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For Africa to trade, it has to produce first, says AU Commission Deputy Chairperson. .

Addis Ababa, Ethiopia, 14 May 2018: As African Ministers of Finance gathered in Addis Ababa to seek an integrated approach to the implementation of the African Continental Free Trade Area Agreement, the African Union Commission Deputy Chairperson Amb. Kwesi Quartey lauded the progress on the implementation process of the historic decision, “the ratification process has begun in earnest, with two countries, Kenya and Ghana, having already deposited their Instruments of Ratification. Rwanda and Niger have also signed the agreement. Africa’s ability to trade with itself, as well as with the rest of the world, will be an absolute game changer”, he stated.

He at the same time underlined the need for Africa to scale up their production capacity in order to realize the full potential for intra-African trade. He noted “For Africa to trade, Africa first has to produce. And not just primary commodities. We must begin to apply science and technology to production. Statistical evidence has demonstrated that intra-African trade has tended to be mainly in processed foods, that is, goods and commodities to which value has been added.”

Read the full statement below;

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Your Excellency Right Honourable Dr. Abiy Ahmed, Prime Minister of the Federal Republic of Ethiopia,

Your Excellency, Dr. (Mrs) Vera Songwe, Executive Secretary of the ECA,

Hon. Ministers of Finance,

Colleague Commissioners,

Distinguished Ladies and Gentlemen,

I bring you the fraternal regards from the distinguished Chairperson, H.E. Moussa Faki Mahamat. He is unavoidably absent for reasons beyond his own volition. He wishes this meeting fruitful deliberations.

I am both honoured and delighted to be part of this engagement at developing an integrated approach to addressing our continent's challenges.

The recent signing of the Continental Free Trade Area Agreement was a truly historic development. We have learnt that the ratification process has begun in earnest, with two countries, that is, Kenya and Ghana, having already deposited their Instruments of Ratification. Africa's ability to trade with itself, as well as with the rest of the world, will be an absolute game changer. The potential for intra-African trade to drive value creation and development is both palpable and real. But in order to trade, Africa first has to produce. And not just primary commodities. We must begin to apply science and technology to production. Statistical evidence has demonstrated that intra-African trade has tended to be mainly in processed foods, that is, goods and commodities to which value has been added.

Honourable Ministers, Distinguished Guests,

Africa's ability to trade and do business with itself is what will drive the African Continental Free Trade Area. The potential of Africa's integration and intra-Africa trade are enormous if we are able to take advantage of the economies of scale, creation of job opportunities and generation of income, mobility of investment capital and exploring our consumer market of nearly one billion people. Whilst the benefits are clear and widely acknowledged, there is also the underlying need is to review the strategies to drive Intra-Africa trade and integration agenda and whose successes, would reinforce Africa's place in the global economy and strengthen our bargaining power in international negotiations. As the rest of the world becomes increasingly fractured, we must advance our integration agenda and advance from 55 fragmented markets into a larger market with the prospects of a combined GDP of over three trillion dollars annually. If you look at the forecast from the intra-Africa trade simulations, CFTA will increase the consumer spending to about \$1.4 trillion in 2020 and similarly increase intra-African trade by as much as \$35 billion per year, or 52 percent above the baseline by 2022.

Distinguished Guests,

There are a number of points I would like to make today.

First, we must begin to interrogate why with a potential to run into trillions of dollars, intra-African trade stands so low. The answer lies in our history. It goes to the origin of the African State – the Berlin Conference of 1884/85. But that is a story for another day.

Perhaps the most illustrative of examples of this underperformance lies in the trade liberalization, the lack of implementation of policies, the poor infrastructure, the restrictive movement of persons, insecurity and governance challenges and the literacy and skills crisis in the continent.

We must scale up infrastructure investment to improve connections between and within African countries. Though over the years we have seen great progress in infrastructure development of trans-border roads, rails, ports modernization and power sharing pools, more must be done to complete these projects and reap the full benefits. Railway lines must not only be from the gold mine to the harbor.

At the same time, there is need to make trade more conducive through the elimination of trade non-tariff barriers such as the restrictive travel policies and visa regimes. Just try getting a visa to Ethiopia, our diplomatic capital! The latest visa openness index report shows slight improvement by states to open up their borders but more commitment must go into it to a point where you do not need a visa to travel to 45 percent of our countries. We must encourage managed migration and mobility.

