

Outlook for intra-regional trade in Sub-Saharan Africa

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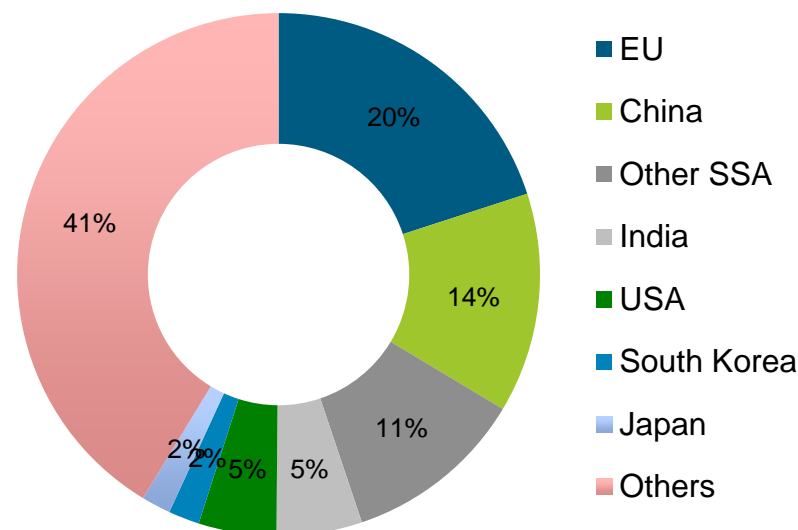
Africa's external & intra-regional trade

EU & China remain SSA's key trade partners

SSA's key trade partners, 2017

Country	Exports to SSA (US\$ mn)	Imports from SSA (US\$ mn)	Bilateral trade (US\$ mn)
EU	88,932,225	66,631,279	155,563,504
China	70,987,651	34,742,909	105,730,560
Other SSA	42,858,583	44,597,803	87,456,386
India	19,719,728	21,469,285	41,189,013
USA	17,622,441	19,795,916	37,418,357
South Korea	10,542,216	4,382,229	14,924,445
Japan	8,592,803	5,508,679	14,101,482
Others	190,913,430	130,526,805	321,440,235
World	450,169,077	327,654,905	777,823,982

% share of SSA's bilateral trade, USD, 2017

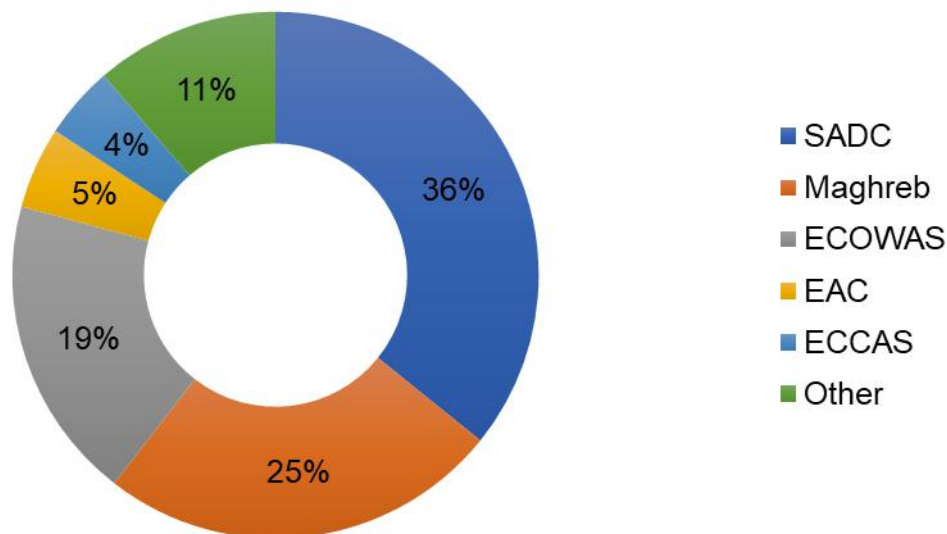


Sources: Intracen, Ecobank Research.

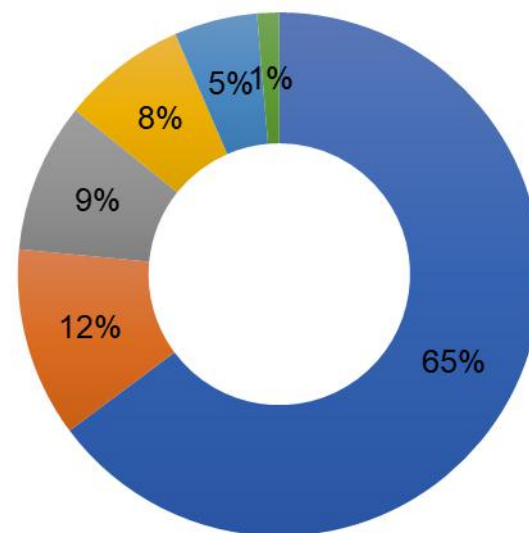
- The EU is Sub-Saharan Africa's largest trading block partner (20% of total trade flows), while China is the single largest trading partner (14%).
- The USA has lost market share to China & India, reflecting lower imports of African crude.
- Intra-African trade makes up 11% of official trade flows, but the true total is much higher.

Regional trade flows are distorted by high-value minerals

Share of Africa's total trade, USD, 2017



Share of Africa's intra-regional trade, USD, 2017

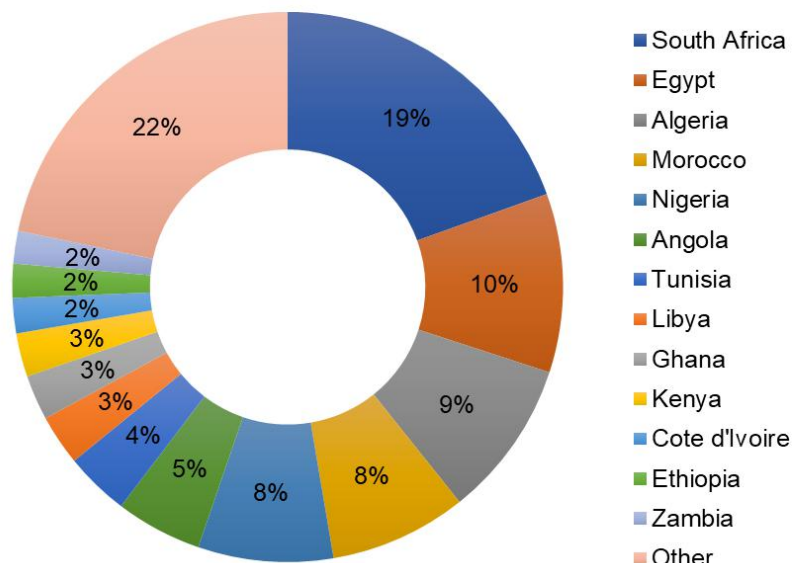


Source: Intracen.

