A PATH TO MAKING AFRICA GREAT AGAIN

TRANSFORMING AFRICA'S TRADE

DR. BENEDICT O. ORAMAH

AFRICAN EXPORT-IMPORT BANK (AFREXIMBANK)

ISBN 978-92-95097-20-9
ISSN 2519-5158

HEAD OFFICE
African Export-Import Bank
72(B) El-Maahad El-Eshteraky Street,
Opposite Merryland Park
Heliopolis, Cairo 11341, Egypt
Postal Address: P O Box 613 Heliopolis,
Cairo 11757, Egypt
Tel: +202 24564100/1/2/3
Email: info@afreximbank.com
Website: afreximbank.com

SPECIAL LECTURE WITH DR. BENEDICT O. ORAMAH

PRESIDENT AFRICAN EXPORT–IMPORT BANK (AFREXIMBANK)

OCTOBER 10, 2017, PHOTOS BY ©NYU PHOTO BUREAU: CREIGHTON

Contents

Foreword

This manuscript is an extension of the Seminal Lecture delivered by Dr. Benedict O. Oramah, the President of the African Export-Import Bank (Afreximbank), during his visit to New York University in October 2017. It presents a survey of pre-and post-colonial African trade history and trade dislocations and concludes by outlining how the continent can re-engineer itself into a major economic power force around the world again.

While global living standards have risen considerably over several decades, and African countries have experienced high growth episodes in the recent past, the continent still lags behind much of the world on most development indicators. As we shall see, part of the solution to Africa's development paradox should involve policies which enable countries to achieve economies of scale, as well as the initiation of structural transformation on the continent through the encouragement of intra-African trade. These proposals are aided by the digital revolution which has re-ignited the spirit of innovation across Africa. Clever entrepreneurs from Lagos to Nairobi are using technology to proffer solutions to everyday problems, transforming millions of lives across the continent. I am convinced that structural transformation and the digital revolution have the potential to hasten the integration of Africa into the global economy as a competitive player.

As evidenced by our research activities which I direct, NYU Africa House-Center for Technology and Economic Development, and the NYU Development Research Institute are very much invested in the development of the African continent. Some of our current projects include the development of mobile phone applications which help farmers fetch a fair

market price for their agricultural produce, the provision of technical expertise in the establishment of commodity exchanges on the continent, and initiatives aimed at exposing smallholder farmers in rural areas to improved agricultural practices and techniques.

Dr. Oramah is a distinguished leader. He earned a PhD in Agricultural Economics from Obafemi Awolowo University in Nigeria and has served as the President and Chairman of the Board of Directors of Afreximbank since 2015. He is a regular speaker at several trade and trade finance conferences around the world and has written dozens of scholarly articles on a wide range of African economic, trade and trade finance issues. He recently published a book titled "Foundations of Structured Trade Finance." Under his visionary leadership, the Bank has greatly enhanced its mission as a knowledge centre and a catalyst for development and industrialization around the continent.

This small booklet is the result of a collaborative effort between teams from NYU Africa House-NYU Development Research Institute, and African Export-Import Bank (Afreximbank). I would like to especially thank Dr. Hippolyte Fofack, the chief economist of Afreximbank, who has worked diligently with us to make President Oramah's Special Lecture at New York University a reality and is a great pan-Africanist. I would also like to thank my team—Kingsley Essegbey, Andrea Papitto, and our student research and program assistants for their tireless work and generous help.

Yaw Nyarko
Professor of Economics
Director of NYU Africa House


NALOHOU

I. Introduction

In January 2016, the people of my home town, Nnokwa, a small town not too far from the banks of River Niger in South Eastern Nigeria, conferred on me the title "DIKE ORA" which, when translated literally, means "Great Man of the People". In Igbo land, where I come from, titles don't come easy – you earn them either by your achievements or through the potential the community sees in you. Either way, it comes with tremendous responsibility! I suspect that mine came more from the potential they see in me than as a result of any major achievements. During the ceremony, I was reminded of the achievements of our forefathers; especially how they introduced the first Igbo alphabets, as well as their failed attempts at harvesting the moon for themselves and to rent out to others who needed light at night!

