



The implications of geopolitical tensions for African Countries

It is difficult to think of a time that the world has faced so many crises at the same time and been so ill prepared to tackle them. There are the lingering effects of the Covid pandemic, climate change challenges, food and energy insecurity, shortfalls in development financing, sovereign debt burdens, signs of a global recession, the weaponising of international trade, and the effects of the war in Ukraine.

Multilateral cooperation is at a low and global institutions are increasingly divided. Countries are turning inward, while ideological tensions and differences between the West and China are increasing when urgent and joint action is needed. There are also signs of growing disillusionment with the multilateral system developed and implemented when the Cold War came to an end. Policies to become self-sufficient in critical areas, concluding deals with countries considered to be like-minded, trusted or geographically proximate are favoured by many.

The Russian invasion of Ukraine in February 2022 could not have come at a worse time. It has wreaked havoc on global energy and food markets and caused further disruption to the global supply chains. It is uncertain when and how this war will end but it may signal a movement towards a new global order. This war has been divisive and a severe blow to global cooperation.

The International Monetary Fund recently published a study indicating that economic growth in Sub-Saharan Africa could permanently decline if geopolitical tensions escalate. It says that Sub-Saharan Africa "could stand to lose the most if the world were split into two isolated trading blocs centred around China or the United States and the European Union. In the most severe scenario, sub-Saharan African economies could experience a permanent decline of

up to 4 percent of real gross domestic product after 10 years – losses larger than what many countries experienced during the Global Financial Crisis”.¹

If geopolitical tensions were to escalate, these countries could be hit by higher import prices or even lose access to key export markets – about half of the region’s value of international trade could be impacted. The losses could be compounded if capital flows between trade blocs were cut off due to geopolitical tensions. The region could lose an estimated \$10 billion of foreign direct investment (FDI) and official development assistance inflows, which is about half a percent of GDP a year (based on an average 2017-19 estimate). The reduction in FDI in the long run could also hinder much-needed technology transfer. For countries looking to restructure their debt, deepening geoeconomic fragmentation could also worsen coordination problems among creditors.

What should be done to deal with these crises? Countries need to build resilience but for the moment this is easier said than done. It is suggested that ongoing regional integration under the African Continental Free Trade Area (AfCFTA) should be promoted. Whether this is the answer to the crises of the moment is another matter. Industrialisation on a very large scale will be needed to make this an effective strategy. Less than 20% of the goods (mostly commodities) exported by African nations are destined for Africa. The effective implementation of the AfCFTA will also require better trade governance, removing non-tariff barriers, strengthening efficiency in customs, leveraging digitalisation, and closing the infrastructure gaps. The implementation of the AfCFTA is very necessary but will take time, requires resources and international support.

Africa cannot suddenly be decoupled from existing trade and cooperation relationships. It needs time, leadership, and platforms to speak with collective voices. This will require additional structures; the AfCFTA is a member-driven arrangement and does not provide for the establishment of a new international organisation; it is a flagship project of the African Union (AU).

Multilateral institutions and foreign partners should continue to promote economic integration and cooperation in Africa in order to navigate the dangerous waters of the moment and to retain access to its vital resources. The geopolitical tensions of the moment will generate a discourse about Africa’s new regional and global roles. African leaders should begin to draft the agenda for those discussions.

¹ <https://www.imf.org/en/News/Articles/2023/04/27/cf-economic-growth-in-ssa-could-permanently-decline-if-geopolitical-tensions-escalate>

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