

## AFRICA AND THE AfCFTA IN THE WORLD TRADING SYSTEM

### ANNUAL INVESTMENT MEETING: AFRICA CHAPTER 2021

*Keynote Remarks, 29 June 2021*

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Excellencies, Ladies and Gentlemen,

I am pleased to join you virtually for this, the Annual Investment Meeting: Africa Chapter 2021.

You are fortunate to be meeting at a time of potential transformation for Africa.

Africa is home to some of the world's fastest-growing internet markets.

There is a greater awareness of the need to focus on Africa. At the recent G7 Summit Meeting, the leaders committed themselves to a Build Back Better for the World (B3W) initiative, and make no mistake, as they implement this pledge, African countries will be substantial beneficiaries.

At the World Trade Organization, the new Director General is the first African and the first woman to head the Organization. She is a former Finance Minister of Nigeria and senior World Bank official. She knows about the challenges Africa faces but also the opportunities.

Here is what she said in an interview two years ago:

*Many of those who invest on the continent will say that when you take risk, the returns are also significant.*

*When I look at some of these dynamics—the consumer base; the young, dynamic population; the natural-resource base that we have—I think to myself that businesses need to look at this and not at the short-term volatility that they see on the continent.<sup>1</sup>*

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<sup>1</sup> <https://www.mckinsey.com/featured-insights/middle-east-and-africa/spotting-africas-opportunities>.

No one who looks at Africa can be unaware of the challenges as well as seeing opportunities. My last official trip as WTO Deputy Director General before the WTO was itself locked down because of the pandemic took place in February of last year. The destination was Addis Ababa.

Ethiopia is the most populous country seeking entry into the WTO. As is true of many of the countries in the process of joining it has been through difficult times, but it is seeking to improve its condition through domestic economic reforms and integration into the world economy.

The purpose of my visit was to meet with Ethiopian officials and participate in a Regional Dialogue on WTO Accession for Africa, bringing together all acceding governments from the African continent. In a speech at the Addis Ababa University, I stressed the WTO's commitment to supporting Africa's continued economic integration.<sup>2</sup>

Three months ago, speaking at the Aswan Forum for Sustainable Peace and Development I again focussed on the possibilities facing Africa, concluding that regional and multilateral integration through the African Continental Free Trade Area (AfCFTA) and WTO membership can help to knit together an African continent that has been forever fragmented.

I do not minimize the seriousness of the challenges that Africa faces.

I first visited the African continent fifty years ago. I came to Abidjan representing the United States for the drafting of the Articles of Agreement of the African Development Fund.

Sub-Saharan per capita GDP measured in constant dollars is all too close now to what it was then.<sup>3</sup> Compare growth in East Asia which has achieved a per capita GDP of ten times what it was in 1970. East Asia has also shrunk the numbers living in extreme poverty dramatically<sup>4</sup>, the number in major countries in sub-Saharan Africa has actually grown.<sup>5</sup> Sub-Saharan Africa now accounts for over half of the world's extreme poor.

An important part of the stark difference is due to rates of participation in global value and regional chains.

The World Bank Group in its World Development Report 2020 shows that while Sub-Saharan Africa did increase its share in global supply chain trade from 1990 to 2015, it made no progress at all in its participation in regional supply chains.

