

THE BROOKINGS INSTITUTION

WEBINAR

THE STATE OF AFRICA'S FREE TRADE AGREEMENT
AND STRATEGIES FOR GREATER INTEGRATION

Washington, D.C.

Monday, November 29, 2021

PARTICIPANTS:

Featured Speaker:

THE HONORABLE WAMKELE MENE
Secretary-General
The African Continental Free Trade Area

Panelists:

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P R O C E E D I N G S

MR. ORDU: Good morning, everyone, and a warm welcome to AGI here, at the Brookings Institution. My name is Aloysius Ordu. I'm the director of the AGI.

The African Continental Free Trade Area launched on January 1st, this year, is the most consequential development on our continent, certainly my lifetime, 55 countries with a population of over 1.3 billion and a GDP of over \$3 billion coming together in solidarity. The African Continental Free Trade Area is a manifestation of Africa's long held aspiration, articulated in the Africa Union's Agenda 2063, their quest for an Africa that is strong, integrated, and globally influential. There have been many previous attempts at integration on the African continent. What's particularly different this time around is the newfound solidarity and collaboration, especially at a time when globalization is severely under threat.

Like all such trade agreements, the world over, attention has focused on trade liberalization, reductions in tariffs. By 2034, Africa would have eliminated tariffs on over 97 percent of its trade levels. Studies by the African Development Bank, UNECA, the IMF, the World Bank, and others show tremendous potential, in terms of impact of the African Continental Free Trade Area. For example, the UNECA predicts that the African Continental Free Trade Area will boost trade between African countries by about \$50 billion to \$70 billion, by 2040. The World Bank projects that about 30 million Africans will be lifted out of poverty. And many of these studies show that establishing a consistent trading framework will improve governance on the continent.

Clearly, these raise many, many questions. What will it take to bring about these positive outcomes from the African Continental Free Trade Area? What challenges the ratification of the agreement? What are the challenges to implementation? What are the areas that policymakers, continentally, regionally, and nationally, should prioritize to both maintain momentum towards integration and realize its economic promise?

To shed light on these questions, I'm particularly delighted today to welcome our distinguished guests to Brookings. The Honorable Wamkele Mene, secretary-general of the African Continental Free Trade Area, I bid you a warm welcome, sir. I would also like to welcome Professor Landry Signe, senior fellow with us here at the AGI at Brookings.

Now, here is what we are going to do today. First of all, viewers may submit questions to

our speakers by emailing events@brookings.edu, or via Twitter, @BrookingsGlobal, and using the hashtag #AfCFTA. Second, Honorable Wamkele Mene will give his keynote remarks, and then this will be followed by a response by Professor Landry, and then I will pose a couple of questions to our esteemed panelists. Finally, we will also take some questions from our audience. Let's get started. Honorable Wamkele, your keynote please.

MR. MENE: Thank you very much, Dr. Ordu, and I want to thank the Brookings Institute for organizing this event today. It is very important for me to continue to engage with the audience in the U.S. It's very important that we enhance knowledge about the AfCFTA. I think some of the figures that you have provided us with are an excellent backdrop to why this agreement has so much potential. You mentioned the potential to lift 50 million Africans out of abject poverty, by the year 2035, and 60 million or 68 million Africans out of moderate poverty, by the year 2035, and then, of course, the possibility to contribute to, overall, Africa's GDP, that trade contributes, by the year 2035, \$450 billion U.S. to -- on the back of this trade agreement to Africa's overall GDP.

I think, for me, the most important aspect, the most important outcome, that we should all aim for out of this trade agreement, is improving the Human Development Index in Africa, enhancing the ease of doing business, and setting our continent on a path for industrialization, over the next 30 to 40 years. And I will speak a little bit about that, in a few minutes.

But let me give you the state of play of where we are, since the first of January 2021, when heads of states declared that we are now officially trading under the AfCFTA. We now have agreement on 87.6 percent rules of origin, have been agreed to, which is a remarkable achievement when you consider that we are 55 countries negotiating. Before, four or five years ago, each regional economic community, each country in Africa, has had its own sets of rules of origin or local content requirements.

Now, we have achieved 87.6 percent convergence on rules of origin, across product lines that will be traded, as you correctly mentioned, by the year 2035. Ninety-seven percent of Africa's trade will be at zero duty, based on these rules of origin that I've just referred to. We have taken a long time, four and a half years, we've taken some time to negotiate. We've been very deliberate about rules of origin. We've been very cautious because, of course, they serve two purposes.

One is rules of origin have to foster industrial development. They must foster industrialization. We don't want to import products from third countries, put a button on it, and say "Made in the AfCFTA". We want to make sure that there's industrialization and value addition on the African Continent. It's a critical objective of rules of origin. The second important aspect of rules of origin is they serve to prevent transshipment of goods from third countries into the AfCFTA. They make sure that we protect the domestic market. By domestic market, I mean the AfCFTA market. So, 87.6 percent convergence. We have outstanding work on the automotive sector, textiles, and clothing, as well as sugar and other areas, such as fisheries products and so on. But I am very confident that with the momentum that we have.

