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The 2020 African Trade Report

> "The low level of intra-African trade is a consequence of largely unrecorded informal cross-border trade, a prominent feature in intra-African trade not accounted for in balance of payment and national account statistics."

The African Export-Import Bank's (Afreximbank) *2020 African Trade Report* provides a full analysis of Africa's trade flows and economic growth in 2019. It discusses currency fluctuations and commodity prices against the backdrop of global economic developments, while also considering the impact of the unfolding Covid-19 crisis. The global trade situation has obviously been severely shaken by the pandemic but the trends, opportunities and challenges of 2019 will still be apparent this year and beyond.

The African continent as a whole registered growth of 3.6% last year, ahead of total global growth of 2.9%. Growth varied considerably across the continent, with Eastern Africa recording the strongest regional growth at 5.1%, including South Sudan's recovery from its civil war and continued strong growth of 5.6% in Kenya. Elsewhere, Ghana just failed to make it into the list of the world's ten fastest growing economies with a 6.1% rise in GDP, while Egypt managed 5.6%, partly on the back of huge investment in offshore gas projects.

Six African countries were among the ten fastest growing economies in the world: South Sudan (11.3%), Rwanda (10.1%), Libya (9.9%), Ethiopia (9%), Djibouti (7.5%) and Côte d'Ivoire (6.9%). Overall continental growth was held back by lower growth in many of Africa's biggest economies, including South Africa, which suffered from power shortages and ongoing macroeconomic problems, and also in the continent's biggest oil producers: Nigeria, Angola and Algeria.

28.9%

Asia remains Africa's largest trading partner accounting for 28.9% of total trade. Of that 23.1% is with China

$1,049BN

Value of Africa's total merchandise trade in 2019

Central Africa recorded just 1.5% growth last year as it suffered from continued overwhelming reliance on the export of oil and other primary commodities, despite the steady 4.4% growth achieved by the DR Congo. Southern Africa performed even more poorly, recording average growth of just 1% in 2019, partly because of an 8.4% contraction in Zimbabwe and the devastating impact of cyclones Idai and Kenneth on the east of the region.

The average inflation rate in Africa fell 0.2% in 2019 to 9.1%, continuing its gradual descent, as higher agricultural production pushed down food prices and energy prices stabilised. Wide fluctuations in the value of the Angolan, Sudanese and Zambian currencies fuelled inflationary pressure in those countries, while the same pattern pushed inflation in Zimbabwe up to 40%. Inflation also remained very high in Liberia (20.3%), Sierra Leone (13.9%), South Sudan (30%) and Ethiopia (19.5%). The six countries of the Economic and Monetary Community of Central Africa, or CEMAC in French, continue to benefit from tying their common currency, the Central African CFA Franc, to the Euro, with average inflation of 2.5% last year, a big fall on 2019's 4.6%.

Ever tighter international economic integration has resulted in a strong correlation between global economic growth and rising trade volumes. However, the value of trade in current US dollar terms fell from $38.8 trillion in 2018 to $37.7 trillion last year as the trade war between the United States and China affected economies across the world. This

Promoting continent-wide free trade

When fully operational, the free trade area created by the African Continental Free Trade Agreement (AfCFTA) will bring together 55 African countries with a combined population of more than 1.2bn people and a combined GDP of more than $2.5 trillion, making it one of the world's largest free trade areas. It is designed to be a single continental market for goods and services, with free movement of business, persons and capital. There are already a number of regional trade agreements and blocks on the continent but it hoped that AfCFTA will be an important step towards rationalising these into a continent-wide structure.

The AfCFTA came into force on 30 May 2019, one month after Sierra Leone and the Sahrawi Arab Democratic Republic brought the number of member states which have ratified the agreement up to the required 22. Another six have ratified it since then and only Eritrea has yet to sign it. Trading under the Agreement was due to begin on 1 July 2020 but was postponed because of the impact of the coronavirus pandemic.

It is important to emphasise that the implementation of the Agreement will be a process with different elements introduced at different times rather than something that will happen on a single day. It is hoped that talks on sticking points in Phase 1, including on rules of origin and trade in services, will be concluded this year. Negotiations on Phase 2, covering investment, intellectual property and competition, are also due to begin this year.

Several mechanisms have been set up to aid the process, including the creation of an online platform to monitor and eliminate non-tariff barriers. In addition, Afreximbank and the African Union have developed the Pan-African Payment and Settlement System (PAPSS), a platform that will make it possible for intra-African trades to be settled in local currency. Afreximbank has set up the AfCFTA Adjustment Facility to help member states adjust to the new trade regime and the sudden significant losses in tariff revenue as a result of the implementation of the agreement. It will provide supplemental financing to support governments; continue their trade facilitation and investment programmes; and meet fiscal obligations as their economies adjust to AfCFTA trade reforms.

