

Unlocking Global Potential

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Having been asked to write an informed piece on Africa, and being the master of my own destiny through carefully word smithed articles over many years, the hype in the press, allure and prospect of rapid content generation offered by an Ai engine become too much of a temptation to finally ignore.

I love technology, however, just investing in a professional paint application did not make my efforts to emulate Miro or Da Vinci even close to being aesthetically pleasing. And as for music, the worlds' leading composition software did not transform my attempts into classical-like strains similar to Beethoven, Bernstein or Mozart. More experimental like Stockhausen, and sounds like the first attempts of my daughter when aged 6 to play the piano.

However, instead of hours pouring sweat and tears over the keyboard to complete editorial on topical subjects with tight deadlines around the challenges and opportunities in international trade offered by the African continent, I could save so much time. A mere carefully worded question would result in an impressively fast computer generated, factual and researched initial text.

Keen to avoid the dramatic implications of a 'first draft' by a certain politician, and crucially reading it before submitting, I thought it was time to bite the bullet, give it a try and try the Ai's handywork.

This, I was assured, would answer the query, even if it did regurgitate known information with all the personality of a wet weekend.

So here is the gist, auto generated, nothing we did not know before.

There are several reasons why it is important to watch out for Africa in international trade:

1. **Market potential:** Africa is home to over 1.3 billion people, which represents a significant market potential for businesses looking to expand their operations globally. With a growing middle class and an increasing number of consumers, Africa offers a range of opportunities for businesses to tap into.
2. **Natural resources:** Africa is also rich in natural resources, including oil, minerals, and agricultural products. This makes it an important player in global commodity markets and a source of vital resources for many countries around the world.

3. Economic growth: Despite facing several challenges, many African countries have experienced significant economic growth in recent years. This growth has been driven by a range of factors, including increased investment in infrastructure, improved governance, and a growing entrepreneurial culture.
4. Regional integration: The African Continental Free Trade Area (AfCFTA) was launched in 2021 and is expected to create the world's largest free trade area.

Overall, watching out for Africa in international trade is important because it represents a significant opportunity for businesses and countries around the world to tap into a growing market, access valuable resources, and participate in regional integration efforts.

I felt deflated. Thanks to the Ai internet trawl, time was saved. But, no facts, no figures. We know that Africa is a big opportunity because it's a big opportunity.

However, the real story and opportunities go so much further.

What do we know?

The key to unlocking improved welfare, quality of life, jobs, boosting trade, eliminating tariffs and promoting sustainable development will be the undeniable legacy of the African Continental Free Trade Area AfCFTA.

To boost intra-African trade, the continent has embarked on the gradual elimination of tariffs on 90 percent of goods, and the reduction of barriers to trade in services aimed at increasing Africa's income by \$450 billion by 2035.

According to the UN Economic Commission for Africa, this single market trade agreement will enable the African economy to reach the \$29 trillion mark by 2050.

With a real, tangible appetite for change, empowering youth and women, the potential for Africa is enormous, reducing poverty and changing global perception and taking its place as the economic powerhouse of the future,

Where is the focus?

There is renewed emphasis on **Trade in Services** in five priority areas, namely: Tourism, transport, Business Services; Communication Services; Financial Services; Transport Services, and Tourism and Travel-related Services.

Which products to look out for?

With tightening supply chains in many jurisdictions, including Ukraine, the world has woken up to Africa as a new source of supply. So it is no surprise that batteries, tea, coffee, processed meat products, corn starch, sugar, pasta, glucose syrup, dried fruits, and sisal fiber, feature heavily in the desirable product list ready for export around the globe.

Tariff Concessions

Every collaborative agreement needs strong legal framework and protections for participants, and the AfCFTA is no exception.

The guidelines are essential in ensure that market access is not monopolised by large corporations, but importantly structured so that smaller corporates, SMEs, women, and younger entrepreneurs may compete in all business sectors, embrace digital trade and strive to eliminate over 90% of tariffs within 5 years.