We now have the ability to start trading. We are trading on the basis of this 87.6 percent that I've just referred to. If you look at the threshold, the threshold for substantially all trade at the WTO, the unwritten threshold is 70 percent of trade, should be. So, we have exceeded that global threshold of 70-75 percent. We are now at 87.6 percent. We are going to get -- by early next year, we will reach -- we will exceed the 90 percent directive from our heads of states.

Where countries are, at the moment, is establishing the infrastructure that is required for trade to happen in a commercially meaningful sense. We need, and this is where we are working with the World Customs Organization, to make sure that we build the capacity of countries to establish the Customs procedures, the Customs infrastructure that is required, in order for goods to transit through the borders. That's where we are, at the moment. From a legal standpoint, we are already trading on 87.6 percent of goods.

Now, I get questions from journalists, and they say, well, show us the data, yeah, show us that this is happening. My response is this, it took Europe 72 years to establish the, and reach, the level and the depth of market integration that exists today in Europe. Nobody asked Europeans, one year into the establishment of the European Steel and Coal Pact, nobody asked them, show us the data. Because everybody knows that, even when you legally -- you legally are trading, it takes a while for the goods to flow, for the supply chains to be established, for business networks to be established across borders. It also takes a while for Customs procedures and Customs authorities to reach the state of readiness that is required.

And so, I think we have to be very intellectually honest and admit that it took other parts of the world many, many years. And so, it must be expected that we will not be able to produce the trade data that people want to see. It's not going to happen in a year.

MR. ORDU: No. No.

MR. MENE: It's not going to happen sooner because of the nature of trade agreements and what happens after a trade agreement has entered into force. We now have, out of 55 countries, we have 39 countries who have deposited their instruments of ratification. These countries are saying, we are committed. We are legally committed to reducing barriers to intra-Africa trade. We are politically committed to making sure that intra-Africa succeeds. This is the fastest instrument within -- since the establishment of the African Union, and, before it, the Organization of African Unity, in 1963, the fastest ratification and entering into force that we've seen. And this underscores the point that you made earlier, Dr. Ordu, and that is that there is now a new impetus in Africa. There's a new sense of commitment and a new spirit of political will to make sure that this works.

Now, where are the challenges? The challenges, of course, are institutional capacity. Countries are at various levels of institutional capacity to implement the agreement. Some countries may not have it today, but they want to develop it. They have ratified the agreement. They want to develop the institutional capacity, as they implement the agreement, itself. A second challenge is that, as we all know, countries in Africa are at different levels of export capacity and industrial development capacity. So, that means that there are countries who will be immediate beneficiaries with a market that has now been opened, who will be able to export immediately --

MR. ORDU: Right.

MR. MENE: -- because of their relative depth of productive capacity. We now have to make sure that those countries who, today, may not have the same productive capacity. We have to make sure that we build an adjustment bridge for them to also benefit from this agreement. This is a huge challenge because it goes to questions around inclusivity of benefits of the agreement, itself --

MR. ORDU: Yeah.

MR. MENE: -- if we are not able to tackle this particular challenge of differentials --

MR. ORDU: Yeah.

MR. MENE: -- in levels of industrial development and export capacity. That is why we are working with African Bank to make sure that we establish and adjustment facility, an adjustment facility that will be available for those countries who may suffer short-term revenue losses, as a result of reduction of tariffs, or as a result of elimination of tariffs. These countries will now be able to access the Adjustment Fund, so that they will have direct interventions in sectors where they identify weaknesses. African Bank has already mobilized \$1 billion. We want to make sure that \$1 billion of this Adjustment Fund -- we want to make sure that, in a few years' time, we reach up to \$10 billion, so that countries that needs the Fund, to access the Fund, can do so, as they implement the agreement. It's not going to be for budget support. It is going to be more directed, targeted investments in productive sectors, short-term, yes, short- to medium-term solution.

The long-term solution to this particular challenge is for us to reduce our reliance on tariffs as a revenue generating tool, and to enhance our productive and industrial development capacity, and to use tariffs where we have to, to use tariffs as a tool for industrial development, so. So, this is the second challenge in respect of implementation of the AfCFTA.

The third challenge is there are things that are outside of our control. For example, what is happening now, with the COVID-19 travel bans, that distort global trade, that are disguised restrictions to trade, that shut Africa out of global supply chains, that shut out -- Africa out of very, very vital trade routes and trade networks. These are things that are out of our control. But what they do demonstrate, and this is where the third challenge is, what all of these things demonstrate, is that we've got to accelerate the establishment of value chains within the African Continent --

MR. ORDU: Okay.