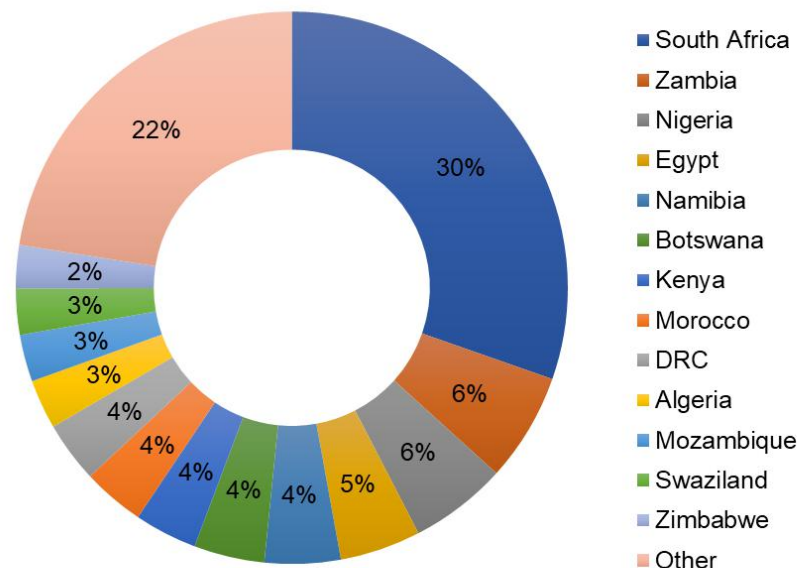
- SADC, Maghreb and ECOWAS account for 80% of Africa's total trade flows, but these data are distorted by the high value of hydrocarbon & hard mineral flows.
- Intra-regional flows are very different, with the best integrated regions (SADC & EAC) punching above their weight, while regions that are dependent on exports of oil & gas to the global market (Maghreb & ECOWAS) have their market share cut in half.
- The relative lack of trade between members of the Maghreb and ECOWAS is a further factor.

This pattern is repeated at the country level

% share of total African trade, USD, 2017



% share of intra-regional trade, USD, 2017



Source: Intracen.

- In terms of total trade, exporters of minerals (South Africa, Egypt & Zambia) & hydrocarbons (Algeria, Nigeria, Angola) dominate trade flows, again accounting for the lion's share.
- At an intra-regional level, South Africa maintains its dominance owing to its role as a conduit for goods & services entering and leaving its neighbours in the SADC.
- Landlocked countries feature prominently (Zambia, Botswana, DRC), along with several anomalies (e.g. Nigeria, reflecting its hydrocarbon flows with Côte d'Ivoire).

Each trade block's share of intra-regional trade varies

Total trade versus intra-regional trade, USD 000s, 2017

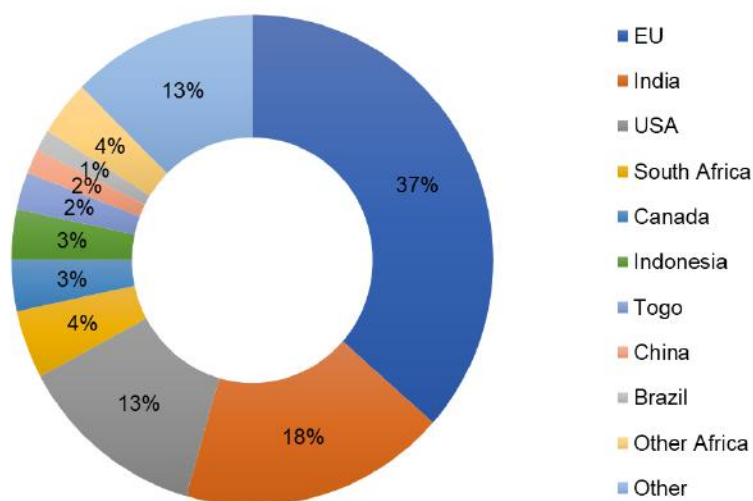
Trade bloc	Total intra-regional trade	Total trade	% share intra-regional trade
SADC	67,901,842	314,376,473	21.6%
EAC	8,082,327	44,239,900	18.3%
COMESA	32,601,513	229,670,455	14.2%
ECCAS	5,388,891	39,022,535	13.8%
Africa	104,773,361	877,956,486	11.9%
ECOWAS	12,263,924	164,193,112	7.5%
Maghreb	9,704,033	216,741,142	4.5%

Sources: Intracen, Ecobank Research.

