The Impact of Covid-19 on Africa’s Trade and Integration

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The COVID-19 pandemic continues its indiscriminate and devastating impact across the world and brings a massive economic crisis in its wake. For Africa, this is **a development crisis** whose impact will be felt for years to come.

The spread of the virus has yet to hit African countries with full force, but its effects are already being felt. Many African countries are **commodity-dependent** and their trade with the rest of the world still exceeds trade with other African countries. Early assessments by the International Monetary Fund (IMF) are clear – the pandemic has pushed the global economy into recession. As global growth slows, so will the demand for Africa’s commodities, like **oil, minerals, cacao and coffee**. A decline in remittances is also already evident.

Intra-Africa trade and integration

Intra-Africa trade is low in comparison with other regions, such as Asia and Europe. In 2018, 15% of Africa's total exports went to other African countries. This however **does not include informal cross border trade** (ICBT), which is particularly vulnerable to the pandemic. ICBT varies considerably across the continent. Agricultural products (e.g. maize, rice) are often traded, making it important for food security. Most informal traders are women; more than half in western and central Africa and about 70% in southern Africa, according to the Food and Agricultural Organisation (FAO). Although a lot of ICBT doesn't always go through border posts, border and other restrictions on the movement of persons, will have an impact.

The Common Market for East and Southern Africa (COMESA) is among the regional economic communities that have introduced Simplified Trade Regimes (STR) for small traders. Some, like the Southern African Development Community (SADC) have not. Many countries also have *de minimus* provisions in their customs regulations, with **flat rates of duty applicable to imports below specific value thresholds**. On 7 April SADC adopted regional guidelines to harmonise and facilitate cross-border transport during the pandemic. The aim is, amongst others, to facilitate the flow of 'essential goods', such as fuel, food, medicines and agricultural inputs. Undoubtedly well-intentioned, there is a downside to such a measure. Trade restrictions for 'non-essential' goods **will impact economic viability of all enterprises** across regional supply chains; disproportionately impacting small and informal enterprises.

However, the SADC guidelines encourage pre-clearance, single window processing, and digital platforms, as well as information sharing about measures. This will enhance transparency and certainty for the private sector and consumers. Hopefully COVID-19 will be **a push factor** to speed up the adoption of digital trade solutions.

What measures are countries implementing?

Regulations related to transport, freight and borders are being implemented by many countries – here are some of these measures:

Eritrea: Land borders are closed

Kenya: Trucks to South Sudan are allowed, but returning truck crew must self-isolate, leading to truck shortages

Malawi: Land border with Zambia is closed

Namibia: Air cargo is not allowed

South Africa: Cross-border land freight restricted to food and *essential items*. 35 of its 53 land borders (with neighbouring countries; Namibia, Eswatini, Botswana and Lesotho) and two sea ports are closed.

Measures adopted by large economies will have significant impact in their sub-regions. South Africa is a good example. Its transport, logistics, wholesale and retail enterprises are integral to many supply chains across east and southern Africa. Any measures that stifle the functioning of these supply chains and impede cross-border flow of goods will have **serious effects for the region** as well as for these sectors in South Africa.

What about services?

It is not only the transport, logistics and distribution sectors that are impacted. The tourism sector is particularly hard hit. Nigeria, South Africa, Morocco, Mauritius, and many other African countries have introduced **restrictions on international travel**; some banning international passenger arrivals. The African Union estimates that the tourism and travel sector in Africa could lose at least US$50 billion and at least 2 million direct and indirect jobs, due to COVID-19.

COVID-19 and trade negotiations

African Union member states agreed in January 2012 to establish the African Continental Free Trade Area (AfCFTA). Negotiations started in 2015 and made **impressive progress**. However negotiations on tariff concessions and rules of origin are ongoing. These are essential for a free trade area. For trade in services, negotiations of sector commitments for 5 priority sectors (financial, communication, transport, business services and tourism) are still underway.

The first Secretary General of the AfCFTA Secretariat, Mr Wamkele Mene, was sworn in on 19 March. The Committee on Trade in Goods also met in March. But then, all meetings and negotiations have been suspended as a result of COVID-related travel and other restrictions. Work is continuing, and the review of terms of reference for the sub-Committees pertaining to the Annexes to the Protocol on Trade in Goods is being done remotely by delegations and Members of the Committee on Trade in Goods. Hopefully **negotiations and other processes will also move to digital platforms**, so as not to lose momentum now.

Trade under the AfCFTA regime was expected to begin on 1 July 2020. This date has now been pushed to 1 January 2021.

Preparations for implementation at national levels are also important; training of customs and other officials can be done virtually, guidelines for business on Annexes that have been completed e.g. on trade facilitation, can be prepared. This is all necessary for trade under the AfCFTA to begin.

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