MR. MENE: -- and develop our own self-sufficiency within the African Continent, so that when, one day, somebody, arbitrarily and in an unjustified way, says, we are going to stop trading with you, we are going to shut you out of global markets, we are going to restrict your movement, that we have, as a continent, 1.3 billion people, with a combined GDP, according to the Mo Ibrahim Foundation, with a combined GDP, in 2030, which will be close to, this is now consumer spending and business spending, it will be close to \$7 trillion United States, by the year 2030. So, the market is there.

What, of course, has been evading us is what -- the reason we have been lacking

competitiveness is because we have been a fragmented market of 1.2 billion people --

MR. ORDU: Yeah, yeah.

MR. MENE: -- the smallness of national economies, lack of economies of scale, intra-Africa barriers to investment and trade. These have been some of the constraints as to why our continent has not been as globally competitive as it should be. So, this is the -- the third challenge that I see is establishment of regional value chains that will enhance our competitiveness, as a market.

Let me close by, and you know this already, this agreement is very ambitious, both in scope, as well as in depth of liberalization. We spoke a little bit earlier about the depth of liberalization that we want to achieve, particularly the tariff reduction. We have an agreement that is -- that includes trading goods, trading services, intellectual property rights, competition policy, investment protection and facilitation, digital trade. And it will also include women and young people in trade, which is very important for inclusivity.

And all of these areas that I've mentioned are what we refer to as Phase 2 Negotiations, which we have started already, a few months ago. We are under no illusion about the difficulty of the task ahead. But I want to go back to the example I made of where Europe started, 72 years ago, their market integration model. So, we know it's not going to be easy.

MR. ORDU: Yeah.

MR. MENE: We know it's not going to happen overnight.

MR. ORDU: Right.

MR. MENE: We know that -- we know of the challenges of industrial development, that it takes decade after decade of implementation of a trade agreement and an action plan for industrialization. We have a determination to meet these challenges.

MR. ORDU: Yeah.

MR. MENE: We know industrialization is not a pill that you swallow and the next day you've industrialized. We know that it's going to take time.

MR. ORDU: Yeah.

MR. MENE: But we've taken the very important first step of addressing these core challenges of establishing the legal architect for integration. And that's a very important --

MR. ORDU: Yeah.

MR. MENE: -- first step, as you pointed out.

What we've learned from COVID-19, and I close here, what we've learned from COVID-19, in my opinion, there are two things, that a trade agreement must be, must be, a tool for industrialization, that a trade agreement must enable the reduction of tariffs, must enable the establishment and, thereby, the establishment of regional value chains, so that we have the continental competitiveness that we want to improve over time, and the self-sufficiency and the establishment of continental supply chains, without disconnecting from global supply chains.

The second lesson about trade agreements, that we've learned from this pandemic, it is that there are countries around the world who tell us and who have actually been lecturing us, as Africans, about the virtues of open trade, trade -- the multilateral trading system, reduce your barriers to trade. At the WTO, they have been telling us this for many, many years, that open trade is good for you, it's good for your development, it's good for growth, it's good for your competitiveness. And all of these things are true, but what we are seeing, particularly in the last few days, is disguised restrictions to trade. That's what these travel bans amount to. They are a disguised restriction to trade. They are a violation of international trade law. They are a violation of the spirit of the Marrakesh Agreement. And they are completely, completely, in disregard for --

MR. ORDU: Yeah.

MR. MENE: -- the trading system, the global trading system, and, of course, the linkages that many African countries have, the linkages to global markets and global trade routes. And that means, to me, at least, it means that, as we implement this agreement, we must reconfigure our intellectual property rights, so that our intellectual property rights regime is at the surface of Africa's industrialization, and second, it's at the surface of Africa's public health imperatives. That's what I'm learning from the last few days, is that we must develop Africa's industrial capacity to produce generic drugs --

MR. ORDU: Right.

MR. MENE: -- to manufacture the vaccines, even if it means that some of the international trade, intellectual property regime, that we push it to the very limit because if you -- if we

have a situation today, where less than six percent of Africans are vaccinated. There are countries around the world, developed countries, who have procured five times more --

MR. ORDU: Yeah.

MR. MENE: -- five times more vaccines than they need for their populations.

MR. ORDU: Right.

MR. MENE: And yet, when we have these variants that are developing on the African Continent, their immediate reaction is to shut these people out, shut out these disease carrying Africans, we don't want them in our countries, when a matter of fact, you, as developed countries, were hoarding these vaccines, over the last nine to 12 months. You've procured far more than you require to ensure the public health of your citizens. And so, there is, obviously, there is a disconnect --

MR. ORDU: Right.

MR. MENE: -- between the lectures that we have been hearing, as Africans, the lectures about the virtues of open trade, the virtues of the multilateral trading system. There's a disconnect with the reality of what we are seeing many of these developed countries doing today.

