

Africa in the WTO and the AfCFTA

Remarks of

Alan Wm. Wolff
Distinguished Visiting Fellow
Peterson Institute for International Economics

London School of Economics

28 September 2021

I first came to Africa -- it was to Abidjan -- just over fifty years ago. It was to participate on behalf of the U.S. Treasury in the drafting of the Articles of Agreement of the African Development Fund. My most recent trip to Africa was to Addis Ababa in late February of last year just before the pandemic curtailed travel. I did not think about masks yet, but on landing our party noticed that all airport employees were wearing them, so we did as well. I had gone to Ethiopia to meet with representatives of the nine African countries seeking entry into the WTO, as well as with Ethiopian officials about their own country's application. These two visits are the African bookends of my career in public service.

Well, not quite. On a brisk, clear morning a week later, on March 1 of this year, in my last official act as Co-Acting Director-General of the WTO, I stood on the front steps of the WTO to welcome its first African Director-General and first woman in that position, Dr. Ngozi Okonjo-Iweala. It was a day full of promise for Africa and for the WTO.

My purpose in talking with you today is to put the pan-African agreement in the context of the global trading system, a system embodied in the World Trade Organization (WTO), and the great possibilities that exist for both.

The African Continental Free Trade Area (AfCFTA) should be transformative. It is a blueprint for the freer movement of goods, services, and people across Africa for the benefit of all. According to World Bank estimates, the AfCFTA could lift 30 million people out of extreme poverty.¹ Through the elimination of tariffs, it is believed that the agreement could boost intra-Africa trade by 52.3 per cent upon full implementation, a figure that would nearly be doubled if non-tariff barriers are also removed.² To date, the AfCFTA has been ratified by 38 parties, with two more likely by year-end, making it the agreement with the fastest ratification record on the continent. As the largest free trade area in terms of the number of participating countries, the AfCFTA can provide the economies of scale needed to attract investments in higher value-added production, generate innovation-driven growth and entrepreneurship, through linking the markets in Africa.

While concentrating on African regional growth should be a top priority for Africa, it should never be forgotten that most of the world's markets lie outside of Africa. Africa accounts for 20% of the world's population but only 3% of global GDP.³ Even with African

¹ <https://www.worldbank.org/en/topic/trade/publication/the-african-continental-free-trade-area>

² https://www.wto.org/english/news_e/news20_e/ddgaw_04dec20_e.htm

³ <https://www.weforum.org/agenda/2020/02/africa-global-growth-economics-worldwide-gdp/>

growth above the world average, a two-track model is needed, substantially improving intra-African trade while deepening engagement with the rest of the world. At present, Africa's intra-regional trade stands at only 18% of its total exports, compared to 58% and 67% for Asia and Europe.⁴ What is required is not only an increase in cross-border trade in Africa in agriculture, raw materials, but also industrial products and services; Africa must also accelerate deeper involvement in global value chains, as Southeast Asia has done so successfully. Regional integration is not a substitute for global engagement; the two are complementary.

Regional and multilateral integration through membership in the AfCFTA and the WTO can knit together an African continent that can help unify and amplify Africa's voice on the global stage in pursuit of sustainable peace and development. African leaders, including those of fragile and conflict affected Least Developed Countries, have embraced the reality that economic connectivity can bring inclusive and sustainable peace, political stability, and higher standards of living. The all-Africa integration project is a major step forward that can deliver on those objectives.

One important means to enhance the prospects of success in the regional integration agenda is participation in and engagement with the WTO. Nine African countries -- Algeria, Comoros, Equatorial Guinea, Ethiopia, Libya, Sao Tomé and Príncipe, Somalia, South Sudan and Sudan -- are in the process of acceding to the WTO, to join the forty-four African countries that are already Members. WTO accession represents a tool to strengthen the rule of law, ensure policy predictability and transparency, and promote international trade cooperation. It emphasizes the presence of necessary frameworks and practices that are required to create an environment that fosters economic development and attracts foreign investment. It also supports positive regulatory and administrative changes while improving the quality of institutions for economic management. The WTO accession process and WTO Membership help these nations acquire and strengthen the structures that they will need to take advantage of the benefits that can be derived from the AfCFTA.

