

Statement by

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**Before the
Subcommittee on Africa, Global Health,
Global Human Rights, & International
Organizations of the House Committee on
Foreign Affairs**

**On
Understanding the African Continental
Free Trade Area (AfCFTA) and How the
U.S. Can Promote its Success**

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- *Chairwoman Karen Bass – Chair of the Subcommittee on Africa, Global Health, Global Human Rights, and International Organisations of the House Committee on Foreign Affairs;*
 - *Ranking Member Christopher Smith;*
 - *Distinguished Members of the Subcommittee on Africa, Global Health, Global Human Rights, and International Organisations of the House Committee on Foreign Affairs*
1. First, I would like to thank you, Congresswoman Karen Bass and Ranking Member Christopher Smith, for the wonderful opportunity to testify at this particular hearing. I am testifying from the Africa Trade House, the home of the AfCFTA Secretariat in Accra – Ghana.
 2. I am honoured to be here today to testify about the negotiation and implementation of the African Continental Free Trade Area (AfCFTA), and how the U.S.' foreign assistance can be a lever to increase intra-Africa and global trade.
 3. The testimony also aims to further offer an opportunity for you, Congresswomen and Congressmen in this particular Subcommittee, 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 African Union (AU)'s vision of an integrated, prosperous and peaceful continent.
 4. Second, and before proceeding further, let me introduce the context within which I am testifying today before this August Subcommittee. In February 2020, I was elected as the first Secretary-General of the newly created AfCFTA Secretariat by the Assembly of Heads of State and Government of the African Union.

5. The AfCFTA Secretariat is the single organisation in the continent, legally established and mandated to handle the rules of trade between African countries. At the core is the implementation of the *Agreement Establishing the AfCFTA*, negotiated, signed and ratified by the State Parties, which aims to create a single integrated 1.3 billion market. The goal is to ensure that trade is conducted smoothly, predictably and as freely as possible across the continent.
6. The AfCFTA Secretariat, with headquarters in Accra – Ghana at the Africa Trade House, was established in April 2020. But the COVID-19 pandemic delayed its operational date until 1 January 2021, when it became possible for State Parties whose customs procedures were ready to trade under the Agreement’s preferential terms to commence trading.
7. Prior to my election, I was South Africa’s Chief Trade Negotiator in the AfCFTA and Tripartite Free Trade Area {covering three Regional Economic Communities (RECs) of Common Market for Eastern and Southern Africa (COMESA); East African Community (EAC); and the Southern African Development Community (SADC)}. In addition, I have also represented South Africa at the World Trade Organisation (WTO).
8. Having travelled across the length and breadth of the continent bringing the AfCFTA closer to our people over the last couple of years, and “after having lived the AfCFTA for the past decade” in my capacity as its first Secretary-General, I would like to speak to you today about the importance of the AfCFTA to the realisation of the African Union’s vision of boosting intra-Africa trade, and why continued US technical and financial support for the implementation of the AfCFTA is also in the interest of the Government of the United States and its people.

State of Play of the AfCFTA Negotiations

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9. My first main theme is the state of the ongoing negotiations.
10. Those who have been watching developments in Africa over recent years would have noticed the emergence of a common vision for economic transformation and sustainable growth.
11. This vision for the continent is outlined in the African Union's Agenda 2063, which envisages an Africa that is regionally integrated and globally competitive; an Africa at peace, stable and well-governed, where the enormous natural endowment is used for the benefit of all its people and not just a few elites.
12. The AfCFTA has stimulated a lot of trade potential in Africa that could see the continent significantly improving its intra-trade levels, thereby boosting the economic welfare of Africans.
13. Indeed, the AfCFTA is central to addressing many of the policy challenges associated with trade and continental integration that African countries face today. The Agreement creates an important opportunity for African countries to design regulatory frameworks that will provide an adequate response to these challenges.
14. It is estimated that implementing the AfCFTA will increase the volume of intra-Africa trade by 81% by 2035, and increase the volume of total African exports by 29% (World Bank, 2020). By boosting intra-Africa trade and fostering regional value chains and production networks, the AfCFTA is expected to drive Africa's structural transformation.
15. It is instructive to situate Africa's continental integration agenda within some historical perspectives. Pan-Africanism inspired the founding

fathers of Africa and led to the establishment of the Organisation of African Unity (OAU) in 1963 and its successor organisation, the African Union (AU), with the goal of creating a unified Africa – economically and politically.