Investment, Competition Policy, and Intellectual Property Rights will contribute to deepening economic integration in Africa.

Also of vital importance is the support of smaller businesses by state parties, issuing formal certificates of origin and customs declaration forms to facilitate smoother trade flows.

With any change comes cost, and whilst in a period of transition, there will be an immediate need to re-organise of supply chains, build new relationships, provide retraining, and procure new machines.

Fortunately, without legacy plant and communications, countries are well positioned to take competitive advantage through purchasing and implementing new technologies, and latest machinery for innovative and cost-effective manufacturing processes.

Key projects for Africa

Making the free trade agreement work has also led to a number of continent-wide initiatives which will be crucial to long term success.

For example,

- The African Integrated High Speed Network;
- African Commodities Strategy;
- Pan-African E University;
- the African Passport and
- Free Movement of People;
- Silencing the Guns;
- Implementation of the Grand Inga Dam Project;
- Creation of an Annual Consultative Platform for policy dialogue;

- Single African Air Transport Market;
- Pan-African Virtual University; and
- The Continental Financial Institutions.

The interlinkages with other critical economic sectors, the AfCFTA will similarly advance the progress in the implementation of the other sectors such as:

1. Peace and Security and Trade

Peace and security are essential preconditions for sustainable economic growth and development, including trade. A stable and secure environment is necessary for businesses to operate, for investors to make long-term commitments, and for workers to be able to produce goods and services.

On the other hand, trade itself can also contribute to peace and security by promoting interdependence and fostering economic and social connections between countries. This can lead to a reduction in tensions and the likelihood of conflict.

2. Trade Facilitation and Infrastructure

Trade facilitation measures address major challenges such as increased trade costs arising from Non-Tariff Barriers; inadequate, inefficient transportation and weak logistics infrastructure; cumbersome regulatory procedures; lengthy customs processes; and incoherent documentation, thereby placing Africa's private sector at a competitively disadvantaged position.

Africa must then accelerate work on improving the supply-side constraints such as the lack of good transport and logistic infrastructure, information and communications technology (ICT), and energy infrastructure by aggressively implementing the African Union's Programme for Infrastructure Development in Africa (PIDA) to ensure a successful and sustainable industrialisation agenda and thus a successful AfCFTA.

3. Harmonisation of standards and regulations

Effective collaboration is also required for harmonized standards and regulations. This is to be achieved through standards development, mutual recognition, harmonisation that fosters increased rate of diversification, industrialisation and transformation of Africa's economy and boosts the continent's ability to supply its import needs from its own resources.

It is also aimed to integrate systems so as to benefit from an increasingly connected global marketplace. This will include promotion, identification of the African Standardisation priorities activities through development, harmonization implementation of standards for identified priority products; promotion and coordinate technical competence of the African Quality Infrastructure bodies and related legislations to enhance the competitiveness of products of African origin and African Small and midsize enterprises (SMEs) to facilitate the intra-Africa Trade.

4. Trade and Climate Resilient Development

There is need to mainstream climate change issues, including land degradation, into the AfCFTA implementation by advancing climate resilient development through several pathways including, renewable energy and transformative green industrialization; agriculture, food and nutrition security and climate change adaptation; strengthening development finance institutions; engaging in multilateral forums and; contributing to a compact on a global green new deal that advances Africa's interests on climate resilient development.

Policy innovations to unlock climate finance for resilient Food Systems in Africa are critical. The African Risk Capacity (ARC), a Specialized Agency of the African Union, plays a key role in capacitating African governments to better plan, prepare and respond to effects of extreme weather events and natural disasters and build a more resilient Africa that is adaptable to climate change towards building resilience in Africa which has positive ripple effects on the Agricultural sector and economic growth by unlocking critical climate and DRR finance.

