
**SPEAKING NOTES
FOR
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BRIEFING ON THE STATE OF PLAY OF THE AfCFTA NEGOTIATIONS
AND STEPS TOWARDS THE START OF COMMERCIALY MEANINGFUL
TRADE UNDER THE AfCFTA TO GROUP OF AFRICAN
AMBASSADORS/HIGH COMMISSIONERS IN THE UK

London, UK

28 MARCH, 2022

PROTOCOLS

Dean of the African Diplomatic Corps here in the UK

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Distinguished Invited Guests

Ladies and Gentlemen

Good morning.

Introduction

1. First of all, let me welcome you to this “Briefing on the State of Play of the AfCFTA negotiations and steps towards the start of commercially meaningful trade under the AfCFTA.”
2. The objective of this briefing is to increase awareness and engagement surrounding the negotiations and implementation of the AfCFTA.
3. The session also aims to further offer an opportunity for African Ambassadors in the UK to reflect together, share expectations, and identify strategies and policies via which you can, individually and collectively, contribute meaningfully toward the effective implementation of the AfCFTA to achieve the AU’s vision of an integrated, prosperous and peaceful continent.

State of Play of the AfCFTA Negotiations

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4. Let me start with my first main theme, the state of the ongoing negotiations.

5. Currently, we have 54 signatories to the Agreement, indicating that all, except one (Eritrea) of the AU member states, have signed the Agreement.
6. As of today, 27th March 2022, forty-two (42) countries have gone further to ratify the agreement and deposited their instrument of ratification with the African Union Commission and, therefore, have full rights and obligations as State parties. Tanzania, Cabo Verde, and the Democratic Republic of Congo, are the latest state parties, having deposited their instruments of ratification this year.
7. Indications are that there will be additional ratifications in the coming months. It is our wish to have all the AU Member States become State Parties in order to have the AfCFTA operating at full capacity to yield maximum benefits.
8. We are aware that some non-ratifications are due to procedural reasons in some countries, and we continue to engage provide the needed support, where necessary, to the 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.
9. As you may well know, following five years of negotiations, which was launched in 2015, implementation of phase 1 of the agreement officially started on 1 January last year, signifying another major milestone in our continental integration efforts which deserves to be celebrated.
10. Phase I of the negotiations established the Protocols on Trade in Goods, Trade in Services, and the Rules and Procedures for the Settlement of Disputes.

11. Under the phase I Protocol on Trade in Goods, State Parties have committed to reduce tariffs on 90% of goods traded among themselves in equal annual installments until they are eliminated within 5 years for non-LDCs and 10 years for LDCs. For an additional 7% of 'Sensitive' goods, tariffs will be eliminated within 10 years for non-LDCs and 13 years for LDCs. A final 3% of 'Excluded' products are to retain their tariffs to allow flexibilities for State Parties with particular sensitivities, but will be subject to review every five years.
12. With respect to trade in services, 5 priority sectors in services for the first round of negotiations have been adopted namely; tourism, transport, communication, financial and business. Member states may, however, liberalise more sectors based on the principles of variable geometry and reciprocity. We have commenced steps towards the liberalization of the remaining sectors.
13. The AfCFTA Dispute settlement mechanism, a key pillar in the successful implementation of the Agreement has been activated, with the operationalisation of the Dispute Settlement Body (DSB) in April last year. The Appellate Body has also been established and the DSB recently agreed on the modalities for the selection of the members of the Appellate Body and is at advanced stages of finalizing the selection of the 10 Board Members. The DSB is modelled on the WTO's disputes resolution protocols, but with key improvements to ensure that we do not end up in deadlock like the situation at the WTO's appellant.
14. Importantly, the operationalisation of the DSB signals the readiness of the AfCFTA dispute settlement infrastructure to take up any disputes that may arise in the course of trading among the State Parties.

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15. While, it has become possible since January last year for AfCFTA State Parties whose customs procedures are ready to trade

under the Agreement's preferential terms, virtually no trading has taken place. The main impediment is the delay in finalising negotiations on key instruments i.e., the rules of origin and tariff schedules. Negotiations are ongoing with rules of origin for few key sectors, such as textiles, automotive and "scattered issues".

