact, the renowned ***Economist Magazine***, which dubbed Africa a decade ago as the hopeless continent, is currently highlighting Africa's economic prospects, calling Africa "the hottest frontier."

However, in order to significantly transform the economies of African countries from the current low income to middle or even upper-income levels, it is paramount that value is significantly added to Africa's large reservoir of natural and agricultural resources. This will tremendously boost economic performance as well as uplift many Africans out of poverty through employment and wealth creation. The increased demand for Africa's natural resources, together with increased urbanization and consumer demand for processed goods both within as well as outside Africa, provides an opportunity for resource-based industrialization.

There is no doubt that Africa has the potential for increasing its production of higher value-added products. Moreover, investing in food-processing industries in rural Africa would contribute to lifting a significant number of Africa's population that is seriously poverty-stricken.

Mr Chairman,

Distinguished Guests,

The structural economic transformation of our countries will not happen over a night and the question therefore is **"How will increased investments and industrialization come about in Africa?"**

In the majority of our ACP countries and in particular in Africa, increased investments and manufacturing driven industrialization is still a major challenge.

First, there is need to sufficiently modernize the agriculture and expand the manufacturing base. Today manufacturing is dominated by artisanal activities, mostly in the informal sector.

Second, and linked to the first point, the degree of export diversification is very low as most African countries continue to export commodities and unsophisticated manufactures.

At the moment, only a small group of countries have managed to diversify to some extent and as a result dominate African manufacturing. Countries such as South Africa, Tunisia, Morocco and Egypt come to mind. This clearly shows that opportunities for further investments exist.

Third, a number of African countries are landlocked and face high transport costs, low economic density and geographic isolation from high-growth clusters. Markets are small and fragmented in most parts of Africa.

This scenario tends to discourage investors. However, looked from another angle, the situation creates a huge opportunity for investments if the continent has to address and remove those constraints

In its contribution to the U.N. High level Panel of Eminent Persons on post-2015 MDGs, the Economic Commission for Africa identifies the need to invest in infrastructure and reducing transaction costs for increased competitiveness, growth and transformation of Africa. It is pointed out that Africa lacks infrastructure such as paved roads, access to reliable sources of energy, safe water and the internet.

Africa's well-known infrastructural deficit is amongst the most binding constraints on economic diversification: it hinders rural development and economic activity domestically – for example by reducing the viability of backward and forward linkages between agriculture and industry – while also limiting the participation of African countries to international trade.

Estimates show that closing Africa infrastructure gap would require approximately US\$ 93 billion a year for the next decade – including new investments and maintenance of existing infrastructure.

Given the size of the underlying investments and the intrinsically regional nature of a number of infrastructural projects, there is an ample scope for the scaling up of regional initiatives to redress this situation, notably through the establishment of regional development corridors

What role EBCAM can play in tapping new opportunities for the sustained growth taking place in Africa and the rest of the ACP?

There is need and great opportunity for investment, investment and investment again. The investment required is massive and would call for development of policies that promote joint ventures between the public and private sectors.

Public and Private Partnerships (PPPs) has been acknowledged and is becoming an increasingly important investment avenue. Foreign investors are encouraged to approach our Governments to create such partnership in their areas of investment interest and particularly in improving access to energy, transport and communication with a view to reduce production costs, improve global competitiveness and foster economic transformation

EBCAM should further promote through its network of more than 4000 Enterprises joint ventures with ACP big, small, medium and micro-size enterprises. These joint ventures have the potential to stimulate technology transfer and human capital development in ACP since modern production is not simply a matter of transforming primary factors into final output. The outsourcing process which connected various poor countries of Southern Asia to the global economy and allowed their economic transformation confirms that modern global manufacturing production is fragmented. And as demonstrated by **Professor Paul Collier from Oxford University**, the fragmentation of global manufacturing is good news for poor countries like the majority of ACP because it enables them to break in one task at a time and specialize on a narrow product or task range. Instead of having to learn and acquire

comparative advantage in all stages of a product's production, fragmentation makes it possible to progress incrementally.

EBCAM has therefore a major role to play in facilitating joint ventures between EU and ACP businesses, thus serving as an engine for connecting ACP economies to the Global Value Chains (GVCs), starting with **natural resource extraction and agro-industry**.

At a later stage, other manufacturing GVCs and Services Global Value Chains that create wealth and employment may be targeted. But the thinking behind this strategy should take place with EBCAM contribution through the organization of regular consultations with ACP Governments, regional economic communities, intermediary organizations like our Chambers of commerce, the Private sector, think-thanks, among others...

At this juncture, it is common knowledge to say that only an enabling environment that facilitates returns in investment may attract investors.

We are at the eve of a new multiannual financial framework called EDF 11 covering the period 2014-2020. On the occasion of the last ACP-EU joint Council of Ministers, figures announced by the EU side suggest a conservative amount of the EU Development assistance to the ACP of 31,600 billion euros despite the current turbulent economic circumstances confronting Europe. For the ACP side, this is a demonstration of the continued commitment of the EU to our partnership but also to the sustainable and inclusive economic development of ACP countries this against the backdrop of cuts experienced in several other components of the EU budget.

As we are moving towards the 11th EDF, a new EU support to Private sector development is also being shaped. We are pleased that while the EU confirmed Private Sector Development as a critical pillar of the strategy for economic development in the ACP, the commission restated its commitment to focus on Private sector as a driver for inclusive and sustainable economic growth in its **agenda for change**.

Last Monday at the Centre Borschette in Brussels, the Commission convened a workshop on the future support to Private Sector Development and various stakeholders including EU member states, ACP member states, and specialized agencies were in attendance.

