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*Theme: Rethinking Trade and Doing Business in the wake of COVID-19
Pandemic*

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Your Excellency, Madam Chileshe Mpundu Kapwepwe, Secretary General of COMESA,

Your Excellency, Ambassador Kipyego Cheluget, Assistant Secretary General of COMESA,

Your Excellency, Mr. Escipi3n J. Oliveira G3mez, Assistant Secretary General of the Organisation of African, Caribbean and Pacific States (OACPS),

Excellencies,

Ladies and Gentlemen,

I am delighted to address this important research forum on “Rethinking Trade and Doing Business in the wake of the COVID-19 Pandemic”. I would like to thank the COMESA Secretariat for their ongoing collaboration with UNCTAD, and especially for the opportunity to join you today and share some reflections on the urgent need to rethink the business-as-usual approach to trade and development that has been adopted for far too long on the continent.

This forum takes place at a critical moment for Africa. Here, the important question is not just *why* a rethink of trade and commerce is necessary in the wake of the pandemic, but more urgently, *how* African governments, alongside the private sector and with the support of international development partners can ensure that the continent recovers fully and moves forward in a sustainable and inclusive way.

Indeed, the COVID-19 pandemic has affected economies around the world and disrupted international trade. More than 18 months after the global onslaught of the pandemic, we all still cope with the pandemic's impacts on a daily basis. Recent data from UNCTAD show that world trade declined by more than 7% in 2020. In Africa, the outbreak laid additional stress on economies that are already struggling and highly vulnerable to external shocks.

Disruptions to African trade, supply chains and access to finance directly impacted the competitiveness of many African economies. This led to cutbacks in export-oriented jobs and overall economic contraction in 2020. As the crisis intensified throughout 2020 and 2021, pressure on trade and businesses increased, especially for larger firms, which may have initially appeared resilient over the short to medium term.

For instance, some key infrastructure assets, including hospitals and ports, whose operations were redirected to support Governments COVID-19 response programs, have been particularly impacted. UNCTAD research also confirms that certain sectors such as tourism and the airline industry have also been hit hard. This resulted in lost business volumes and plummeting revenue. This is especially worrisome as these sectors are important lifelines in many African economies. They have been strong contributors to job creation and income generation for many communities, and population groups, including women and youth.

Despite the negative impact on many sectors, the pandemic has also shifted attention and relevance to new and emerging sectors that are largely reliant on digital technologies and IT capabilities. On the one hand, stronger domestic technological capacities are key to increasing productivity and competitiveness in this manner. On the other hand, productive capacities also play an important role by integrating digitalization in various sectors. Fully utilizing the productive capacities and the surge of digital activities can lead to faster and sustainable development.

As you are aware, COMESA's international trade has not been exempted from the COVID-19 crisis. Both its exports and imports fell in 2020, further affecting its overall share of world trade, which stood at just 0.56% in 2020, down from an already very low 0.62% in 2019. For the 21 African countries that are members of COMESA, this fall is mainly due to the effects of the pandemic on key trade partners such as the European Union, the United States, China, and India. These countries adopted strict controls, such as partial border closures, to contain the virus's rapid spread. These measures have undoubtedly impacted their trade in a negative way, including knock-on effects for their main partners such as COMESA.

Within COMESA itself, border closures, within country travel restrictions, social distancing measures and quarantine requirements, as well as occupancy limits have impacted both the flow of goods, services and people across the region.

Unfortunately, this drop in extra-COMESA trade has not been offset by growth in intra-COMESA trade. While we observed an increase in the percentages of intra-COMESA exports and imports in 2020, in value terms, intra-regional exports and imports in 2020 declined. This is due to the border closures and travel bans placed by key and emerging economies in the sub-region such as South African, Egypt, Kenya, and Ethiopia.

Ladies and Gentlemen,

At the regional level in Africa, what many feared at the outset of the pandemic, has, unfortunately, materialized. It has slowed down and pushed back the implementation of the AfCFTA. In fact, the start of trading under the AfCFTA was delayed from 1 July 2020 to 1 January 2021.

COVID-19 has reinforced the need for African countries to be self-sufficient and to enhance close regional cooperation. In this regard, I believe that targeted research and policy analysis, and action to strengthen economic integration and trade both within COMESA and within the other RECs are essential.

The COMESA research forum is a timely occasion to reflect on the key processes that can help contribute to this recovery and stimulate long-term growth and prosperity on the continent. Here, I would like to offer a few targeted suggestions for thought.

First, attention must be paid by governments and businesses alike to strengthening existing and developing new value chains both at the regional and global level. Attention should also be paid to boosting the insertion of African firms in existing global value chains. Too often African companies and producers are locked into low-value added segments of these chains, and do not reap the benefits of higher-value added production and transformation.

Second, and in a similar vein, unlocking the transformative potential of the manufacturing and industrial sector in Africa is a key aspect of the AfCFTA. Putting this aspiration into practice can help add value to existing products and create new outputs and services on the continent.

Third, changes to production and consumption patterns both globally and regionally must be considered. Indeed, stronger cooperation and implementation of the AfCFTA combined with efforts to promote onshoring, industrialization and technological innovation and production undoubtedly makes it possible for African countries to overcome the impact of COVID 19 on trade, and significantly limit their dependence on external partners, particularly in food and pharmaceuticals. Therefore, to mitigate the perverse effects of the pandemic on intra-COMESA trade, tariff reductions would not be enough. Member States should ensure the application of free trade area measures by removing Non-Tariff Barriers between member countries.