16. Trade agreements, as you know, are very complex and technical, with far-reaching obligations for countries that negotiate them. The Member States, are, therefore, understandably taking a bit of time to deliberate on the implications and the obligations that they are undertaking. Of course, negotiations have also been negatively impacted by the Covid-19 pandemic. The disruption and changed work environment had a substantial impact on the negotiation process as well the activities of the secretariat.
17. The good news is that we have made incremental progress around the key sticking points, i.e., tariff liberalization schedules and rules of origin and, are now in a position to start commercially meaningful trading in goods and services across the continent.
18. With trade in goods, the tariff lines agreed under the rules of origin negotiations have improved to 87.7%. Furthermore, we are in receipt of 44 tariff offers, representing 80% of African Union membership, which have been technically verified.
19. We are going 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.
20. State Parties are now also in a position 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.

21. With respect to trade in services, negotiations are in an advanced stage of completion as 46 member states have submitted their schedules of specific commitments, which have also been technically verified.
22. 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 trading difficult, inefficient and costly.
23. With these developments, we are now in a position to start commercially meaningful trading in goods and services, under the AfCFTA, across the continent.

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24. The AfCFTA Phase II negotiations covering protocols on Women and Youth in Trade, Investment, Competition Policy, Digital Trade, and Intellectual Property Rights (IPRs) are at different stages.
25. This year, we have made the conclusion of these protocols our main goal as we move towards the second phase of implementation of the Agreement.
26. The AfCFTA Protocol on Investment is expected to enhance investment governance and policy coordination and cooperation across the continent. The Protocol is expected to address barriers to investment entry in Africa, reduce time and costs of investment approvals, enhance transparency, improve efficiency and address fragmented investment regulatory frameworks on the continent. Investments and investors will be protected and have access to remedies when their rights are violated.
27. Under the Protocol on Intellectual Property Rights, (IPR) patents and licenses, among other intellectual property rights, for

investors' goods and services will be protected not just in the host country but in the whole continent.

28. Given the importance of e-commerce during this Covid 19 pandemic, having rules that govern trading on digital platforms cannot be overemphasized.
29. On the directive of the Assembly of Heads of State and Government, we are making efforts to complete a Protocol on Women and Youth in Trade. The Protocol shall seek to create a legal framework that guides AfCFTA State Parties in the creation of an enabling environment for women and youth to leverage opportunities offered by the AfCFTA.
30. Indeed, the conclusion of the phase II negotiations this year, will further strengthen the investment and business environment in Africa and enhance the attractiveness of Africa to investors.

Tools for AfCFTA Operationalisation

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31. This brings me to my next theme: initiatives being rolled out to ensure effective implementation and maximization of the opportunities of the AfCFTA.
32. A key initiative is the AfCFTA Private Sector Engagement Plan, in partnership with the MasterCard Foundation. This initiative focuses on four initial priority sectors or value chains, namely agro-processing, automotive, pharmaceuticals, and transportation and logistics for quick wins, based on the potential for import substitution and existing production capabilities on the continent.
33. A related initiative, in collaboration with the UNDP and which culminated in the launch of the 2021 AfCFTA Futures Report titled:

“Which Value Chains for a Made-in-Africa Revolution”, identified 10 value chains, based on the tariff and services offers that have been exchanged among AfCFTA State Parties.

34. The identified value chains are for: automotives; leather and leather products, cocoa; soya; textiles and apparel; pharmaceuticals; vaccine manufacturing; lithium-ion batteries; mobile financial services; and cultural and creative industries.
35. With this, businesses are in a better place to make sound decisions on where to invest to seize the AfCFTA opportunities.
36. We are also taking steps to accelerate the operationalisation of an AfCFTA Adjustment Facility. 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.
37. In practical terms, it is going to be for a country experiencing challenges with its textiles and clothing sector, for example, to access the fund for retraining of workers or for recapitalization, procuring machinery for goods, or to increase competitiveness. It is, thus, one of the instruments aimed at ensuring win-win outcomes in our continental economic integration.
38. Last February, the AfCFTA Secretariat and the Afreximbank, signed a \$10 billion AfCFTA Adjustment Fund Management Agreement in Cairo, Egypt. This will pave way for the operationalisation of the Adjustment Facility to enable countries access the funds subject to certain criteria.
39. The Afreximbank, which is the Fund Manager, has made available an amount of US\$1 billion as a base capital that would leverage other international funding sources to support the adjustment facility.