5. Enhanced Education systems

The importance of skills development, employability and opportunity driven entrepreneurship in helping Africa realize its continental trade objectives cannot be overemphasized. Although Africa continues to experience a youth bulge, there is a mismatch between existing education and training and the skills needs of enterprises.

Critically important is the need to foster not only the skills needed by enterprises today but also the skills of the future.

To strengthen African businesses' competitiveness in the context of the AfCFTA, the priority is to invest in human capital to equip Africans with the skills needed to engage in skill-intensive manufacturing industries. The improvement of Education system, innovation and technology in supporting the AfCFTA market and to encourage startups towards job creation is important.

6. Enhanced Health Security

Over 90% of the global public health emergency events reported annually are from Africa. The continent has the lowest health workforce to population ratio in the world while carrying majority of the disease burden. In addition, 90% of vaccines, therapeutics and diagnostics are imported to Africa making the continent dependent on the rest of the world, even during crucial pandemic periods.

The COVID-19 Pandemic and the preceding 2014 Ebola Disease Outbreak have demonstrated that trade within Member States of the African Union and between Africa and the rest of the world can be significantly affected by public health emergencies.

Without careful consideration of health security in the continent the realization of AfCFTA will not be attained. This requires establishing and maintaining the trade and health nexus in the continent. The operationalization of Africa Centres for Disease Control and Prevention (Africa CDC) and the Africa Medicines Authority (AMA) are considered as golden opportunities to mainstream health into AfCFTA.

The AfCFTA is a gamechanger for the African continent and year 2023 presents yet another opportunity to strengthen partnerships, mobilise resources, undertake outreach activities and

promote the utilization of the AfCFTA by economic operators through unceasing engagement that will sustain the high momentum around the AfCFTA.

Beyond the continent, the Theme of the Year 2023 is expected to strengthen the role of the African Diaspora, People of African Descent and create a meaningful link between the implementation of the AfCFTA and the Decade of African Roots and Diaspora (2021-2032) by driving initiatives aimed at bringing together, projects, events and other initiatives to strengthen the role of these group in advancing the economic integration of the AfCFTA.

Unlocking the potential of the AfCFTA and promote “Made in Africa” goods and services

Currently, forty-four (44) member states are state parties to the AfCFTA Agreement following the ratification of the instruments establishing the AfCFTA while fifty-four (54) member states have signed the Agreement.

Around the world, millions of people have been liberated from the burden of neglected tropical diseases, which keep people trapped in cycles of poverty and stigma.

Ministers and representatives from 12 African countries have committed themselves, and laid out their plans, to end AIDS in children by 2030.

Africa should prioritize investment in science, technology, engineering and mathematics (STEM) education to build and retain science skills on the continent,

The African Continental Free Trade Area (AfCFTA) has huge potential to harness the power of women and youth to realize its true potential.

4. The **Pan African Payment System** (PAPSS) in place is a centralised Financial Market Infrastructure enabling the efficient and secure flow of money across African borders.

PAPSS works in collaboration with central banks in the continent to provide a payment and settlement service to which commercial banks, payment service providers and fintech organisations across the continent can connect as participants.

The platform provides a simple, low-cost risk-controlled payment clearing and settlement system. It also serves as an avenue of expanding financial inclusion to cover the informal sector while monitoring funds transfers, thus reducing money laundering, which costs the continent several billions of dollars annually.

As of June 2022, the PAPSS network consists of 8 central banks, 28 commercial banks and six switches. It will expand into the five regions of Africa before the end of 2023.

All Central banks are to sign up by the end of 2024 and all commercial banks by the end of 2025. With 42 currencies on the continent, PAPSS will significantly reduce the costs of currency convertibility and save the continent an estimated \$5 billion annually.

5. The **AfCFTA Private Sector** Strategy aims at delivering impact and economic recovery in the post-pandemic world by engaging with stakeholders from across the private and public sector, and from across all corners of the continent to ensure an inclusive approach to implementing the AfCFTA.