MR. ORDU: Right.

MR. MENE: So, we've got to make sure that we significantly improve --

MR. ORDU: Yeah.

MR. MENE: -- our capacity to produce --

MR. ORDU: Yeah.

MR. MENE: -- generic medication, manufacture vaccines, so that we don't rely on the global system for the provision of these vaccines for --

MR. ORDU: Yeah.

MR. MENE: -- for our populations.

MR. ORDU: Yeah. Yeah.

MR. MENE: And the instrument to be able to reconfigure this, the instrument is an intellectual property rights regime, for the AfCFTA, a protocol on the intellectual property rights regime. That will be at the core of servicing public health in Africa and at the core of servicing industrial development objectives. So, let me leave it here for now.

MR. ORDU: Okay. Yeah.

MR. MENE: And I thank you very much. And I look forward to the conversation and the questions. Thank you very much.

MR. ORDU: Okay. Honorable Wamkele, thank you very, very much. We asked you for a comprehensive view of where things stand, the challenges, and the opportunities. And I think you've given us the state of play of the African Continental Free Trade Area, for which we thank you very, very much. Now, let me turn to Brother Landry. Any remarks, Landry, please?

MR. SIGNE: Thank you very much, Dr. Ordu, for bringing to the floor, and it is really a great honor and privilege to be here today with my dear friend, His Excellency, Wamkele Mene, and you, Dr. Ordu.

So, let me start very clearly, so, with the African Continental Free Trade Area and under the leadership of Secretary-General Wamkele Mene, Africa is -- has the opportunity to show leadership on the world stage in trade affairs with strength through unity, contrary to what is happening in the rest of the world, and to name the dynamics in Europe, the dynamics between the United States and China demands order.

And as mentioned by His Excellency Mene, the significance of the AfCFTA cannot be overstated. So, it promises to increase intra-African trade, deeper levels of trade liberalization, enhanced regulatory harmonization and coordination. And it's also expected to enhance competitiveness in industry and enterprises, through enhanced market access and the exploitation of economies, upscale more effective resource allocation, and increase manufacturing and industrial development, among others.

So, for example, in a recent paper, I estimate that, under a successfully implemented AfCFTA, Africa could reach a combined consumer and business spending of \$6.7 trillion U.S., by 2030, and exceed \$16 trillion U.S., by 2050. So, as a matter of fact, quite often people will inquire about the necessity of the AfCFTA. And the response to it is that, as Africa represents less than three percent of total global export, the AfCFTA is a necessity. So, it is -- there's no reason to ask the question about its importance, amount (inaudible) think about great barriers. We also speak about nontrade barriers, moreover, the impact. And I think Excellency Wamkele mentioned it, as well.

As we know, more than 70 percent of the population, especially in Sub-Saharan Africa,

as it's below the age of 35, and young people are twice as likely to be unemployed and adult.

MR. ORDU: Right.

MR. SIGNE: And we know that when doing business in Africa, continental trade -- African countries export for more than 40 percent of manufactured product, compared to only around 17 percent, when exporting with the rest of the world.

MR. ORDU: Right.

MR. SIGNE: Another key point here is also the women who represent more than 70 percent, or about 70 percent, of informal cross border traders, so, which means that with the successful implementation of the AfCFTA, the ability to really unlock the potential, which will lead to poverty reduction, will be extremely important.

In terms -- and I will probably conclude with this line --

MR. ORDU: Yeah.

MR. SIGNE: -- in terms of key to successful implementation of the AfCFTA and beyond the negotiations, which are ongoing and which were well presented by Excellency Mene, so, these -- some of my recent publications, a couple of books, "African Development and African Transformation: How Institutions Shape Development Strategies" and "Innovating Development Strategies in Africa", both published with Cambridge University Press, I highlight some of the key to successful implementation of continental initiatives.

And in this case, we have a few factors that I want to specify here, with the AfCFTA. The first one is the effective coordination and delivery mechanism, and, here, we are very fortunate to have a Secretary-General who is more General than Secretary, and this is extremely important, and sits here more General than Secretary, because that is key to accelerating harmonization and successful delivery of outcomes. So, that's one key role. The second point is the compliance and dispute resolution mechanism, really, the ability to enforce penalties for noncompliant countries. So, when I think that, in the past, previous initiatives have been less successful because --

MR. ORDU: Yeah.

MR. SIGNE: -- the noncompliant members were not necessarily penalized. So, I think that, here, we really have a unique opportunity with the AfCFTA, the financing mechanism also. I think

that Secretary-General Wamkele Mene has been able to mobilize substantial resources or at least obtain commitments, whether domestically or internationally, and definitely with the ability to really increase the domestic resource mobilization will also allow to prioritize the best strategy for the continent. And we have the involvement, another factor, the involvement of the business community, so, which is critical because it is impossible to trade without industrialist, without entrepreneur, without producers, among other, so, extremely important to have SMEs and -- but also larger businesses involved in the process, inform about processes among other.