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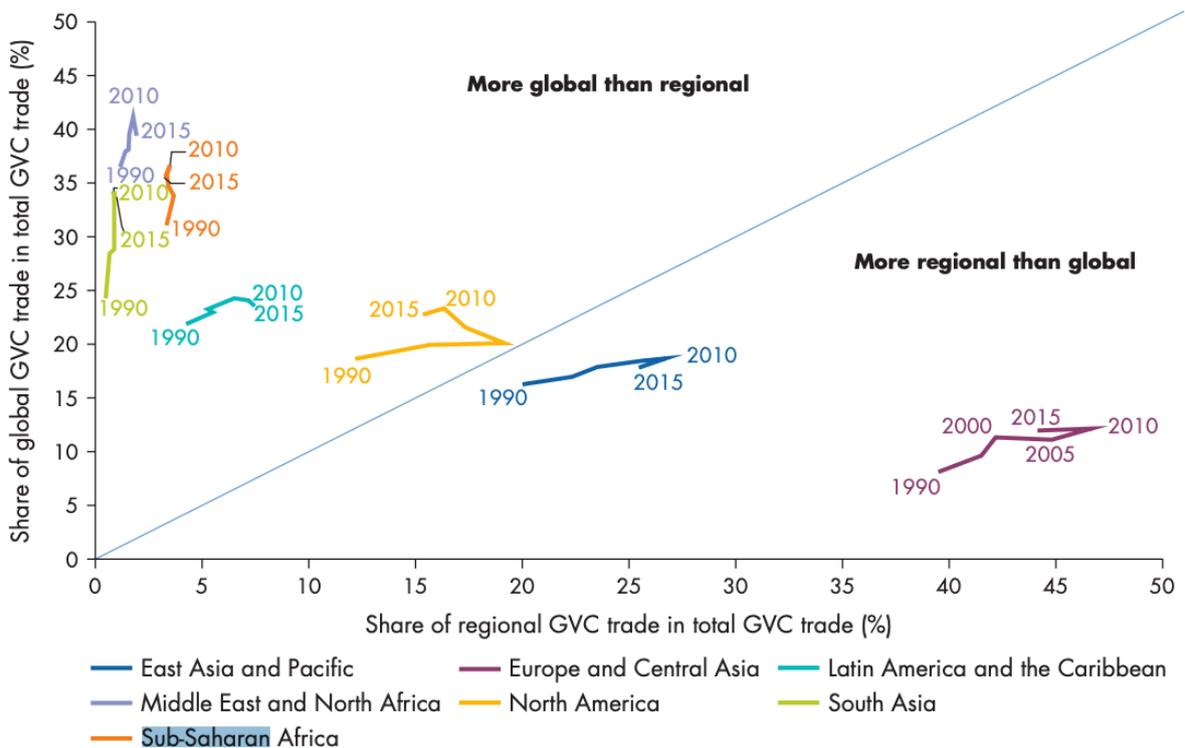
<sup>2</sup> [https://www.wto.org/english/news\\_e/news20\\_e/ddgaw\\_11feb20\\_e.htm](https://www.wto.org/english/news_e/news20_e/ddgaw_11feb20_e.htm)

<sup>3</sup> [https://www.brookings.edu/wp-content/uploads/2018/06/Africa-Growth-Paper\\_Gill-and-Karakulah\\_June-15.pdf](https://www.brookings.edu/wp-content/uploads/2018/06/Africa-Growth-Paper_Gill-and-Karakulah_June-15.pdf).

<sup>4</sup> For China, from 756 million as recently as 1990 to 25 million in 2013.

<sup>5</sup> <https://datatopics.worldbank.org/sdqatlas/archive/2017/SDG-01-no-poverty.html>.

**Figure 1.7** GVC activities increased globally and regionally from 1990 to 2015



Intra-continental African trade has always been very low. around 10% during the period 2015–2017<sup>6</sup> while comparative figures for America, Asia, Europe and Oceania were, respectively, 47%, 61%, 67% and 7%.<sup>7</sup>

In addition, the share of African countries in world trade has actually decreased from 5% in 1980 to around 3% in recent years. Africa has also not been as successful as it needs to be in attracting foreign direct investment, particularly into the non-extractive industries.

**This is a record that needs to be reversed, and it can be.**

There is now reason to believe in a brighter outlook, due in substantial part to trade, and in particular to the African Continental Free Trade Agreement.

According to the United Nations Economic Commission for Africa, the AfCFTA will have the potential of increasing intra-African trade by over 50 percent.<sup>8</sup> This will take dedication and effort, increased domestic and foreign investment, and the assistance from abroad that will be needed to make this transformation a reality. At the WTO, I said that the Africa and AfCFTA implementation are high priorities for the organization, and they still are.

<sup>6</sup> It reached as high as 15% in 2018 according to Tralac (Trade Law Center based in the Western Cape area of South Africa).

<sup>7</sup> <https://unctad.org/press-material/facts-figures-0>.

<sup>8</sup> <https://www.worldbank.org/en/topic/trade/publication/the-african-continental-free-trade-area>.  
<https://www.brookings.edu/research/intra-african-trade-a-path-to-economic-diversification-and-inclusion/>.