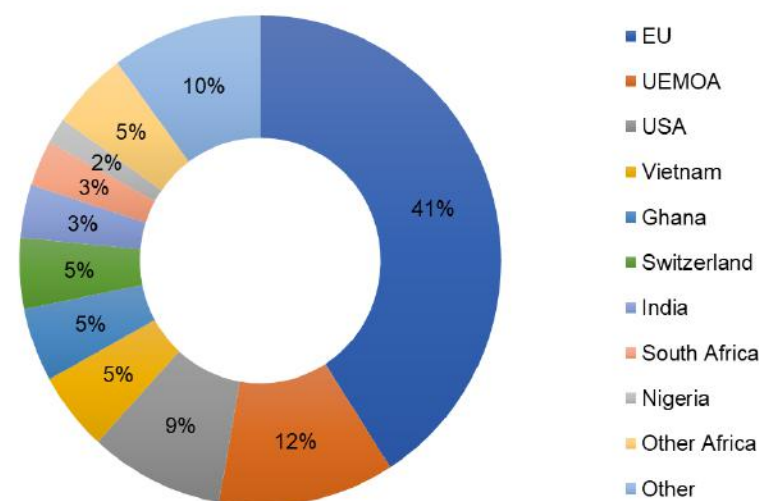
- Intra-regional trade as a share of each trade block's total flows is more revealing.
- Around one-fifth of trade in SADC and the EAC is intra-regional, indicating the high level of integration in both blocks (notably the free movement of goods & services) as well as the diversity of the export base (hard & soft commodities, capital goods & FMCG).
- In contrast, the hydrocarbon-dependent ECOWAS & Maghreb have weak intra-regional flows (7.5% and 4.5%, respectively), which are well below the African average (11.9%).

Anglophones & Francophones trade little with each other

Nigeria's export partners, US\$, 2017



Côte d'Ivoire's export partners, US\$, 2017

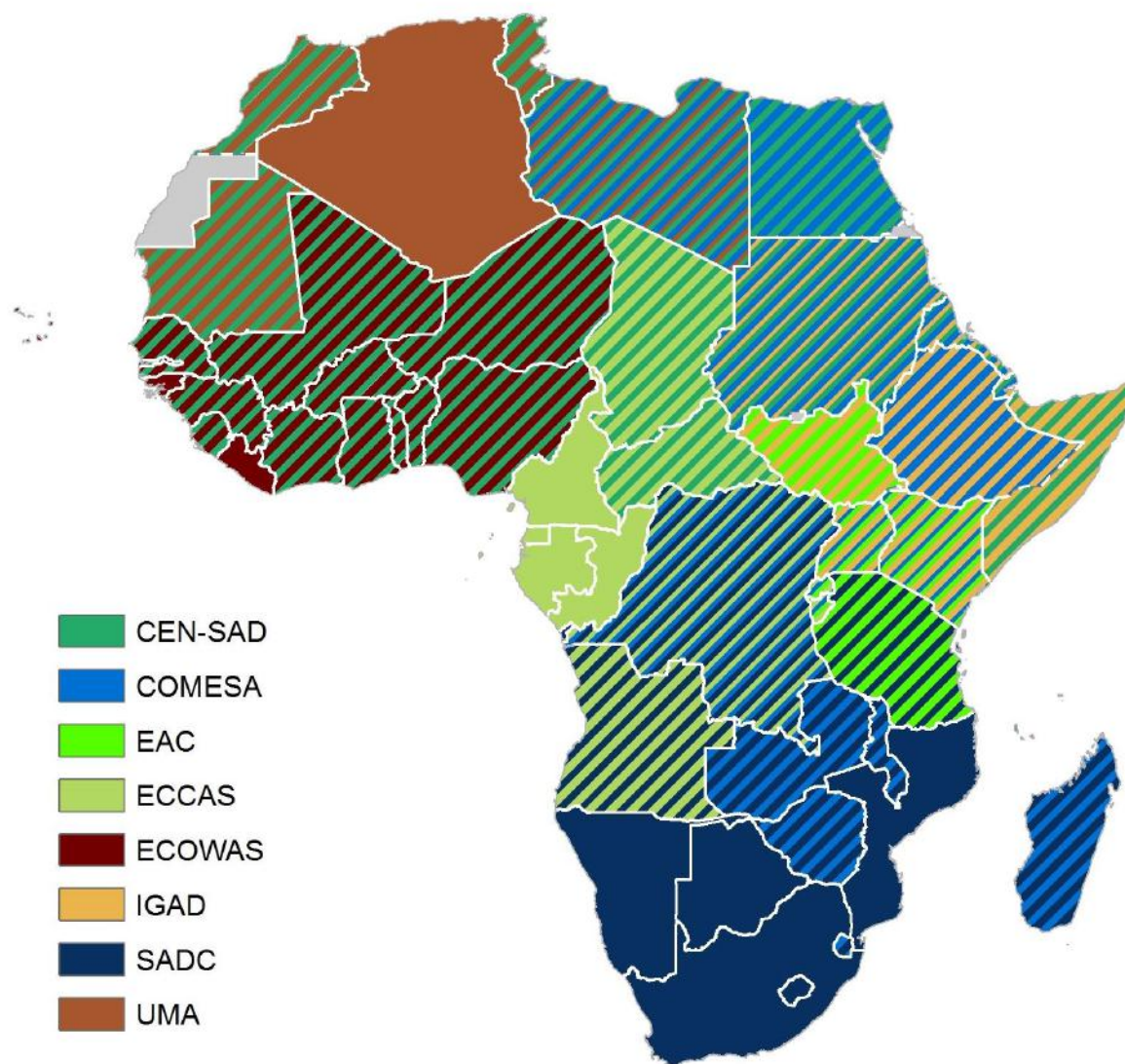


- Nigeria's three largest African export markets make up just 8.5% of its total exports, most of which comprise hydrocarbons, and only 12.1% of total trade flows are with Africa.
- In contrast Côte d'Ivoire trades closely with its UEMOA neighbours (11.8% of flows), but its exports to Anglophone Ghana (4.8%), South Africa (3%) & Nigeria (1.7%) are low.

Source : Intracen.