The political commitment was mentioned and the creation of conducive business environment, which goes to improving human capital, reducing the costs for doing business, unlocking the supply network, generating the domestic demands, and providing financial resources for SMEs to unlock their development. Those are also factors which are --

MR. ORDU: Yeah.

MR. SIGNE: -- really critical for a successful implementation of the African Continental Free Trade Area.

MR. ORDU: Okay.

MR. SIGNE: And finally, the disparity, and I think this one was highlighted by Secretary-General Mene, so, the disparity between African countries. As a matter of fact, over 50 percent of Africa cumulative GDP is contributed by three countries, only three countries. And in the same time, Africa's six sovereign island nations qualitatively contribute to only one percent of the continental GDP. And we also have different levels of competition, legislation, depending on the countries. So, those are really critical factors to take into consideration --

MR. ORDU: Okay. Yeah.

MR. SIGNE: -- both in successfully implementing the AfCFTA.

MR. ORDU: Yeah.

MR. SIGNE: So, as a matter of fact, the -- that successful implementation really lie --

MR. ORDU: Yeah. Right.

MR. SIGNE: -- with African governments, who should, more than in the past, deploy --

MR. ORDU: Yeah. Right.

MR. SIGNE: -- their energy, their will, the policies, and the resources to build the Africa that we want.

MR. ORDU: Yeah, great. Brother Landry, thank you very much for those insightful remarks. I think, between the both of you, it's quite clear that what we have witnessed on -- are witnessing is a strong ownership and commitment by Africans to march ahead in solidarity, unlike in the past, this time for sure. What we are hearing from you is that we've gotten off very well, and we're heading in the right direction.

Now, let me just turn to you, Honorable Wamkele, you did rightly, you did rightly mention the COVID-19 and what is happening on our continent, right now, right? The world is still struggling with the health and economic impacts of the pandemic. New variants, as you indicate the Delta and Omicron, continue to wreak havoc everywhere, and yet the vaccine inequity is really, really a problematic one, as you rightly highlighted. The question to you is, in what ways have the pandemic also opened opportunities for Africa, under the African Continental Free Trade Area?

MR. MENE: Thank you very much. Well, what's interesting is you now -- we now have Morocco, South Africa, and a few other countries that have started vaccine manufacturing. And that, that has compelled a rethink. So, COVID-19 compelled a rethink from many, many African countries about developing a capacity and self-sufficiency to combat COVID-19. And these -- I am hoping that, although, of course, its early stages, but what I'm hoping for is that the AfCFTA will facilitate the movement and -- of first of all, of health professionals, second, that it will facilitate the trading of within the context of the AfCFTA, the transit and trading of these vaccines to countries that need them.

The second point I would make is, if you go to Gabon, Gabon has started a generic drug capacity, within a special economic zone. Senegal has also established a special economic zone for pharmaceutical products. Egypt has over 150 pharmaceutical producers. Africa imports, in 2019, Africa imported \$16 billion worth of pharmaceutical products. That means that there is an opportunity to start our own productive capacity of manufacturing and manufacturing of pharmaceutical products. And that's where the AfCFTA comes in. The establishment of regional value chains. We're in the area of pharmaceuticals, linking pharmaceuticals with agriculture because most of pharmaceutical products are agriculture based. And so, I see, yes, we are in a deep public health crisis, but there's also an

opportunity that is presented, through the AfCFTA --

MR. ORDU: Yeah.

MR. MENE: -- to bring all of this together and to make sure that we produce the germ-killing products that we need. We know, when the pandemic started, that many countries around the world-imposed export restrictions. You could not -- African countries could not get access to personal protection equipment --

MR. ORDU: Right.

MR. MENE: -- because of the export restrictions. And we saw very quickly, in Kenya, Senegal, we saw very quickly countries reconfiguring small, medium enterprises reconfiguring themselves, producing masks --

MR. ORDU: Yeah.

MR. MENE: -- and Zimbabwe producing their own sanitizer and germ-killing products, in Zimbabwe, for --

MR. ORDU: Yes.

MR. MENE: -- the population of Zimbabwe, bringing down the cost from \$20 per bottle to \$1 per bottle. And so, these are the success stories, if I may --

MR. ORDU: Yeah. Yeah.

MR. MENE: -- that I see, from us having COVID-19 compelling us to relook at our own --

MR. ORDU: Yeah. Right.

MR. MENE: -- productive capacity and to see how we can produce, in response to COVID-19.

