



# First Roundtable Discussion for Intra- African Trade Champions

(INTRA-CHAMPS)

Statement by:

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Transforming Africa's Trade



- Your Excellency former Head of State of the Federal Public of Nigeria, President Olusegun Obasanjo;
- President and Chairman of the Board of Directors of Afreximbank, Dr. Benedict Oramah;
- Members of the Board of Afreximbank;
- Former Presidents of Afreximbank;
- Executive Management of Afreximbank;
- Representatives of African Governments and Parastatals;
- Captains of Industry;
- Customers and Partners of Afreximbank;
- <sup>2</sup>Distinguished Ladies and Gentlemen.



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May I begin by joining the President Dr. Oramah in welcoming you all and thank you for gracing this occasion with your presence.

We are grateful that you have spared your precious time to be with us on this important day when your Bank launches the inaugural Intra-African Trade Champions (INTRA-CHAMPS) Roundtable.

It is also notable that a number of you came specifically for this event.



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Allow me to share a quote from an eminent African leader:

*“Unless Africa increases intra-African trade to at least 50% of its total trade, it will not be fully liberated” – His Excellency Olusegun Obasanjo, 2016.*



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It is on this note that I would like to begin my remarks.

Distinguished Ladies and Gentlemen, the narrative over the past decade, which has also been widely discussed over the course of this week, is that the levels of intra-African trade have stagnated at around 15%.



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At the Bank, we strongly believe that what has been documented as the traditional impediments to intra-African trade, namely: inadequate trade enabling infrastructure, Non-Tariff Barriers (NTBs) and poor implementation of regional agreements to name but a few, may not be the critical constraints.

This is because currently, the existing stock of African infrastructure coupled with Non-Tariff Barriers carry about 1 Trillion US dollars of trade.



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However, we believe that if we resolve the issues around market information on the continent, our research shows that we can increase intra-African trade from its current levels of 15% to 38% without further beneficiation of existing traded products.



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We find ourselves at an inflection point with a unique opportunity to radically transform the continent. It is against this backdrop that we convene this unique group of industrialists, private and public sector players who have significantly contributed to the creation of jobs, generation of export revenues and importantly wealth creation on the continent.



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Distinguished Ladies and gentlemen, I am informed that the growth of U.S., Europe and Asia hinged on very strong private sector organizations. Indeed leading Multinational Corporations in the U.S. have combined annual revenues of more than 5 trillion US dollars, employ nearly 10 million people and pay nearly half of all corporate income tax to the federal government.



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In addition, 133 billion US dollars is paid by these firms to shareholders in the U.S. More than 7 billion US dollars a year is donated towards charitable causes by these firms, representing 60 percent of total corporate donations in the U.S.

I am also informed that the firms invest around 70 billion US dollars annually in research and development – more than a third of the total private R&D spending in the U.S.



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Across the Atlantic, in France, Germany and the United Kingdom, Multinational Corporations account for between 50 to 75% of total exports and export slightly more than 50% of their total production.

Since the early sixties, the “miracle” of some East Asian economies has become part of the “folklore” of “development economics.”



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The fast rise of Japan as a major economic power after Second World War; the meteoric development of South Korea, Taiwan, Singapore and Hong Kong as super-industrial exporters since the late sixties; and more recently the equally impressive economic performance of Indonesia, Malaysia, and Thailand, seem to fully justify interest of “economists” in the study of these economies.



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The interest in the East Asian experience has further increased because those countries have grown fast, undertaken deep economic, social and technological changes and some are either catching up with or (as is the case of Japan) have overtaken the most advanced economies.

This has culminated in the fact that the Asia-Pacific region accounted for the lion-share of companies in the Forbes' Top 2000 list in 2015 with 691 companies compared with 645 from North America and 486 from Europe.



Asian Multinational Corporations also benefitted from growing “internationalization” of production systems which gave rise to *vertical trading chains* as well as *intra-industry trade* spanning a number of countries, each specializing in a particular stage of production. This trend precipitated growth in intra-regional trade on the back of increasing inter-dependencies within regional value chains.

I am well aware that the success stories in these markets were fashioned to a certain extent through strategic partnerships between business on one hand and policy makers on the other.



Distinguished Ladies and Gentlemen, I am convinced that Africa's success story will also be based on the pivotal role of INTRA-CHAMPS. It is not out of blind patriotism that I will colour the African story which I will soon recount with a dose of optimism – there are good reasons for doing so:

Firstly, the top 30 African Multinational Corporations have in recent years been growing their revenues at a remarkable annual rate of 30 per cent while revenues from the S&P 500's biggest American firms consistently dropped during the same period.



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Moments ago, I spoke with adulation about the impact of Multinational Corporations in developed and developing economies, accordingly, these facts about performance of African Multinational Corporations are fortifying my belief that the strategy for transformation of Africa should be anchored by our own “regional champions.”



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Secondly, African Multinational Corporations such as the Dangote Group, Export Trading Group (ETG), El Sewedy and MTN to mention but a few, are increasingly investing across borders and are contributing to growth in intra-regional investment flows, which averaged about 24% of total Foreign Direct Investment flows in Africa. This is becoming an important source of capital formation for some African economies;



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Africa has a rising middle class, estimated at about 300 million or 28 percent of the population and growing at the rate of 2.5 percent per annum and this has created a market for consumer goods within the continent.



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Distinguished Ladies and Gentlemen, there is sustained growth of African household consumption expenditure. It has risen from 420 billion US dollars in 2000 to more than 2.5 trillion US dollars in 2015. This growth is projected to continue.



It is heartening to note that the African diaspora has become an important part of the African economy and migrant remittances amounted to 50 billion US dollars in 2015, representing about 10 percent of the continent's foreign currency earnings.

