



Report of The First Meeting of Chambers of Commerce and Industry in Africa And The Arab World Held in Cape Town, South Africa 25th – 27th October 2008. Sponsored by the Arab Bank for Economic Development in Africa situated in Khartoum, Sudan. Organised by the Association of Senates, Shoora and Equivalent Councils in Africa and the Arab world, situated in Sana'a, Yemen.

1.0 Preamble

The end of the cold war between the East and the West threw developing countries into a form of cold because there emerged immediately a uni-polar world order. As it were, socio-economic, political and cultural leadership of the world appeared to be emerging from one axis and philosophical sphere.

1.1 The developing nations which hitherto had played the non-alignment game to attract economic aids, political sponsorship and socio-cultural cooperation from the competing super powers found themselves unable to attract these gestures anymore in the needed quantum to accelerate their need for national development.

1.2 The uncertainty of the uni-polar world order quickly coalesced with the inevitably emerging globalization which aimed at globally standardizing market trends, services, goods and even political behaviour. The developing nations therefore realized that it had become necessary to form regional groupings to enable them pool their resources together, harness their potentials and build strong regional bases that could effectively compete in the international markets and improve their economies of scale.

1.3 It then became obvious that properly systematized and mutually agreed trading conditions were better and more beneficial to all parties concerned than the conditionalities for aids from the industrialized nations to the developing countries.



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1.4 The developing nations of Africa and the Arab world cannot individually develop the necessary infrastructure for their productive bases, train the required manpower and muster the relevant organizational framework for effective production and participation in the globalized market. This is where the formation of a financing and development agency like the Arab Bank for Economic Development in Africa (BADEA) has become a most desirable and welcome development in the Afro-Arab region..

1.5 The Association of Senates, Shoora and Equivalent Councils in Africa and the Arab world (ASSECAA) has, as one of its fundamental objectives, the strengthening of economic cooperation between the Arab and African countries. The General Secretariat of ASSECAA, in planning this first meeting of the Chambers of commerce and Industry in Africa and the Arab world, aimed at creating a forum, for the economic operators in the private sector, in the two regions, to meet, exchange ideas and experience, propose modalities for investment cooperation and sustainable exchange of economic information.

1.6 This seminal meeting was held in Cape Town, South Africa from 25th to 27th October 2008, under the auspices of the Association of Senates, Shoora and Equivalent Councils in Africa and the Arab world and was sponsored by the Arab Bank for Economic Development in Africa (BADEA).

2.0 Sponsorship and Organization

2.1 Sponsorship by BADEA

2.1.1 The Arab Bank for Economic Development in Africa was founded in November 1973 in Algeria. This was consequent upon the agreement reached by Arab nations during the 6th Arab Summit. The foresight of the founding fathers of this bank is most astonishing because by 1973, the cold war was still in peak form and it is amazing that the Arab world at that time would be laying foundations for economic development in the African region.

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2.1.2 The Headquarters of the bank is situated in Khartoum, the capital of the Republic of Sudan. The bank has been in operation since 1975

2.1.3 Equity Holding – The Arab Bank for Economic Development in Africa is owned by the Arab countries which are members of the League of Arab States. They signed the agreement for the establishment of the bank in February 1974.

2.1.4 Operations – BADEA is a Development Bank created as an independent international financial institution. It enjoys unrestricted international legal status and it has unfettered autonomy in its administrative and financial decisions and operations. Its operations are guided by the provisions of the Agreement by which it was set up and the principles of international law.

BADEA as a financial institution was founded with the aim of creating an enabling organization for:

- (a) strengthening economic, financial and technical cooperation between the Arab and the African regions;
- (b) making the Arab-African solidarity a concrete and practical reality; and
- (c) erecting the Arab-African cooperative venture on foundations of equality and friendship.

2.1.5 Projects sponsored by BADEA – The projects usually sponsored by the bank on one hand are those that are of national importance to the countries concerned. They are invariably parts of the development plans or programmes of the recipient countries. On the other hand, they are programmes of regional relevance and character which can benefit several countries in Africa at the same time. They can also be programmes that are of benefit to countries in both Africa and the Arab world.



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2.1.6 Catalogue of BADEA's Projects – the list of projects sponsored by the Arab Bank for Economic Development in Africa and the Arab world, since its inception is highly impressive and only few of them can be enumerated in a short report of this nature. It is stated in available records that the Arab Bank achieved the following:

- (a) financed cumulative commitments totaling USD 3,354.127 Million from 1975 – 2007.
- (b) allocated funds to finance 427 development projects of which 30 projects were for the private sector
- (c) 19 loans were granted to small and micro credit schemes
- (d) sponsored 407 operations for technical assistance which included techno-economic feasibility studies and institutional support operations.
- (e) sponsored training courses, provision of Arab expertise and acquisition of tools, instruments and equipment.
- (f) granted 14 special loan commitments under the urgent aid programme to countries affected by natural disasters.
- (g) granted 59 loans to African countries under the urgent Arab Aid to African countries faced with balance of payment disequilibrium.
- (h) sponsoring the first forum of Arab and African consulting firms



(i) sponsoring the first meeting of the Chambers of Commerce and Industry in Africa and the Arab world.

2.1.7 The list in paragraph 2.1.6 is just a highlighting of the brief records at the disposal of our office. Many more development funding of BADEA are not included. It is well-known that the banks financing operations and sponsorship modalities have benefited more than 40 sub-Saharan African countries and other organizations that cut across the two regions of Arab and Africa. BADEA has sponsored projects on road development, provision of water, improvement of sanitation, agricultural development programmes, enhancement of rural infrastructure, land reform and rehabilitation, animal husbandary development, small scale and medium industrial development as well as in improvement of energy source projects.

2.1.8 These projects aim at contributing to the realization of the development programmes of the beneficiary countries by giving impetus to the improvement of standards and conditions of living, ensuring food supply to the citizens and food security to the country, increasing the reduction of poverty by expanding employment opportunities. Consequently, BADEA's allocations in sponsored programmes have focused on agricultural and rural development sectors and infrastructure, afforestation to reduce desertification and the combating of the degradation of the environment.

2.1.9 It is greatly appreciated that BADEA in its funding policies concedes flexible conditions that suit rural and national projects in view of the observable economic conditions of the recipient countries. There is also an obvious trend in BADEA's policies that it aims at reducing the burden of international debt of the poor African nations as it financially supports their development of human resources through training and the participation of women in national development programmes.

3.0 Objectives of the Meeting

3.1 At the end of the cold war, the developing nations of the world which had before then benefited from the divided east and west in their quest for allies, found themselves in a unipolar political and economic world order. The end of the cold war was quickly followed by globalization as a necessary concomitant to standardization of specifications for production of goods and services for the world

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market. Expectation of aids from the United Nations agencies and former colonialist governments became unreliable

3.2 The different parts of the world contrived regionalization of economic groups as a measure to expand internal markets, increase productivity and create employment within their regions and thus be able to have a strong bargaining position in the new world market. It became obvious that international loans and aids have failed in most part to solve the problems of receiver countries essentially because the conditionalities for loans and prescriptions for aids are usually at variance with the prevailing conditions in most developing economies of the third world

3.3 This first meeting of the chambers of commerce and industry in Africa and the Arab world was therefore held with the objectives of

- a. Providing a genuine and conducive forum for the captains of industry, trade and business and those with legislative competence, to regulate industrial and commercial activities in the countries of the two regions, to exchange experiences, views and information on economic activities and cooperation;
- b. To seek opportunities of reviewing and harmonizing laws and regulations concerning economic activities in the two regions;
- c. To assess opportunities, challenges and prospects for investment cooperation between the entrepreneurs of the two regions and stimulate same
- d. To institute regular meetings and contacts between the economic and commercial entrepreneurship of the two regions, in order to reveal through regular trade exhibitions, workshops and exchange of business visits, the available investment opportunities and resources in the two regions;

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e. To establish an enduring and functional framework for Afro-Arab economic cooperation.

3.4 In the main, the success of the meeting, in the long run, will lead to an expansion of markets for industrial ventures and services in the two regions. The availability of a large market will lead to the expansion of productive bases and capacities. The need for expansion of production and capacity utilization will necessitate increased employment. Enhanced employment level will accentuate demand, leading to more production and attracting more investment.

Consequently, the level of general poverty will be reduced as regional standard of living will improve. Thus, a new course of economic growth for the Arab and African countries will be charted.

3.5 At the same time, an Afro-Arab economic bloc will be created and strengthened. The bloc will conversely be better organized, institutionalized and able to participate more effectively in the new globalised market. The attraction for international investments and technology to the region will become enhanced

4.0 The Role of ASSECAA

4.1 Naturally, it became the lot of the Association of Senates, Shoora and Equivalent Councils in Africa and the Arab world (ASSECAA) and its young secretariat to organize this first meeting. This is an inalienable role for ASSECAA as it is the only organization at governmental level, which seeks to mediate cooperation between the Arab and African countries.

4.2 The Association of Senates, Shoora and Equivalent Councils in Africa and the Arab world, was founded in response to the prevailing world order, by the Heads of Senates and 2nd Chambers in the two regions. The Association is an enhancement of parliamentary diplomacy and a timely contribution to Arab-Afro regional cooperation

4.3 The Association aims at:

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- a. Contributing to the strengthening of socio-economic, political and cultural cooperation between the two regions and the reduction of poverty

- b. Contributing to the resolution of conflicts and the establishing of peaceful co-existence among Arab and African nations and the world at large

- c. Deepening of democratic awareness in the two regions and the propagating of the essence of second chambers in legislative institutions.