Key obstacles to intra-regional trade in Africa

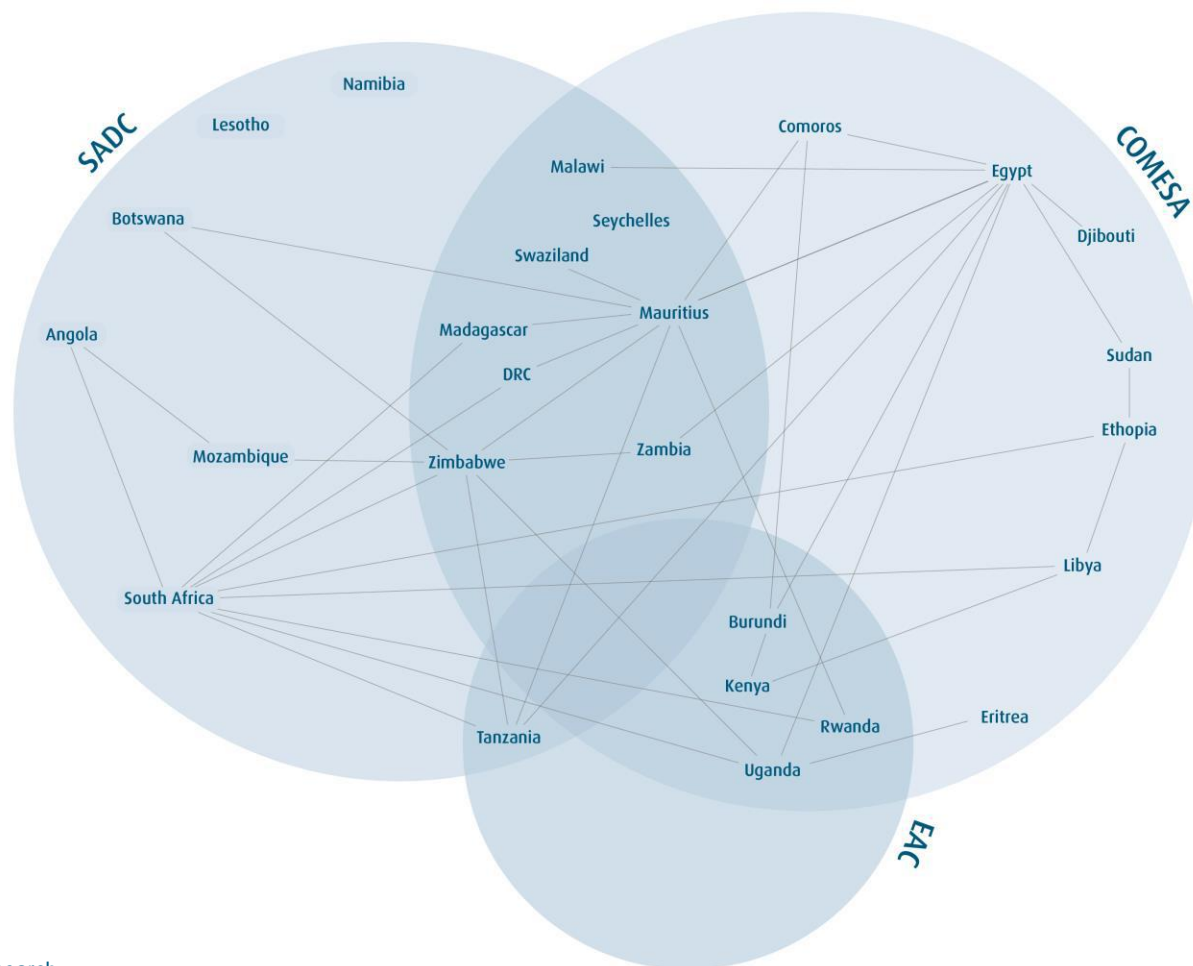
Overlapping trade blocks complicate trade



Bilateral trade deals add a further layer of complexity

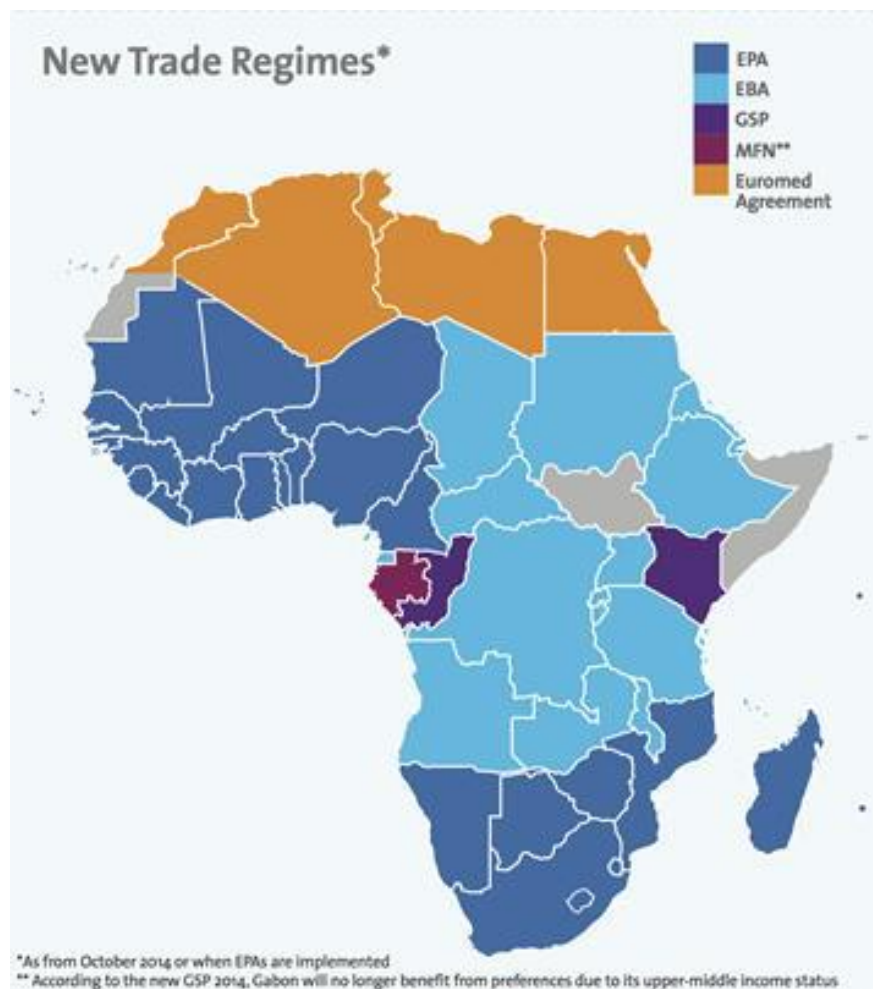
Traders play import duty arbitrage between different regimes

Trade blocks & bilateral trade agreements



Source: Ecobank Research.