There are 2,862 possible combinations of bilateral trade relationships between Africa's 55 national markets – allowing for trade in both directions – but only 29% of these are currently subject to any form of active free trade relationship. The remainder are governed by general trade protocols or most-favoured nation rates.

The removal of tariffs on the vast majority of goods creates huge opportunities for existing trade relationships to grow and new relationships to materialise, hopefull leading to economic transformation. The process could also help develop regional value chains and could boost intra-African trade, which is expected to more than double within the first decade of its implementation.

AfCFTA is just one example of regional and preferential trade agreements being made around the world, including the Regional Comprehensive Economic Partnership (RCEP) between the ten Association of Southeast Asian Nations (ASEAN) member states on the one hand, and Australia, China, Japan, South Korea and New Zealand on the other.

triggered big falls in share prices at the end of 2018 but most financial markets recovered from these falls during the course of last year.

The stock market picture was mixed in Africa in 2019 but more exchanges ended the year up than down. South Africa's JSE All Share index recorded an 11.4% rise over the year, while Morocco's MASI Free Float All Shares Index and Egypt's EGX 30 index grew by 8.9% and 5.7% respectively. However, some of Africa's most important stock exchanges experienced falls over the course of the year. The NGSE All Share Index in Nigeria fell by 13.6%, the Bourse Régionale des Valeurs Mobilières in West Africa by 7.3% and the Nairobi Securities Exchange LTD 20 index by 5.5%.

Commodity prices

The pattern with stock prices was replicated with commodity prices, which are tracked by the Afreximbank African Commodities Index (AACI). Afreximbank launched the AACI as a trade-weighted composite index designed to track the price performance of 13 different commodities exported by African producers: crude oil, gold, cobalt, aluminum, copper, zinc, cocoa, coffee, cotton, sugar, wheat, corn and palm oil. The base year for the index is 2016, when it was set at 100. It rose over the first three years to reach 157 by the end of 2019, buoyed by high infrastructural expenditure in both the US and China.

This broad trend masks weak price performance in late 2018 but there was a broad recovery during 2019 that will not be sustained this year because of the pandemic, although the outlook varies considerably from commodity to commodity and there are some bright spots. Oil production cuts could help to buoy crude oil prices and OPEC has stated that the outlook for oil in the second half of 2020 will be more positive as the global economy recovers. Moreover, China has already revised up its cotton, corn and soybean import forecasts for 2020-21 and Chinese demand for palm oil is also expected to increase. In addition, gold often offers a safe harbour during recessions, although lower interest rates generally reduce opportunities for holding bullion.

Fluctuating prices and terms of trade make it difficult for private sector companies and policymakers to consistently monitor trends in key commodity markets. However, the AACI, which more accurately reflects the composition of African commodities and their contribution to African trade, is used to track the movements of commodity prices on a quarterly basis. Changes in the Index should highlight areas requiring pre-emptive measures by the Bank, key stakeholders and policymakers in its member countries, and global institutions interested in African markets, to effectively mitigate risks associated with commodity price volatility.

Trade volumes

Despite reasonable economic growth, the volume of African trade actually fell by 0.13% last year from $1,051bn in 2018 to $1,049 last year. This small reduction has to be set against the

Enhancing policy responses

The 2020 edition of the African Trade Report, which examines trade and economic developments in Africa and other parts of the world in 2019, is another important outcome of research and analytical work in the deepening partnership between the African Export-Import Bank and United Nations Economic Commission for Africa. This year's edition focusing on cross-border informal trade (ICBT) is particularly relevant and timely. It is released on the eve of trading under the African Continental Free Trade Agreement (AfCFTA) and can provide the basis for monitoring the changing patterns and dynamics of intra-African trade during the implementation of the AfCFTA. It focuses on a very important theme with wide-ranging implications for intra-African trade, gender and welfare.

ICBT is estimated to account for a significant portion of intra-African trade; and in a context of limited employment opportunities in the formal sector it has been critical for generating employment and income needed to sustain living standards in countries where social safety nets and unemployment insurance simply do not exist. And with the disproportionate participation of women as informal cross-border traders, ICBT has emerged as an important source of income for vulnerable groups and the path for reducing gender disparity through women economic empowerment.

Vera Songwe, Executive Secretary, UNECA

Despite the significant contribution of ICBT to the continent's economic development, expansion of intraregional trade, job creation and gender equality, as well as the realisation of Sustainable Development Goals (SDGs), very little is known about its dynamics, scale and composition as well as its contribution to intra-African trade. For most countries across the region, its contribution to African trade is not known partly because ICBT is simply not accounted for in balance of payments and national accounts statistics.