- d. Encouraging the existence of responsible civil right organizations, the observance of human rights by governments and the participation of women in national institutions.

4.4 Activities of ASSECAA

4.4.1 The Association is seeking to achieve its objectives through regularly organized meetings, workshops, retreats, exchange of study visits among its members and interaction with similar regional and global organizations

4.4.2 ASSECAA convenes annual conferences for its members and invites regional organization such as the Arab League, the African Union, the Arab Parliamentary Union and the African Parliament to the conference. The meeting deliberates on matters of regional and global concern, issues affecting democratic governance in the region and the world over, maintenance of peace and conflict resolution, regional economic development and poverty alleviation in the regions of Africa and the Arab world. The conference issues resolutions on these developments and pursues necessary courses of action through its Secretariat.

4.4.3 The Association organizes annual retreats for its members and invites regional bodies as well as international parliamentary organizations to the event. The retreat deliberates on the role of parliaments in enhancing regional and world developments in socio-economic, political and cultural

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spheres. The meeting considers the institution of parliament as the symbol of national democratic governance and the effectiveness of parliaments in:

- a. building of national consensus;
- b. forging national reconciliation;
- c. harmonization of interests
- d. adequate representation of national constituencies, polity and gender;
- e. harnessing of public opinion
- f. safeguarding of national resources and ensuring fair distribution;
- g. oversight of governance and agencies of policy implementation; and
- h. the impacting of national interest on public policy.

4.4.4 ASSECAA presents views affecting social, economic, political and cultural developments and concern in the Arab and African regions as well as global linkages in these respects, at the Inter-Parliamentary Union meetings twice, every year. ASSECAA has bilateral relationships with the European Association of Senates and is engaging similar organizations in other regions for mutual cooperation and deliberation on global concerns such as:

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- a) good governance
- b) fostering of democratic values
- c) alleviation of poverty
- d) cancellation of foreign debts for developing nations
- e) eradication of corruption in public offices
- f) global peace and resolution of conflicts.

4.4.5 The Association has a Committee on Peace and Conflict Resolution which meets annually to deliberate and take resolutions on reported incidents of conflict in the African and Arab regions. Based on the resolutions, the Association takes steps to coordinate with other international bodies involved in making efforts aimed at the resolution of such conflicts

5.0 Programme of the Meeting (Annex A)

Day One

- Speech by the Chairman of the Local Organizing Committee in South Africa

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- Speech by H.E Livinus I. Osuji, Secretary-General of the Association of Senates, Shoora and Equivalent Councils in Africa and the Arab world
- Speech by the Chairperson of the National Council of Provinces of the Republic of South Africa
- Speech by the chairman of ASSECAA, Speaker of the Shoora Council of Yemen
- Presentation of paper by BADEA on "The Role of BADEA in enhancing Economic cooperation between Africa and the Arab world"

Presentation and Discussion Paper One "Regional Economic Groupings to Cushion the Harsh Realities of Globalisation, Challenges and Opportunities. Presentation by the Trade Law Centre for Southern Africa (TRALAC)

- Presentation of Discussion Paper Two "Multi-racial regions in search of socio-economic and political cooperation; challenges and opportunities" Presentation by the Trade Law Centre for Southern Africa (TRALAC)
- Presentation of Discussion Paper Three – "Large Scale Entrepreneurial Challenges for Developing Nations; Africa and Arab case study"
- Presentation by the Trade Law Centre for Southern Africa (TRALAC)

Speeches by delegates on the Agenda Items



Day Two

- Committee Sitings
- Presentation of committee reports
- Presentation and adoption of resolutions

6.0 Participation at the meeting

This first meeting of the chambers of commerce and industry in Africa and the Arab world was attended by delegates from the 21 member councils and senates of the Association of Senates, Shooraa and Equivalent Councils in Africa and the Arab world. Delegates from the chambers of commerce and industry of non-member countries in the Arab and African regions were equally in attendance. The representative of the Arab Bank for Economic Development in Africa was present. Observers from the United States Export Promotion Council and the United Kingdom Trade Promotion Department were present.

7.0 Opening Ceremony

A) The Secretary-General of the Association of Senates, Shooraa and Equivalent Councils in Africa and the Arab world, H.E Livinus I. Osuji delivered the welcome address in which he outlined the origin of the Association and pursuit of the objective which has led to the convening of the first meeting of the chambers of commerce and industry in Africa and the Arab world. He stressed the need for the Arab and African countries to found a strong platform of economic cooperation to enable them to collectively withstand the harsh realities of globalization. He posited that an expanded market for the countries of the two regions will create desirable environment for economies of scale, improved production and enhance capacity utilization.



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The situation, he stated, will increase employment level and result in a corollary increase of demand levels. In the long run, he averred, poverty will be reduced in the region, standard of living will rise, crime rate will be lowered and social tension and conflict will be abated. He added that improved safe and lucrative production environment and large market will eventually attract investments from outside the region.

He expressed gratitude to BADEA for sponsoring this pioneer effort to chart a new course of economic cooperation for Africa and the Arab world.

(B) The Chairman of ASSECAA and Speaker of the Shoora Council of Yemen, H.E Abdul Aziz Abdul Ghani, in his opening speech, which was read by the Deputy Speaker of the Shoora Council of Yemen, H.E Abdullah Hussein Al-Bar, expressed deep thanks to the members of the National Council of Provinces, the government and the people of South Africa for hosting the meeting in their great country. He equally expressed gratitude to the representatives of the Arab and African Chambers of Commerce and Industry who participated at the meeting. He pointed out that ASSECAA in organizing the meeting was trying to create avenues to reach the most important issues of afro-Arab cooperation.

He revealed that the meeting would enable participants to view the excellent examples of development set by South Africa which in turn, will provide strength to the diverse economies in the two regions and spur the countries to establish a suitable environment for unlimited cooperation and integration. He indicated that economic development in Yemen was a priority for the people and the government and that urge has contributed to the essential changes in democratic governance in the Republic of Yemen. He informed the meeting that there are great investment opportunities in Yemen.

He observed that the regions of Africa and the Arab world will certainly be affected by the raging international financial crisis in addition to the increasing high cost of food and the sharp decline in oil revenue. He cautioned that these trends might lead to serious repercussions in the Arab and African countries unless the two regions combined their efforts to counter the crisis and acquire enduring lesson from the impact. He noted that there was limited trade between the two regions and urged the meeting to work towards providing an opportunity for effective mutual cooperation



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between the Arab and African countries. He enjoined ASSECAA to continue organizing the meeting periodically until visible results are achieved.

(C) H.E Hon. M.J Mahlangu, Chairperson of the National Council of Provinces of South Africa, in his inaugural speech emphasized the issues before the meeting as follows:

a) The Challenges and Prospects for Multi-racial regions in search of

Socio-economic and political cooperation

b) Large Scale Entrepreneurial Challenges for Developing Nations;

Africa and Arab case study

c) Regional Economic Groupings to Cushion the Harsh Realities of

Globalization, Challenges and Opportunities.

He averred that African and Arab countries cannot overemphasize the need for co-operation and more cooperation, among the different role-players towards the advancement of our developmental agenda. It is therefore important to always remember that business and civil society have a huge role to play in this regard as partners in building our democracies.

It is critical that together we allow space for the discussion of issues, especially those facing developing countries, in order to address the challenges of poverty and underdevelopment. This

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includes, among others, the need for good governance, especially in international institutions tasked with providing resources for development.

We are often surprised, pleasantly so, at how the issues raised by members of business and civil society, when they engage with our public representatives, end up enhancing the quality of our policies. This is because business and civil society possess some invaluable experiences which serve as important feedback mechanism when we consider laws and policies. Business and civil society are better placed to alert the government to the impact of policies and laws on the environment in which they operate. This symbiotic relationship requires cooperation.

The recent developments in the financial sector that have hit the developed world as a result of the collapse of big financial corporations, thus inflicting a financial melt down on developing countries, is yet another strong indication that government, business and civil society need one another. This is more significant when it comes to developing countries as they need partnerships for:

- Socio-economic development, and;
- Trade and economic growth;

In order to achieve the targets of the Millenium Development Goal Number 8 for the development of a global partnership for development. One of these targets is the further development of an open, rule-based, predictable, non-discriminatory trading and financial system.

We have come to accept that regionalism is a route towards global competitiveness, growth and development, through commonality and political and economic practices and wider trade and investment opportunities. However, to achieve this some challenges are to be overcome. These relate mainly to co-operation inside and outside these regional bodies.

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In the context of our continent, the African Union adopted NEPAD as the blueprint for African development and recovery, in which the Regional Economic Communities are designated as implementing agencies for the programme. This shows how important economic integration is.

Article 16 of the Protocol establishing the Peace and Security Council of the African Union recognizes the regional mechanisms for conflict prevention, management and resolution as part of the overall security architecture of the Union, which has the primary responsibility for promoting peace, security and stability in Africa.

Forming a regional trading bloc is seen as Africa's best chance for promoting sustainable development and becoming a viable trading partner in the global economy.

For regional groupings to work effectively one area that needs a priority focus is "harmonization of laws". This is so because member states in regional groupings follow different legal systems and it is difficult for the regional groupings to operate using different legal systems.