The WTO Secretariat and Members can offer crucial support through technical assistance and policy advice as governments undertake AfCFTA implementation. Two areas which come to mind for immediate practical assistance: First, the Secretariat can help with the technical work of implementing the AfCFTA: the scheduling, certification, and verification of provisional tariff concessions. Second, the WTO can facilitate discussions on difficult issues involved in integration such as rules of origin. Resolving the complexities of moving goods across borders, making it easier for goods originating in Africa to obtain duty-free treatment in participating African countries is essential to obtaining the full positive benefits of the Agreement. Promoting coherence at the continental level is critical to establishing cross-border value chains and allowing businesses to benefit from this ambitious regional project.

The Chief of Staff of the Secretary-General of AfCFTA Secretariat, Mr. Silver Ojakol, has called on governments and businesses from party-states to prioritize what he describes as 'low-hanging' fruit, particularly agricultural trade.⁵ This is an area where the WTO can be particularly helpful. Tariffs can slow trade, and it is an object of the AfCFTA to eliminate them as a meaningful barrier. But more insidious, less transparent, are nontariff

⁴ https://www.wto.org/english/news_e/news20_e/ddgaw_04dec20_e.htm

⁵ <https://thebftonline.com/20/08/2021/target-low-hanging-fruits-afcfta-secretariat-to-party-states/>

barriers, particularly in the form of standards. Failure to meet a standard can halt trade in a product entirely. More often, sanitary and phytosanitary standards (SPS) increase trade costs, and this can be of critical importance. Standards are crucial to agricultural value chains and to improving the competitiveness and quality of “Made in Africa” goods and services. Many of these costs are fixed costs, such as for inspections or obtaining permits. Reducing these barriers can especially benefit small and small and medium-sized enterprises (SMEs), which will be particularly helpful to women, as it is often women who in many developing countries play a key role in small-holding agriculture. For Africa and for all developing countries, the introduction of gender-sensitive standards in agriculture can increase the contributions of women in trade, for example, by making units of weight in sacks of coffee beans more proportional to the average strength of women. Gender equality is explicitly called for in the continental agreement. Women constitute 70% of Africa’s informal cross-border traders. At the WTO, Members have committed themselves to delivering concrete results for women and small business entrepreneurs in general.

The WTO does not set standards, but it helps its developing country members deal with their trade impact. The WTO’s Standards and Trade Development Facility (STDF) funnels assistance for promoting compliance with standards and conformity assessment procedures in developing countries for agriculture, an essential for moving food products across borders. I commend to those interested in increasing agricultural trade within the pan-African free trade area a WTO STDF briefing note which highlights some of the quick wins that are possible. It is entitled *Facilitating safe trade: protecting health, reducing SPS trade costs* and can be found on the web.⁶

Standardization is also important because it is a microcosm of the “soft infrastructure” gap, which must be overcome to meet the broad need to enhance regulatory harmonization and coordination across Africa. According to the Secretary-General of AfCFTA, Mr. Wamkele Mene, one of the biggest constraints to intra-Africa trade and business activities are regulatory barriers. Building institutional capacity and predictability is the foundation for confidence, partnership, and trust in the new common market and rules. A leader in the participation in standards notifications at the WTO is East Africa.⁷ Participation in the product standards activities of the WTO is a good way to have the information necessary for harmonization of standards across Africa.

An example where standards will be particularly important, however, is with respect to the development of solar energy, which is a key to African development. The WTO and the International Renewable Energy Agency (IRENA) have highlighted the need for open trade policies and harmonized product standards to support the deployment of solar photovoltaic (PV) technologies.⁸ There is an opportunity for Africa to lead the world in regional harmonization of standards for solar energy products. In my view, the mission of the WTO should be extended to be as helpful to Africa with respect to non-SPS standards as it is for SPS. The STDF covers SPS requirements but not Technical Barriers to Trade

⁶ https://www.standardsfacility.org/sites/default/files/Briefing_Facilitating_safe_trade.pdf. Also relevant is ongoing STDF work on [Good Regulatory Practice](#) which aims to provide guidance to SPS regulators in developing countries to ensure that SPS measures are "fit for purpose" and that they avoid the creation of NTBs. A new STDF GRP guide for SPS regulators will be released in November this year on the margins of the Sanitary and Phytosanitary Committee meeting.