16. So, from the ideas of Pan Africanism and African Renaissance to the African Union, the AU Agenda 2063 lays the foundation towards the “inclusive growth” and “sustainable development” of Africa.
17. The African Continental Free Trade Area (AfCFTA), which is a flagship project of the AU’s Agenda 2063, therefore, builds on the aspirations of Pan-Africanists and their vision to promote unity and solidarity of Africans, in recognition of our common history and shared destiny.
18. Today, African countries trade more with the rest of the world than with themselves. It is estimated that only up to 18% of all trade on the continent occurs between African countries. In Europe, the estimates are that about 70% of trade happens within the continent, while in North America and Asia it’s about 54% and 51% respectively.
19. This is a concern for Africa, which has about 17% of world population but accounts for only 2.1% of world trade and 2.9% of world GDP.
20. The AfCFTA presents an opportunity to accelerate intra-Africa trade and use trade more effectively as an engine for growth and sustainable development.
21. The AfCFTA is, however, not just about traditional trade agreement surrounding trade in goods. It covers trade in services, investment, intellectual property rights, competition policy, digital trade and women and young people in trade. It creates a rules-based system backed-up with a dispute settlement mechanism to give investors confidence in due process.

22. 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.
23. It is an opportunity to create more jobs, and more economic opportunities for Africans. The AfCFTA is, therefore, about the 1.3 billion Africans in Africa and the diaspora (our 6th region, besides Eastern, Central, Southern, Western, and Northern Africa) and their livelihoods.
24. Fifty-four of 55 countries on the continent have now signed the agreement's consolidated text establishing the AfCFTA
25. 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.
26. We are aware that some non-ratifications are due to procedural reasons in some countries, and we continue to engage and 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.
27. Currently, negotiation of the AfCFTA is progressing in two phases.
28. Phase I of the negotiations established the Protocols on Trade in Goods, Trade in Services, and Dispute Settlement, while Phase II covers trade related issues namely, Investment, Competition Policy, intellectual property rights (IPRs), digital trade (e-Commerce) and women and youth in trade.
29. On 1 January 2021, in accordance with the decision of the 13th Extraordinary Session of the AU Assembly held in December 2020,

trading under the phase 1 of the agreement, was launched, signifying another major milestone in our continental integration efforts which deserves to be celebrated.

30. However, 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, due to the delay in finalising negotiations on key instruments i.e., the rules of origin and tariff schedules, virtually no trading has taken place under the AfCFTA.
31. As you know, trade agreements 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.
32. Significantly, however, a breakthrough has been made with the improvement in the negotiations of the rules of origin to a high threshold of 87.7% of product lines.
33. Furthermore, we are in receipt of 44 tariff offers representing 80% of AU membership, which have been technically verified, and 46 countries have submitted their Schedules of specific commitments, which have also been technically verified.
34. We are in the process of publishing the AfCFTA Tariff Book which will include rules of origin and the customs procedures that apply to originating 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 for AfCFTA preferential trade.
35. State Parties are now also in a position to gazette these legal instruments, that is the schedules of tariff concessions, at the national or regional level, for full-scale implementation from a customs point of view.

36. 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.

37. 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.

38. 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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39. 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.

40. 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.

41. 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.

42. 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.
43. Given the importance of e-commerce during this COVID-19 pandemic, having rules that govern trading on digital platforms cannot be overemphasized.
44. 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.
45. 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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46. This brings me to my next theme: initiatives being rolled out to ensure effective implementation and maximization of the opportunities of the AfCFTA.
47. A key initiative is the AfCFTA Private Sector Engagement Plan, in partnership with the Private Sector. 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.

48. 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.
49. 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.
50. With this, businesses are in a better place to make sound decisions on where to invest to seize the AfCFTA opportunities.
51. 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.
52. 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.
53. 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.
54. 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.

55. 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.
56. 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.
57. 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.
58. 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.
59. 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.

60. 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.

61. The third edition of IATF will be hosted by the Republic of Cote d’Ivoire in November 2023.

62. 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. Investment and Industrial development and regional value chains; and
- iv. Inclusivity issues.

How the U.S. Government can support the administration of the implementation and monitoring processes of the AfCFTA?

