

ASSOCIATION DES BANQUES CENTRALES AFRICAINES



ASSOCIATION OF AFRICAN CENTRAL BANKS

ASSOCIATION OF AFRICAN CENTRAL BANKS (AACB)

**CONTINENTAL SEMINAR FOR THE YEAR 2019 ON THE THEME :
'RENEWED PROTECTIONIST TENDENCIES : SOME IMPLICATIONS FOR
MACROECONOMIC POLICY IN AFRICA'**

(Balaclava, Mauritius 6-8 May, 2019)

Termes of reference

As part of its activities, the Association of African Central Banks (AACB) organizes an annual Continental Seminar (Article 3 of the AACB Statutes). The Continental Seminar is a forum for discussion between African Central Banks, International and Continental Institutions, as well as resource persons identified for their expertise. The Continental Seminar aims to promote the exchange of ideas and experiences related to monetary, banking and financial issues as well as cooperation in Africa.

The current terms of reference outline the context and objectives of the 2019 AACB Continental Seminar. They address the main topics to be discussed and consider the planned arrangements for the organization of the work.

I. BACKGROUND OF THE SEMINAR

In recent years, international economic news were characterized by rising trade tensions, with the increase in customs duties between the United States of America (USA) and trading partners, including China and countries of the European Union (EU). Under these conditions, trade, investment and economic growth remain threatened by uncertainty.

If the disputes between the countries directly concerned are not resolved and if tariff barriers are multiplied, then the costs of imported intermediate and capital goods will increase. This increase will be reflected on consumer prices, on a global scale. The last estimates published by the International Monetary Fund (January 2019) show that the Chinese economy slowed in 2018 and the deceleration is expected to continue in 2019, due, inter alia, to trade tensions with the USA.

The implications of rising protectionist tendencies on Africa's economies should be considered in depth. Indeed, a sharper than expected slowdown in economic growth in Africa's trading partner countries, such as China or EU, would have negative repercussions on world commodity prices and would be a source of systemic risk for financial stability in some African countries. The effects would be detrimental in particular in countries where fiscal revenues are mainly based on import taxes.

It is in this context that the Assembly of Governors, at its 41st annual meeting held in Sharm El Sheikh, Egypt, on August 9, 2018, selected the following theme for the 2019 Continental Seminar: ***'Renewed Protectionist Tendencies : some Implications for Macroeconomic Policy in Africa'***.

The event will be hosted by the Bank of Mauritius, from 6 to 8 May 2019 in Balaclava, Mauritius.

II. OBJECTIVES OF THE SEMINAR

The 2019 AACB Continental Seminar will provide an appropriate forum for high-level discussions on the short, medium and long-term implications of the trade tensions observed in some developed and emerging countries on African economies. Discussions should lead to recommendations on the strategies to be adopted by African countries to cope with the growing trade protectionism, with a particular

emphasis on the continent's economic potential and the current regional integration process.

Thus, the main points of interest could be:

- The impact of trade protection measures in developed and emerging countries on African economies, particularly through their exports and imports as well as their fiscal revenues. Discussions would also focus on how African countries should prepare for the possibility of continued global trade protectionism.
- The behavior of African Central Banks to cope with the disruptions caused by changes in custom tariffs on a global scale (interest rate policy, financial market orientation, financing mechanisms for foreign trade).
- The opportunities for intensification of trade between African countries, the rise of protectionism may be an opportunity to accelerate the implementation of the Continental Free Trade Area (diversification of economies, intensification of intra-African trade).
- The exploration of strategic commercial options specific to African countries, in particular the industrial transformation of their raw materials, in order to favor changes in their integration pattern in the world economy. Indeed, protectionist tendencies in the world's largest economies have shown that adherence to the major directions provided by global institutions such as the World Trade Organization (WTO) is not the only possible way forward.

III. PROCEEDINGS OF THE SEMINAR

The Seminar will be organized around the presentation of papers on sub-themes in a plenary session. The presentations on sub-themes will be followed by workshops.

3.1. Presentation of papers in a plenary session

Three sub-themes were selected by the AACB Bureau during its meeting held in Dakar on March 13, 2019.

- First sub-theme: **'Mitigating the Impact of Rising Protectionist Tendencies : Role of Central Banks and the Continental Free Trade Area (CFTA)'**. This sub-theme would analyze the role that African Central Banks have to play in contributing to the preservation of macroeconomic balances in African countries, against a backdrop of increasing trade protectionism. Indeed, the context of a trade war could lead to a possible tightening of monetary conditions by central banks, in response to inflationary pressures generated by custom tariffs. The sub-theme would also address the potential benefits of the CFTA in promoting intra-African trade, in an environment of heightened trade protectionism.