The ICBT survey along the highway of the Abidjan-Lagos Corridor jointly carried out by the African Export-Import Bank and the United Economic Commission for Africa is the first attempt to produce a comparable ICBT data across countries to improve national accounts and eventually enhance policy responses to boost intra-African trade and overall economic growth across the region. But the integration of ICBT data in national accounts is also set to enhance the contribution of women to aggregate GDP across the continent and in the process accelerate the process of global income convergence.

This flagship report is an important contribution to the body of knowledge on trade and economic development. It also illustrates the tremendous benefits of our deepening partnership with Afreximbank — an outstanding institution that has taken the lead in the promotion of African trade and economic integration.

"The fall in Africa's imports was the result of challenges in accessing trade finance, liquidity constraints and exchange rate risks."

The $84bn opportunity

Using methodology developed by the International Trade Centre, the Afreximbank report calculates the export potential of intra-African trade at more than $84bn, which if tapped would take total intra-African trade to $231bn. The untapped proportion is based on sectors that have already proven to be internationally competitive and which have good prospects for export success in other African markets. Among the products with the greatest export potential are mineral commodities, machinery, food products, motor vehicles and parts, and plastics and rubber.

The untapped figure of $84bn is overwhelmingly concentrated in Southern Africa, with $53bn of the total. North Africa comes next with $13.4bn, followed by West Africa with $9.5bn and East Africa with $7.8bn. Central Africa comes firmly in last place with just $840m.

Opinion

Informal trade has sustained economic ties. Time to bring it into the fold.

Prof. Benedict Oramah, President, Afreximbank

After contracting by 2.86% last year, global trade is forecast to slump even further and shrink by between 9.2% in 2020. African trade is expected to contract significantly, reflecting in part the economic costs of containment measures on supply and demand globally and restrictions on movements of persons following the closure of borders and airports.

While forecasts concerning COVID-19's potential impact on African trade for the formal sector are known, those related to informal cross-border trade (ICBT) are not.

The latter has been a key contributor to job creation, income growth and household consumption, as well as to the development of competitive cross-border regional value chains. However, in the overwhelming majority of countries, ICBT has not been systematically accounted for in balance of payments and external accounts.

Across Africa, attempts to monitor ICBT dynamics have been constrained by a dearth of information and time series data, as well as the lack of a consistent framework for capturing ICBT. The Report is a major step towards estimating the scope of ICBT at the continental level. ICBT is a significant phenomenon across Africa.

More than circumventing the regulatory burdens and associated high transaction costs characteristic of its formal counterpart, ICBT has sustained economic ties between border communities unified by the same language and culture but separated by the artificial boundaries that emerged from the colonial era. Over time, ICBT grew beyond these communities to become a major driver of economic growth across Africa. Merchandise traded informally across borders in the continent's five regions include non-processed goods, manufactured goods and re-export goods. Despite the fact that it accounts for a significant proportion of domestic absorption, its contribution to GDP is hardly recognised due to paucity of data.

The AfCFTA could illuminate the path towards ICBT's formalisation by reducing the costs of formal trade and improving trade related and logistics infrastructure, including through digital payment and settlement systems.

Over the last decade, the improving resilience of African economies and trade to global volatility has been driven in large part by the geographical diversification of its trading partners. In 2018, Asia became Africa's foremost trading partner, overtaking Europe. The Report shows that Asia consolidated its lead last year, accounting for more than 31% of extra-African trade in 2019. In contrast, intra-African trade – which had been rising, accounting for around 15% of total African trade in 2018 – declined to 14.5% in 2019.

However, intra-African trade is set to expand considerably during the AfCFTA's implementation. The agreement has the potential to accelerate industrialisation processes and boost cross-border trade, which is increasingly dominated by manufactured goods.

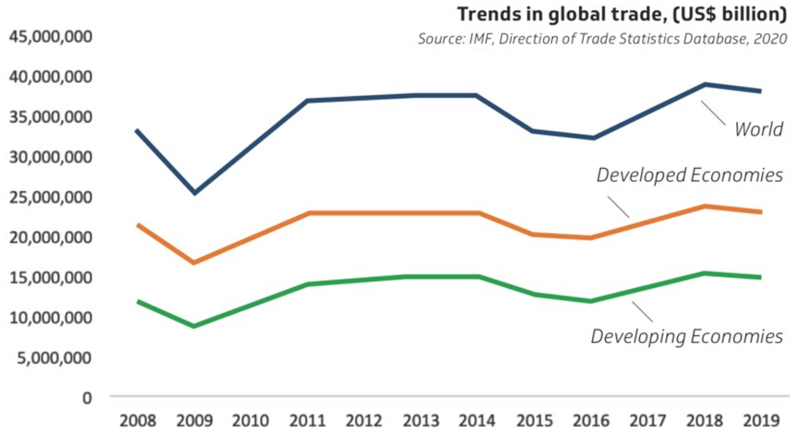
Looking ahead, the Report argues for a stronger commitment to a speedy implementation of the AfCFTA and commencement of trading thereunder. Beyond mitigating the continent's exposure to recurrent adverse commodities terms of trade and commodity price cycles, the growth of intra-African trade associated with the AfCFTA will cushion the region against escalating trade tensions which remains the chief near-term downside risk to global growth and trade.