The African Continental Free Trade Area (AfCFTA), the largest regional free trade area in the world, coming into effect this year is a milestone in the quest for regional development and integration. Boosting intra-African trade through the elimination of tariffs, AfCFTA holds the promise of contributing substantially to lifting millions out of poverty through enhanced market access opportunities and more efficient allocation of resources, allowing market forces to determine competitive outcomes and improve the well-being for all.

Of course, there are challenges to be overcome to fully obtain the potential of this regional integration trade project.

*First*, closing the physical infrastructure gap – in energy, road and rail transportation, and water – matters greatly for the continent's developmental outlook, the quality of life of its people, and the growth of its business sectors.

Africa's economic potential can be further unlocked by attracting targeted investments in the necessary physical and digital infrastructure and improved connectivity. The World Bank has estimated that improving customs processing and introducing electronic systems is almost equally important to development as improved physical infrastructure.

The launch at the G7 Summit of a new global infrastructure initiative, Build Back Better World (B3W), is designed to help narrow the infrastructure needs in the developing world made all the more serious by the COVID-19 pandemic.

*Second*, many African governments are facing rising debt-to-GDP ratios. WTO Director-General Ngozi Okonjo-Iweala has publicly called for debt restructuring, to allow developing countries to provide economic stimulus, and give them the necessary fiscal space to chart their path of post-pandemic recovery – a call joined in by Kristalina Georgieva (Managing Director of the IMF) and David Malpass (President of the World Bank).

*Third*, the restoration of trade finance is essential to providing developing economies with the financial resources needed for trade. Trade finance has not recovered fully from the 2008 financial crisis, a gap estimated to amount to \$1.5 trillion that has frustrated these countries' participation in international trade. The WTO has in the past convened the international financial institutions and large commercial banks to focus needed attention on providing adequate trade finance. To do so now would be an investment in increasing the positive impact of international trade on post-pandemic economic recovery.

*Fourth*, the WTO Trade Facilitation Agreement must be more fully and comprehensively implemented, backed by stronger support from developed countries and deeper engagement in recipient countries. Trade facilitation is especially crucial now as vaccines, therapeutics and diagnostics are being rolled out. Needed are enhanced electronic means for accelerating customs processing, established priority controls and clearance for COVID-related goods and medical equipment, simplified customs procedures, and green lanes to ensure the availability of essential goods and services.

Of course, trade facilitation cannot be effective where trade has been curtailed by others. Export restrictions should be avoided and where they do exist be limited and transparent, with special attention to the needs of the least developed. A few months ago, 79 WTO Members (accounting for most of the world's agricultural exports) issued a pledge to refrain from restricting agricultural exports on foodstuffs purchased by the World Food Programme for non-commercial humanitarian purposes. Regrettably, this proposed exemption from export controls did not receive support from all Members. More generally, reliance on international trade for food security is only projected to grow, and the rules must enable food to move from areas of plenty to areas of shortage.

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Going forward, AfCFTA provides an opportunity to expand and deepen international collaboration on the continent, including between the WTO, the African Union, the United Nations Economic Commission for Africa (UNECA) and the AfCFTA Secretariat, to make the most of synergies between the Continental Agreement and the multilateral acquis.

The WTO has a special role to play. All 44 African WTO members and 9 WTO observers are signatories of AfCFTA. Of the 24 countries currently seeking to join the WTO, nine are from Africa. For candidates seeking membership, the WTO accession process can enhance the benefits of AfCFTA as a regional agreement, unifying and amplifying Africa's voice in a manner that complements regional and global integration agendas. The rigorous process of WTO accession has helped fragile and conflict-affected states (FCAs) establish credible economic and legal systems to promote transparency, the rule of law and good governance. AfCFTA and WTO membership can contribute to using trade to alleviate the economic and social consequences of conflict and crises, and deal with some of the underlying causes. Raising the standard of living of their peoples will bring added stability and the prospects for achieving a more durable peace.

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In conclusion, the AfCFTA holds an important key to unlocking economic growth and sustainable development of the African continent. The Phase Two and Phase Three negotiations, which deal with important subjects such as E-Commerce, investment and competition policy, must be completed as rapidly as possible with implementation backed by a robust dispute settlement system. An integrated Africa will enhance its participation in international trade and enable it to attract foreign direct investment commensurate with its development needs.

I ask you to keep these overarching objectives in mind as you exchange views on innovation and investment, transforming Africa through identifying opportunities for prosperity on the African continent.

Thank you.