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63. I now turn to my final theme: how the U.S. Government can support the administration of the implementation and monitoring processes of the AfCFTA.
64. Over the years, the U.S has been a close partner in Africa's journey – a continent with which it has important cultural, economic and political ties – including during the COVID-19 crisis.
65. The U.S.'s support for economic integration in Africa over the decades is duly acknowledged and highly appreciated. This has included political, financial and technical support to the Member States, the African Union Commission and the Regional Economic Communities (RECs), which are officially recognised as building blocks of the African Union and the AfCFTA.
66. The U.S. is and has also been a strong supporter of the AfCFTA, assisting with capacity building for the negotiation, ratification and implementation of the AfCFTA Agreement as well as building cross-border roads and power lines as part of the Millennium Challenge Corporation's new Regional Compact Initiative, to ensure that African countries and intra-Africa trade can benefit from the opportunities that the Agreement provides.
67. The AfCFTA brings us a step closer to the historic vision of an integrated market in Africa; the basis for increasing intra-Africa trade.
68. If the AfCFTA is to fulfil its promise of unlocking the potential of the African continent by spurring structural transformation and ensuring sustainable, inclusive growth, a lot of effort and support is required.
69. Ultimately, the continental agreement would be implemented at the national level, therefore, State Parties will need to take deliberate actions to make the AfCFTA work and create the necessary enabling environment. Typically, substantial accompanying measures, reforms,

and investments will be needed. Besides, the Agreement must be translated and contextualized to domestic realities.

70. There is need for capacity building within both the Member States and the RECs to successfully manage the outstanding negotiations and implementation; the Least Developed Countries (LDC) Member States will need to be supported to ensure they are not left behind but are enabled to reap the possible benefits of the Agreement; as well as ensure that the AfCFTA not only benefits the larger companies but also small and medium enterprises; ensuring that women, youth and vulnerable groups will also be able to reap the benefits of the Agreement.
71. It is also important to emphasize our determination to ensure that external partners' support would allow real policy space to enable us industrialise and build value adding supply chains among our State Parties in line with the aspirations of the Agenda 2063.
72. Today, with the AfCFTA, Africa has an opportunity to achieve its long-standing goal of economic diversification, through investment and industrialisation, to further raise the standard of living of its people and reduce poverty.
73. 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.
74. Thus, towards a meaningful partnership that meets the aspirations, interests and needs of both parties, especially in the pursuit of fairer, more sustainable and equitable development, the Subcommittee could, in its messages to the House Committee on Foreign Affairs, emphasise a number of priorities including:

- a. US-Africa relationship should evolve towards greater joint cooperation, mutual benefits and responsibility, less asymmetry and greater inclusiveness;
 - b. Joint programming is a key tool for aligning US support to African priorities;
 - c. The COVID-19 pandemic reinforces the need for integrated and shared approaches;
 - d. Need for a paradigm shift in the AU-US relationship that goes beyond a donor-recipient logic to focus on common and shared interests, as both parties recognize the importance of a more effective, equitable, and strategic partnership;
 - e. Need to create greater complementarity, coordination and coherence between the various instruments and partnerships with Africa, and between the various bodies, policies and instruments that deal with Africa at U.S. level;
 - f. US needs to give greater priority to Africa, especially with the advent of the AfCFTA;
 - g. The AfCFTA offers a strategic opportunity for Africa and U.S. to promote trade on both sides. The AfCFTA creates space for the U.S. to move beyond the traditional development cooperation and help Africa to overcome key challenges of supply-side and market access constraints;
 - h. Development cooperation support for the AfCFTA can only be effective if it is well coordinated and aligned to African needs and priorities;
75. Towards the achievement of the goals of regional integration and raising the living standards of our people, the U.S. Government has a significant role to play, especially in key areas such as the digital

economy, manufacturing, creative sectors, and infrastructure investment, in particular along African corridors and borders.

76. Support for human development and women and youth in trade is also critical.

77. Indeed, we welcome further U.S. investments and interests in the AfCFTA. This is not just because of historical sentiments, but also for sound economic and strategic reasons. Africa-U.S. engagement will broaden the bases of the economies of the two partners, expand the arena for private investments, and contribute to the integration of our economies into the world trading system.

78. The U.S. provides substantial funding to help stimulate trade in Africa and there is need to ensure coherence and ownership by aligning the U.S. Aid-for-Trade (AfT) programmes with Africa's policy framework, including the AfCFTA.

Conclusion

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79. In conclusion, Africa is focused on building a continent comfortable for all its people – a place where our talented youth, full of energy and creativity will never think of fleeing their homes for non-existent greener pastures abroad.

80. It is, therefore, my fervent hope that Africa's current push for continental integration and economic transformation, with the support of development partners such as the U.S., will secure Africa's prosperity for the years ahead.

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

AfCFTA” products, to create jobs and economic opportunities for Africans, especially women and the youth.

82. 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.

83. 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.

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

85. 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.

86. 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.

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

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