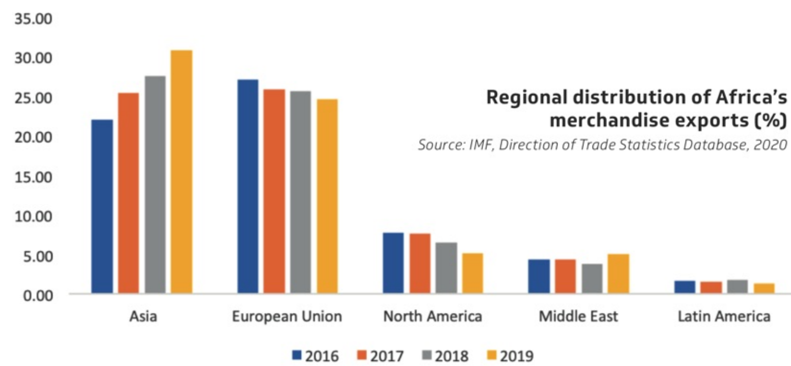
This flagship Report prepared by the Research and International Cooperation Department of Afreximbank in collaboration with the United Nations Economic Commission for Africa (UNECA) is rich and timely. I hope readers will find it as informative and useful as I did.

context of a 2.89% decrease in global trade, on the back of the trade wars and tariff increases that characterised the international trade landscape last year. Africa's better performance was largely the result of economic reforms, some economic diversification and increased South-South trade, which reduced the continent's reliance on its traditional export markets. Higher public and private consumption, underpinned by lower inflation, also played a role. Although there has been some diversification, the continent remains overly dependent on the export of raw commodities.

Asia overtook the Europe Union as Africa's largest regional trading partner in 2018 and strengthened that position last year, accounting for 28.86% of total African trade, compared with 26.24% for the EU. China and India alone accounted for a combined 23.1% of African trade in 2019. There was a huge 46% fall in the continent's trade deficit last year, from $69.19bn in 2018 to $36.93bn for 2019, driven by a 3% fall in merchandise imports and 3.15% rise in exports. However, Africa's total foreign exchange reserves contracted by 5.25% to $408.49bn in 2019.

Africa's share of global trade has stagnated at about 2.7% over the past three years. In this regard, it is critical to ensure that practical measures, including incentives and investment aimed at improving trade-related infrastructure and logistics, as well as increasing processing and manufacturing capacity are implemented to broaden the sources of growth



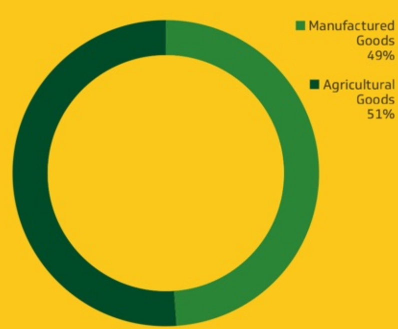


Trade volumes leave out informal trade

The report reveals that Africa remains on the sidelines of global trade, accounting for just 2.8% of official total trade flows last year, while, intra-African trade is severely limited, accounting for just 14.4% of total African trade in 2019. This contrasts sharply with intra-continental trade elsewhere in the world, which reached 73% in Europe and 52% in Asia last year. Intra-African trade was worth just $147.8bn last year, down from $156bn in 2018. Moreover, South Africa alone was involved in 23.1% of African cross-border trade last year, followed by Democratic Republic of Congo with 7.7%.

Nigeria takes third spot, despite the fact that other African countries account for only 3% of its imports and 13% of its exports, with the latter dominated by oil exports. Indeed, the volume of Nigerian trade with the rest of the continent actually fell last year, from $10.9bn in 2018 to $10.4bn, as the country's share of intra-African trade remained constant at about 7.03%. The next biggest contributors to intra-African trade are Democratic Republic of Congo, Nigeria, Namibia, Zambia, Egypt, Zimbabwe, Botswana, Cote d'Ivoire and Congo Brazzaville, in that order.