Brexit has derailed EPA negotiations with Africa



- The EU has been negotiating ambitious Economic Partnership Agreements (EPAs) with African regions for the past decade, but it has struggled to close the deal.
- EPAs have been criticised for unduly favouring the EU while doing little to promote African value addition or the transfer of skills & technology.
- Brexit has added fuel to the fire, some countries arguing they will get a better post-Brexit deal from the UK and EU, while others refuse to sign an EPA until the nature of the UK-EU relationship is clearer.
- The result has been to split regional blocks; Kenya & Rwanda have signed the EAC's EPA, but Tanzania & Uganda have not.
- The existence of Everything But Arms (EBA) and AGOA has reduced the incentive for LDCs to sign up to EPAs.

Source: ecdpm.

Africa's logistics infrastructure is inadequate

But there is a real mix in performance, with over- & under-achievers

Logistics performance index, 2016

Source: World Bank.

Country	LPI rank	Score	Customs	Infrastructure	International shipments	Logistics competence	Tracking & tracing	Timeliness
South Africa	20	3.78	3.6	3.8	3.6	3.8	3.9	4.0
China	27	3.66	3.3	3.8	3.7	3.6	3.7	3.9
India	35	3.42	3.2	3.3	3.4	3.4	3.5	3.7
Kenya	42	3.33	3.2	3.2	3.2	3.2	3.4	3.7
Tanzania	61	2.99	2.8	2.8	3.0	2.9	3.0	3.4
Rwanda	62	2.99	2.9	2.6	3.1	2.9	3.0	3.4
Vietnam	64	2.98	2.8	2.7	3.1	2.9	2.8	3.5
Ghana	88	2.66	2.5	2.5	2.7	2.5	2.5	3.2
Nigeria	90	2.63	2.5	2.4	2.4	2.7	2.7	3.0
Togo	92	2.62	2.5	2.2	2.6	2.5	2.6	3.2
Côte d'Ivoire	95	2.60	2.7	2.5	2.5	2.6	2.6	2.7
Zambia	114	2.43	2.3	2.3	2.5	2.4	2.4	2.7
Benin	115	2.43	2.2	2.4	2.6	2.5	2.2	2.7
Senegal	132	2.33	2.3	2.2	2.3	2.4	2.2	2.6

Official data fails to capture the scale of informal trade



Smuggling & duty evasion are widespread...



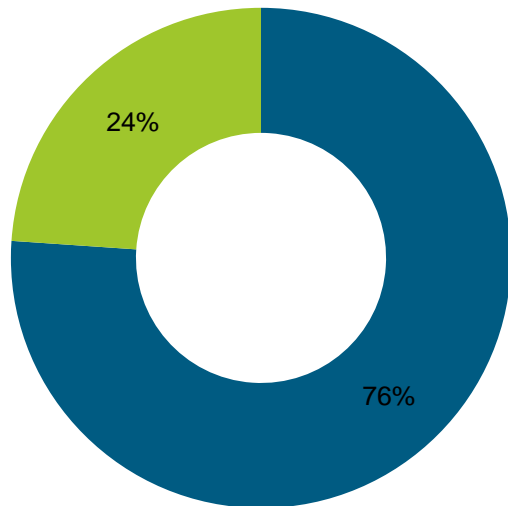
Somali traders handle vast flows across East Africa



Africa's trade finance gap remains a huge challenge

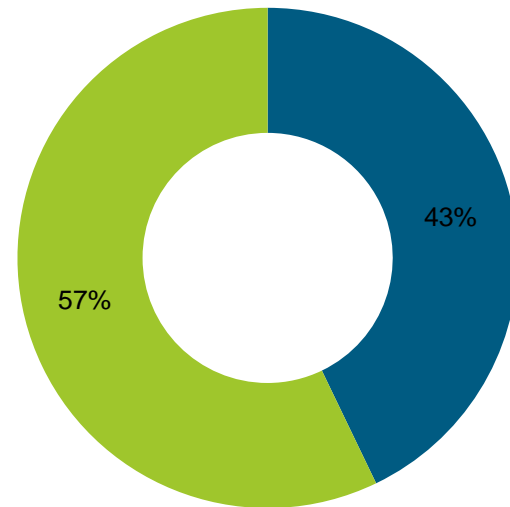
Intra-regional trade gets only 17% of available trade finance

Africa's trade finance gap, 2014



■ Available trade finance ■ Trade finance gap

Funding for Africa's intra-regional trade, 2014



■ Trade finance ■ Other sources of finance

Source: African Development Bank (AfDB).

- Africa's trade finance gap is estimated at around USD120bn, and is widening.
- Africa's intra-regional trade received just US\$60bn of trade finance in 2014.
- Key constraints are liquidity, asset creditworthiness of borrowers & b/s limits of conf. banks.

