

**House Foreign Affairs Committee**  
**Subcommittee on Africa, Global Health, Global Human Rights and International**  
**Organizations**

*Will There Be an African Economic Community?*

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I am extremely honored to be here before this Committee on whether there will be an African Economic Community (AEC); testifying with specific reference to the efforts by the African Union on following global trends to form regional economic union. With over 50 years in the international trade arena; twenty of which were at the State Department and at the United States Trade Representative, I am especially gratified to comment on whether regional economic communities – RECs – are effective at promoting regional integration.

My response to this question is a simple and unequivocal ‘Yes. Just visit any African international airport and observe the special queue to facilitate entry of citizens from countries that share REC membership with that country. Note the blue berets operating as part of ECOWAS to maintain peace and democracy in a West African country. Experience an almost seamless road trip on the corridor linking Mozambique with South Africa. Intra-Africa trade totals are up four fold, but look at intra-REC membership numbers and these are even higher.

Relatively, while some may complain about the slow pace of economic integration under the current schedule with missed deadlines and delays, let me point out that it took the European Union 41 years to develop from the European Coal and Steel Community (ECSC) in 1951 to the customs union in 2002. If Africa holds to its current promise, the continent will be able to attain a continental customs union in less than thirty years. Remember, unlike Africa, European countries had a long history of commerce among themselves, an integrated infrastructure, were not new countries and were driven by the desire to forestall the clear and present danger of another great European War within the 20<sup>th</sup> century.

The African Economic Community Treaty aka *The Abuja Treaty* that went into effect in 1994 envisioned the establishment of an AEC by 2028 – a body whose major component would be a customs union, a single currency and an African Parliament. Much attention, and the subject of the testimony focuses on the attainment of intermediate goals specifically a Continental Free Trade Agreement by 2017 and a Continental Customs Union by 2019.

Negotiating the CFTA and customs union is based on amalgamating into a single group the so—called Building Bloc RECs. One of these is ECOWAS, made up of fifteen Francophone, Anglophone and Lusophone countries in West Africa. Three other major RECs are located in Eastern and Southern Africa—the Common Market for Eastern and Southern Africa, COMESA), the East African Community (EAC) and the Southern African Development Community (SADC). These communities are striving to form a Tripartite Agreement, which will eliminate overlapping membership and create an entity of 27 countries from Cape Town in South Africa to Djibouti and Cairo, Egypt in the North.

But I must point out that this hearing is more fortuitous and timelier than ever before: The October 16<sup>th</sup> Extraordinary Summit of ECOWAS reaffirmed the decision that a Free Trade Agreement/Customs Union would become operational on January 1, 2015. Secondly, the chairperson of the Tripartite Task Force, Dr. Richard Sezibera, who is also the EAC Secretary General said that an agreement to put the Tripartite Group into force will be signed by June 2014. This is monumental. And although similar progress has not been achieved in Central and Northern Africa, these four RECs can provide the basis for achieving a continental level FTA and possibly even a customs union by the end of the decade. As Sindiso Ngwenya, COMESA Secretary General and incoming Chair of the Tripartite Group has intimated to us, the Tripartite Free Trade Area and its different components should be seen as contributing to the African Union's aim to establish a Continental Free Trade Agreement.

The United States - both the Obama Administration and Congress, should be pleased and proud with this progress. U.S. programs have, since the days of the Organization of African Unity (OAU) in the heady 1960s, provided and continue to provide the necessary support. For example, in *Trade Africa*, by focusing on EAC initially and anticipating work with other RECs, this sends a clear signal that the U.S. is keen on regional integration. The regional trade hubs that do much to fund the development of the RECs often coordinate technical assistance from USAID. The USTR has done its part by adding legitimacy to many of RECs through negotiating Trade and Investment Framework Agreements (TIFAs); focusing on issues of importance to both the United States and to Africa. The State Department established individual missions to each of the RECs, appointing Ambassadors, and the annual AGOA Forum has regional integration as major parts of its agenda.

In a roundabout way, there will be an African Economic Community because regional integration so important to the US. First, vibrant regional groupings have proved to be the vibrant players in ensuring stability in member countries and resisting threats to democratic institutions. Peer pressure is an effective tool particularly in West Africa where Nigeria has been in the lead in providing troops for ECOMOG, the West African peacekeeping force.

Secondly, U.S. companies need unfettered borders to operate their supply chains and distribution networks within the region. They cannot effectively operate in sub-Saharan Africa if they must operate in 48 countries - most of them much too small to do effective business.

Thirdly, the African countries themselves cannot operate within small units. Donald Kaberuka, President of the African Development Bank suggests that infrastructure projects need to go beyond national borders, and landlocked countries need access to the sea so that African commerce and finances can flow. Simply, larger economic units are often necessary to prevent single companies stifling competition.