However, the real volume of cross-border trade in Africa is likely to be significantly higher because of substantial informal cross-border trade. More than any other region in the world, a large proportion of intra-African trade is informal.



Composition of ICBT, by broad categories

Although it is by its very nature difficult to quantify, the report estimates that ICBT could be worth as much as 80% of the value of formal trade in Eastern Africa.

Informal trade could be brought into the mainstream to drive greater trade between African states as the African Continental Free Trade Agreement (AfCFTA) evolves. Indeed, the 2020 African Trade Report takes 'Informal Cross-Border Trade in Africa in the Context of the AfCFTA' as its theme. AfCFTA offers an opportunity to integrate formal and informal trade activity to produce accurate cross-border trade statistics across Africa.

Informal cross-border trade is often widespread and organised, covering important commodities, such as grains, petroleum, coffee and edible oils. The removal of tariffs and non-tariff barriers through the implementation of the African Continental Free Trade Area agreement should see greater official trade between surplus and deficit countries, and reduce levels of smuggling.

> The AfCFTA has the potential to accelerate industrialisation processes and boost cross-border trade.

and shift the patterns of African trade. These will be especially important during the implementation of the African Continental Free Trade Agreement (AfCFTA)

The AfCFTA aims to develop regional value chains and accelerate Africa's integration into a global economy that is dominated by manufactured products. The Agreement seeks to eliminate tariffs on 97% of goods traded within Africa, while also eroding non-tariff barriers to trade and easing customs operations, with the aim of boosting the volume of intra-African trade and promoting industrialisation.

The fall in the average price of oil from $71.7 a barrel in 2018 to $64.2 a barrel last year had a big impact on African exports. Oil is by far the most important African export, generating for 37% of the continent's export revenues. Equatorial Guinea's merchandise exports fell to $5.64bn in 2019 from $7.11bn the previous year, a 20.74% decline; while Algeria suffered a 14.08% fall in exports, from $90.8bn in 2018 to $78.01bn in 2019. As a result of the Covid-19 pandemic, oil prices have been far lower this year. Other oil-dependent economies, such as Chad and Congo Brazzaville, were similarly badly hit.

Other important African commodities, including coffee, cotton, palm oil and tea in the agriculture sector, and bauxite, platinum and copper in the mining and metals sectors also came under price pressure. Two of the continent's biggest trading nations, Morocco and South Africa, whilst they are net oil importers, saw 3.51% and 4.62% declines respectively in the value of their exports.

Merchandise exports

The 3% fall in Africa's merchandise imports last year to $543.22bn was the result of challenges in accessing trade finance, liquidity constraints, exchange rate risks, falling foreign exchange reserves and the depreciation of some local currencies. Perceptions of the African business environment being risky were driven by socio-political conflicts in some countries, including Algeria, the Central African Republic and Sudan. In addition, militant activity in Burkina Faso, Kenya, Mali and Niger heightened the perception of risk and prompted international investors to scale down their investments. The security concerns also deterred tourists and discouraged FDI inflows.

These security risks, coupled with a stringent global regulatory environment, led several international financial institutions to either scale down their correspondent banking services or provide trade finance under strict terms. However, the decline in oil revenues appears to have been the biggest factor in falling imports, with the imports of net oil exporters declining by 12.23%, including a huge 33.45% fall in Algeria. This curtailed the ability of oil-producing states to finance imports. ■

97%

The AFCFTA seeks to eliminate tariffs on 97% of goods traded within Africa

37%

Oil is by far the most important African export generating 37% of export revenues

46%

Africa's trade deficit actually fell by 46% last year to $37bn driven by a 3% fall in imports and a 3.15% rise in exports

The pandemic threatens gains

The coronavirus crisis is threatening to undo the gains the world has achieved over the last decades both in the areas of trade and economic growth. After expanding by 2.9% in 2019 global growth is forecast to contract by 4.4% in 2020, significantly much worse than the level of output contraction recorded a decade ago after the global financial crisis. In a context of a synchronised global downturn Africa is set to experience its first recession in a quarter century.

Likewise, the World Trade Organisation predicts global trade could contract by 9.2% this year; and the contraction is expected across all regions of the world, including Africa, which will primarily be affected by weaker commodity prices and shrinking global demand. Africa remains the most commodity-dependent region of the world and as such containment measures implemented to stem the spread of the Covid-19 virus depressed global demand, leading to supply shocks triggered by a sharp drop in commodity prices as illustrated by the dynamics of Afreximbank African Commodity Index below.

However, forecasts point to a strong and synchronised global recovery next year, with global GDP expanding by over 5% and aggregate output expanding by just as much across Africa. The forecast recovery reflects both progress regarding understanding and treatment of Covid-19 as well as prevention following breakthrough in the development of vaccines. But the strong and synchronised forecast global recovery also reflects the scale of policy responses which have been swift, bold, and coordinated.

