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Creating One African Market

Towards the Launch of the African Continental Free Trade Area

Media Briefing
Ambassador Albert M. Muchanga
Commissioner for Trade and Industry

19th March, 2018

Good morning members of the media.

I am very happy to be with you.

I have come here to brief you on the state of play as we move towards 21st March, 2018 when the 10th Extra-Ordinary Session of the Assembly of the African Union Heads of State and Government will be held, here in Kigali.

The purpose of the Extra-Ordinary Session will be for Heads of State and Government to sign legal instruments establishing the African Continental Free Trade Area and thereafter launch it.

My briefing is in four sections. I begin by providing a brief background on what the African Continental Free Trade Area is. This is followed by an outline of the state of play as we move towards the launch of the African Continental Free Trade Area. The third section is on the steps to be taken after the launch of the African Continental Free Trade Area. Thereafter, I will provide a brief outline of upcoming meetings and the purpose of each one of them. I close the briefing with concluding remarks and will be ready to take questions, if there will be any.

WHAT IS THE AFRICAN CONTINENTAL FREE TRADE AREA?

The African Continental Free Trade Area is an economic space encompassing all 55 member states of the African Union to promote duty free flow of goods and services once it is established.

It will be a market of 1.2 billion people with geographic spread of 30 million square kilometers.

Two recent decisions were made by the January, 2018 Summit which will make the market more attractive. These are the adoption of the Single African Air Transport Market and the Protocol on Free Movement of People, Right of Residence and Right of Establishment. These two, along with the African Continental Free Trade Area project are flagship projects of the African Union Agenda 2063. Through these projects, we are building an African internal market. During this year, work will also begin on negotiating protocols on competition, investment and intellectual property rights to create a market space of fair competition, harmonized investment policies and a regime for protection of intellectual property rights in order to spur innovation.

Trade and production go hand in hand. In this connection, we also have a programme of development of regional value chains in order to promote rapid industrialization in Africa. The promotion of industrialization is vital because 42% of intra-African trade is currently composed of industrial products. In this connection, industrialization will be key to increasing the share of intra-African trade in Africa's total trade as well as raising Africa's share in global trade which has been stagnant since the early years of the independence of African countries.

We expect Intra-African Trade to grow by 53% by 2022. We also expect Africa's exports to the rest of the world grow by 6%.

We shall in the coming days be circulating to the media, the private sector, delegates and other stakeholders, a detailed Question and Answer pamphlet on the African Continental Free

Trade Area which, among others, provides key features of the African Continental Free Trade Area.

ARE THE LEGAL INSTRUMENTS ESTABLISHING THE AFRICAN CONTINENTAL FREE TRADE AREA READY FOR SIGNATURE?

The legal instruments to establish the African Continental Free Trade Area have been considered by African Union Ministers of Trade as well as Ministers of Justice and Legal Affairs. The instruments will this morning go to the Executive Council which is the clearing house for the Summit.

The legal instruments to be placed before the Executive Council and thereafter the Summit are:

- 1.0 Agreement Establishing the African Continental Free Trade Area;
- 2.0 Protocol on Trade in Goods;
- 3.0 Protocol on Trade in Services; and,
- 4.0 Protocol on Rules of Procedure on the Settlement of Disputes.

The Protocols have Appendices and Annexes some of which could not undergo legal scrubbing and these will be done separately as part of the post-signature Transitional Work Programme approved by the African Union Ministers of Trade.

At this stage, I can say with confidence that the legal instruments establishing the African Continental Free Trade Area will be ready for signature by the African Union Heads of State and Government when they meet on 21st March, 2018, two days from today.

WHAT HAPPENS AFTER SIGNATURE OF THE LEGAL INSTRUMENTS AND LAUNCH OF THE AFRICAN CONTINENTAL FREE TRADE AREA?

The most immediate task after signature of legal instruments establishing the African Continental Free Trade Area and its launch is securing ratifications by member states so that the legal instruments come into force.

Member States will also be expected to continue their national awareness campaigns on the African Continental Free Trade Area so that citizens of Africa, parliamentarians, the labour movement, the youth, private sector, academia, civil society and other stakeholders are fully aware of its existence and the opportunities that it offers to advance the political, social and economic development of Africa as an integrated unit.

UPCOMING EVENTS

There are two events to be held before the Extra-Ordinary Summit. I provide a summary on what each one of them will focus on.

a) Meeting of the Executive Council

The Executive Council, made up of Foreign Ministers of African Union Member States will today consider the documents from the Permanent Representatives Committee which met on 17th March, 2018 and thereafter, recommend them to the Summit for approval.

b) The AfCFTA Business Forum

The African Union has organized the African Continental Free Trade Area Business Forum to be held on 20th March, 2018, tomorrow. The AfCFTA Business Forum will bring together policymakers and the private sector with a view to leveraging the power of the private sector to drive Africa's integration.

We need investments from the private sector in Africa and abroad to promote production, trade, employment and improved livelihoods. We also foresee an increase in private-public partnerships projects in infrastructure development when the private sector is exposed to the opportunities offered by the African Continental Free Trade Area. With rapid transport and communication infrastructure development, goods and services will flow more efficiently across the Continent. Development in energy infrastructure will also spur industrialization as one of the critical challenges to business operations in Africa are energy deficits in many of our countries. Equally important, the development of social infrastructure like education, training, sanitation and health will generate high skills and productivity (and with them social capital).