40. Another major achievement is the roll-out, in January this year, of the Pan-African Payment and Settlement System (PAPSS), by the Afreximbank in partnership with the AfCFTA Secretariat. The PAPSS, which is one of the operational instruments for the successful implementation of the AfCFTA, will facilitate cross-border payments in local African currencies and boost intra-African trade significantly by minimizing the use of hard currencies and making cross-border payments cheaper and seamless.
41. As you know, there are currently 42 currencies on the continent and the PAPSS will significantly reduce the costs of currency convertibility and save the continent an estimated \$5 billion annually, which will benefit the numerous SMEs and young entrepreneurs across the continent.
42. The management of the platform is in discussion with other regional systems and Central Banks, outside the six West African Monetary Zone (WAMZ) countries, the pilot zone, for a continental roll-out of the system.
43. As Secretariat, we are also working closely with partners including the AfDB, AUDA-NEPAD, and Afreximbank to put together an AfCFTA SME Financing Facility to catalyse access to finance for SME business activities. This is to ensure that the market access that the agreement creates is not taken advantage of only by the big corporations on the African continent, but that the SMEs, women and young Africans in trade, can also have the opportunity to grow their businesses in support of trading under the AfCFTA.
44. Another notable achievement is the establishment of a biennial Intra-African Trade Fair, in partnership with the Afreximbank, to facilitate the process of traders in Africa establishing supply chain networks and business connectivity so that with a tariff book in front of them for a particular market, they would already have the right networks to start trading.

45. The 2nd IATF (IATF 2021) was hosted by the Republic of South Africa in Durban, South Africa from 15 to 21 November 2021 under the theme "Building Bridges for a Successful AfCFTA". The Fair attracted 1161 exhibitors against the targeted 1100 exhibitors, and US\$42.1 billion worth of trade and investment deals were signed, against the target of US\$40 billion. Indeed, IATF 2021 was a tremendous success for the continent's economic integration and industrialisation process.
46. The third edition of IATF will be hosted by the Republic of Cote d'Ivoire in November 2023.
47. And I am happy to tell you that we recently inaugurated a 13-member AfCFTA Trade and Industrial Development Advisory Council to advise the Secretariat on trade integration and transformative industrialization as part of the implementation of the AfCFTA. The role of the Advisory Council may be viewed under these four main pillars:
- i. AfCFTA implementation processes, negotiations and implementation;
 - ii. Trade facilitation and connectivity;
 - iii. Industrial development and regional value chains; and
 - iv. Inclusivity issues.

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48. I now turn to my final theme: how African Ambassadors can support the implementation and monitoring processes of the AfCFTA.
49. Today, with the AfCFTA, Africa has an opportunity to achieve its long-standing goal of economic diversification, through

industrialisation, to further raise the standard of living of its people and reduce poverty.

50. It is an opportunity to create more jobs, and more economic opportunities for Africans. The AfCFTA is, therefore, about the 1.3 billion Africans and their livelihoods.

Role of African Ambassadors

51. Towards the achievements of our integration goals, African Ambassadors have a significant role to play, especially through pursuing an economic diplomacy strategy that compliments the AfCFTA's developmental policies and strategies. This can be achieved, for example, by;

- Pursuing market access for 'made in Africa' products,
- Engaging in the promotion and attraction of investment to the continent,
- Promoting tourism, and
- Enhancing the image of the continent.

52. African Ambassadors can also help to strengthen the links between Africa and the African Diaspora everywhere in order to pool intellectual and financial resources for the transformation and inclusive development of the continent.

Conclusion

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53. To conclude, this year we expect the disruptions brought about by the Covid-19 pandemic to resolve and economic and trading activities normalize.

54. Our ambition now is to see commercially meaningful trading taking place, across the length and breadth of our continent, in

“Made in Africa” products, to create jobs and economic opportunities for Africans, especially women and the youth.

55. As Secretariat, we are determined to implement the Agreement in such a manner that it will help African countries establish new cross-border value chains, encourage foreign investment and better insulate the continent’s economies from future global shocks.

56. Clearly, significant progress has been made in the AfCFTA negotiations and its implementation, notwithstanding the challenging circumstances, exacerbated by the impact of the Covid-19 pandemic.

57. But of course, much remains to be done.

58. There is need for concerted efforts from all stakeholders across the board to further advance implementation of the agreement. It is as part of these efforts that we are gathered here today. We all have one goal in mind: the successful implementation of Africa’s continental integration.

59. We need to tap into our respective strengths and jointly enlarge the pie of the African market, invigorate all formats of continental cooperation and make the AfCFTA more inclusive, balanced and beneficial for all.

60. This is Africa’s opportunity to grow our economies and to use our considerable collective resources to uplift our people and improve their condition.

61. As Secretariat, we are ready to work and partner with you. I am confident that the discussions at this briefing session will lead to specific road map for action and provide clarity on our engagement.

Thank you.