At continental level, Pan-African Parliament has been engaged in a project of harmonization of laws for about three years now as one of the goals of its "Strategic Plan 2006 – 2010". However, despite this and the existence of other achievements and foundation, at the continental level, our performance remains poor with regard to harmonization of laws.

One of the main problems that lead to this poor performance is political policies of member states. Most states do not have clear economic policies that are conducive to integration and co-operation.

However, harmonization alone, without taking national peculiarities into account, will not happen. But if we want deeper, simpler relations between the various countries, we must be prepared to accept more harmonization.



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The issues you have placed on the table for this meeting underscore the importance of political and socio-economic co-operation in order to achieve harmony among the different states, which is necessary for development and economic freedom. Without doubt, members of the business community and civil society have a keen interest in the resolution of these issues.

(D) Mr. Amin Kurban who represented the Arab Bank for Economic Development in Africa, in his presentation said that it was his great pleasure to deliver the statement on “The Role of BADEA in Enhancing Cooperation between Africa and the Arab world”, on behalf of the Arab Bank for Economic Development in Africa (BADEA), on the occasion of the opening of this distinguished gathering for the First Meeting of Chambers of Commerce and Industry in Africa and the Arab world, organized by ASSECAA and co-sponsored by BADEA, under the theme “The strengthening and Institutionalizing of Effective Economic Cooperation between Africa and the Arab world”.

I would like first of all to thank the Government and the National Council of Provinces of the Republic of South Africa and the Organizing Committee for convening this meeting which reflects a strong resolve and joint commitment to further consolidate South- South cooperation. Through economic cooperation between Africa and the Arab commercial and industrial counter parts and business communities, higher levels of economic development can be realized.

Therefore contributing to promoting African and Arab economies and strengthening regional trade, products, resources and service linkages. Moreover, this meeting aims to deliberate on practical modalities for cooperation and mutual foreign direct investment and entrepreneurship opportunities.

For us at BADEA, this meeting comes within the framework of stated objective to develop and strengthen Afro-Arab co-operation on the economic and financial levels, through participating in financing economic development in sub-Saharan African countries, stimulating the contribution of Arab capital to African development and helping provide the technical assistance required for the development of Africa.

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As we know, the early 1970's of the last century has witnessed the evolution of a concept of political Afro-Arab solidarity and investing in it to serve the mutual interests as well as to open new horizons for mutual economic and social relations.

To this end, BADEA was accorded the role of strengthening economic, financial and technical cooperation between the Arab and African regions.

Since then, BADEA has been devoted to the economic development and Afro-Arab integration through fostering economic growth, trade capacity building and infrastructural development. It has oriented its financing modalities in the recent years to be in line with the changes witnessed in the area of development finance and to better serve emerging global social objectives, of which, combating poverty and promoting human development are the two main axes.

In addition to coping with the changes that engulfed the economies and economic development of the African developing countries recipient of BADEA's aid and on matching its funding with the objectives and needs of these countries.

BADEA continues within the framework of its establishing agreement and the guidelines of its five year plan (2005 – 2009), to finance development projects and provide technical assistance on the national and regional levels, stimulate the contribution of Arab capital in African development and provide support to the private sector due to its leading role in economic development of its nations.

Among other activities, BADEA gives special emphasis for funding national development banks and institutions that directly benefit the private sector, funding components of government projects which support the private sector including small and micro credit schemes, supporting the development of new partnerships between Arab and African service providers, supporting the participation of Arab consulting firms and contractors in implementing development projects financed by BADEA in many African beneficiary countries and export trade promotion from Arab to African countries through lines of credit.

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In the same context, BADEA accorded special attention to expanding and diversifying its technical cooperation activities to include organizing and sponsoring forums, meetings for Arab and African counterparts from the different sectors of the Arab and African economies aiming at strengthening Afro-Arab economic relations thus serving the mutual interest of the Arab and African regions.

Presenting BADEA, Role and Scope of Services Offered in the Context of Afro-Arab Cooperation

Now let me take this opportunity to present briefly, the historical context and justification for the creation of our bank BADEA. Emanating from the historical geographical and cultural relations that bond the Arab and African nations and in order to enhance Afro-Arab cooperation in the economic fields and foster investment in the human and natural resources for achieving sustainable development of the people of the Arab and African regions, the Arab Bank for Economic development in Africa (BADEA) was established pursuant to the resolution of the 6th Arab Summit Conference in Algeria (28th November 1973). The bank began its operations in March 1975. Its headquarters is based in Khartoum.

BADEA is a financial institution owned by 18 Arab countries, members of the League of Arab States which signed its Establishing Agreement on 18th February 1974. The bank is an independent international development finance institution having full international legal status and complete autonomy in administrative and financial matters.

The bank was created for the purpose of strengthening economic, financial and technical cooperation between the Arab and African regions and for the embodiment of the Arab African solidarity on foundations of equality and friendship. To achieve this end, the bank was given the mandate to

- Firstly participate in financing development in African countries.
- Secondly, to stimulate the contribution of Arab capital to African development and

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- Thirdly to help provide the technical assistance required for the development of Africa.

Prospective Glance at BADEA's Priorities for Economic Cooperation and Sustainable Development in Africa

Here we can pose the question of how does the bank help south-south cooperation policy to be implemented to help Afro-Arab cooperation. The following main points represent BADEA's strategic emphasis and they relate to the allocation of its development resources.

- Agricultural, rural development and infrastructural sectors are accorded priority without neglecting the other sectors like industry, energy, health, education and environment.
- Secondly, focusing assistance on operations targeting poverty alleviation, food security and encouraging women's' participation in development. In addition to maintaining support to the social sector projects and projects in countries that face disasters, we also accord special attention to countries that suffer local or regional conflicts.
- Increasing support to the private sector through lines of credit, by providing technical assistance which includes institutional support, feasibility studies and training.
- Utilizing Arab and African expertise, commodities, services and technological transfer in the execution of projects financed by BADEA.
- We also serve as trade capacity building and financing expanded trade among the two regions through funding Arab exports to African countries, in addition to funding related studies in the field of promoting public private partnerships and improving foreign investment climate.

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- Paying special attention to regional co-ordination and integration projects connecting African countries and those linking African with Arab ones, in addition to the NEPAD initiative project which is the new partnership for development.

Highlight of BADEA's Sectorial Lending Activities and Technical Assistance Commitments.

In addition to strict strategic direction mentioned earlier, BADEA tries to be high demand direct institution. It finances government priority projects in beneficiary countries which usually form part of its strategic development plans. In some instances, these projects are of regional character, benefiting several countries simultaneously thus helping in their economic coordination and integration.

BADEA also provides technical assistance in the form of non-repayable grants to finance the preparation of techno- economic feasibility studies, for projects institutional support to execute training courses for the national cadres, the provision of equipment and experts to African countries and organizing 6 Afro-Arab trade fairs, 2 businessmen weeks and forums. BADEA also finances trade from Arab countries to African countries, in addition to its contribution in the capital of African export and import banks.

In term of BADEA's development financing operation, the cooperative commitments during the period 1975 – 2007 stood at US\$3354.127 million and allocated to finance 427 development projects of which 30 projects were allocated to the private sector. 19 loans were granted to small and micro credit schemes, 438 operations for technical assistance which included techno-economic feasibility studies and institutional support operations like sponsoring training courses, provision of Arab experts, providing tools, instruments and equipment, 14 special loan commitments under the urgent aid programme to countries affected by natural catastrophes to ameliorate their impact and 59 loans provided to African countries under the urgent Arab aid to Africa in support of their balance of payments.



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BADEA's activities in the field of technical assistance operations have registered a notable increase during the last decade. Since its establishment, BADEA has granted over US\$104 Million in technical assistance operations, funding over 178 feasibility studies and 229 institutional support operations in the form of purchasing equipment, funding the services of Arab Experts and sponsoring more than 161 training sessions and benefiting more than 3889 African trainees; 43 African countries, 5 regional groups and 17 regional institutions.

These training sessions serve the purpose of building the capacities of the human resources available, enhance skills with the purpose of achieving sustainable economic growth; and aid African countries in facing the new policy challenges and performing to the satisfaction of their development partners and other donors, as well as to implement their respective economic and social development programmes more effectively.

BADEA's financing modalities have expanded to benefit 43 sub-Sahara African countries and 17 regional organizations. In appreciation of the needs of the beneficiary countries, BADEA's projects aim to contribute to improving living conditions and standards, contributing to food security, reducing poverty and providing work opportunities. Allocations cover areas of food security, agricultural and rural development sectors, infrastructure (roads, water supply and sanitation), rural irrigation, land rehabilitation, animal resource development, agricultural drainage to combat desertification and improve conservation of the environment, as well as the industry and energy sectors.

BADEA continues to provide its loans in concessionary and flexible terms that suit funded projects and economic realities of the borrowing countries, mostly low-income countries and has continued to increase its lending grant element and its contribution to the HIPC initiative. An indication of BADEA's effort to reduce debt burden on the African countries in recognition of their economic and financial situation and supporting their human resources development.

BADEA also accords great importance to co-financing development projects with various development financing institutions due to the possibility such approach provides in financing large programmes proposed for funding by beneficiary countries. BADEA's contribution with the Arab and non Arab IFI (International Funding Institutions) in such projects amounts to around US\$13405 million. Such institutions include: The Saudi Fund for Development, Kuwait Fund for Arab

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Economic Development, Abu Dhabi Fund for Development, Islamic Development Bank, African Development Bank, World Bank and OPEC Fund for international Development, representing around 35% of the total cost of financed projects.