Through counter-cyclical measures most governments and multilateral development finance institutions have drawn up large monetary and fiscal stimulus plans to support economic recovery post-containment phase. Under the G20 Debt Service Suspension Initiative (DSSI) the international community has provided relief to most affected emerging developing market economies, freeing up scarce financial resources that can be directed to address the socioeconomic fallout from Covid-19.

For instance, Afreximbank's $3bn Pandemic Trade Impact Mitigation Facility is providing much-needed liquidity support to trade payments falling due. It is assisting member countries whose fiscal revenues are tied to specific export sectors and/or commodities to manage the sudden revenue declines as a result of a collapse in global demand and commodity prices.

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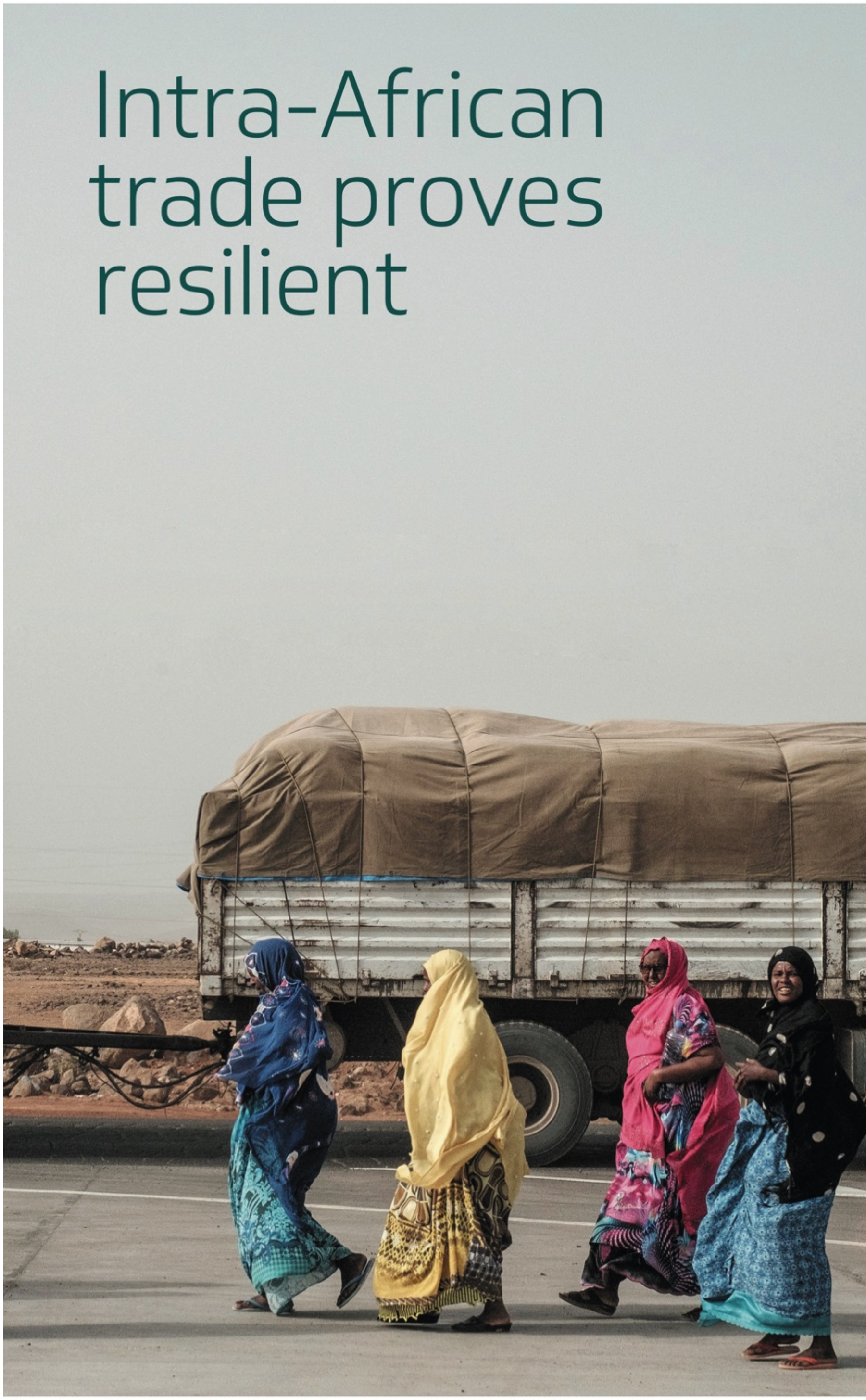
Intra-African trade proves resilient



"We knew in advance that there was much activity along the Abidjan-Lagos corridor, but were taken by surprise by the variety of products being traded, such as rubber from Liberia ending up in Nigerian factories"

The African Export-Import Bank and the UN Economic Commission for Africa were the two institutions behind the *2020 African Trade Report*. We caught up with Hippolyte Fofack and David Luke, who were both instrumental in putting the report together to find out what caught their eye and also what we can look forward to in the coming year.

