"U.S. Support for the African Continental Free Trade Agreement (AfCFTA) and

the U.S.-Africa Trade and Investment Relationship"

I would like to thank the Subcommittee on Africa, Global Health, and Global Human Rights of the House Foreign Affairs Committee, and especially its Chairman Representative Karen Bass, for the invitation to speak today at this important hearing. I am Florie Liser, the President and CEO of the Corporate Council on Africa, which is the only U.S. trade association solely focused on expanding trade and investment between the United States and Africa.

This is the right time to look at how the United States can support implementation of the historic African Continental Free Trade Agreement (AfCFTA) as well as strengthen the U.S. trade and investment relationship with Africa. Countries on the continent are recovering from the health and economic impact of the COVID-19 pandemic, moving forward in their post-pandemic recovery strategies, attempting to manage the new challenge and impact of the Russia -Ukraine war, and looking to get back on track in creating the jobs and growth they will need to meet the needs of a young and growing population. They are also looking to accelerate development of their digital economies, reposition themselves to capture shifts in global supply chains and invest in the infrastructure countries will need to facilitate greater African regional, continental, and global trade. African leaders are also committed to expanding critical service sectors like finance, ICT, and health – reflecting the important (but often overlooked) fact that services trade contributes more to African GDP than trade in goods.

African leaders have been crystal clear in calling for more American investment in a range of key sectors, including African manufacturing and processing of its significant natural resources. They have also noted their desire to expand trade in both directions as an important part of their economic development plans.

The United States is at an important crossroads in its Africa economic policy. Since its enactment in 2000, AGOA (now set to expire in 2025) has been the cornerstone of U.S. economic policy towards Africa. Africa has become much more sophisticated, and better integrated globally since 2000. Africa is now in the process of implementing the first phase of the African Continental Free Trade Agreement (AfCFTA) which beginning on January 1, 2021 reduced tariff and non-tariff barriers that have impeded intra-African trade, and covers trade facilitation, various regulatory measures including sanitary standards, and important services sector liberalization as well. Phase 2 of the AfCFTA negotiations currently underway cover other important measures such as competition policy, investment protection, and intellectual property rights. Far beyond just lowering tariffs, AfCFTA has also set up an innovative mechanism to resolve trade disputes and resolve non-tariff barriers to trade, as well as establish a payments network.

When fully implemented, the 54-country African AfCFTA will create the largest free trade area in the world measured by the number of countries participating. The pact connects 1.3 billion people across 54 countries with a combined gross domestic product (GDP) valued at US$3.4 trillion. AfCFTA will comprise the fifth-largest economic bloc in the world, representing a huge source of jobs, consumers, innovation, and power to shape the global economy.

Thus the AfCFTA represents a major opportunity for African countries to boost growth, reduce poverty, and broaden economic inclusion. Implementing AfCFTA will:

- Lift 30 million Africans out of extreme poverty and boost the incomes of nearly 68 million others who live on less than $5.50 a day.
- Boost Africa's income by $450 billion by 2035 (a gain of 7 percent) while adding $76 billion to the income of the rest of the world.
- Increase Africa's exports by $560 billion, mostly in manufacturing.
- Spur larger wage gains for women (10.5 percent) than for men (9.9 percent).
- Boost wages for both skilled and unskilled workers—10.3 percent for unskilled workers, and 9.8 percent for skilled workers.

However, achieving its full potential of AfCFTA will depend on each member country putting in place significant policy reforms, adopting and implementing trade facilitation as well as other measures. African governments will generally need to improve their business climates, promote good governance, support private-sector-led growth that creates jobs, and invest in their businesses –especially SME, youth, and women-owned enterprises.

I am sure we will hear from AfCFTA Secretary General Wamkele Mene at today's hearing about how the AfCFTA is a gamechanger for Africa's own economic integration and regional trade.

But let me shift the lens a bit by also highlighting why Africa is important to the U.S. and how supporting AfCFTA implementation will help pull African products and services into global value chains, boost trade-related investment, and potentially increase much-needed U.S.-Africa trade and investment.

First, Africa is not monolithic: its countries represent a diversity of history, culture, people, and language. While Africa is complex, its strategic and economic relevance to the United States is clear.

- By the year 2025, more than half the population of Africa will be under age 25. By 2050, a quarter of the world's population will be African, and Nigeria will surpass the United States as the third most populous country in the world. In that same year, two in every five children will be born in Africa.
- By 2100, 13 of the world's 20 biggest urban areas will be in Africa. The continent is already one of the fastest growing consumer markets in the world with 1.4 billion people, and its growing middle class and large youth population represent significant export opportunities for U.S. goods and services. A productive youth population not only expands U.S. market opportunities but also reduces the conditions that foster global insecurity.

- Africa has the fastest internet usage growth in the world with a current internet penetration rate of around 43%.
- Africa is producing much of the world's next generation of entrepreneurs, innovators, and technology experts, who aspire to create jobs, fix inequities, and address political, social, and economic challenges across the continent and the world.

With all of this in mind, the United States would best serve its own interests by recognizing that the USG can be one of Africa's best partners and U.S. companies are natural commercial partners. The U.S. should also recognize the progress Africa has made and will make under AfCFTA and put in place policies that will support AfCFTA implementation such as technical assistance to the AfCFTA Secretariat, to individual African governments, and at the firm level in joint ventures of U.S. and African companies – all of which would foster mutual growth of the U.S. and African economies.

What does that mean in practice? Rather than choosing between AGOA, Free Trade Agreements or AfCFTA, we should adopt a comprehensive and more nuanced policy that recognizes that there is no 'one size fits all' approach to Africa. It may make sense for unilateral preferences for certain African nations to continue under AGOA while we go beyond AGOA in developing mutually beneficial, reciprocal agreements with others. In my view, there is also no conflict in supporting AfCFTA, extending AGOA, and engaging with African countries who are open and willing (such as Kenya) on bilateral trade agreements that go beyond the unilateral preferences of AGOA. I believe these could all be mutually reinforcing.

Regardless of what other approaches the United States adopts, U.S. support for AfCFTA should be a critical component for U.S. economic engagement with Africa, and nothing we do should undermine this important African process. Indeed, to the extent that we can support African governments creating the kinds of trade and investment provisions under AfCFTA that promote and support intra-African trade, we will also be putting in place the conditions that will allow U.S. companies to take advantage of the large AfCFTA market and to thrive in growing their businesses across the African continent.

Let me end by urging this Committee and the USG more broadly to provide clarity sooner rather than later on how it will proceed to build the U.S.-Africa economic relationship. This will help not only our African partners, but will signal to U.S. companies, investors and potential investors how they should proceed. In many ways, a clearer strategy for a trade and investment partnership with Africa, including support for the AfCFTA, is the best way for the U.S. Government and Congress to support U.S. companies as they compete with a growing range of international rivals who have clear direction and support from their respective governments like the EU, UK, China and others who have negotiated various types of trade and market access agreements with African nations or have signed MOUs with the AfCFTA Secretariat.

CCA looks forward to the opportunity to work with the Members here today and many others – both in the House and Senate and on both sides of the aisle – to develop the kind of multi-faceted approach that will grow and enhance the U.S.-Africa economic relationship.

Thanks for the opportunity to speak to you today at this hearing and I look forward to answering any questions.