⁷ [tbt10keys2021_e.pdf \(wto.org\)](#).

⁸ https://www.wto.org/english/news_e/news21_e/publ_28jul21_e.htm

(TBT). This is a gap in the system that should be addressed by promoting quality infrastructure. Agricultural products face regulations and standards on the basis of quality and environmental concerns, not only sanitary and phytosanitary measures. The new frontier of standards is moving towards climate-related standards. The WTO should either broaden the scope of the existing STDF or create a new facility to address industrial quality infrastructure needs.

It is essential to the future of agriculture in Africa to consider the effects of climate change and plan for them. Sub-Saharan countries are very likely to be severely affected. The STDF did some early work on climate change with the World Bank (2008-2009).⁹ The FAO (regarding food safety) and International Plant Protection Convention (IPPC – regarding plant health) have issued recent reports on this subject.

The WTO is a forum where all economies have a role to play, no matter what their stage of development. During my recent service as Deputy Director-General of the WTO, I chaired the Director General's Consultative Forum on Cotton Development Assistance. The moving force behind this initiative has been four of the poorest WTO Members, four West African countries – Benin, Chad, Mali and Burkina Faso. The basis for making the Forum work, for delivering benefits to these countries, was their pragmatic approach to identifying their needs with specificity. Pragmatism, as opposed to demands for the fulfilment of rights not universally acknowledged, is a way to achieve greater responsiveness of the international community as well as a contribution to the working of the global trading system. The Cotton Forum's meetings were characterized by goodwill and good deeds in the form of concerted efforts of all cotton producing and consuming countries, as well as international institutions, to assist development in countries whose growth in future income is heavily dependent on cotton.

It is widely acknowledged that increased resources are needed to boost the African continent's physical infrastructure if continental economic integration is to be achieved. Many African markets are inhibited by an energy, road, rail, and water infrastructure gap that form logistics and transport barriers. The ensuing inefficiency and cost of moving goods across borders in Africa raises the bar for intra-regional trade. To address this gap, major economies and international institutions have been providing targeted investments to improve infrastructure connectivity. Physical infrastructure is not the only impediment to continental integration, however. African governments should consider introducing simplified customs clearance at national borders to streamline the movement of goods. In this regard the WTO's Trade Facilitation Agreement and Trust Fund are directly relevant. The importance of cutting red tape, creating greater efficiency and transparency, cannot be overstated, especially for landlocked economies. The World Bank's Trade Facilitation Agreement Tracking Tool looks at three equally weighted dimensions of (i) legal/policy, (ii) implementing procedures, and (iii) operational checks to determine countries' alignment with the goals of the Agreement. It monitors the progress of 11 sub-Saharan African countries and finds them to date at an average 38% level of alignment.¹⁰ Clearly there is more progress to be made.

In meeting the trade challenges of the 21st century, the rapid rise of e-commerce in Africa is particularly important, and it has been brought to the forefront by AfCFTA negotiations. It would be beneficial to the continent to address e-commerce issues at the

⁹ <https://www.standardsfacility.org/climate-change>,

¹⁰ <https://www.tfacountrytrackingtool.org/>

AfCFTA-level before national rules make it difficult to coordinate between FTA parties. Phase Two and Phase Three negotiations under the AfCFTA, which deal with e-commerce – alongside other important subjects such as investment and competition policy – should be completed as rapidly as possible. As African markets witness increasing usage of mobile money and payments, e-commerce and digital trade are bound to be crucial for the continent’s economic future. Africa can be a pathfinder for pointing out where global rules for e-commerce need to be established through WTO negotiations. It should do so both within AfCFTA and within the WTO.

