

SPEAKING NOTES

KEYNOTE ADDRESS

BY

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ON OCCASION OF THE 7TH EU-AFRICA BUSINESS FORUM
HIGH LEVEL SIDE EVENT ON THE AfCFTA AS A GAME CHANGER

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Excellencies, Ladies and Gentlemen

1. Let me thank the DG for International Partnerships, the organisers for their warm welcome and hospitality. They have invested enormous efforts to make this High-Level side event on the Africa Continental Free Trade Agreement (AfCFTA) a reality, and I congratulate them on this notable success.
2. My intervention will focus on three themes: inspired by the topic "***the AfCFTA as a Game Changer***". First, to provide a brief background to the AfCFTA; second explain why the AfCFTA is a potential game changer for the continent. And finally, update you on the status of implementation of the AfCFTA.
3. As you may well know, the agreement establishing the AfCFTA was signed in 2018, but the idea of building a single market for goods and services in Africa was proposed by the African Union (AU) six

years earlier. The AfCFTA is, therefore, one of the AU's flagship projects and part of its plan to turn the continent into a global economic power over the next few decades.

4. This is why the AfCFTA is embedded in "Agenda 2063: The Africa We Want". Agenda 2063 is a broad-based strategy for the transformation of Africa, which also embraces the UN Agenda 2030 Sustainable Development Goals.
5. The AfCFTA is a critical response to the continent's developmental challenges; market fragmentation, smallness of national economies, over reliance on the export of primary commodities, under-developed industrial regional value chains and high regulatory and tariff barriers to intra-Africa trade, among others.
6. As it is well known, Africa's over reliance on exports of primary commodities is detrimental to the achievement of its economic development vision. Exports of raw commodities generally attract low prices with insufficient foreign exchange revenues while downstream along the traditional exports value chains in the destination market countries, considerable wealth and jobs are created. There is, therefore, the need to take action to transform the structure of Africa's economy from a primary commodity export-based one, to a manufacturing industrial export-driven economy.
7. Continental integration is, therefore, indisputable, if Africa is to industrialize, develop intra-regional trade, strengthen capacities to benefit from globalization, reduce vulnerability to fluctuating overseas markets, mobilize and maximize scarce resources of capital and skills, and finally forge the way to effective African unity, both political and economic.
8. We must use Africa's resources for the benefit of Africans; transform the economies, create jobs for the teeming youthful population, and reduce poverty.

Ladies and Gentlemen

9. The AfCFTA has the potential to be the game changer for Africa in several facets. In the first place, it could be a game changer for the transformation of Africa's economies and post-Covid 19 recovery if African countries could harness its numerous benefits.
10. As it is well known, despite the continent's enormous wealth in natural capital endowments, the economies remain among the least developed in the world. Africa has 17% of global population, but accounts for only 2% of global trade, 3% of global GDP, and 2% of global manufacturing.
11. Currently, the countries of the continent survive mainly on exports of a very narrow range of primary commodities to traditional markets of the North while being heavily reliant on the import of capital goods. As a result, African countries do not trade with one another that much. Just around 18 percent of trade is between African countries, while in Asia that figure is 59% and in Europe it rises to 68%.
12. The potential for transformation across Africa is, therefore, significant. It will boost Africa's transformation from an exporter of agricultural commodities and raw materials to a supplier of finished manufactured goods, and help bridge Africa's industrial deficit gap. The diversification in trade would lead to sustained economic growth and job generation.
13. The AfCFTA ushers in a new way for African countries to do business with each other, and a new way for the world to do business with Africa.
14. The AfCFTA helps to improve the attractiveness of Africa for investors, as the potential markets companies can tap have become much larger. This also places the continent in a stronger position to negotiate fair trade terms with other countries and blocs.