David, you collected the data on the Abidjan-Lagos corridor. Why that corridor and what's your experience of other corridors on the continent?

David Luke: We knew in advance that there was much activity along the Abidjan-Lagos corridor, but were taken by surprise by the variety of products being traded along the corridor, such as rubber from Liberia ending up in Nigerian factories.

Volumes of informal cross-border trade (ICBT) are expected to be higher in corridors between neighbouring countries, such as Benin and Nigeria or Togo and Ghana, and following discussions with the Afreximbank we agreed that this would be a viable pilot to look at to better understand the dynamics of informal cross-border trade along the corridor.

70%

In many trade corridors, women dominate ICBT, and, in some incidences, up to 70% of ICBT is conducted by women

27%

With the impact of Covid, intra-African exports contracted by 27% in Q2, compared to a fall of 36% for Africa's exports to the rest of the world

Hippolyte Fofack

David Luke

It's difficult to generalise but can you tell us a little about the different corridors across the continent?
DL: Our studies seem to confirm that the corridors in East and Southern Africa tend to be better developed in terms of infrastructure. What we have also noted are the significant developments of ports for example, such as the port of Mombasa and the port of Dar es Salaam, not only in terms of infrastructure but also in terms of operational efficiency and so on.

We're seeing also railway traffic being extended from Mombasa all the way to Kampala and with plans to go beyond that.

The EAC and COMESA have also established mechanisms along their corridors to directly support informal small-scale traders. For example, both regional economic communities have functioning simplified trade regimes which help to reduce the costs of informal trade and eventually bring these small-scale traders into the formal trading system. Such schemes need to be replicated across Africa in the context of the AfCFTA.

In North Africa we see a similar situation to West Africa where the corridors, outside of the coastal shipping lines on the land corridors, are not as dynamic as other regions. Of course, we do know that transactions are taking place between the countries but we're not seeing an established corridor.

> "The AfCFTA creates opportunities to put us on an irreversible path of industrialisation as we develop regional value chains, creating jobs as opposed to the job-exporting entrepôt trade"

In terms of percentage of trade within Africa or regional trade, what would you say the ICBT accounts for?
DL: It's difficult to estimate because for one thing we don't have one standardised definition of ICBT. But it's a fair amount as you can see from the report. In terms of agricultureal products it's as much as 30%. A critical dimension of ICBT is the dominance of women. Though there are regional variations, our research shows that the majority of trade on the Abidjan-Lagos corridor is by women and in some instances it's up to 70% of all ICBT transactions.

Maybe Dr Fofack you may want to pick this question up. It's what you call entrepôt trade or re-exporting in the report. Will the AfCFTA with its laws in terms of rules of origin impact re-export, and as a result impact informal cross-border trade?
Hippolyte Fofack: The scale of entrepôt trade was in our view one of the big surprises in this study. When you just look at the news cycle, you may think it's a marginal phenomenon concentrated between Nigeria and Benin but it seems to be prominent across the continent whereby countries in Europe and Asia essentially used a specific smaller African economy as a conduit to get into a much larger market. It's also highly dominated by manufactured goods.

Interestingly, when you look at 2020 and the effect of Covid, we see commodities declining by as much as 38% in the second quarter at the height of the Covid-19 pandemic, whilst the trade in manufactured goods has fallen by about 19%. Essentially trade in manufactures is more resilient to global shocks than commodities. But I would like to look at it differently. If we are able to implement the rules of origin underpinning the AfCFTA more strictly we will see a significant reduction on this transit trade of manufactured goods. And this will encourage producers to manufacture locally and boost African trade, both extra- and intra-African trade. That's one very important message which comes out of this report. The scale of entrepôt trade emphasises the potential of manufacturing on the continent. The AfCFTA creates opportunities to put us on an irreversible path of industrialisation as we develop regional value chains, creating jobs as opposed to the job-exporting entrepôt trade.

But I should point out that for this to happen, we do need to accelerate improvements around business environment as well as infrastructure and logistics to drive long-term investment.

When you look at growth since the turn of the millennium, one may argue that globalisation, as seen through the double digit growth of trade, was one of the most important contributing factors to global growth, including in Africa growing in double digits. Is this correct?