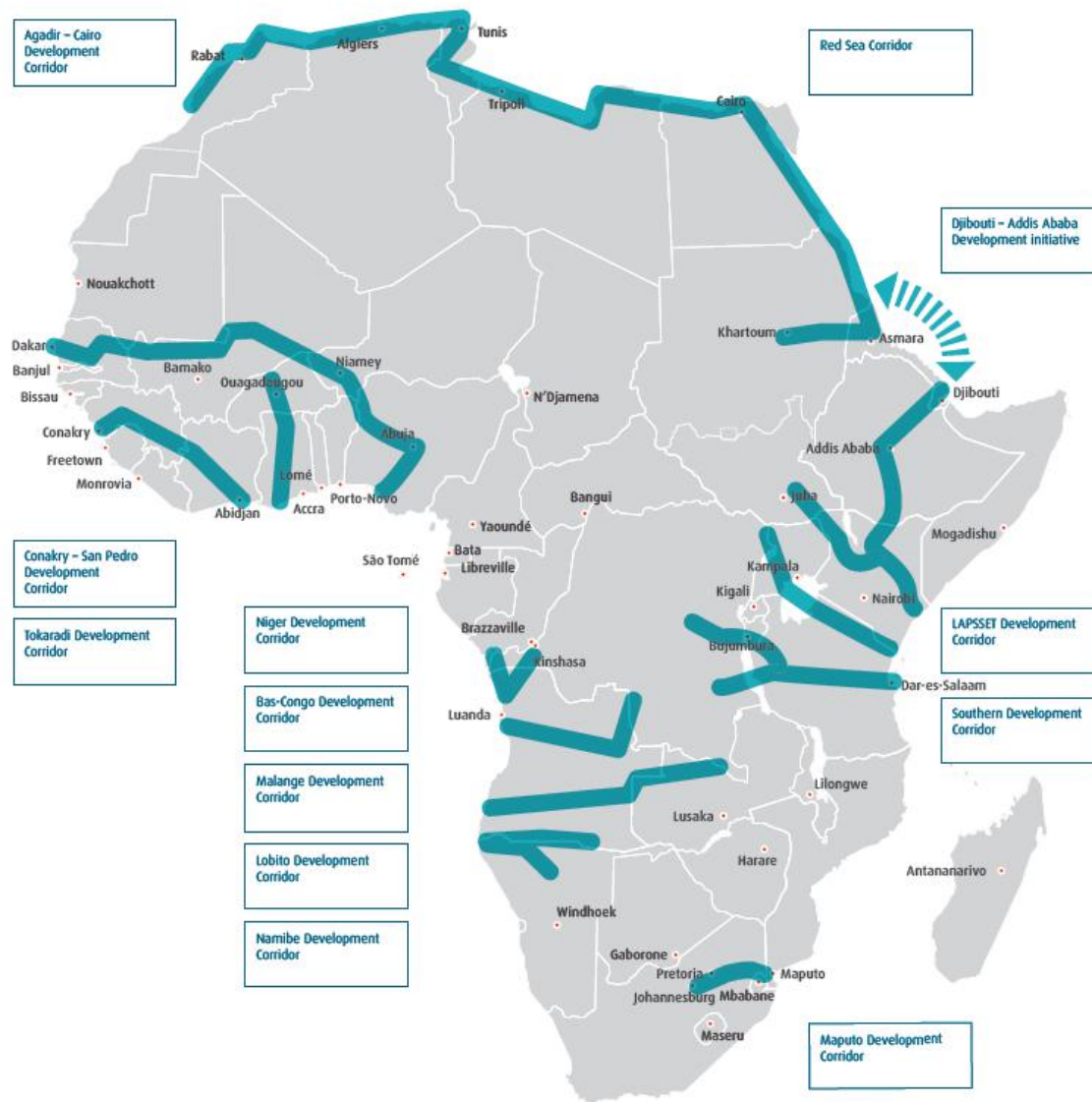
The future of intra-regional trade in Africa