In order to better achieve BADEA's objectives to strengthen Arab-African economic cooperation and to maximize the benefit from Arab and African expertise, resources as well as goods and services available in the two regions, BADEA's procurement guidelines and procedures have been oriented to stipulate that consultancy services of BADEA's operations (projects and techno-economic and financial feasibility studies, contracting, supervising engineering works and project management) be done through Arab, African or Arab-African joint venture firms; except for special cases depending on the nature of the project and also provides for a defined margin of preference to Arab and African contractors and suppliers in international competitive biddings.

Exploring New Avenues of Economic Cooperation for Improved and Veritable Afro-Arab Business Partnerships

It is BADEA's sincere hope that this meeting shall be a platform that will provide first hand account of investment climate and opportunities in the two regions; and that its deliberations would reach recommendations for establishing practical economic cooperation modalities together with concrete proposals for establishing an institutional framework between Arab and African Chambers of Commerce and Industry that shall help promote the level of business, entrepreneurial, direct investment and trade relations between the two regions; as an additional enduring business knowledge channel for the development of Africa, foster Arab-Afro cooperation and find new means to avail communication and networking channels and facilitate information flow between the Arab and African commercial and industrial economic communities for better Afro-Arab partnership, thus contributing to promoting the economic interests of both regions.

He concluded by assuring the meeting that BADEA would continue to support organizing similar forums, meetings and trade expansion schemes to bring various economic, commercial and industrial communities together to deliberate on the different matters related to development issues and stakes in Africa in its continuous efforts to promote Afro-Arab economic cooperation.



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(E) H.E Mr. Mohammed H. Radhi, member of Shoora Council of Bahrain and Head of the delegation from Bahrain, in his address to the meeting said:

This important conference is being held under delicate global financial condition. The rich north has suffered a financial crisis, which affected almost the entire world. Also the developing south has also suffered a lot of financial problems due to the global crisis in the west. Many financial institutions in the third world countries have been affected and were on the verge of collapse and bankruptcy.

In addition, stock markets also suffered large fluctuations and the savings of individuals- in some developing countries- underwent a reduction, as a result of these financial tremors.

Moreover, the size and the inevitability of the link up between oil prices in global markets and exchange rates made the budgets of many developing countries continue to dwindle affecting many developmental projects and slowed down their implementation.

What happened did not start in an African or the Arab countries but it started in Downing street or Geneva or Paris and we were affected tremendously by it and on the contrary, those countries were not affected by any financial problem in the third world. The time has come for our governments to bear in mind what happened, it is only an alarm bell and a kind of warning, telling us that the danger is coming.

Let us observe the powerful economies such as the Chinese and the Indian economies, which were not affected by the crisis because these economies had a vision and rigorous application of economic standards, one of which and most significant is the non association and dependence on the west economies.

We are now in a dire need of legislation and regulations to protect ourselves from similar shocks, let us convey to our governments our fears and worries about what will happen to us in the future, if



there was no vision and independence in the economic decisiveness. Therefore, we emphasize the following:

1. Lay down economic legislation which backs, supports and bolsters the independence.
2. Create an economic system or a league of countries to develop alternative set up for the economic cooperation with the western countries
3. Benefiting from the experiences of Chinese and Indian economies and review their legislation and regulations
4. Stressing on the core of commodity based economy, not services based economy
5. Develop a new vision based on economic parallelism rather than economic dependence
6. Filling the gap in the banking transactions legislations and emphasize on the cooperation between the union of Arab Banks and the union of African banks, if any
7. Discuss thoroughly the causes of the crisis and realize its roots
8. We think, the time has come to develop an integrated banking system among Arab countries and Africa
9. Discuss the reasons, which led into no significant financial losses in Islamic banks and the possibility of drawing on their experiences



10. A question raises itself, if the mortgage crisis has created this major financial catastrophe, has the time come to unpeg the currency from the U.S dollar.

11. An Arab-African mechanism should be found for settling debts accumulated by the development process. Ways should be found to organize this mechanism and lay down broad spectrum laws as well as studying the poverty line, which goes in parallel with the security.

12. Study the effects of international bilateral agreements especially after what has happened (for example, the convention on international trade).

We hope and count on you greatly in transferring this image and aspirations to officials in your respective countries, in order to avoid future shocks either man-made or unexpected that are caused by poor planning. Please be confident that we now have an opportunity to progress beyond this crisis if we were to act carefully and give the situation a very deep thought.

Finally, I would like to praise the call by His Highness the Prime Minister of the Kingdom of Bahrain Sheikh Khalifa bin Salman Al Khalifa in marking the world Day to Combat Poverty on Friday, October 17, 2008. He appealed to the international community to identify threats and challenges facing poor countries, due to the financial crisis afflicting the world nowadays and also called upon the international community and the rich countries of the world to give a helping hand to the poor countries to overcome these financial crises.

8.0 Presentation of Papers and Discussions

8.1 Paper One – Globalization - Challenges and Opportunities

Introduction



1. Globalisation or the growing integration of economies and societies, is a complex process that affects all aspects of the economy and society. The implications of globalisation are important for national development strategies; affecting government policies on trade, industrial development as well as health, education and other social development policies. From a business perspective globalisation presents both challenges and opportunities. Increased competition in both export markets and domestic markets requires business to assess their strategies for sourcing inputs, their use of technology in the development of products and services as well as in marketing those products and services in existing and new markets

The impact of globalisation on society is pervasive influencing cultural norms and standards, through the communication and spread of ideas and education. The increase in the movement of people across borders in search of better economic opportunities encourages cultural interaction, but also brings challenges. An important challenge in the developing world and especially in Africa has been the spread of HIV/AIDS.

What drives globalisation?

Global integration is the result of lower costs of transportation, reduction of trade barriers, faster communication and dissemination of ideas through the use of the internet and other communication technologies, increasing capital flows and the increased migration of people.

The impact of technological developments in information and communication technology is significant. These developments impact on many different sectors of the economy. The use of new technologies in the financial sector impacts on international payments systems, and the facilitation of financial transactions, as well as the flows of capital. The current financial crisis provides an indication of how quickly the financial crisis in the United States has spread to other parts of the global economy. The inter-connectedness of the financial systems of countries is facilitated by communication technologies. In addition the dissemination of the news of the financial crisis has affected business confidence across the world, bringing the impact of the financial crisis very swiftly to individuals making decisions at household level too.

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Globalisation, through the faster dissemination of ideas, influences consumer behaviour and consumer demand. Trends in consumer demand spread very rapidly from the developed world to developing countries, and consumers have access to goods and services produced in the developed world through e-commerce, as well as through the increased flows of international trade. This influences not only business decisions, but also affects the social and cultural norms in our countries

Globalisation: Winners and Losers

Globalisation, besides many positive outcomes, also generates some concerns. There are winners and losers from globalisation. This raises issues of competitiveness and what is required to be competitive in a globalised world. As trade barriers are reduced, increased competition in the domestic markets will have important results.

Technological developments such as the internet and other communications technologies are important not only for the integration of business across national borders but also for the growing integration of societies. Concerns about the development of cultural uniformity and the loss of national identity are also important

From the consumer's perspective, global integration may result in the availability of cheaper products and services, as these are imported from cheaper producers in other countries. This is an important benefit. Consumers will have a greater variety of products and services to choose from, and may get access to a greater variety of quality products and services. Cheaper products can enhance consumer welfare, allowing households more expenditure options

However increased imports may pose challenges to domestic producers, especially to small and medium sized firms, as they struggle to compete with cheaper imports. Small and medium sized firms are often owned by nationals of the country, while both in the Arab world and in Africa, many large firms may be foreign owned or multinationals. The impact of increased competition in the domestic market on small and medium sized firms is therefore an important concern. Some small and medium sized firms may close down, being unable to compete with cheaper imports. This can

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create unemployment, thus having important social implications. The economic empowerment of the country's nationals will be negatively affected.

Responding to Globalisation

A key challenge for government is to consider what kind of policies are needed to assist business to enhance their competitiveness in a globalised world. Market intelligence, information about opportunities in export markets, as well as support to harness new technologies are important support interventions that government could consider

Business associations and Chambers of Commerce can also assist their member companies by providing information about new technologies, new market opportunities and new trends in consumer demand, in a globalised world

For business the process of globalisation affects decisions related to production, distribution and marketing of products and services. The liberalisation of international trade, among members of the World Trade Organisation, for example, has opened new market opportunities for business, in both developed countries and developing countries. It is important when participating in international trade negotiations to consider very carefully the potential opportunities that business could benefit from, and to work with government to negotiate trade agreements that facilitate access to those opportunities. In this context it is also important to note that many countries are negotiating trade and cooperation agreements with specific partners through regional integration arrangements or bilateral agreements.

The pursuit of efficiency has led firms in developed countries to outsource production to developing countries. For example multinational companies often produce branded consumer products in developing countries because costs, especially labour costs are much lower. While this does result in job creation, it is important to consider also other impacts such as for example the environmental impact of such production activities.



Production Fragmentation

An important feature of the globalised economy, is the increase in production fragmentation. Production fragmentation refers to the separation of production activities in the supply chain across different geographic locations. For example, the leather for the production of shoes may be produced in Botswana, this leather may then be shipped to Italy where it is tanned and prepared for the production of shoes, this shoes leather may then she shipped to China where the shoes are produced.