MR. ORDU: Yeah, no, great. No, thank you. Thank you very much. You know, my brother, Landry, Honorable Wamkele mentioned, a couple of times, the lessons from the EU, right, in terms of the 72-year experience, in the European Union and vis-à-vis where we stand right now, on the African Continent. And as you also know, there are lessons from the ASEAN group of countries, in Asia. Many of these countries have now ASEAN+5, have now formed the Regional Comprehensive Economic Partnership, 15 member RCEP, signed earlier last year. So, my question to you is, what are the key lessons for the African Continental Free Trade Area, from the various approaches taken by the EU and by

the ASEAN group of countries, for Africa?

MR. SIGNE: This is an extremely important question, numerous lessons. So, but first and foremost are the imperative of industrialization, of developing, because in order to trade, we have to go with this.

MR. ORDU: Yeah. Yeah.

MR. SIGNE: And one of the key reasons why Europe has been successful, why organizations in Asia have been successful is that they are first and foremost producers.

MR. ORDU: Yeah.

MR. SIGNE: So, they produce and then they can export. They created their regional value chains, numerous regional value chains, among others. So, this is one of the points, so, industrialization, industrial policy, coordination, which'll help harmonizing the development.

A second point that I also want to highlight here is the prevention of trade deflection. So, as a matter of fact, one of the most important threats to the successful implementation of the AfCFTA is really trade deflection, given that some party will have lower tariff rates to third party, relative to other parties. And trade deflection is the movement of goods or components of goods from outside the trading arrangement to a country within such an arrangement for the seller to benefit from trading preferences. And I think Excellency Mene has also highlighted some of those key points when intervening.

Another factor, a final factor, and I will conclude here, is also the competition between bilateral, subregional, and eventually continental agreements. So, it's also really important to reduce those areas of nonconvergence to ensure that ultimately the trade agreement benefit to the countries --

MR. ORDU: Yeah. Yeah. Right.

MR. SIGNE: -- or at the continental level, to the domestic market. And these represent a monumental --

MR. ORDU: Right.

MR. SIGNE: -- opportunity also for the rest of the world because we can see investor developing specific manufacturers, in Africa, and, therefore, for having Africa as a powerhouse --

MR. ORDU: Right.

MR. SIGNE: -- to export in the rest of the world.

MR. ORDU: Yeah, great. Thank you. Thank you very much. Honorable Wamkele, as you know, in addition to the African Continental Free Trade Area, our continent has many regional economic communities. In East Africa, you have the East African Community, in ECOWAS, West Africa, you have ECOWAS, et cetera, et cetera. All of these, also, their members belong to the African Continental Free Trade Area. So, you have tariff nomenclatures, rules of origin, which you just mentioned, fiscal compensation, which you also alluded to, that are not entirely similar. How is your secretary grappling with the potential -- the conflict of treaties between these wrecks and the African Continental Free Trade Area?

MR. MENE: That's an excellent question. When we are -- when we were negotiating the tariff reduction formula, we had to make sure that each regional economic community or a country, that is not in a Customs Union, that it does so on the basis of its own tariff reduction successes or its own tariff reduction level. So, ECOWAS comes to the table and says, here's my offer. East African Community comes to the table and says, here's my offer. Egypt comes to the table and says, here's my offer. And then we progressively reduce the tariff.

So, the baseline is where they're each -- the baseline, the starting point is where each regional economic community is, or where each Customs Union is, or where each individual country is. That's the baseline. So, we are not going below. We are not allowing -- the rules don't allow a country or a regional economic community to backtrack --

MR. ORDU: Yeah.

MR. MENE: -- from what it has already offered --

MR. ORDU: They made that offer. Right.

MR. MENE: -- in terms of liberalization, in its own regional economic community.

MR. ORDU: Right. Yeah.

MR. MENE: You can go up, but you cannot come below where your regional economic community is. That's the first point.

MR. ORDU: That's right.

MR. MENE: The second point is this, the rules of origin that I mentioned, the 87.6 percent, that is a result of a negotiation of rules of origin from each individual regional economic

community, for each individual country.

MR. ORDU: All right.

MR. MENE: So, ECOWAS, East African Community, SACU, ECAS have all been sitting together and saying, okay, these are my rules of origin. As ECAS, what are yours, as SACU? Where can we converge? And that negotiation has successfully happened in 87.6 percent.

MR. ORDU: Okay.

MR. MENE: We are now -- we are developing a new set of rules of origin for the entire continent.

MR. ORDU: Right.

MR. MENE: And what that means from an investment point of view is that, if you are a large manufacturer and you've established in Nigeria --

MR. ORDU: Yeah.

MR. MENE: -- you will now be able to seamlessly establish a presence in Kenya and be subject to the same local content rules, and you will be -- your goods will be able to transit throughout the continent, based on the same local content rules. It's quite remarkable when you think about the impact of this, the positive impact of this, let's say, 20 years down the line.

The last point I would make on this question is the objective of the AfCFTA is to compliment --

MR. ORDU: Yeah.

MR. MENE: -- what the regional economic communities are already doing. But their mandate is to stimulate intraregional trade, that is intra-ECOWAS trade, intra-EAC trade. Ours is to make sure that there is trade between the East African community and ECOWAS.