The African CFTA is a bold statement of ambition



Creating One African Market

Trade corridors are the backbone of intra-regional trade

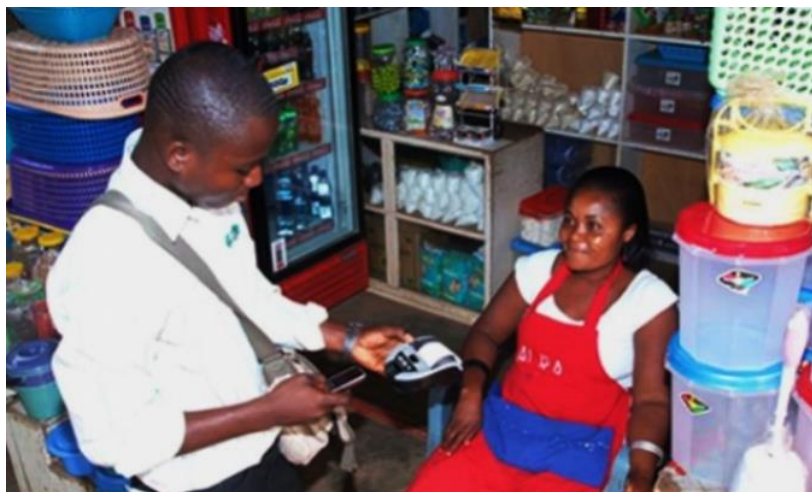


Fintech & disruptive technology are changing the game



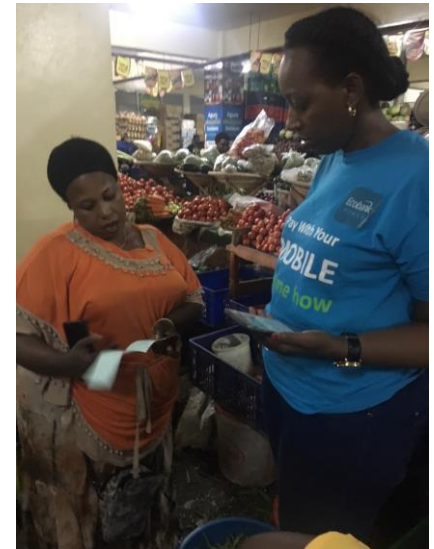
1: Blockchain for the unbanked SMEs

Susus at work in Makola Market, Accra

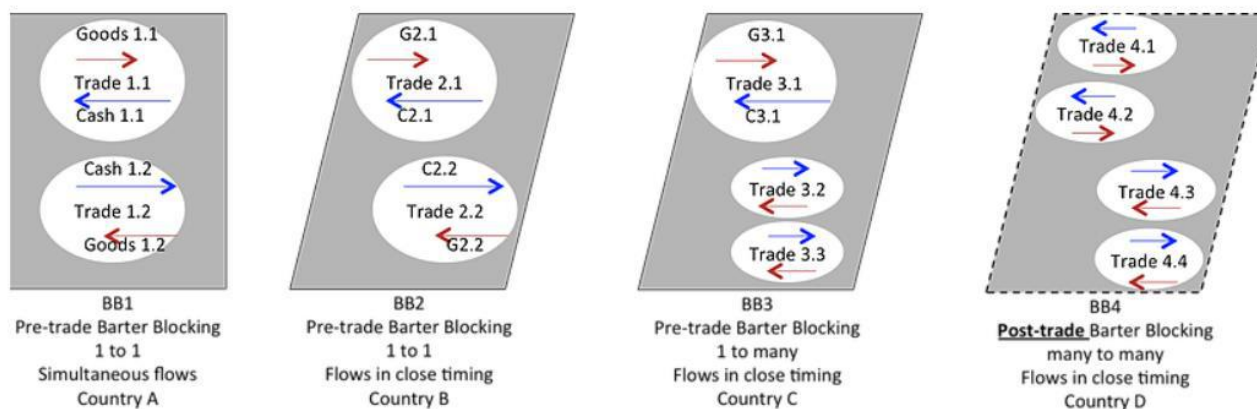


- Atlas started out as a blockchain-powered platform for remittances to Africa, but morphed into a micro-banking platform in response to customer needs.
- Atlas licences local agents to service up to 1,000 clients in their homes, using a 'bank in a box' (portable hardware linking the agent to the bank via the block chain).
- Model is similar to 'susu' in Ghana, except that instead of just protecting their clients money the agent offers financial advice & services (e.g. interest on deposits, loans).
- Atlas is launching its own token, Access Coin, which is aimed at ordinary Africans & which comes with e-voting rights.

2. Digitalising the SMEs, one QR code at a time



3. E-bartering platform for SMEs



- Binkabi is an e-bartering platform that connects SMEs on opposite sides of a trade flow and removes the frictions (notably the need for USD to settle the trade).
- Initially focused on trade flows between Vietnam and West Africa; e.g. Côte d'Ivoire exports USD600mn worth of cashews/cotton to Vietnam & imports USD200mn worth of rice.
- By grouping trades on the barter block Binkabi can effectively 'cancel out' trade flows, letting SMEs on opposite sides to pay in local currency into escrow accounts.
- The platform uses an innovative e-token (BKB) which traders build up the more they transact on the system, in the process discounting their fees from 3% to zero.
- Ultimately Binkabi is about developing a more accurate way of pricing trust – the very basis of lending decisions – and in the process delivering digital trust.

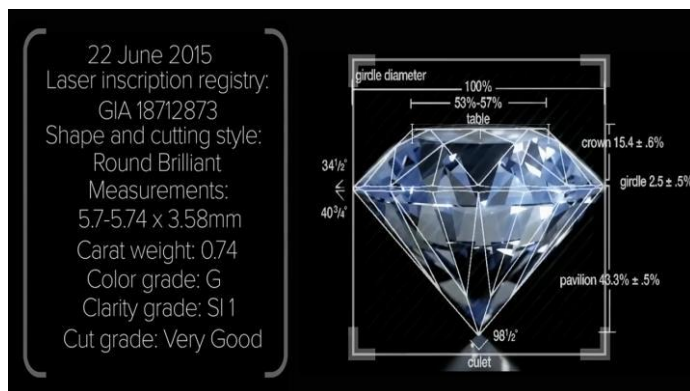
4. KYC & digital identity on the blockchain

2. inclusive



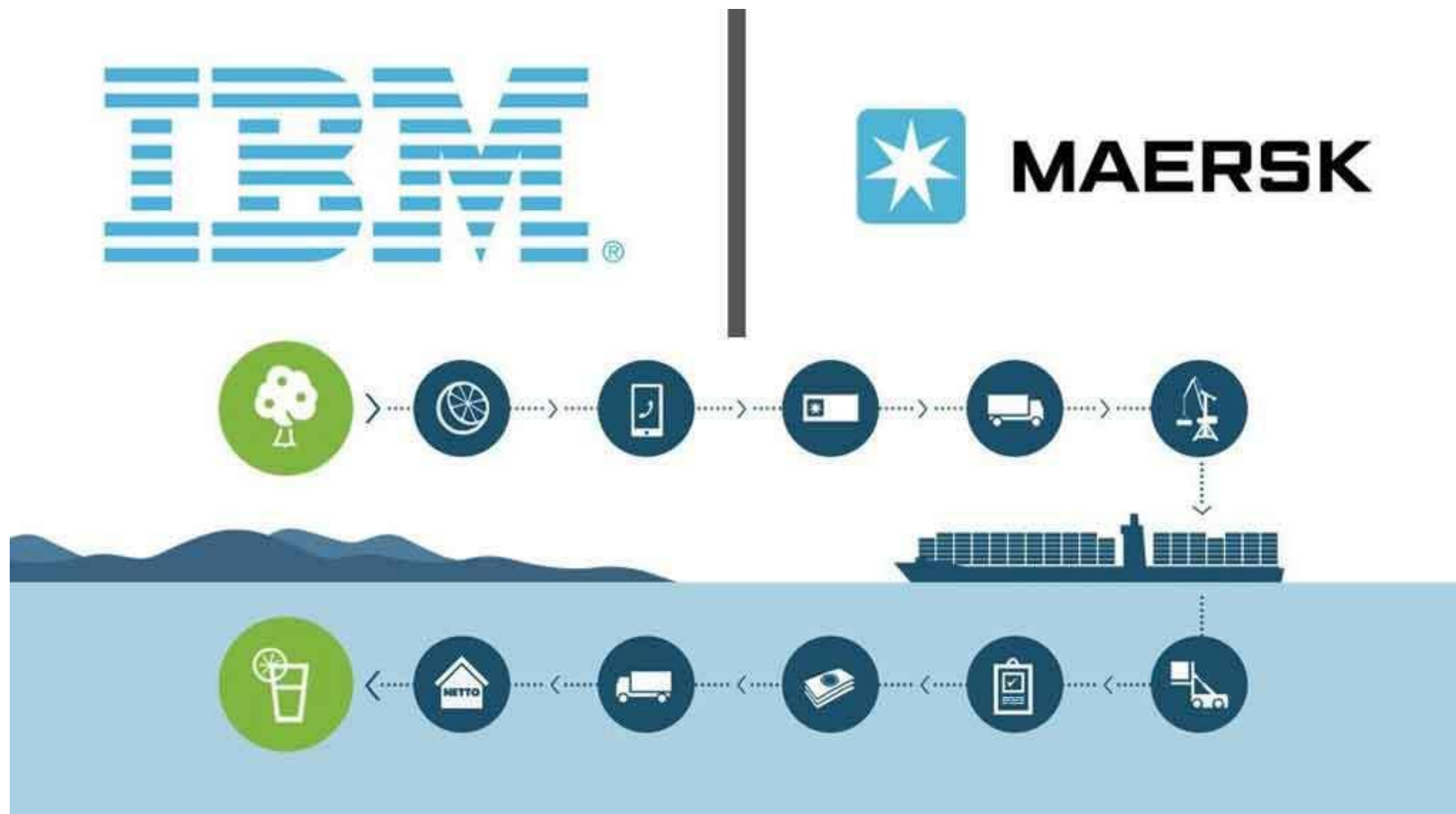
- Ghana has introduced 'Inclusive ID', a single identity verification API that connects unbanked Africans to the global economy & enables digital KYC & AML compliance.
- Nigeria's Bank Verification Number (BVN) is required to open a bank account, uniquely identifying account holders & opening up huge opportunities for digital verification.
- Bitrika has a pilot project in Ethiopia to create digital identifies for first-time Internet and e-commerce users, safeguarding their personal data digitally on the block chain.
- Tradle is a block chain company, nurtured in the FCA sandbox, that has created a secure digital platform which enables clients & companies to have portable KYC.