This fragmentation of the production process takes place to increase efficiency and lower costs of production. Companies seek out the competitive advantage of different locations in the global economy and separate the production activities in a supply chain to take advantage of these.

The implications of production fragmentation are an important impact of globalisation, affecting, business, government and society.

First, production fragmentation means that production activities are very mobile. A producer can move specific parts of the supply chain to different producers in different parts of the world very easily since they themselves are not investing in production capacity. For the firms who are performing the outsourced activities, this increases risk as the contracts may be short term, rather than long term.

Second, production fragmentation highlights the importance of the role of services in the globalised world. Services, such as transport, communication and financial services provide the links between the different stages of the supply chain. This means that the competitiveness of manufacturing is closely linked to such services sectors.

Trade and Investment Integration in a Globalised World



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During the past three decades, in particular, international trade has been liberalised significantly. The establishment of the World Trade Organisation (WTO) in 1995, provided an institutional anchor for the development of international trade rules and for facilitating the liberalisation of international trade.

The liberalisation of international trade has opened up markets to imports ranging from agricultural products to manufactured products and services. It is true that there is still much to be done specifically as regards agricultural trade liberalisation, however.

Trade liberalisation does mean that we find new products and services in our domestic economies, as well as increased participation of our firms in export markets. This does bring challenges as our domestic firms have to develop and enhance their competitiveness to encourage consumers to buy from them rather than to buy imported products. In many of our countries this requires significant effort as consumers may assume simply that imported products and services are better than those locally produced.

A significant development, especially in the last decade, is the increase in exports from developing countries. India, China and Brazil are key leading participants in the global economy, with exports to both developed and developing countries. In fact countries such as these now represent the new clusters of manufacturing competitiveness for many manufactured products (consumer goods, automobiles are good examples).

As a result of the economic growth of these countries, they have also become important importers of commodities such as coal, steel and minerals such as gold and platinum. They are now playing an important role in the determination of these commodity prices in international markets. This used to be the role of developed countries only.

In addition there have been significant changes in the global economy as regards investment. Traditionally developed countries were the sources of investment for developing countries. This is no longer true. The faster growing developing countries such as India and China have become important sources of investment, in other developing countries as well as in developed countries. An



example from India is Mittal. Mittal has invested significantly in the steel industry in several developed and developing countries.

Responses to Globalisation

Concerns of global governance: brief review of the current financial crisis

Developments, especially in large economies such as the United States, India and China will have an impact throughout the world economy. The current global financial crisis is a good example. A closer examination of this crisis can provide important lessons on globalisation. A key question is how did this crisis arise, and what is needed to avoid such a crisis in the future. Although this is a very complex issue, beyond the scope of this note, it is useful to consider some aspects of the crisis.

There is no doubt that the integration of the global financial system is an important feature of the crisis. The fact that banks are linked internationally means that if banks or other financial institutions such as insurance companies are global companies and are linked to other financial institutions, then if they encounter problems in, for example, the United States, the impact will be felt far beyond the United States. Thus the fact that many financial institutions are multinational firms has contributed to the spread of the financial crisis. In addition the fact that finance and capital can flow quite freely in the global economy is also a contributing factor

A key question is however, why did the crisis happen? The answer to this is complex, however the lack of global governance of the global financial system may well be an important consideration. There does not exist the equivalent of the World Trade Organisation that oversees global trade rules, for the global financial system.

What lessons are we learning from the financial crisis? An important lesson relates to the incentives. Bank officials have been able to achieve significant reward by lending, even to high risk clients. This was essentially the start of the crisis in the United States with the Sub-Prime Market, as home loans were granted to clients who presented a high risk of default

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How are the incentive structures determined within financial institutions and what oversight exists to prevent such high risk lending? These are important questions to prevent behaviour that can put institutions and a financial system at risk. Governance, or rules that provide assurance for integrated economic systems, such as the global financial system require scrutiny in a globalised economy

Regional Integration: A Strategy for Global Integration?

Many economies in Africa and the Arab world are by international standards, small economies, both in terms of population and economic size. This has important implications with respect to an important trend in the current era of globalisation.

Alongside the growth of globalisation, an important and growing trend is regionalism. Regional integration or regionalism refers to the process whereby countries enter into agreements to cooperate in specific areas of economic development and to integrate their markets and economies.

Within the context of the World Trade Organisation, the number of Regional Trade Arrangements has increased significantly during the past decade. It seems that regionalism is a response to the challenges of global integration; as especially smaller economies form regional groupings.

Regional groupings may be motivated by many different reasons. Small markets may be an important consideration. Through regional integration countries offer their firms larger markets and the opportunity to attain economies of scale and thus enhance their efficiency and competitiveness. As they achieve such economies of scale and greater competitiveness they are also able to compete more effectively in the global economy. Some countries and regional groupings therefore choose regional integration as a strategy for global integration. This is referred to as Open Regionalism. South East Asia has followed this strategy with success.

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Other regional groupings are formed specifically to address security concerns or to enhance their bargaining capacity in international negotiations. Some groupings may have multiple objectives. For example in Southern Africa, the Southern African Development Community (SADC) focuses on broad development objectives, aiming to support sustainable regional development, peace and security as well as economic development and integration into the global economy.

Thus far the model of regional integration that has been piloted by the European Union, has influenced many regional integration arrangements. This model started with the political objective of preventing another war, after the Second World War, but has also focused on economic or market integration, by liberalising trade amongst member states, and then also seeking policy harmonisation in certain areas such as agriculture.

Regional integration in Africa and the Arab world is also a key strategy. In the Arab world the Gulf Cooperation Council is a good example, in Africa regional economic communities are well established and a Pan-African plan for integration of the continent is a high priority.

A key question is how regional integration can assist countries to address the challenges and take advantage of the opportunities of globalisation. In this regard it is important for member states of a regional economic community to determine their regional strategy. This is important also when the member states are negotiating agreements with third parties. A good example is the current negotiations that African countries are negotiating with the European Union to conclude Economic Partnership Agreements.

Globalisation, Power and Culture

Globalisation is not just an economic phenomenon. Globalisation changes power relationships, and in particular the relationship between developed and developing countries. Developing countries have a significant interest in the development of robust global governance systems. Global governance systems provide the best prospects for forcing powerful countries to comply with international rules. Rules-based systems offer security to smaller and weaker members of the international community.



In some respects globalisation limits the scope of governments to make policy. For example if a country is a member of the World Trade Organisation (WTO), certain areas of domestic policy such as industrial policy need to comply with WTO disciplines.

Globalisation can both increase and limit cultural diversity. Diversity can be enhanced through increase in communication across national boundaries and by marketing and immigration. But it is also true that globalisation can reduce diversity as foreign culture replaces local culture. Both effects cause concerns. Social diversity can be increased by globalisation as different cultures co-exist, but it is also possible that foreign culture can displace local culture. Migration also promotes diversity. Greater cultural diversity can make a society more dynamic but it can also cause challenges as conflict between cultures can develop. In an African context, migration is a very sensitive issue as a result of the economic challenges that many of our countries face. With high unemployment and poverty, the migration of foreigners may be seen as a threat by locals leading to conflict situations.

Globalisation and Environmental Issues

There is evidence that with globalisation in some countries, income levels have risen, and as a result consumption has increased and consumption patterns have changed. A potential problem associated with this increase in income is more pollution. Intensified competition may result in compromise of environmental standards, and this may lead to damage to the environment which may have negative impact on future development prospects. This again raises the issue of global governance. Instruments such as the Kyoto Protocol can assist to provide standards that will support environmental protection for sustainable development. Of course this will only provide the basis for sustainable development if all countries especially the large, developed economies comply.

Concluding Comments

Globalisation is a complex process. The process involves decisions by firms to seek opportunities in export markets, by individuals to seek better income earning or education opportunities in other

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countries. It is also enhanced by governments concluding agreements with other countries to promote investment and trade.

Globalisation has both positive and negative outcomes. Some of the challenges require global solutions in the form of rules-based governance systems, while others require responses at the national level, for example to address challenges related to cultural diversity.

From a business perspective, globalisation increases competition. Greater competition requires that firms assess their sources of competition and competitiveness carefully, taking advantage of the opportunities to outsource, to harness new technologies and to respond to new consumer demands. Business associations and governments can assist by providing information to business and involving business in the negotiations of agreements with trade and investment partner countries.

Discussion of Paper One by participants

8.2 Paper Two – Business Development Challenges for Developing countries

Introduction

Key trends in the global economy have important implications for entrepreneurial development and large scale business in developing countries. This note will briefly review the process of globalisation and the implications for developing countries and then focus on key developments in the global economy. The development of global supply chains and the geographic disaggregation of stages of the supply chain (this process is also referred to as production fragmentation) and the role of services in the economy will be addressed.

It is also important to note that the diversity among developing countries is significant. Developing countries like China, India and Brazil now represent the clusters of competitiveness in many manufacturing sectors, from consumer goods to electronics and automobiles. While least developed



countries (and Africa is the continent with the largest number of least developed countries) may still be focusing on agriculture rather than industrial development, there are some that have attracted investment into manufacturing activities, but many still have weak manufacturing sectors. This increasing diversity among developing countries makes it necessary to ensure that any analysis of business development challenges takes into account the specific characteristics of the developing country. Some developing countries are participating effectively in the globalised economy, while others are becoming more marginalised.