MR. ORDU: Okay.

MR. MENE: And so, we are putting together these different regional economic communities.

MR. ORDU: Oh, yeah. Yeah.

MR. MENE: There is the Abuja Treaty, and the Abuja Treaty sets out a linear model of integration for Africa, until, one day, Africa becomes a single monetary union --

MR. ORDU: Right.

MR. MENE: -- and with a common currency. The next step after this Free Trade Area is a Customs Union, and that means that Africa will have a common external tariff. It means that regional economic communities, their mandate will have to be reconfigured --

MR. ORDU: Right.

MR. MENE: -- in a way that they -- I don't think that they will be dissolved --

MR. ORDU: No. Right.

MR. MENE: -- and they should not be. But they will be reconfigured --

MR. ORDU: Okay.

MR. MENE: -- to be in accordance with a Customs Union --

MR. ORDU: Yeah.

MR. MENE: -- that is an African Customs Union.

MR. ORDU: Okay.

MR. MENE: And that -- and, of course, we are not there yet, but, at that point --

MR. ORDU: Yeah.

MR. MENE: -- that's where the questions around dual membership --

MR. ORDU: Yes. Yeah. Okay.

MR. MENE: -- will be entirely resolved, at that particular point.

MR. ORDU: Okay. Thank you. Thank you very much for that because that's a very technical issue, which often gets lost in the conversations. Landry, as a political scientist and, I know, for sure, a very, very close observer of economic integration in our continent, I wanted to turn to you on this issue of tariff versus nontariff barriers to trade because, as we all know and Honorable Wamkele mentioned, reducing tariffs alone will not necessarily lead our continent to the promised land. The greatest gains will come from two sources. He mentioned trade facilitation, those measures that they're embarking on right now, reduce red tape, simplify customs, et cetera. He also mentioned the gains from nontariff barriers, right? And so, for you, I was just wondering what's being done to overcome the nontariff barriers, especially in the areas of infrastructure, railways, roads, bridges, et cetera, that will further facilitate intra-Africa trade? Landry?

MR. SIGNE: So, that's an extremely important question, and, as we all know, to accelerate industrial development, it is critical to bring the cost of doing business down, addressing sectors related to energy, access to world ports, security, but also bureaucratic restriction, corruption, dispute settlement, property rights, among other. And we have seen many initiatives, for example, the Program for Infrastructure Development in Africa, PIDA, which was initiated in partnership with the African Development, AUDA-NEPAD, the African Development Bank, as well with the African Union, the African Development Bank, and AUDA-NEPAD. So, it is an extremely important program, which really aims at addressing the infrastructure deficit on the continent, by 2040.

And we also have, within that framework, the PICI, so, the Presidential Infrastructure Championship Initiative, aiming, really, at providing leadership. And I think it already happened, for example, with the President of South Africa, with the President of Rwanda --

MR. ORDU: Right.

MR. SIGNE: -- among other, as really championing specific --

MR. ORDU: Yeah. Right.

MR. SIGNE: -- project in accelerating the successful implementation. So, those are some of the projects which are being done. We know that the African Development Bank has recently, also, started the African Investment Forum.

MR. ORDU: Yes.

MR. SIGNE: I have attended the initial -- the inaugural forum -- and with numerous commitments. So, we see an action both at the continental level, at the subregional level, and at the --

MR. ORDU: Right.

MR. SIGNE: -- national level. A good news is that although we still have a financing gap in terms of infrastructure, but the gap is being reduced in the past couple of decades, compared to the two previous decades.

MR. ORDU: Yeah, okay. Thank you. Thank you very much. Honorable Wamkele, you mentioned the African Bank, and we were all very, very delighted when you, your Secretariat, and the African Bank recently rolled out the Pan-African Payments and Settlements Systems. This, as you indicated, will really simplify cross border transactions, and reduce dependence on hard currencies on our

continent. So, what's the progress on that, so far? I know it's newly rolled out. What are the opportunities? What are the challenges, going ahead, of this particular initiative?

MR. MENE: The progress is going remarkably well. There's a pilot of six countries, in West Africa. Nigeria was the last country to switch onto parts to -- the Central Bank of Nigeria approved the switching onto parts, and it is going remarkably well. It is early days to be able to make a full assessment, but we know that transactions are happening, as we speak, through parts, and so, once we've been able to make an assessment, a joint assessment of the system and how it's -- it has been running, we will be able to roll it out, throughout the African Continent.

MR. ORDU: Great.

MR. MENE: There are countries that are already outside of the six pilot countries, who are already --

MR. ORDU: Yeah.