The AfCFTA Business Forum is not just being held on the eve of the launch of the African Continental Free Trade Area. It also comes at a time when many of our countries are undertaking substantive economic and regulatory reforms aimed at reducing the cost of doing business.

The AfCFTA Business Forum is also being held in an environment where Africa has one of the highest rates of return on investment.

May I spend a little time to brief you on what other measures we are taking to make the African Continental Free Trade Area attractive to business. I will make ten brief points.

First, we have long recognized that Business Leaders operating in Africa have experienced inconveniences caused by multiple visas required to travel across the Continent. This will

shortly be resolved. Among the legal instruments to be signed on 21st March, 2018 will be the Protocol on Free Movement of People, Right of Residence and Right of Establishment.

With this development, it is clear that Africa is moving a step further in coming up with the African passport.

In advance of this, an increasing number of African countries are issuing visas on arrival to Africans travelling to other African countries. We are hence creating an environment of business without borders both in terms of travel and commercial transactions.

Second, with the launch of the Single African Airport Transport Market by the African Union Heads of State and Government, in January this year, we expect increased investments in civil aviation and with them, an increasing number of new entrants in the African commercial airline industry, greater competition, lower fares as well as increased air travel.

With these positive developments, we will in our meeting with the Business Leaders, be inviting African business to increase their investments on the continent. It is currently 12% of total investments, according to the International Chamber of Commerce. The figure for Asia is 33%.

Third, we are also in the process of establishing a Pan- African Trade Observatory which will provide timely trade statistics such as directions, patterns and commodity compositions of intra-African trade; and, more critically to business, information on Rules of Origin, tariff levels and structures, non-tariff barriers, trade regulations and technical standards; among others.

Fourth; with a view to creating a Pan-African platform where business can showcase its offerings and transact sales and orders, we will be partnering with the African-Export Import Bank and the Government of the Arab Republic of Egypt to organize the First Intra-African Trade Fair in Cairo, Egypt this coming November. A Memorandum of Understanding to this effect will be signed on the margins of the Kigali Extra-Ordinary Summit.

Fifth, we are also keenly appreciative of the fact that assured payment in business transactions is key to promoting increased cross-border trade.

In our engagements with the African Export Bank, we have been assured that the Bank will soon roll out a Pan-African payments system that would ensure that all traders undertake cross-border transactions that will be based on timely payments. With timely payments, businesses operating in Africa stand to grow rapidly.

Sixth, quality is key to establishing and sustaining competitiveness. We are, in this respect, also in the process of developing Africa's Quality Infrastructure institutions dealing with standardization, metrology (measurement systems), and quality assurance. Issues of standards harmonization and facilitation of mutual recognition of conformity assessment results on the continent is in this respect being done. We are also reversing the use of quality and technical standards as non-tariff barriers.

The development of quality infrastructure will ensure rapid growth of intra-African trade.

The seventh point is that after the Extra-Ordinary Summit, we shall embark on publishing a **Business Guide to the AfCFTA** in order to make business wishing to operate in the AfCFTA fully understand how the legal instruments establishing this institution will affect them and in the process, position them to be more competitive in this emerging market.

Tied to the foregoing, we shall, after the AfCFTA comes into operation, also publish an **Investors' Guide to the AfCFTA**.

The ninth point is that we recognize that small and medium enterprises will play strategic roles in the AfCFTA. They will be part of the development of regional value chains in addition to being a source of rapid employment growth and this is critical to us since Africa has a young population with a median age of 19 years. We will, in this respect be submitting to the African Union Assembly of Heads of State and Government in January, 2019, a Pan-African Small and Medium Scale Enterprises Strategy.

The tenth point is that the removal of tariff and non-tariff barriers in the AfCFTA will mainstream cross-border traders in formal trade and in the process protect them from harassment at customs and immigration points. Cross-border trade is currently dominated by women and the youth.

I also would like to reiterate to you, members of the media, that we will make the AfCFTA market more attractive in the near future.

As stated earlier, we are this year embarking on negotiations on draft Protocols on competition, investment and intellectual property rights to create a more harmonized and

level playing field for all market players and in the process, further de-risk the AfCFTA market.

c) Extraordinary Summit

The Extra-Ordinary Summit will convene on 21st of March, 2018 and will be opened by the Chairperson of the African Union, His Excellency Mr. Paul Kagame, President of the Republic of Rwanda. The Leader of the African Continental Free Trade Area Process, His Excellency Mr. Issoufou Mahamdou, President of the Republic of Niger will give a report on the progress of negotiations towards the establishment of this internal market since the last Summit held in January this year in Addis Ababa, Ethiopia. The Chairperson of the African Union Commission, His Excellency Mr. Moussa Faki Mahamat is also expected to make a statement.

After approval of the legal instruments, the Heads of State and Government will thereafter proceed to sign them and then, launch the African Continental Free Trade Area.

CONCLUDING REMARKS

From this brief outline, I am sure you will agree with me that we are on track to having a successful Extra-Ordinary Summit.

As I conclude, I would like invite you as the media to closely follow developments in the African Continental Free Trade Area.

The huge opportunities it offers to business will attract increased investments and prospects for Africa's rapid growth and development.

I am ready to take questions, if there are any.

I thank you all for coming to this briefing and your kind attention.