One of the pillars of a rules-based order is the enforceability of obligations through a robust dispute settlement system. Article 20 of the AfCFTA Agreement establishes a Dispute Settlement Mechanism, largely inspired by the WTO’s two-tiered structure. Learning from the challenges experienced by the WTO’s dispute settlement system, it is worth thinking through how to streamline dispute settlement to make it more responsive, more timely and more usable by its intended beneficiaries. Organizations such as the Trade Law Centre for Southern Africa (TRALAC) may be of critical assistance in making the AfCFTA dispute settlement system work. It is important to foster both a culture and demand for dispute settlement to avoid unilateral trade retaliation. This can only be achieved if the agreement’s system is both accessible and responsive.

The WTO can also play a constructive role in facilitating the restoration of trade finance. The COVID-19 pandemic has exacerbated the pre-existing state of diminished availability of trade finance. A widening gap amounting to \$1.5 trillion worldwide has frustrated developing countries’ participation in international trade, impeding the ability of international trade to support post-COVID-19 economic recovery and the ability of small businesses to capitalize on and be included in the benefits of free trade. The WTO in the aftermath of the financial crisis just over a decade ago convened major international financial organizations, banks, and private sector actors to address this need. It can do so now again, with a focus on mobilizing financing for MSMEs and leveraging Big Data and Artificial Intelligence to counter the trade finance rollback.

Additional financial resources more broadly are needed to enhance the effectiveness of the AfCFTA during this time of global crisis. One possible approach for consideration is a partnership between the WTO, the World Bank, the IMF, the African Development Bank and the AIIB to create a pan-African fund for trade (AFT) dedicated to the economic integration of the African continent. In addition, to leverage trade for post-pandemic recovery, donor countries and governments can support debt cancellation through the Debt Service Suspension Initiative (DSSI). Along with the Managing Director of the IMF and the President of the World Bank, WTO DG 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. The recent IMF Board action for an additional SDR allocation should help, but it would help even more if countries with a stronger economic position increased their contributions in SDRs or other financial support to the Least Developed.¹¹

I am not telling you things that you do not already know to say: Africa faces enormous challenges. The financial difficulties are enormous. Peace and stability are needed

¹¹ <https://www.imf.org/en/News/Articles/2021/07/30/pr21235-imf-governors-approve-a-historic-us-650-billion-sdr-allocation-of-special-drawing-rights>, <https://www.cgdev.org/blog/how-allocation-imf-sdrs-africa-could-be-supported-multilateral-reallocation-initiative>.

to foster trade and economic development. The pandemic must be defeated. Climate change can erode comparative advantages of having great natural assets, such as those which support tourism.

AfCFTA and the WTO can make a major difference. Trade integration can help to diversify the economies of the African nations with opportunities to engage in the new and growing green economy, as well as to use new technologies that can support and improve energy supply, transportation and electronic commerce.

AfCFTA Members of the WTO can the multilateral trading system with a fresh outlook for a positive future through trade. The Secretariats of the WTO, the African Union, the United Nations Economic Commission for Africa (UNECA) and the AfCFTA should collaborate to make the most of synergies between the Continental Agreement and the *acquis* of the multilateral trading system. A challenge for African leaders and the 164 Members of the WTO is how best to use the new energy from the AfCFTA and WTO accessions to recover the ground lost to development on the African continent during the pandemic. My hope is that the voice of Africa will be strong and positive in the WTO, leading on issues that should be of common continent-wide interest, such as the adoption of a ban on export restrictions when it comes to purchases by the World Food Program (WFP).

The time is overdue for Africa to make solid gains from both regional and global economic integration. Promising signs are emerging. Africa's narrative is changing, and the continent should seize the opportunities presented by the AfCFTA to liberalise trade and investment and introduce the necessary reforms that would make Africa an even more attractive investment destination for both domestic and foreign investors. Proper and effective implementation of the AfCFTA is key to realising its full potential as an instrument to achieving robust economic growth and sustainable development of the continent. African policymakers should harness the synergies between the WTO and the AfCFTA to achieve this laudable objective. They should call on the WTO Members to constitute a Working Party, backed by a cross-divisional Secretariat task force, to help assure that the resources of the WTO are fully mobilized to help assure that the AfCFTA fulfills its bright promise.

Thank you. I wish all African countries well in this vitally important endeavor.