

**REGIONAL MEETING ON PROMOTING SERVICES SECTOR DEVELOPMENT  
AND TRADE-LED GROWTH IN AFRICA**

organized by UNCTAD in collaboration with the African Union Commission (AUC) and the UN Economic Commission for Africa (UNECA) and in partnership with the International Organisation of La Francophonie

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**OPENING STATEMENT BY MRS. TREASURE MAPHANGA MADE AT THE  
TRADE IN SERVICES WORKSHOP CO-ORGANISED BY UNCTAD, AUC AND  
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**Honorable Mr. Yaacob Yala**, State Minister of Trade, Ethiopia

**Mr. Guillermo Valles**, Director, Division on International Trade and  
Commodities, UNCTAD

**Mr. Stephen Karingi**, Director, Regional Integration and Trade Division, UNECA

**Distinguished Delegates, Partners and Friends**

It is my pleasure and honour to participate in this opening of the “**REGIONAL MEETING  
ON PROMOTING SERVICES SECTOR DEVELOPMENT AND TRADE-LED GROWTH  
IN AFRICA**”

Africa has made good progress on the trade policy side. Average tariffs are now similar to other developing countries and quantitative restrictions have been largely limited. Export taxes have been largely eliminated. Reforms have been directed towards improving competitiveness and investing in measures to facilitate trade including customs administration reforms. Investment in infrastructure is being stepped up with implementation of Continental Frameworks like PIDA. We still have a long way to go. Important steps forward have been taken on regional integration. Despite all these improvements our share in global trade remains at about 3%.

Significant supply-side and competitiveness challenges have prevented African countries from taking full advantage of existing preferential trade arrangements (Cotonou, EBA and AGOA) other than for garments. Measured over the longer term, Africa's share of world trade is still barely half the level of the early 1980s, and lags behind what is needed to sustain accelerated economic growth and poverty reduction.

Intra-regional trade flows among African countries are lower than in other regions, accounting for less than 10% of the continent's total external trade figure (compared to nearly 20% for the Western Hemisphere, and over 40% for Asia). Intra-African trade has consistently remained low, averaging about 10 to 12 per cent in the last decade while in 2009; intra-European trade was 72 per cent, intra-Asian trade (52 per cent), intra-North American trade (48 per cent), intra-South and Central American trade (26 per cent) (WTO, 2010). **Trade in Services is the key to change this pattern for Africa.**

While agriculture and manufacturing will remain important for the African economy, Service Sector is a critical part of the development agenda and hence is Africa's future. Services account for 2/3 of world production, 2/3 of world employment and nearly 50% of world trade. This suggests that services could provide an alternative engine of growth, for African countries by eliminating traditional obstacles of smallness, remoteness and landlockedness and presenting an opportunity to tap into other sources of comparative advantage such as cultural, linguistic and educational factors among others.

Tourism and Financial Services have been our traditional export services. But the non-traditional sub-sectors provide new opportunities for further services exports within the Continent and extra-regionally. We therefore have to make the Services Sector work for us. We have the responsibility to provide the enabling environment and other incentives for the development of the Services Sector.

Travel and tourism accounts for 50 per cent of Africa's service exports and sub-Saharan Africa (SSA) continues to exploit its comparative advantage in tourism, enjoying a 13 per cent increase in 2010. About 50 per cent of Seychelles' gross domestic product (GDP) comes from tourism, 30 per cent in Cape Verde, 25 per cent in Mauritius and 16 per cent in Gambia. The World Bank reports that tourism accounts for 8.9 per cent of East Africa's GDP, 7.2 per cent of North Africa's, 5.6 of West Africa's and 3.9 per cent of Southern Africa's. In Central Africa, tourism contributes just 1 per cent. Despite that, Africa's share of global tourist arrivals is relatively small. There were 980 million international tourist arrivals in 2011, of which only 50 million traveled to Africa. The question is how can we improve these numbers?

Kenya, Ghana and Senegal in particular have benefited from exports of business-processing services, taking advantage of improved ICT infrastructures and a reasonably well-educated and urbanized work force. In Ethiopia, Services represent the largest portion of the country's economy and play a significant role in exports. Foreign exchange generated by Ethiopia Airlines between 2007 and 2010, for example, was on average twice as much as that brought in by coffee.

While Trade in Services presents African countries with opportunities for growth, there are still challenges to the sector. Data highlighting gaps in services transactions and policies is weak; the financial sectors in many African countries remain underdeveloped; domestic policy and regulatory hurdles and trade barriers continue to fragment the services markets on the continent; and the cost of trading in services is high. Transport prices in Africa remain the highest in the world, for instance, and air and rail transport services face high barriers to trade across the continent. Venture capital is scarce and the cost of borrowing is still relatively high. Manpower with specialized skills in particular service occupations is in short supply. Small and Medium Enterprise Management skills and technology need upgrading. There's is no comprehensive service regime in most Member States or regions. Events like this Workshop, however, can begin the focus on how to address the constraints.

Movement of Persons is yet another key challenge and opportunity facing the development of the Services Sector in Africa. Promoting free movement of people has been identified as an important ingredient of cross-border Trade. Under the Action Plan for Boosting Intra-African Trade (BIAT), Member States are called upon to encourage and facilitate policies that increase the freedom of movement for business persons, establish mutual recognition of qualifications and undertake commitments to liberalize trade-related services sectors like transport, professional, financial and ICT to boost intra-African Trade.

Liberalisation of Trade in Services is inevitable. Service negotiations are ongoing at different levels; at a multilateral level there are ongoing discussions on the International Services Agreements among a few WTO Member, at the regional level Services Negotiations under Economic Partnership Agreements and services liberalisation within the RECs. Africa has to consider liberalizing services among themselves first before opening to third parties so as not to compromise the integration agenda. Hence development of the services sector to be internationally competitive is imperative.

The role of the private Sector cannot be over emphasized. The current initiatives to establish Coalitions of Services Industries are key to building efficient export-promotion architecture for services on the continent and building awareness and information tools for the services. The initial step would be for each Member State to establish such coalition or expand their chambers of commerce to explore opportunities in improving competitiveness and enhance exports of services.

There's need to prepare ourselves to explore opportunities arising through regional and global value chains. For Many African Countries, enabling services like communication, insurance, finance, logistics among others, are key factor in determining their ability to participate in these supply chains. Hence we need to improve our efficiency of local trade facilitation and logistical services if we wish to take advantage of new opportunities.

Note should be taken of some continental initiatives to boost intra-African Trade. The African Union Summit of Heads of State and Government held in January 2012 adopted an Action Plan for Boosting Intra-African Trade. Enhancing trade in services was identified as an emerging opportunity and called upon partners and AUC to assist RECs in developing regional frameworks for liberalization of trade services, assist Member States in strengthening domestic regulations in specific service sectors as well as mainstreaming services into regional and national export strategies.

Given the wide range of skills and the level of expertise gathered here today, we are more than capable of addressing these challenges. I pledge my full support for this effort and continued collaboration and cooperation.