15. If fully implemented, the AfCFTA will significantly reduce poverty on the continent. According to a report by the World Bank, the agreement will boost regional income by 7% or \$450 billion, speed up wage growth for women, and lift 30 million people out of extreme poverty by 2035. Wages for both skilled and unskilled workers will also be boosted by 10.3% for unskilled workers, and 9.8% for skilled workers.
16. It is also projected to lead to a combined consumer and business spending of more than US\$6.7 trillion by 2030, while business-to-business spending will increase to about US\$4.2 trillion, with agribusiness contributing the lion's share of about US\$1 trillion.
17. Further, the agreement aims to reduce all trade costs and enable Africa to integrate further into global supply chains. It will eliminate 90% of tariffs, focus on outstanding non-tariff barriers, and create a single market with free movement of goods and services. Cutting red tape and simplifying customs procedures will bring significant income gains.
18. Beyond trade in goods, the AfCFTA covers other trade-related issues that are critical to foreign direct investment strategies and activities including trade in services, competition policy, intellectual property rights, investment, dispute settlement and digital trade.
19. Again, the AfCFTA has a potential to be a game changer for women's empowerment in Africa. The AfCFTA clearly focuses on improving the lives of women, as it is expected to strengthen the economic participation of women and youth.
20. And in line with the directives of African leaders, a protocol on women and youth in trade is being developed. It is expected to address the specific constraints and barriers women face when trading on the continent. The protocol will enable AfCFTA state parties to effectively address the constraints women in trade face

and create an environment that allows women to utilise the agreement by accessing wider markets, improving their competitiveness and participating in regional value chains.

21. AfCFTA also provides a viable way to cushion the negative impacts of the Covid-19 pandemic. While African economies are recovering from the severe downturn of 2020, this growth is moderate due to the limited room of governments to support their economies.
22. According to the World Economic Situation and Prospects as of mid-2021 report, “with the risks of a prolonged pandemic and insufficient fiscal space to stimulate demand, the world’s most vulnerable countries are facing the prospect of a lost decade”.
23. In this environment, free trade provides a much-needed stimulus, and the operationalisation of the AfCFTA can bolster Africa’s post-Covid recovery.
24. The AfCFTA also has the potential to be a game changer in the promotion of good trade governance both across Africa and globally. The prevalence of illegally-procured or produced goods and misinvoiced trade transactions deprives governments of much-needed revenues, especially in this fiscally-challenged Covid-19 pandemic period. This also undermines fair labour standards and human rights, and obscures who is involved in trade transactions and what goods are being traded, which can facilitate transnational crime.
25. The AfCFTA has the potential to be a game changer, not only for doing business across the continent, but also for how the rest of the world thinks of Africa.

Excellencies, Ladies and Gentlemen

26. Let me now turn to the State of Play on the AfCFTA.
27. Since 1st January, 2021, it has been possible for AfCFTA State Parties whose customs procedures are ready, to trade under the agreement's preferential terms. This marked the commencement of a historical journey that has been described by many as the most significant milestone in Africa's integration agenda.
28. However, not much activity has taken place due to the delay in finalising some of the protocols on trade in goods and trade in services, particularly on the Rules of Origin and tariff schedules which are very crucial components to facilitate trading under the AfCFTA.
29. It is important to point out that, trade agreements are very complex, very technical, and have far-reaching obligations for countries that negotiate them. Countries, therefore, tend to take a lot of time to deliberate on the implications and the obligations that they are undertaking. The delay is, therefore, understandable.
30. This notwithstanding, several important milestones have been reached.
31. First, the number of countries that have ratified the agreement has increased appreciably to 41, making it the fastest instrument to be ratified in the African Union. This is a testament to the commitment of our Heads of State to market integration and the AfCFTA project.
32. As Secretariat, we continue to engage and provide the needed support, where necessary, to the AU member states that are in the process of ratification to ensure that they ratify the agreement in

order to have the AfCFTA operating close to full capacity to yield maximum benefits.

33. Meanwhile, there are 54 signatories to the AfCFTA Agreement, indicating that all, except one of the AU member states, have signed the agreement.
34. Second, we have also made incremental progress around the key bones of contention in the phase I negotiations, on the Rules of Origin (RoO) and tariff liberalization schedules.
35. Currently, substantial progress has been made on the negotiations and agreement reached on 87.7% of product lines which is a very high consensus threshold. This means that we have now defined for each of them what constitutes the minimum African content for a product to be traded among countries of the continent on the basis of preferences.
36. Such a high threshold of consensus also, guarantees that the vast majority of products can be traded.
37. Furthermore, as secretariat, we are also in receipt of 44 tariff offers which have been technically verified.
38. With respect to trade in services, five priority sectors in services for the first round of negotiations have been adopted namely; tourism, transport, communication, financial and business. State Parties may, however, liberalise more sectors based on the principles of variable geometry and reciprocity. The negotiations are in an advanced stage of completion as 46 member states have submitted their Schedules of specific commitments, which have been technically verified.
39. With these developments, we are now in a position to start commercially meaningful trading in goods and services across the

continent, in line with the decision of our Heads of State that we start trading based on the progress that has been achieved.