Seminally, I am not suggesting that this is all that is needed to ensure vibrant trade in Africa. No. The removal of tariff barriers is not a silver bullet. One must make sure that customs formalities among countries do not undermine the free flow of goods. Non-tariff measures are often more restrictive of trade and are unlike tariffs, which can be removed through high-level negotiations. In regard to non-tariff barriers, one must delicately work on them; differentiating those legitimate measures to protect human, animal and plant health and consumer safety from those that are simply protectionist-motivated impediments to trade.

Finally, we must go beyond the narrow confines of trade. Regional infrastructure is required since projects often go beyond borders. Most important is the development of competitive productive capacity to allow sufficient value-added in Africa to produce competitively priced goods for African sales.

The United States of America can do more to further promote regional integration? For starters, the prompt, seamless renewal of an enhanced AGOA would ensure that the program continues to play a constructive economic role in supporting regional integration. However, such a renewal should include provisions reinforcing African efforts to meet its integration goals. The US and hopefully its trading partners will delay requests for reciprocity until the next decade to allow time for Africa to be in a position to negotiate as a group. In the interim however working under various frameworks, regional groupings should take steps to facilitate mutually beneficial commerce and investment.

In addition to trade measures, the USG must also generate a concerted policy involving financing, diplomacy, development and other areas outside of trade. We could, for instance, have a concerted approach by Congressional committees mirroring the whole-of-government approach currently in effect. Fortunately, this seems to have already found its way here considering that the Chairman and the Ranking Member of this committee and subcommittees have joined their counterparts on House Ways and Means, and the Senate Finance and Foreign Relations committees to request an exhaustive study by GAO. We also applaud plans to reintroduce H.R. 4221 which addresses aspects of US African relations other than those covered by AGOA particularly promotion of US exports and investment,

So, with our hopes and dreams already being considered, we'd like to suggest a few steps by which the Executive and Congress can support the AEC.

- i. During AGOA renewal, one could consider increasing the role of the RECs. Here, we urge that instead of unilateral U.S. decisions not to designate specific REC members or to remove them, one should work in concert with the RECs to ensure that conditions amongst members are met. Nascent regional supply chains cannot operate if some countries are not eligible and other countries are removed.
- ii. There's no doubt that the European Union's Economic Partnership Agreements are lopsided against the U.S. But more importantly, they throw an unnecessary spanner into the current wheels of regional integration. Thus, we'd like to suggest that any request for FTAs by third countries should be delayed until Africa has an opportunity to complete negotiations for a continental FTA and customs union. Premature negotiations with select groups make more difficult for the flow of goods across borders and the formation of a common external tariff.

Also, fully implemented EPAs would, most definitely, impact AGOA in its present form. We know that the Africans and some groups within the EU are resisting the current EU policy of withdrawing access to their markets for non-signatories. Thus, Congress could, perhaps, help in slowing EPAs by putting a little pressure on the Trans Atlantic Trade and Investment Partnership (TTIP) negotiations.

- iii. The recently negotiated WTO Trade Facilitation Agreement offers a great opportunity for Africa to adopt additional measures to facilitate trade within and among RECs. It also provides for technical assistance most likely to be supplied by the World Bank and other multilateral financial institutions, and the US should fully support at active role for the RECs in reducing such barriers.
- iv. The US Congress perhaps with the Executive should congratulate the member states of the ECOWAS and the Tripartite Group over the milestones being achieved in regional integration and through a sense of Congress indicate US support for these efforts.
- v. We are aware of concerns about the impact on US exports of preferences granted to the EU under the EU-South African FTA, However we believe U.S. exports will experience a more significant negative impact if South Africa is graduated tom AGOA and if forced to negotiate an FTA with the US which disrupts regional integration.

We suggest that both the U.S. and South Africa work together to minimize the impact of preferences extended to the U.S. by considering reductions in non-tariff measures, eliminating duties on products where EU preferences hurt the U.S. but benefit China and other third countries, or develop creative measures to offset the preferences.

- vi. The Congressional Committees responsible for OPIC, MCC, ExIm work with the Administration should develop appropriate vehicles so that U.S. investors can have the confidence to invest in regional projects. This could involve developing with the World Bank Special Purpose Vehicles. My partner Tony Carroll has already suggested that at least 20 percent of MCC infrastructures support could be targeted to regional projects.
- vii. The Administration should receive kudos for its Trade Africa initiative and adequate funding should be available to USAID, USTR, Commerce etc. to implement these programs. Also, as called for under the initiative, programs should be developed with other RECs beyond the EAC particularly with ECOWAS and the other members of the Tripartite to support the timely completion of the building bloc approach to form a continental FTA and customs union before the end of the decade. This would provide a perfect launching pad for the realization of the political and economic integration envisioned in the African Economic Community by 2028.

Once again, please accept my sincere gratitude for the opportunity to participate in this hearing.