The ACP side put on the table several critical issues and called for a thorough evaluation of the current vehicles and mechanisms provided under the current support. In a nutshell, the ACP side indicated that any future private support development effort of the EU to ACP Group should focus on:

- Improving the business environment;
- Supporting the development of small and medium sized enterprises;
- Improving Micro and SME Access to finance
- Improving Micro-and SME access to regional markets and global markets, the last area of focus suggests that policy actions should be taken to strengthen the competitiveness, the integration into Global Value Chains, and fostering regional integration.

At this stage, I would like to indicate that during the debate, the Commission's checklist of priorities did not really depart from those articulated by the ACP.

However, the commission did underscore that under the 10th EDF, 16% of its private sector development assistance was injected on activities related to Investment and inter-enterprises cooperation promotion and they intend to proceed similarly under the 11th EDF.

We also believe that inter-enterprise's cooperation is of critical importance to facilitate the cross-fertilization of experiences, build efficient ACP-EU business networks if we are reap the benefits deriving from the globalization process. I see there a prominent role for EBCAM being a bridge between ACP and EU businesses and contributing to an increased impact of EU Development support to ACP.

More than ever, there is an urgent need in light of the global challenges and the pro-activeness of emerging countries to develop efficient tools of promotion of ACP enterprises but consolidate EU-ACP Business partnerships and investment to secure win-win results.

Action should take place on the ground with a pivotal role for the private sector if we are to achieve poverty reduction in ACP countries and plant the seeds of a decent life for all by 2030 as contemplated in the EU strategy for the post 2015 process. We encourage EBCAM to partner more with our respective regional bodies in the development of investment promotion strategies because we would like to see EU companies keeping an active presence in ACP countries as new partners due to the global competition are also increasing their presence.

Mr Chairman,

Distinguished Guests

Positioning the ACP on the map in this context of global competition was discussed at length by our leaders during their 7th Summit of ACP Heads of States and Government organized in Malabo, Equatorial Guinea, from 13-14 December last year. The Summit theme was **“The future of the ACP Group in a changing World: Challenges and opportunities”**.

At the outset, I should signal that mixed signals including the European Commission’s initiative for “joint” strategies first with Africa, then later with the Caribbean and the ongoing discussions with the Pacific seem to convey a “divide and rule” approach directed at separate continental or regional processes. All this generated disturbing impacts suggesting a downgrading and partial discarding of traditional relations that provided for preferential trading arrangements by the CPA that enabled ACP countries to negotiate as a unified bloc for trade and economic cooperation through Commodity Protocols. These have been since renounced to be situated in Economic Partnerships Agreements (EPAs).

The insistence by the European Commission for “regional negotiations” of Economic Partnership Agreements (EPAs) was a harsh fragmentary blow to ACP solidarity and that it was conceded, though challenged by some ACP states, illustrated a strain in ACP solidarity. In the EPAs with their continuing contentious tensions in pursuit of a questionable “trade liberalization” model for ACP’s development, disturbing questions arose, in some quarters, on the future of ACP-EU relations beyond Cotonou.

Concerns have been raised regarding the establishment of the European External Action Services (EEAS) which divides the ACP Group across separate geographic Directorates. There is evidence that the EU no longer views the ACP as a strategic partner of first choice among developing countries. Changing global geopolitical alignments and Europe’s changing strategic priorities compel the ACP to greater introspection regarding where they stand with Europe and on the imperatives of diversifying their global linkages while repositioning themselves to more effectively confront the imperatives of poverty eradication and sustainable and equitable development.

New emphasis given to the G20 and the growing prominence of the BRICS, in which India, Brazil and South Africa (IBSA) have demonstrated tangible initiatives of South-South Cooperation in the struggle against poverty of other developing countries were additional factors that informed the decision of the ACP Group to pursue a comprehensive stock-taking.

This would entail a multi-dimensional task to deepen and strengthen the unity and solidarity of the ACP Group as aspects of internal self-reflection, prepare itself to engage with its long standing partners of the North in seeking to ascertain what exists as a commonality of interests and to diversify into stronger South-South collaborative arrangements. This is the overarching context by which the Ambassadorial Working Group of the ACP has set about “re-inventing” and “transforming” the ACP Group.

The finalization of the work of the WGFP scheduled for the coming year 2014 prepares the ground for the third and final 5-year review of the 20-year Cotonou Partnership Agreement (CPA) in 2015. By that time, it is intended that the ACP Group would not only have crafted the strategic priorities and actions to be

undertaken for a “re-invented” ACP Group in the third decade of this century, but also would have determined what shape and form to be given to its privileged partnership with the European Union (EU).

During their Seventh Summit last December, ACP leaders also approved the setting up of an Eminent Persons Group (EPG) to examine the overall framework of ACP-EU cooperation in general and to offer, more specifically, a new course for the ACP as an intergovernmental body in a world in constant and rapid evolution.

The 2013 Sipopo Declaration adopted by our leaders underlines that, “the demands for fundamental renewal and transformation are no longer mere options but unavoidable imperatives for strategic change”. The Declaration commits member states to strengthening intra-ACP cooperation and solidarity, promote South-South and triangular cooperation and strengthening the institutional effectiveness of the ACP as an intergovernmental body. On 25 march, the Eminent Persons Group chaired by the former President of Nigeria, Olesegun Obasanjo launched its work and a the outcome of this process will be submitted to the Eight Summit in December 2014 for decision because it is well understood that the way forward for the ACP post-2020 is twofold: either we safeguard the current and mutually beneficial ACP-EU status quo; or we diversify the scope of our engagements by brokering new partnerships, particularly with the emerging economic powers.

Whatever will be the policy recommendation, Private sector development with the contribution of actors such as EBCAM will be at the heart of our future prospects. This is why we wish you long life and festive celebrations.

I thank you for you kind attention.