- Second sub-theme: 'Trade War and Protectionist Tendencies: Implications on External Sector Performance in Africa'. This sub-theme would address the impact of the trade war on foreign trade and capital flows in African countries. This would allow to consider to what extent the promotion of intra-African trade could be an alternative to mitigate the impact of protectionism in developed and emerging countries. The sub-theme would also analyze the consequences of trade tensions and show whether they would result in an increase or decrease of capital flows to Africa.
- Third sub-theme: 'Protectionist Trends around the world : Prospects for Monetary Integration in Africa'. This sub-theme would highlight the possible relationship between rising protectionist tendencies and monetary integration in Africa. Indeed, the uncertainties created on prices and exchange rates by the rise of protectionism could contribute to further rationalization in the management of external reserves. African Central Banks could consider using cross-border payments in local currencies and these prospects would be an accelerating factor for monetary integration in Africa.

3.2. Break-out Sessions

Participants will be divided into three Groups to engage discussions on the following themes and make recommendations:

- Break-out Session 1: Implications of Rising Protectionist Tendencies on Macroeconomic Policy and Monetary Integration in Africa.
- Break-out Session 2: Renewed Protectionist Tendencies: Opportunities and Challenges for Intra-African Trade in the Context of the Continental Free Trade Area (CFTA).
- Break-out Session 3: Trade War and Renewed Protectionism: Implications for Trade and Financial Flows in Africa.

The Central Bank of Egypt will coordinate the break-out Sessions. The Break-out Session 1 would be chaired by the Central Bank of Nigeria and the two others (Break-out Session 2 and 3) would be chaired respectively by the Bank of Tanzania and the Central Bank of Lesotho.

IV. ORGANIZATIONAL ARRANGEMENTS

4.1. Participants

The Continental Seminar would bring together about 50 participants from the following institutions:

- AACB Members Central Banks;
- European Central Bank (ECB);
- African Union Commission (AUC);
- United Nations Economic Commission for Africa (UNECA);
- Common Market for Eastern and Southern Africa (COMESA);
- Southern African Development Community (SADC);
- Central Africa Economic and Monetary Community (CAEMC);
- Economic Community of Central African States (ECCAS);
- Economic Community of West African States (ECOWAS);
- Maghreb Arab Union (MAU);
- West African Economic and Monetary Union (WAMU);
- Eastern African Community (EAC);
- West African Monetary Agency (WAMA);
- West African Monetary Institute (WAMI);
- International Monetary Found (IMF);
- Worl Bank;
- African Development Bank (AfDB);
- Making Finance Work for Africa (MFW4A).

4.2. Seminar program

The proposal is to have a three-day Seminar with plenary and break-out Sessions as follow :

First day - morning

The morning of the first day will be devoted to the presentation of papers on the three sub-themes:

- *Protectionist Trends around the World: Prospect for Monetary Integration in Africa.*
- *Mitigating the Impact of Rising Protectionist Tendencies: Role of Central Banks and the Continental Free Trade Area (CFTA).*
- *Trade War and Protectionist Tendencies: Implication on External Sector Performance in Africa.*

First day - afternoon

The afternoon will be devoted to presentations by the AACB member central banks on their experiences with respect to the central theme of the seminar:

- Banque Centrale des Comores
- Bank of Zambia
- Banque Centrale du Congo
- Central Bank of Liberia
- Banque d'Algérie
- Banque Centrale de Tunisie
- BCEAO
- Bank of Botswana
- Central Bank of Seychelles
- BEAC

Second day - morning

The morning of the second day will be reserved for break-out sessions. Participants will be divided into three Working Groups in order to engage discussions on the topics below.

- Implications of Rising Protectionist Tendencies on Macroeconomic Policy and Monetary Integration in Africa.
- Renewed Protectionist Tendencies: Opportunities and Challenges for Intra-African Trade in the Context of the Continental Free Trade Area (CFTA).
- Trade War and Renewed Protectionism: Implications for Trade and Financial Flows in Africa.

Second day - afternoon

The afternoon of the second day will be devoted to the restitution of the results of the work in the break-out sessions. The Chairperson of each break-out session will present synthesis of the debates as well as the main conclusions and recommendations of the break-out session.

Third day

The third day will be devoted to the elaboration and adoption of the conclusions and recommendations of the Seminar. After the adoption of the report, the closing ceremony will be chaired by the Bank of Mauritius.

4.3. Date and venue of the Seminar

At its meeting, held in Dakar on March 13, 2019, the AACB Bureau took note of the holding of the 2019 Continental Seminar in Balaclava, Mauritius, from 6 to 8 May 2019.

V. COST OF THE SEMINAR

In accordance with the 2019 budget of the Association approved by the Assembly of Governors in Sharm El Sheikh, in Egypt, the cost of the Seminar, with the exception of travel and expenses of the AACB Secretariat, is covered by the institution hosting the event. Accommodation and subsistence costs for delegations are borne by central banks and invited institutions.

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