Fourth, the need for economic diversification on the continent as a whole and within COMESA is evident. In addition to the great need to reduce commodity dependence, the pandemic has also highlighted the importance of trade in services, especially those that go beyond activities in traditional services sectors. Advancements in

digital technologies have increased attention toward online supply in sectors such as health, education, telecommunications, and audio-visual services, which will likely profoundly increase in value and market share in the coming years.

Other sectors that have gained significance in the wake of the COVID-19 pandemic are financial services (particularly mobile banking and mobile money services) and telecommunication. Adopting innovations in digital financial technology (widely referred to as fintech) across the COMESA region is imperative to ease transactions across borders. In this regard, a game-changing initiative in the AfCFTA is the Pan-African Payment and Settlement System-PAPSS that will facilitate the easy convertibility of currency for multi-currency trade and recording of some informal trade. This can be a great benefit of COMESA where 30 to 40% of regional trade is estimated to be informal.

Fifth, government and private sector actors must be mindful of the changing demographics on the continent. Under current trends, an estimated 29 million youth in Africa will reach the working age every year until 2030, and own-account and family workers will represent 65% of total employment in Africa by 2040. As such, it is imperative to leverage digital trade to transform African business models and generate adequate jobs. The COVID-19 pandemic has exposed the importance of jobs that offer flexibility and functional access. Therefore, harnessing digitalization can be a lever to transform businesses, especially for women and youth-led or -owned small businesses. It can also enable effective participation in regional marketplaces and value chains.

Sixth and finally, I would like to say a few words on the importance of transparent, simple, coherent and business friendly rules of origin, which are key to supporting intra-regional trade both in COMESA and across the wider AfCFTA. How these rules are designed, enforced and verified will critically determine the size and distribution of the economic gains from the African Continental Free Trade Area, and will shape the future regional value chains on the continent. How lenient, flexible, easy to use and understand, and accessible rules of origin are, will shape

the net benefits to the African private sector under the African Continental Free Trade Area.

In addition, the free movement of persons, including temporary workers is fundamental in this regard to facilitating labour mobility within COMESA and the wider region, to areas where it can be more productive. On a related matter, lack of progress in the mutual recognition of skills and certificates has constrained regional labour mobility. Provisions to extend the mutual recognition of educational certificates and professional certification can help to harmonize access to job opportunities and match workers with available opportunities in neighboring States.

Ladies and Gentlemen,

There are enormous opportunities in Africa's e-commerce marketplace, and online platform-based business models can open regional business-to-consumer opportunities (B2C) where women and youth cross-border owned businesses can essentially tap into a consumer market that is expected to reach \$2.5 trillion by 2030¹. For COMESA, however, digitizing trade through e-commerce has been slow. UNCTAD's B2C E-commerce index shows that most countries in COMESA lag in e-commerce readiness. The AfCFTA, thus, provides a unique opportunity to harmonize and advance e-commerce systems and regulations by establishing a specific Protocol on e-commerce in the third phase of the negotiations.

The COVID-19 pandemic also demonstrated that the low application and diffusion of digital facilities is a missed opportunity, particularly for small-scale enterprises and informal workers. The narrow diffusion of digital tools limits the outspread of related benefits, particularly as digital tools have largely been used to support consumption, rather than production purposes in the region. This merits serious attention on the part of policymakers to provide sufficient digital infrastructure and invest in digital skills acquisition, harmonize legislation, and redesign border agencies. Digitizing trade and trade facilitation goes hand in hand in alleviating

¹ Landry Signé. 2018. "Capturing Africa's High Return" (Brookings Institution).

administrative hurdles and streamlining cumbersome customs processes which have particularly worsened due to COVID-19 related disruptions.

Ladies and Gentlemen,

Before I conclude, I would like to congratulate COMESA for the active strategies and policies it has put in place to mitigate the negative effects of COVID-19 pandemic on trade and business. The various measures, including the development and issuance of guidelines for the movement of goods and services across the region during the pandemic, the implementation and operationalization of the online platform of trade in COMESA, the creation of an online platform for sharing information on the availability of essential products, and the fast-track implementation of the COMESA Digital Free Trade Area are all noteworthy achievements.

Looking ahead, promoting the digitalization of trade instruments, including e-trade, e-logistics, and e-legislation under the COMESA Digital Free Trade Area initiative, as well as promoting the diversification of markets for COMESA imports and exports are essential for COMESA to cope with the adverse effects of COVID-19.

Continual adherence to the set guidelines and standards by COMESA member States and full implementation of Coordinated Border Management principles will be imperative. COMESA should take this time to accelerate its trade facilitation activities. Notable activities in this regard include the single window processing facility at the Chirundu One-Stop Border Post and the COMESA Virtual Trade Facilitation System designed to monitor consignments along different transport corridors across the region.

Looking ahead, the onus is on COMESA to embrace the new reality, invest in the required infrastructure, introduce commensurate regulatory measures, and establish essential legal and institutional frameworks to leapfrog on to the digital revolution and engender future trade resilience.

UNCTAD looks forward to enhanced engagement with COMESA, as we step-up efforts to support African countries and regional institutions. We are a committed partner to help member States and regional institutions mitigate the risk of continued pressures on regional trade and support the adoption of fast, targeted and innovative solutions for expanding sustainable business opportunities in Africa. We stand ready to provide COMESA and our member States with targeted technical assistance and practical support to boost trade, enhance competitiveness and promote greater cooperation at the regional level.

I thank you for your attention.