Furthermore new challenges related to the environment and sustainable development are important. For example, it is important for those countries that are rich in natural resources or are exporters of commodities (oil, gold, coal, copper, tea, coffee) to assess the need to diversify their economies. For countries that are dependent on commodities this may require assessment of the potential to develop a manufacturing sector or services sectors. These are concerns not only for government but also for business. In the United Emirates for example, the growth of the education sector is noteworthy. This region could become an educational centre for not only the Middle East but also for other regions. Several countries in this region have become competitive players in the air transportation market. Their airlines and the airports that have been developed in the region are making them an important transport hub connecting for example Africa and Europe.

Mauritius provides an important case study in the development from an agricultural economy (producing sugar) to a strong focus on manufacturing (garment production) to a services economy (tourism, financial services). This shift of economic focus from the primary sector to manufacturing and services is a response to changes in the global economy as well as development at the regional and national levels.

A very important challenge for governments in developing countries is to develop policies that can support competitive business development. This requires a renewed look at particular policies that can directly support business development. These include trade policy, industrial policy, competition policy as well sector development policies and regulation for services and other sectors.

Developing Countries in the Global Economy



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Globalisation involves the integration of economies and societies as firms engage in economic activities across national geo-political borders, and individuals seek economic and social opportunities in other countries and governments enter into agreements at the multilateral, regional and bilateral levels to encourage such activities.

This process is multi-dimensional, affecting business, government and society. Business in developing countries face increased competition as a result of globalisation, both in their domestic markets as well as in export markets. Strategies to respond to this increase in competition are important from business but also from government. It is important for business to engage government to develop policies that will enhance the competitiveness of business in developing countries.

Globalisation offers significant opportunities for developing countries, including:

- investors invest in developing countries thus expanding the industrial sector of these countries,
- consumers in developing countries get cheaper access to consumer products and services (more variety and new products)
- producers from developing countries get access to export market opportunities

Besides the opportunities, there are also challenges of globalisation for developing countries. These include:

- Increased competition in the domestic market, posing challenges for domestic firms
- Domestic firms may close down, causing unemployment



Production Fragmentation, Competitiveness and the Role of Services

Production fragmentation refers to the disaggregation of various stages of the supply chain and the location of these stages in different geographic locations. It is in essence an internationalisation of production processes.

What drives production fragmentation? The short answer to this, is competitiveness. Business are seeking competitiveness through lower production costs, increased efficiency and in some cases better access to markets, which may be determined by international trade agreements. Their location decisions are thus influenced by a range of different factors. These include:

- **Market access:** As an example, investors have invested in Lesotho (a least developed country in Africa) in the clothing and textile industry. These investors come from, amongst other countries, China and Malaysia. They have invested in Lesotho primarily because, as a least developed country, garments that are produced in Lesotho qualify for favourable access to the United States (US) market under the African Growth and Opportunity Act (AGOA), which President Clinton signed into power. This Act provides for preferential market access to the US market for qualifying countries. As a result investors who want to export to the US market are attracted to invest in Lesotho to qualify for this benefit.
- **Lower labour costs and better skills**

Labour costs constitute an important part of overall costs of production for certain products or services. Thus producing these products or services in countries with low labour costs (and also good skills) lowers the overall cost of production and so enhances competitiveness. Many US and European branded consumer products (e.g. sports brands such as Adidas, Nike) are produced in developing countries because labour costs are so much lower than in developed countries.



- Incentives

In many developing countries the capacity to invest is limited. Low levels of income, or high income inequality mean that there is not enough savings generated to invest in productive economic activity. To attract investment, these developing countries often offer incentives such as tax holidays, or special rates on utility prices (such as electricity or water) or even provide facilities such as buildings for these investors. The provision of incentives is a common strategy by developing countries to attract investment, and often these incentives are not offered to local business.

The impact of production fragmentation is important for business in developing countries. Some developing countries such as China, India and Brazil are now the locations of large scale competitive production of many consumer and capital goods, competing with countries in the Europe and also the United States that traditionally have been the competitive producers of these products. In addition these developing countries are now able to consistently supply international markets, having achieved economies of scale to meet international demand

Furthermore some of the large scale producers in these fast growing developing countries (also referred to as emerging market economies) have also started developing production capacity in other parts of the world. For example the India automobile producer, TATA, is now investing in automotive production in other parts of the world, including Africa. These large developing country firms are therefore now sources of investment in other developing and even developed countries. This is a very significant development, since traditionally developed countries have been the source of investment to developing countries. But investment flows now go from developed to developing countries but also among developing countries and from developing to developed countries.

Production fragmentation also highlights the importance of services in the global economy and in developing countries in particular. The fragmentation of activities in the supply chain requires consideration of services. Fragmentation takes place as different stages of the supply chain are located at different geographic locations. In the automotive industry, it may be that the components such as catalytic convertors are produced in South Africa, other components may be produced in Mozambique, and the cars may be assembled in India. The competitiveness of the production process will depend very much on how the different stages of the supply chain are connected. The connectors between these stages are services such as transportation, financial services,



communications and other services. For example the automotive components need to be transported to the location of car assembly, financial transactions will be involved in the process and communication is important to connect these transactions but also to determine standards and delivery schedules.

The competitiveness of production activities that are fragmented geographically is thus very much dependent on the competitiveness of key services sectors. The cost, quality and reliability of services such as energy, communication, transportation and financial services will determine whether a manufacturing activity such as automotive production is competitive.

For developing countries this trend of production fragmentation is important. The implications are that the competitiveness of services sectors is important for manufacturing competitiveness. This is in addition to the fact that services sectors are also for many developing countries increasing in economic importance, as they contribute to overall economic activity, and as they employ an increasing portion of the workforce.

This means that the development of the services sectors, considering the role of government in the sectors and the regulation or deregulation of the sectors is important. In many developing countries, government still plays an important role in key sectors such as energy and telecommunications. In some cases government may be active in the supply of these services in addition to playing a regulatory function. The further development of these sectors to assure the supply of key services such as energy, telecommunications and transport as well as financial services will be important for their industrial development.

The current global financial crisis provides important lessons for developing countries. The integration of the global financial system and markets means that developing countries are also affected by the crisis. It may be that the impact is seen on their exchange rate. Recently withdrawal of funds from emerging markets has seen enormous fluctuations in the exchange rates of some of these countries. Such developments pose real challenges to firms and governments in developing countries. If their loans are in foreign currency then this will place significant strain on them.



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For exporters currency depreciation may assist to enhance their export performance, as their products and services become cheaper in terms of foreign currency. However if these firms are importing components for production, then the price of their products will be increased thus offsetting the competitive price effect of the currency depreciation.

A key question in the current global economic environment, is what kind of policies should government develop to support business development. Industrial policy requires consideration. What kind of support measure will enable businesses to become competitive by adopting new and efficiency technologies, achieving production efficiency. What should be the scope of industrial policy. Looking beyond the manufacturing sector to include the services sectors is important. Trade policy, in particular as the current round of multilateral trade negotiations at the World Trade Organisation makes very slow progress, needs to consider regional integration options carefully. Regional trade arrangements needs to focus on the key barriers to trade (and these may not be tariffs), but standards and other non-tariff barriers

Concluding Remarks

Business development challenges for developing countries are increasing as globalisation increases. The current financial crisis indicates that global integration means that developments in a large economy like the United States very quickly spreads to other parts of the global economy. No country is effectively isolated from such developments.

Key trends in the global economy such as the fragmentation of production require developing countries and businesses in developing countries to consider carefully what will make them competitive. With production fragmentation the importance of services increases significantly. As production processes are located in different parts of the world, the role of transportation, communication, financial services, energy and financial services in determining the competitiveness of manufacturing activities are crucial.

General Discussion of Paper Two



8.3 Paper Three – Regional Integration and Cooperation: Challenges and Opportunities

Introduction

Alongside globalisation, one of the defining features of international relations is regionalism. Regionalism may take various forms; cooperation or integration, and integration may be shallow or deeper integration

Regional cooperation may involve cooperation in specific projects such as infrastructure development. In the southern African region several such infrastructure development projects have taken place in recent years. Countries have cooperated in the building of cross-border road infrastructure, and this has been very important for land-locked countries, and has also facilitated intra-regional trade.

Regional integration goes beyond cooperation to the conclusion of international agreements or protocols. These may cover for example the liberalisation of trade among member states to create a free trade area or customs union. This would be referred to as shallow integration. Deeper integration extends beyond shallow integration which focuses on measures and instruments at the borders of member states such as tariffs, to behind the border issues such as investment and regulation.

Trends in Cooperation and Integration

Current trends are to move from free trade areas to customs unions and to deeper integration arrangements. Again in Southern Africa, the member states of the Southern African Development Community (SADC) launched a free trade area in August 2008, and aim to become a customs union by 2010. The East African Customs Union (EAC) is another example of such regional economic communities or regional integration arrangements in Africa. Discussions are underway to consider

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the establishment in East and Southern Africa of a Free Trade Area encompassing a number of different such integration arrangements. In West Africa regional integration is well established with some arrangements having moved beyond a customs union to a monetary union. The Gulf Cooperation Council is an example of a cooperation arrangement in the Gulf region

The Nature of Regional Cooperation and Integration

Regional cooperation and integration may take various forms and be motivated by different interests. Cooperation on security matters and in the political arena is also important. On the latter front, member states may enter into an agreement on the monitoring of elections or even set standards for free and fair elections, and then provide for the monitoring and assessment of elections.