HF: That is the right story in terms of the drivers of global growth. You can also add that historically African growth was essentially driven by commodities and African trade has for a long time been highly concentrated geographically. What we see in this report is that in 2018, Asia became the main destination for Africa's exports and largest trading partner, from a regional standpoint. Asia consolidated its top position last year accounting for about 32% of total Africa's exports.

The second thing which is linked to cross-border trade is that when you look at African trade, and yes the intra-African component of it remains very low at 15%, but it has actually doubled over the period you have mentioned, and this has been also another driver of resilience in terms of our growth.

This has been demonstrated during the pandemic, where intra-African exports have been more resilient to the twin Covid-19 and commodity price shock than Africa's exports to the rest of the world. Intra-African exports declined by 27% in quarter 2 compared to 36% for Africa's exports to the rest of the world. This highlights the importance of further developing competitive and diversified intra-African value chains in the future.

In terms of future forecasts following what has been a very difficult year, with global trade contracting by over 9%, we are anticipating a strong rebound next year, with global trade volume growth expanding by over 7% and world output by over 5%. More importantly, China and India, which have become Africa's first and second largest trading partners, will be growing at more than 8% in 2021. With Europe growing at more than 5%, you have the real ingredients for Africa to rebound strongly in 2021. Together Europe, China and India account for over 55% of total African trade. That is one source of comfort at a global level. The synchronised global recovery expected next year will act as a major growth-enhancer across Africa.

Another source of comfort of course is the AFCFTA, which will help create the conditions for what I call the "patient capital" – the capital injection that drives and accelerates structural transformation to sustain the continent on a long-term growth trajectory. This is made possible by economies of scale and competitiveness associated with the AfCFTA.

> "Another aspect of this report which has real implications for the AfCFTA going forward is what I call the stickiness of colonial norms of trade"

In terms of domestic consumption in African countries, do you think the numbers will hold up?

HF: I think domestic consumption is resilient. But I still think the main driver of growth really in 2021 will be investment in a manufacturing space but also in the infrastructure space.

David, Dr Fofack mentions 15% intra-African trade – does that 15% include informal cross-border trade or not? Or should we add another 30 or 40% because of the ICBT?

DL: The 15% intra-African trade figure that people talk about, the average between 2016 and 2018, refers just to formal trade. This figure is based on data that is recorded on a daily basis by customs authorities, which is currently limited to formal data. Hippolyte, you may want to add to that as well.

HF: David is perfectly right. One of the main objectives of this report when we reached out to the ECA to work with them, was to assess existing informal trade studies to get an idea of how much we underestimate intra-African trade. And really to help establish a baseline as to where we are as we transition to an AfCFTA scenario, and the impact it will have on both formal and ICBT.

The report is full of interesting insights, including how food products represented more than the 50% of imports and exports in Nigeria. Any last points that you'd like to make in terms of the main takeaways or anything that caught your eye or surprised you from the report?

DL: Not so much as surprised us, but something that we propose in the report, and indeed this is also something that we're already working very closely with Afreximbank on, is the need to develop a common harmonised methodology to collect gender-disaggregated data on informal cross-border trade. We have introduced the idea to the African Union Commission to set up a task force that will bring together the key stakeholders, including national statistics authorities, central banks, customs, to improve the quality of data, including standardising how we account for it. This is a breakthrough from this report, that for the first time we are going to be able to do this. We plan to roll out this common approach throughout the continent.

And I saw that the Cameroonians were one of the first to measure informal cross-border trade. I don't take it that's your influence Dr Fofack [a Cameroonian national]?

HF: Yes, Cameroon but also Rwanda and Uganda have been continental leaders in the collection of ICBT data. But another important aspect of this report which comes out clearly and has real implications for the AfCFTA going forward is what I call the stickiness of colonial norms of trade, whereby some regions, especially Central African countries, are still trading more with Europe than with each other within that sub-region. This is a major issue in terms of continental integration and which can undermine the impact of the AfCFTA.

Then on the positive front, intra-African trade potentials are significant, in the billions. More specifically, export potential for intra-African trade is estimated to exceed $84bn, which means that there is room to actually grow intra-African trade significantly over the coming years, especially if you look at those high potential products, such as manufactured goods.

Finally, I think we can also use this report as another important baseline. As you look at Africa in the world today, African share of global trade, the report estimates is 2.8%, worse than where Africa was in the 1970s, more than 4%. We now have to monitor the potential benefits and impacts of the AFCFTA, not just in terms of intra-African trade but in terms of total African trade and composition of trade, in terms of total African growth and contribution to global growth, which now is at around 1.5%. Intra-African trade is much more diversified than Africa's trade with the rest of the world, and therefore offers an important tool to fuel Africa's industrialisation.