5: Traceability & accountability

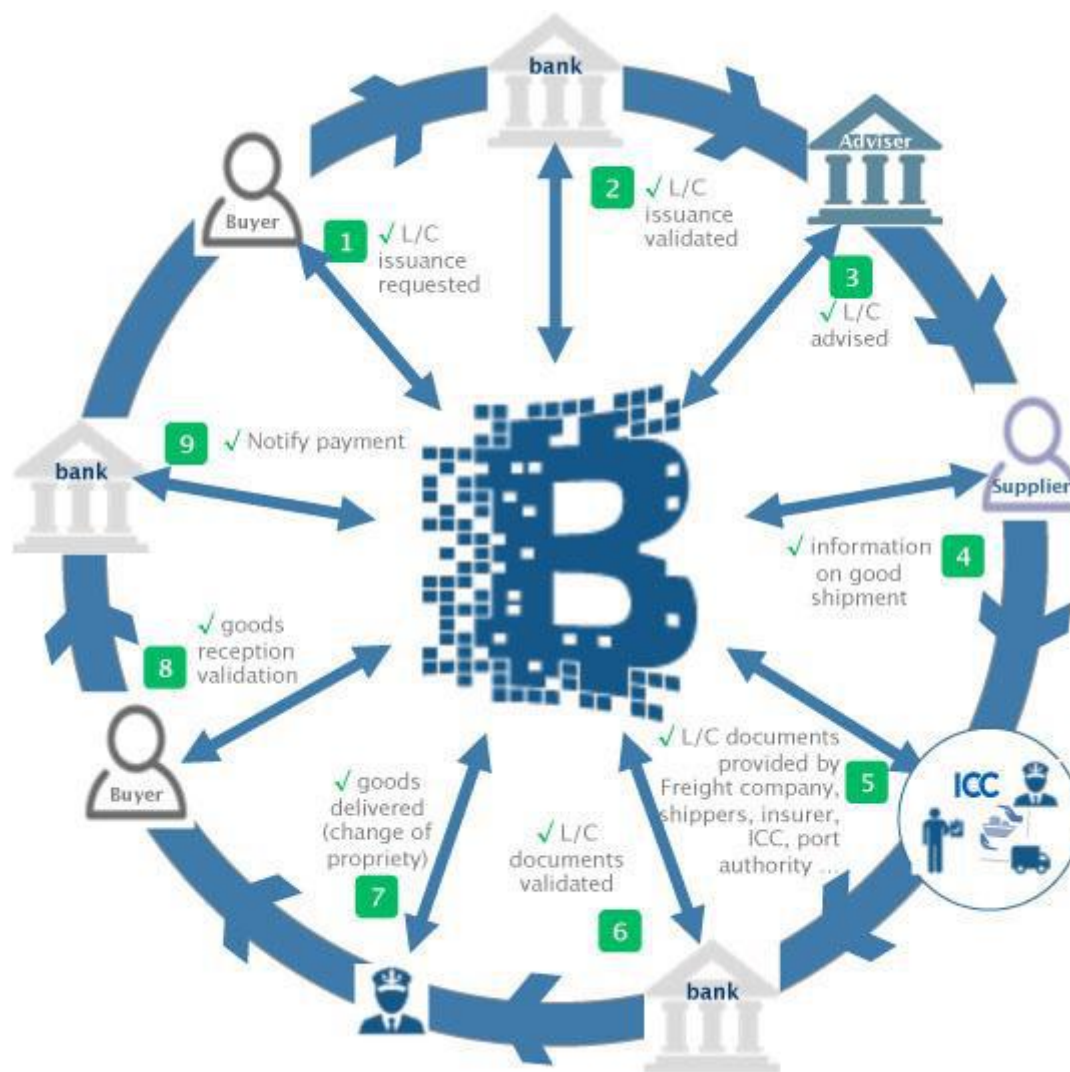


- Everledger has built a global, digital ledger that tracks and protects valuable assets through the value chain, reducing risk, theft, trafficking and fraud.
- Everledger's Diamond Time-Lapse Protocol is a traceability initiative, using the blockchain, that to date has tracked over 1 million diamonds from mine to buyer.
- DORÆ is a blockchain-enabled global supply chain accountability system for raw materials.
- DORÆ's pilot project in the DRC will trace the provenance of Cobalt, Coltan and Diamonds that enter the international value chain (notably of vehicle & electronics manufacturers).

6: IBM & Maersk: blockchain cross-border supply chain



Could blockchain take over Africa's trade cycle?



Any questions?

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