In cases of civil unrest or war, regional peace keeping arrangements and the mobilisation of peace keeping forces may be considered.

Political and security cooperation and integration require significant commitment by member states, acknowledging the fact that in case of civil unrest intervention by regional peace keeping forces may take place. This has important implications for how member states handle domestic unrest situations.

Prospects for Regional Cooperation and Integration

Both in Africa and the Arab world the motivation for regional cooperation and integration is strong. The benefits of sustainable regional development, the integrated nature of countries in these regions, as well as the benefits from such cooperation and integration are recognised.

Especially in Africa, the focus has been on the textbook model of regional integration. This textbook model plots progress in regional integration from a free trade area to a customs union, to a

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common market, to economic union (including a monetary union when member states have a common monetary policy and common currency) and political union.

A free trade area focuses on liberalising trade in goods among member states. To do this they agree to reduce tariffs and non-tariff barriers. A free trade area is a form of shallow integration. A customs union still focuses on trade in goods and requires that member states determine a common trade policy towards this parties. Member states adopt a common external tariff. This means that member states give up trade policy space. Especially in cases where member states have diverse economic and trade interests, this means that they must compromise in the determination of the common external tariff.

Establishing a customs union and moving beyond to further forms of economic integration requires sacrifice of policy sovereignty. Decisions at a supra-national level may be time consuming and cause delays in policy decisions and implementation. Moving beyond a customs union to a common market requires liberalising capital and labour flows among member states. Especially in regions where some member states may have high levels of unemployment, the free movement of people among member states remains a very sensitive issue.

A monetary union means that member states have a common monetary policy (interest and exchange rates would be determined by a regional Central Bank). For many developing countries the interest rate and the exchange are very important instruments of policy. Giving up this policy space may impose significant constraints on the development strategy of these countries.

An economic union would further require, in addition to a common monetary policy, fiscal integration. Again fiscal policy is an important development policy area and giving this up may be a severe compromise for many developing countries, for example as regard their tax and expenditure options.

Political union would extend beyond economic integration to the political sphere. The establishment of regional political institutions, such as a Parliament, represents an advanced form of integration.

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Benefits of regional integration

The following are benefits of regional integration

- Achievement of political objectives
- Access to a larger market and associated economies of scale and increased competition
- Lower transaction costs of intra-regional trade
- Encouragement of investment, both local and foreign
- Enhancement of policy credibility
- More political power and leverage in international negotiations

The costs associated with regional integration include:

- the loss of policy sovereignty,
- trade diversion (importing from members of the regional arrangement rather than from lower costs producer outside the region)



- agglomeration economies (as economic activities cluster in specific parts of the region, exacerbating regional inequality)
- slow regional (supra-national) decision making and delays in policy implementations

While the general trend suggests that perceived benefits of regional integration outweigh the costs, regional integration remains a complex process. Especially in east and southern Africa, countries belong to several regional integration arrangements. While such membership may have been rationally motivated at the time of joining, the evolution of the integration agendas of the various arrangements now poses significant challenges.

For example, it is not possible to belong to two customs unions simultaneously, since a customs union has a common external tariff. If a country belongs to two regional integration arrangements that both aim to become customs unions, then this country will have to choose between the two arrangements.

In some regions there may be a regional hegemony. Negative and positive factors are associated with a regional hegemony. The existence of a regional hegemony may cause political challenges and also pose a threat to balanced regional industrial development. Agglomeration of industry in the regional hegemony (as a result of more developed infrastructure and agglomeration economies) may mean that smaller member states may battle to attract investment. A positive outcome associated with a regional hegemony is that it could be an engine of growth for the region.

An important consideration is that regional integration is a time consuming process. The experience of the European Union provides some indication of how long it takes to proceed along this path of integration. Modest objectives with realistic time lines are important. This is often where there is divergence between political objectives and the regional integration agenda.



Regional integration can be used as a platform for effective global integration or it can be inward looking. If regional integration is to be used to facilitate competitiveness development as a basis for participating effectively in global markets, then deeper regional integration is important.

Shallow integration refers to economic integration that focuses on border measures such as tariffs. Hence the establishment of a free trade area which eliminates tariff and non-tariff barriers on intra-regional trade is a form of shallow integration. Deeper integration involves 'behind the border' measures such as the liberalisation and regulatory reform of services and investment.

Many competitiveness challenges faced by developing countries relate not so much to border issues such as tariffs but rather to behind the border issues such as the cost, quality and reliability of service provision (eg transportation). Hence the link between deeper integration and competitiveness is strong.

Concluding Comments

Regionalism is a defining feature of current international relations. While regionalism in some sense runs counter to the fundamental principles of multilateralism, it provides an important strategy for developing countries especially smaller countries to participate in a competitive global economy.

Regional integration is a complex and demanding process, especially in so far as it may require the sacrifice of policy sovereignty. The objectives of regional integration arrangements must be clearly articulated, the costs and benefits need to be carefully assessed. A realistic plan achieving integration targets needs to be developed and implementation of agreements and protocols should be monitored, and compliance assured if the benefits of integration are to be realised.

General Discussion of Paper Three

9.0 Reactions of Delegates

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9.1 Nigeria

The Head of the Nigerian delegation in his reaction expressed gratitude to the presenters of the papers and the earlier speakers on the papers. In particular he associated himself and the Nigerian delegation to the views expressed by the delegation from the republic of Gabon on the possibility of establishing structures that can effectively conduct commercial and industrial cooperation between the regions of Africa and the Arab world. He added that we do have regional organizations like Arab League, ECOWAS, African Union and so many other organizations within the two regions. I believe we should from this first meeting begin to think about strategies whereby we can have a kind of trade liberalization.

We have within the West African community what has spread to the entire African continent and to the Arab nations. In line with what America has been doing, they have cooperated with Canada for free flow of goods. The same way down south, they have cooperation with Mexico

We should be looking at how the African and Arab nations can actually formulate policy toward free trade or through the Arab League, AU or ASSECAA whereby moving forward, we would have an opportunity for mutual development, lifting of trade barriers before we can take full advantage of what WTO offers.

I believe that in the African and Arab nations, there are products for trade exchange in countries like South Africa, Nigeria and in most of Arab nations. We have a lot of investment funds in the Arab nations. So we can begin to cooperate within ourselves and move this association of chambers of commerce forward to comply with what other regions of the world are doing.

I would like to thank the organizers of this meeting for this opportunity and their initiative and look forward to those concrete terms and structures to move us forward towards economic cooperation and advancement

9.2 Morocco



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The Head of the delegation from Morocco in his reaction thanked the organizers of the meeting and the sponsors, BADEA. He identified himself and his delegation with the proposal for working together of the two regions of Arab and Africa to form a strong economic bloc in view of the effect of globalization on technologically disadvantaged countries. He urged countries in Africa and the Arab world which are stronger than others to be generous and show leadership in the efforts to establish strong union for economic cooperation between the two regions. He urged the organizers of the meeting and the sponsors to ensure that the meeting is held as regularly as possible until all modalities for the cooperation arrangement are worked out and agreed upon.

9.3 The Head of delegation from the Republic Gabon, Mr. Joachim BOUSSAMBA MAPAGA, in his contribution said:

At first, I wish to indicate that I am the president of the chamber of commerce and industry of Gabon and the President of the Chamber of Commerce sub- regional of central Africa. I speak at the same time, under the name of the Chamber of Commerce of my country and also under the name of the all Chambers of Commerce of the Central Africa.

I would like in the beginning to thank the Association of Senates, Shoora and Equivalent Councils in Africa and the Arab World who took this initiative to organize this meeting of the chambers of commerce and industry in Africa and the Arab World and I would like to thank the authorities of South Africa for all the facilities that they have provided for receiving us. I wish also to thank the presenter for her good presentation.

Contrary to the other meetings, I want to indicate to you that we are the chambers of commerce and we represent here the economic operators in our countries where the businessmen are seeking business opportunities. When we go back to our countries, we should be able to tell them, Here is what we brought with us for you and here is what you can do from now on in order to avail these opportunities.

The commerce on which the presenter offered a presentation is a very important aspect because it is about exchange. We have, on one hand, the Africa with all its opportunities but a lot of limits; limits

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in term of economic weakness and poverty. That's why there's a lack of investment in Africa. On the other hand, we have the Arab World which has, may be, the means to invest.

How to put these two worlds together for increasing the investment opportunities in Africa and the Arab world to be competitive in terms of exchange, is the riddle. We should work together to benefit from these investments opportunities in Africa. Africa should be competitive in terms of commercial exchange.

Today, we are about to be opened to the world. Most African countries are about to negotiate partnership agreements with Europe.

Our economies must be more competitive. The Asian competitive products coming from India and China arrived at our markets. Our wishes are that Arab investments should come to Africa to improve the competitiveness of our economies and the African and Arab markets. The question which is asked now is what's the complementarity between the possible investments and the Africans markets?

9.4 The Head of delegation from Republic of Guinea, Morlaye Mr. Diallo, President of the Chamber of Commerce, Industry and Handicrafts of Guinea in his contribution said:

Thank you for giving me the chance to speak I am the President of the Chamber of Commerce, Industry and Handicrafts of Guinea. I would like to congratulate madam for the quality of her presentation that opened the door for us, on all these reflections, which are being made.

I do not want to debate too much and I would say simply that, I would like to point out that there's the African Union of chambers of commerce which was established in Alexandria.