For the continent to reduce its vulnerability to external shocks and improve trade and economic performance, the AfCFTA, regional value chains are being developed, under the AfCFTA Private Sector Engagement Strategy, to offer African countries an opportunity to use regional advantages to boost competitiveness, diversify product supply, and export products with higher value-addition.

The strategy focuses on four initial priority sectors or value chains, namely agro-processing, automotive, pharmaceuticals, and transportation and logistics, based on the potential for import substitution and existing production capabilities on the continent.

6. Launching of the **AfCFTA e-Tariff Book in November 2022** further allowed for a digitalized trade facilitation that ensures tariff concession schedules are easily accessible to Trade and Customs Authorities.

The Tariff book includes rules of origin and the customs procedures that apply to products which allows users to benefit from enhances knowledge and capacities in the use of tariffs, commodity classification and organisation of tariff-related work within Customs administrations and other relevant stakeholders.

These tariff concessions have been offered by the customs unions and once agreed they will then be nationalised and traders will be able to trade fully.

7. Conducting the **AfCFTA Regulatory Audits on Trade in Services** that identify restrictions on market access and national treatment affecting the supply of services into the country as defined in the AfCFTA Trade in Services Protocol.

The report details descriptions that document each trade restriction and its legal reference. For example, one of the areas where this data is particularly useful is in the tourism sector.

By understanding the restrictions on market access and national treatment impacting tourism services, countries can work to remove those barriers and create a more open and welcoming environment for tourists. This, in turn, can help to boost the economy through increased tourism revenue.

8. Establishing the **Automotive Fund** for any investment that seeks to pursue local content development in the automotive value chain. The funding will also

be used for ensuring access to consumer finance as part of the creation of demand and associated insurance products.

AfCFTA is truly operational and the gains from the initiative are improved implementation in order to achieve increased inter-regional and intra-Africa trade that would yield economic development for the betterment of the continent at large.

A comprehensive strategy has since been developed for automotive manufacturing in Africa. The strategy points to an immediate need to finalise the Rules of Origin (ROO) and the establishment of the Task Force that could fast-track the development of a major advanced automotive value chain in Africa.

The finalisation of the ROO for the auto sector is essential, as it would facilitate strategies in developing regional and continental value chains. It would assist in developing national programmes and allow for greater cooperation and trade between those members who have adopted national programmes and wish to develop trade in vehicles and components under the AfCFTA.

9. The **AfCFTA Dispute settlement mechanism**, a key pillar in the successful implementation of the Agreement is active with the operationalisation of the Dispute Settlement Body (DSB) in April 2021. The Appellate Body comprises 10 Board Members.

The operationalisation of the DSB signals the readiness of the AfCFTA dispute settlement infrastructure to take up any disputes that may arise in the course of trading among the State Parties.

10. The **AfCFTA SME Financing Facility** which will catalyse access to finance for SME business activities. This is to ensure that the market access is not taken advantage of only by the big corporations, but that the SMEs, women and young Africans in trade, can also have the opportunity to grow their businesses in support of trading under the AfCFTA.

11. The **AfCFTA Trade and Industrial Development Advisory Council** inaugurated as a 13- member Council to advise the AfCFTA Secretariat on trade integration and transformative industrialization as part of the implementation of the AfCFTA.

The role of the Advisory Council is to focus on the AfCFTA implementation processes, negotiations and implementation; trade facilitation and connectivity; industrial development and regional value chains; and inclusivity issues.

12. The elimination of **Non-Tariff Barriers Mechanism (NTBs)**. The elimination of NTBs is critical to boosting intra-Africa trade and achieving the objectives of the AfCFTA. It will reduce the costs of trading across borders and ease cross-border movement of goods.

The bulk of the AfCFTA benefits will be realised if State Parties efficiently manage and eliminate NTBs.

The Protocol on Trade in Goods establishes a reporting, monitoring, and elimination mechanism where traders can file a complaint on a specific trade obstacle they have encountered during the process of moving goods and services across borders.