40. It should now be possible for State Parties to gazette these legal instruments, that is the schedules of tariff concessions, at the national level, for full-scale implementation from a customs point of view.
41. Going forward, for products that we have agreements, traders should be able to trade with certainty and predictability based on the rules of origin that apply. This is important for industrialization and the certainty and predictability of the market.
42. Indeed, soon we intend to publish what we call the AfCFTA Tariff Book, which will include rules of origin and the customs procedures that apply to products. Traders will be able to identify in that tariff book their specific products, know what rules of origin apply to each product and associated tariffs.
43. The Dispute Settlement Body (DSB), a key pillar in the successful implementation of the agreement has been activated and operationalised as of April, last year. It is modelled on the WTO's disputes resolution protocols, but with key improvements so that we do not end up in deadlock like the situation at the WTO's appellant.
44. The launch of the DSB signals the readiness of the AfCFTA dispute settlement infrastructure to rise to the occasion whenever necessary. We are now in the process of negotiating rules for appointing members of the appellate body of the dispute-settlement body.
45. Indeed, the operationalisation of a credible DSB will be a momentous short-term success for the AfCFTA.

46. The other aspect of implementation of the Agreement, which is equally important, has to do with the removal of non-tariff barriers, including a wide range of restrictive practices that make trade difficult, inefficient and costly.
47. A lot of work is being done to ensure that the customs clearance delays, certification problems, restrictive licensing regimes and corruption issues are addressed.

Ladies and Gentlemen

48. Phase II of the AfCFTA negotiations, which are at different stages, is expected to develop Protocols on Intellectual Property, Investment, Competition Policy, Digital Trade (e-commerce), and Women and Youth in Trade. This will further strengthen the investment and business environment in Africa and enhance the attractiveness of Africa to investors.
49. It is our expectation that the negotiations for the outstanding protocols would be completed for full implementation of the Agreement this year.
50. On January 13, we marked a significant milestone in the operationalisation of the AfCFTA with the launch of the Pan-African Payment and Settlement System (PAPSS) in Accra, Ghana. This impressive achievement is set to boost intra-African trade significantly by minimizing the use of hard currencies and making cross-border payments cheaper and seamless.
51. The PAPSS is intended to address a binding constraint on boosting intra-African trade under the AfCFTA, exacerbated by the 42 currencies in existence on the continent, by putting in place an appropriate and efficient payment system.

52. The PAPSS will significantly reduce the costs of currency convertibility and save the continent an estimated \$5 billion annually, to the benefit of the numerous SMEs and young entrepreneurs across the continent.
53. Also, a week ago, on February 9, 2022, the AfCFTA Secretariat and African Export-Import Bank (Afreximbank), signed a \$10bn AfCFTA Adjustment Fund in Cairo, Egypt.
54. As experience of some RECs has shown, the adverse fiscal impact some countries might face can constitute a constraint to the transparent implementation of the liberalisation of trade in the affected countries. The Adjustment Fund is, therefore, intended to address this problem, and encourage state parties to implement the agreed AfCFTA tariff liberalisations. The Facility will provide a mechanism for Member States to access financial and technical resources to implement the Agreement and mitigate the short-term disruptions and associated costs.
55. The AfCFTA Adjustment Facility is, thus, one of the instruments aimed at ensuring win-win outcomes in our continental economic integration.
56. It is also noteworthy that we are now working closely with partners including the AfDB, AUDA-NEPAD, Afreximbank and others in putting together an AfCFTA SME Financing Facility to catalyse access to finance for their business activities.

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57. To conclude, the AfCFTA presents an opportunity to accelerate intra-African trade and to use trade more effectively as an engine for growth and sustainable development.

58. With the AfCFTA, we are creating an effective trading bloc, and a continent where all countries can reach their potential for growth and prosperity. If fully implemented, the AfCFTA can indeed be the game changer for Africa's development and integration into the global economy.
59. As I have often said, we are committed to implement the AfCFTA in such a way that it would significantly boost intra-African trade and enhance our investor profile. We have to implement the trade and investment rules that we have agreed on to become a much more attractive investment destination than we have ever been.
60. Indeed, if the AfCFTA is successfully implemented, it could be the game changer for the continent.

Thank you.