At the African level, there are regroupings of chambers of commerce. We recently tried to revive the West African Federation of Chambers of Commerce which is not present here. It would have been

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very useful if the African Union of Chambers of Commerce established in Egypt, with its headquarters in Cairo had been in this room. This is a structure that combines both the Maghrebian Federation of Chambers of Commerce and the South African chambers.

I know that the Moroccan consular chamber played a role in the establishment of the Maghrebian Federation of chambers of commerce.

In my point of view, I think we should work in coordination with these federations; The African Union of consular chambers and the Federation of Islamic Chambers of Commerce which is based in Istanbul. There is also the Association of Mediterranean Chambers of Commerce.

Thank you Mr. President

9.5 Dr. Meloud Al-Suri, from Libya's General Federation for Chambers of Commerce and Industry, in his contribution said that as a matter of fact, our regional cooperation is still weak. It is true that the bilateral regional cooperation does not require an international agreement, rather it requires political and socio-economic stability that emanates from political will. There should also be a conducive climate for such cooperation, and this can be achieved through legislation and regulations that regulate investment and trade exchange.

Consequently, cooperation means investment and trade exchange. Regrettably, we find that some bilateral agreements are not activated due to political conditions.

We dream that a network of roads will be constructed so as to link the southern parts of Africa with its northern parts, and also to connect Arab countries with Asia. We noticed that the cross-border trade has made a great stride, meaning that the exports between Africa and Arab World have increased. This would reflect positively on production.

The problem here does not lie in constructing new business bodies and unions, instead it rests with the fact that the existing business unions, including the African union of chambers of commerce and

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industry, the Arab Union of chambers of Commerce and industry, and COMMISA organization, among others, are not effective.

We would like to confirm that the passivity and ineffectiveness of business unions are behind the inflationary spiral, high costs of living, immigration, poverty, and unemployment. This also makes the private sector unable to play its roles vitally.

It is also advisable that we construct free trade zones in our countries to enhance mutual economic cooperation.

Certainly, globalization has its own positives and negatives. However, what are the things that prevent us from embracing the positive aspects of globalization? Of course, this can be attributed to the level of our awareness of how to face the challenges emanating from this global phenomenon.

We should also know that the world superpowers are dominating the global economy. Therefore, globalization is just like a sword that is aimed at the heads of poor countries.

Unfortunately, the poor countries, which possess high experiences in different fields, are unable to harness the concerted efforts of international organizations and banking institutions, which may reduce the risks of globalization.

Yes, I agree with the presenter that poor countries have no voice in the developed countries. This makes us as Libyans to continually stress the importance of the African region that is considered as a strategic depth for Arab countries. The African Union, regional business organizations and Afro-Arab chambers of commerce and industry are anyhow able to overcome the challenges and exploit the available business opportunities.

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9.6 Mr. Ali Lutf Al-Thawr, Chairman of the Economic Committee, Shoora Council of Yemen in his intervention said:

Peace of God and His blessings be upon you all,

First and foremost, I wish to express immense gratitude to the government and people of the Republic of South Africa for hosting this meeting, the warmest reception and generous hospitality accorded to us, and the well-organized forum. This meeting is being held at a time when the world is suffering from critical conditions due to the global financial crisis.

On my part and on behalf of the Yemeni Shoora Council, I would like to express my pride of this nation that begot Nelson Mandela, a unique freedom leader, who, alongside his African comrades, have the highest-profile track-record of struggle that ended up with the achievement of freedom, dignity, independence, sovereignty and statehood in the light of peaceful co-existence as well as partnership in the building of a modern nation state. Thus, bringing together its entire people, regardless of the ethnic, lingual and religious diversity.

I also highly appreciate the distinctive attendance on the part of the Afro-Arab business organizations.

We are confident and hopeful that this meeting shall come up with a call for holding a meeting for the Arab and African cabinets in order to lay down the preliminary mechanisms necessary for bringing the Afro-Arab economic bloc into being.

This bloc can serve as an umbrella under which all Afro-Arab business institutions can do their own business in a way that enhances investment and trade exchange.

We need to achieve the first step of pushing forward the pace of comprehensive development in Africa and Arab world, which shall augment investment opportunity and help bring back Afro-Arab

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capitals, maximize economic growth and increase domestic production of each and every country in the region, provide job opportunities and increase state and per capita income, and improve the quality of life and services.

The violent cataclysm that struck the pillars of global economy, heralds a new phase of exceeding the unipolar global order that exported crisis factors to all world countries and saddled them with financial and economic burdens, which entails the establishment, by Arabs and Africans, of a joint financial and economic system, that bypasses the exportation of crises and predicaments, and encounters the destructive negatives of globalization.

The Arab and African countries constitute a formidable financial and economic bloc thanks to the abundant natural resources, including raw materials, minerals, diverse energy sources, manpower, fisheries and agricultural ingredients that make the region one of the most important component of the multi-polar global economic order.

We call for the formation of an Afro-Arab economic bloc under the umbrella of the AU and the Arab League, as Arab and African countries have had deep-rooted historic and geographical relations since the creation of the universe.

The African Union (AU) and the Association that brought together the Arab and African countries would contribute to achieving rapprochement among the two regions.

9.7 The Head of the delegation from Bahrain, in his comment said:

We thank the distinguished lady for her valuable paper. A lot of points have been raised in respect of globalization. Whether these points are positive or negative, this gathering has to adopt a lot of her important points. She is talking about normal work environment in which production elements from labour or raw material or components are equal, but we have to support countries within the international system such as Iraq, which is facing now security challenges. When countries such as Afghanistan, Bosnia or any African countries suffer from security problems, we should assist them in



the legislations within the framework of this gathering. The problem of security led to poverty and ignorance, so we must take a strong stand and support legislations to douse violence.

Thank you Mr. President

10.0 Resolution into Committees

The Meeting resolved into three committees to sharpen the recommendations on the three main topics for discussion at the meeting and to concretize the appropriate resolutions.

Committee One considered the following issues:

- a) Tariff regimes
- b) Local products
- c) Availability of mineral resources
- d) Business laws and regulations
- e) Indigenisation, privatisation and nationalisation of business

activities



Committee two considered the following issues:

- a) Scheduled trade exhibitions
- b) Workshops for the creation of awareness on economic developments in the region and the world at large
- c) Exchange of business visits
- d) Date and place of next meeting

Committee three considered the following issues:

- a) Process of funding for the next conference
- b) Investment opportunities in the region
- c) Process of cooperation investment
- d) Resource availability in the region

11.0 Committee Reports and Observations



The Committees presented their reports to the plenary meeting and accordingly, the meeting agreed on the following observations:

- a. It was necessary to restore peace and security and political stability in the Arab and African countries as a pre-requisite for economic, social and political development in the two regions.
- b. Peace and security is necessary for free trade and flow of investments between African and Arab countries.
- c. WTO and the Doha negotiations seem to have reached deadlocks. Accordingly, the countries of Arab and Africa should seek to enhance regional cooperation and integration
- d. In view of the international financial crisis, which has raised new challenges facing the countries of the third world, there is a need for the Arab and African countries to join forces to increase cooperative information flow so as to harmonise stands at international dialogues
- e. The regions of African and Arab world need to establish structures that will enable them to decrease the negative effects of recent international crisis on food and finances.
- f. The recent international financial crisis will lead to a shifting paradigm which can affect developing countries adversely. Therefore African and Arab countries through joint efforts at the regional level should participate effectively within the international community, to create measures for new international financial system to prevent adverse effects of such crisis on the economic development of the two regions.
- g. African and Arab world should take cognizance of the mobility of foreign direct investment which usually seeks conducive environment.



h. The main response to the negative effects of globalisation is to emplace policies needed to assist national businesses to enhance their competitiveness at the regional and international levels.

i. Africa and Arab countries need to intensify joint research for the reformation of legal framework to enhance regional integration.

j. Regional integration exists in different parts of the world in the following forms:

- a. Free trade area
- b. Customs union
- c. Common market
- d. Monetary Union

Accordingly, the African and Arab countries should seek out the best process for the joint operations of these institutions in order to reach common regional agreements

k. African and Arab countries need to develop their businesses and service sectors so as to attract foreign investment.

12. 0 Recommendations/Resolutions



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The meeting considered the above observations, deduced from the report of the Committees and resolved as stated hereunder and that these resolutions should be recommended to the next meeting.

i. That this meeting is the first meeting in the chain of dialogues that will culminate in the eventual establishment of a common Afro-Arab institution to mediate economic cooperation between the two regions.

ii. That the countries of Africa and Arab world should encourage the participation of their national chambers of commerce in the formulation of economic policies.

iii. That the countries of Africa and Arab world should activate and reactivate agreements concerning regional cooperation and trade.

iv. That the Arab and Africa countries should work to enhance bilateral or regional communication, meetings and trainings concerning trade, investment and business promotion.

v. That the Arab and African countries should endeavour to internalise the transformation of technology.

vi. That there is need to support investments between the two regions. In this regard, institutions which guarantee investment and provide funding should be encouraged to meet periodically so as to ensure effective cooperation.

13.0 Date and Place of Next Meeting

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13.1 The Head of delegation from the Jamahiriya Libya proposed and the meeting resolved that the next meeting of the chambers of commerce and industries in Africa and the Arab world shall take place in Jamahiriya Libya.

13.2 The details of the date shall be agreed upon by the Secretariat of ASSECAA and the authorities in Libya and circulated to the countries of the two regions

General Secretariat

ASSECAA

5th November, 2008.