We must also seek to harmonize our trade policies. We must address the issues of the prohibitive transaction fees and seek to harmonize the rules of origin which greatly informs the imposed duties, and in accordance to the source of imports. This will greatly encourage competitiveness in trade. I am glad to note in this regard that the dialogue has been enhanced in the harmonization of the rules of origin as our states implement the decision on financing of the Union by imposing the 0.2% levy on eligible imported goods. That therefore, is a good start.

Honourable Ministers and Distinguished Guests,

The second point I would like to raise is on the manufacturing and processing capacity as a key aspect in the African intra-trade vision. The situation now is that most of our primary natural resources are exported as raw materials and imported as processed goods. With a bulging youth population, our demography presents us vulnerabilities if not well harnessed. We are denying them job opportunities and meaningful engagement if we do not enable prospects of value addition and value chains, provision of markets and the ability to utilize science and technology for innovation. The key is education, all-inclusive education. Every child in school.

With urbanization, there are opportunities in markets for surplus production. We must enhance the linkages for the rural communities to the urban markets and vice versa, link the rural community with technology, infrastructure and resources to expand their production and trade. Africa has the potential to feed itself but we have to stop being net importers of food, which continues to hamper the growth of our farmers and SMEs. We must create conducive environment for the growth of the cross-border trade which is mostly undertaken by women. We must allow them to expand and eventually we will find that we are able to integrate

informal trade, (which counts for over 50% of GDP remains mainly untaxed) into the formal economy, and swiftly alleviate poverty.

Cross-border trade must not only be looked at from the perspective of goods. We must also consider services especially in the SMEs and which would thrive with states coming together to harmonize standards to a generally accepted level of qualification for professionals. Many of graduate doctors are jobless yet many of our people are dying due to lack of caregivers. Imagine the prospects of allowing skills migration across the continent. Therefore, we must begin to look at intra-African trade in its holistic nature.

Distinguished Ladies and Gentlemen,

My third observation would be on capacity building in a two-pronged approach. We need capacity development to be able to participate in the knowledge economy, and be ready for the digital economy. We cannot afford to be illiterate or innumerate.

The African Union theme of the year is “*Winning the Fight against Corruption: a Sustainable Path to Africa’s Transformation*”. This was adopted by our African leaders in appreciation of how much Africa was losing to corrupt activities. Africa is losing over 148 billion dollars annually, which is about 25% of Africa’s GDP growth, through corruption. Similarly, we are losing huge sums of money in billions of dollars, through illicit financial flows. We are yet to factor the bribe the woman pays to do business across the border or the money that goes to clear the container at the port to beat the unnecessary red tape. It is therefore important for nations to address the governance, democracy and impunity deficits by empowering our institutions to perform better. The answer is an economy undergirded by transparency and the rule of law. In short, we must govern better within our countries, and to govern better together as a continent – in the words of my illustrious compatriot, Kofi Annan.

We must focus like a laser on human capacity development. The level of social exclusion by way of lack of education and skills continues to make our youth despair. It is in that desperation that forces our youth to take perilous journeys through the desert and risk drowning in the Mediterranean Sea in search of a non-existent Eldorado in Europe. Let us make deliberate efforts to educate and develop the skills and talents of our youth and children. Without a numerate and literate youth, we shall continue to bear the brunt of our

demographic vulnerabilities. With education and training, our youth will develop human capital, that is, value which creates more value.

Honourable Ministers and Distinguished Guests,

Boosting intra-African trade is inevitable to deliver development on the African continent. To realize the goals we have set, we must seek to improve our domestic resource mobilization. I am pleased to report that 22 of our member states are at various stages of actualizing the decision on financing the Union, while 12 states are collecting the funds levied from imposing the 0.2% levy on eligible imported goods. We encourage more states to implement the decision for the Union to be self-reliant and to ensure predictable funding of AU activities and projects. Imposing the levy will fund 75% of the program budget for the realization of our flagship projects such as the single air transport, the development of our infrastructure, energy projects, food security, education and skills improvement for our people. 25% of the funds will go into peace support operations which is critical as we seek a peaceful and secure Africa.

To conclude, Distinguished Guests, let me reiterate the need for maximizing on the prospects of a multilateral trading structure. Africa must demonstrate its own commitment if the rest of the world is to own our story of Africa rising, and support our long-term socio-economic successes.

The thesis – Africa Must Unite, conceived and argued by Kwame Nkrumah – remains unassailable.

Thank you for your kind attention.