MR. MENE: -- ready, who want to sign on Malawi, Zimbabwe, countries that have these balance of payments and liquidity challenges. This will now enable them to trade in the local currency and reach markets across Africa, without having to resort, as you said, to a third currency and the challenges that come with that third currency. Zimbabwe has unjustifiably continued to be under sanctions for no apparent reason, and that affects liquidity in Zimbabwe. So, this will enable the African countries to accelerate and boost intra-Africa trade.

MR. ORDU: Okay.

MR. MENE: Forty-two currencies on the African Continent. Currency convertibility costs us \$5 billion annually, and so, this Payments and Settlement Platform will make trade in Africa more efficient --

MR. ORDU: Right.

MR. MENE: -- affordable, and accessible, particularly to small, medium enterprises --

MR. ORDU: Yeah.

MR. MENE: -- and to informal traders.

MR. ORDU: Right. Thank you. Thank you very much, to both of you. Let me now turn, very quickly, to one of the questions we received from the audience. The question to you, first, Honorable

Wamkele, how can the Biden-Harris administration help to support the African Continental Free Trade Area?

MR. MENE: Well, the first step would be to lift the travel ban. That will be the first step. Lift the travel ban on countries that are in Southern Africa because, as I mentioned earlier, this is a trade restriction, a disguised trade restriction. It's a violation of international trade law. That will be the first step. If you want to support implementation of the AfCFTA and you want to boost intra-Africa trade, lift these unjustified travel bans.

MR. ORDU: Yeah.

MR. MENE: Second, the African Continent has a market of 1.3 billion people. It is a market where U.S. investors can come and establish a presence, meet our rules of origin, under the AfCFTA, and export throughout the continent and actually throughout the world, by encouraging investors to establish in the AfCFTA market.

MR. ORDU: Right.

MR. MENE: This is where the real tangible difference will be, is if we see more U.S. investment in Africa, in support of intra-Africa trade.

MR. ORDU: Yeah.

MR. MENE: Professor Signe mentioned the fact that we have a dispute settlement mechanism, which is fully operational, and which anticipates any disputes that will arise --

MR. ORDU: Right.

MR. MENE: -- under the agreement. And so, for me, these are the -- there's an immediate measure that the -- President can take --

MR. ORDU: Yeah.

MR. MENE: -- and that is to lift the travel ban, and second --

MR. ORDU: Right.

MR. MENE: -- it is to encourage more U.S. --

MR. ORDU: Right. Yeah.

MR. MENE: -- investors to establish a commercial presence in the AfCFTA market to ensure that we boost intra-Africa trade.

MR. ORDU: No, those are excellent remarks. Thank you very much. Landry, there is one more question, and then we'll wrap it up, and that's also from the audience, and it's -- I want to channel it to you. How can the Africans in the diaspora get involved to ensure that the African Continental Free Trade Area is a success?

MR. SIGNE: So, many mechanisms. First, the African diaspora should act as Ambassador for the --

MR. ORDU: Right.

MR. SIGNE: -- the AfCFTA for trade and for investment, but, also, they have to be integrating the policymaking process, but also in the business process, both in the U.S., where they can help facilitate more transaction. The African diaspora can further invest. On the continent, we see, there's a lot of remittances, usually used for consumption, but we are seeing an increased shift for -- from consumption to investment. You have technology transfer, which is also extremely important here, and, really, I will perhaps even propose something more extreme, to eventually organize a group dedicated to support the successful implementation of the AfCFTA. I know that here, with the African Union representation in the U.S., there is a work done in helping to coordinate. So, I will definitely be encouraged to have a dedicated work or a dedicated group, which will focus on really --

MR. ORDU: Yes.

MR. SIGNE: -- engaging on the regular business with the Secretary-General and the Secretariat, the AfCFTA Secretariat, and to support, in any ways possible, align with the need of the Secretary-General.

MR. ORDU: Thank you. Thank you very much. On behalf of the African Growth Initiative at the Brookings Institution, I would like to thank Honorable Wamkele Mene, Secretary-General of the African Continental Free Trade Area. I would also like to thank my brother, here, in Brookings AGI, Landry Signe, for a very, very important conversation on what I believe and other folks, I'm sure, you will agree, is perhaps, by far, the most important development on our continent in the recent past. There are just so many takeaways from what you said, and I am also conscious of the fact that you have another commitment right away, and I would like to thank you, and thank you both, very, very much, for a rousing conversation. I would also like to use this opportunity to thank all our colleagues at Brookings

Communications, and Global Communications, and, of course, our AGI colleagues, for making this event happen today. Thank you very much and have a wonderful day.

MR. MENE: Well, thank you very much for a very, very interesting conversation, and I hope that next time we can have it in person. It was wonderful to be with you, and, Professor Signe, Dr. Ordu, thank you very much, and for all the work that you are doing, and the advocacy --

MR. ORDU: Yeah.

MR. MENE: -- that you are undertaking on our behalf. Thank you very much.

MR. ORDU: Yeah. Thank you. Thank you more.

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