Should the collective African diaspora be regarded as the 55th African state, it will rank top in terms of “GDP”. Our calculations show that the State will have a GDP greater than US\$500 billion and GDP per Capita significantly higher than Africa's average.



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Africa's affordable and attractive labour force has become the destination of light manufacturing jobs which are relocating largely from China and even countries like Mauritius;

With the de-localization of Chinese light manufactures to other developing parts of the world, including Africa as is evident in countries like Ethiopia, the continent is poised to become an exporter of manufactured goods of some significance by 2020;



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Finally, Africa has gradually increased its international reserves currently estimated at 520 billion US dollars with pension funds and other funds under management estimated at approximately 700 billion US dollars. This points to the fact that our macroeconomic environment is improving rapidly and Africa now more than ever is conducive for investment.



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If these facts hold, Africa will maintain resilience and the key ingredients appear available for another renaissance. As was the case in the days of the ancient traders of **Kush**; the light industrialization age ushered by **Phoenicians of Egypt**; and indeed the period of inimitable intra-African trade flows initiated by **Mansa Mussa**, I believe that this partnership we are forming today can unlock the wealth of the continent and lead to a new era of sustainable development.



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Most certainly, the relationship is an important vehicle for delivering the overarching objective of expanding intra-African trade.

It is the foregoing narrative that defined the focus of our Intra-African Trade Strategy which is conceived and conceptualized around three main pillars, namely; **CREATE**, **CONNECT** and **DELIVER** with an ancillary pillar known as **measure**.



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Allow me to briefly share the details of these pillars.

Under the **CREATE** Pillar, the Bank aims to build capacity for the expansion of production and processing capabilities, with focus on agricultural production, agro-processing, manufacturing and services. Through this Pillar, the Bank is facilitating capacity for expansion of tradable goods and services that can enter the trade.



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Under the **CONNECT** Pillar, the Bank aims to provide a facilitative environment for the flow of goods by creating robust in-country and intra-regional supply chains in Africa. Through this Pillar, the Bank will identify and support key institutions that connect producers and buyers along the intra-African value chain.



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Under the **DELIVER** Pillar, the Bank aims to provide efficient and cost effective distribution channels for the delivery of goods and services to buyers within the continent and support the emergence of facilitative infrastructure, including transportation and logistics as well as introducing an intra-African trade payment platform;



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Under the ancillary pillar, **measure**, the Bank will continuously assess impact of its interventions under the Intra-African Trade Strategy to ensure that the objective of increasing intra-African trade is being met.

Let me provide highlights of some of the key interventions developed in support of this partnership:



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- To support evolution of informal trade into mainstream economies of African countries, the Bank will soon launch an ***Intra-African Trade Platform*** which will ease settlement and foreign currency constraints to intra-African trade and formalize the enormous informal trade;
  - To facilitate ease of flow of goods and services across borders and also reduce transit time and costs, and is particularly useful for Africa's landlocked countries, the Bank will provide ***Interstate Transit Guarantees***;

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- In support of light manufacturing in Africa, the Bank has developed an initiative for establishment of ***Industrial Parks and Export Processing Zones*** focusing on agro-processing industries and light manufactures that are aimed at:

(i). capturing the de-localized jobs from China and in Africa, Mauritius; and

(ii). stimulating industrialization in African countries;



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- As we aim to support African exports to attain international standards, the Bank is also supporting the establishment of internationally accredited ***Inspection and Certification Centres*** that will support African exports to meet international standards and accredited conformity assessments;



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- In support of the emergence and growth of **Export Trading Companies (ETCs)** that will bring Produce from farm gate to factory and Processed goods from factories to market within the continent, the Bank is promoting model legal and regulatory framework for ETCs in Member countries and providing a suite of trade finance products such as packing credits, domestic letters of credit and factoring and other forms of supply chain finance;



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- The Bank will also organize and hold ***Intra-African Trade Fairs*** starting from 2018 that will connect African buyers and sellers, provide trade and market information and also facilitate B2B exchanges;
  - To capture the steady growth in trade and commercial ties between Africa and its citizens in the Diaspora, the Bank is developing a ***Diaspora Initiative*** that will allow for the application of African capital, knowledge and skills of Diaspora towards the promotion of intra-African trade;



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- Through its **Country Risk Guarantees**, the Bank will cover exporters from one African country against country risk events in the destination country of their goods or services;
  - The Bank has developed an **Intra-African Investment Finance and Guarantee Programme** that will ring-fence the rights of investors from one African country operating in another African country;



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- The Bank will support the acquisition of eligible **franchises**, that is, African franchises in trade and trade-related activities and services; as well as franchises that support the growth of SMEs;
  - The Bank will provide various **fleet financing facilities** - vehicles, aircraft etc. It will provide merchant marine facility, and develop and finance sea links.



- Finally, the Bank has developed a ***Global Facility*** for INTRA-CHAMPS which aims at identifying the main players in intra-African trade and supporting their operations through financing, enabling market access and other forms of technical assistance.
  - For instance, the Bank will provide omnibus lines of credit to INTRA-CHAMPS to finance trade and project related transactions as well as investment needs.



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- The Bank also has ***Twinning Services*** which among other things will facilitate contract awards by African Governments to INTRA-CHAMPS; contract awards by INTRA-CHAMPS to SMEs and the Feeder groups; and partnerships between “actors” in intra-African trade.
  - Under this global framework, the Bank will also provide trade information and advisory services as well as develop partnerships to drive innovation.



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As I close, I would like to leave you with the following thought:

*If Cecil Rhodes' mission was to build a road from Cape to Cairo, then our mission should be to build a road from Cairo to Cape.*

Thank you for your attention, I look forward to fruitful deliberations.



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