I was charged to explore without boundaries and to push myself beyond limits. I have often wondered why such a people, Africans with such zeal, ambition, boundless energy, entrepreneurial drive, and, in fact, a rich history of accomplishments and contributions to mankind are today described with superlatives of failure; seen as scums of the earth; a wretched people; and as a basket case with little hope of redemption. My inquiries reveal that it was not always like that; my analysis convinces me that things can change if ...? The purpose of my speech today is to share and debate with you, the basis of my optimism; why I believe that the 21st century is Africa's century!

It is perhaps the right time to pause and thank the leadership of this great university, NYU, and, in particular, Africa House for giving me the honor of coming here today to discuss this important subject. Although I did not have the privilege of studying at NYU, I have a great respect for the institution. It is a truly global university with campuses and programs around the world. It is home to Stern Business School, a highly-respected business institution which has trained some of the most successful business leaders around the world. It supports Africa House, a great center for applied research and debate on African issues right at the heart of Manhattan—perhaps

the most valuable piece of real estate in the world today. And it is educating my beloved daughter, Adaora, bringing many positive changes in her and preparing her in a profound way for a highly competitive world.

My visit to this great campus today provides an opportunity to further deepen the ongoing relationship between NYU and Afreximbank. My immediate predecessor, President Jean-Louis EKRA, is a graduate of NYU Stern Business School. My deepest appreciation to President Hamilton, Professor Nyarko and the entire Africa House Leadership for giving me this privilege and honor. NYU Africa House is no doubt a befitting place to discuss how Africa can reclaim the 21st Century. I would also like to thank Mr. Richman Dzene, Special Assistant for Economic Policy and Dr. Hippolyte Fofack, Chief Economist both at Afreximbank for their invaluable research support which made this research possible. Special thanks to my wife and the entire family for their support and encouragement.

END

GERMANY
POLAND
FRANCE
PARIS
VIENNA
Frankfort
UKRAINE
BAY of BISCAY
SPAIN
Corsica
Sardinia
MEDITERRANEAN SEA
BLACK SEA
ARMENIA
CANDIA
CYPRUS
BARBARY
of Cabes
Tripoli
TRIPOLI
BILEDULGERID
Gt. Desert of BARBARY
LEMTA
Mourzouk
Fezzan
Desert of Barca
M. of the Nile
Cairo
EGYPT
Arabs
TAGOO
Desert of Bilma
BORNOU
ZAARA
ZANHAGA
Arguin Bay
Tombuctoo
NIGRITIA
SOUDAN
FOULES
SENEGAL
GUINEA
ZANFARA
BEGARMEE
KORDOFAN
DONGOLA
NUBIA
SENNAR
ARABIA DESERTA
ARABIA
OMAN
MAHRA
Dafar
Mecca
Medina
Sanaa
Socotora
C. Guardafui
KINGM. of ADEL
GALLA
ABASSIA
ETHIOPIA
CALABAR
CALBONGOS
GULF OF GUINEA
St. Thomas
C. Lopo Gonsalves
Loango
Congo
LOANGO
JAGAS
NIMEAMAY
Mombaza
Melinda
Zanzibar I.
Quiloa
C. Delgado
Mosambique
MONOMOTAPA
SOFALA
Sofala
ZANGUEBAR
Madagascar
Cape Ambro
East Cape
St. Mary
Port Dauphin
COMORO I.
Mauritius
I. of France
Bourbon
BOROROS
Benguela
St. Helena I.
Ascension
Cape Negro
CAFFRES
HOTTENTOTS
Port Natal
Delagoa B.
Cape St. Mary
Cape of Good Hope
Cape Town
False Bay
Mossel Bay
Lagullas Bank
Tristan da Cunha Islands
Diego I.
Gough's I.
MADEIRA
CANARIES
CAPE VERDE ISLANDS
Sierra Leone
C. Palmas
S O U T H
A T L A N T I C
I N D I A N
Return of the Resolution in 1780
Capt. Cook in 1775
Capt. Cook in 1772
Capt. Cook in 1774
Furneaux in 1774
Capt. Bouvet in 1739
May 3. 1775
May 10 1776
Oct. 13. 1772
Oct. 1. 1776
Octr. 13
Octr. 13. 1772
Dec. 1. 1772
Mar. 1. 1775
Mar. 1. 1779
Mar. 22. 1780
Sept. 8. 1772
May 25. 1771
Var. 26 W.
Var. 22 30 W.
Var. 18 30 W.
Var. 17 15 W.
Var. 21 W.
Var. 24 W.
Var. 19 W.
Var. 16 W.
Var. 15 W.
Var. 23 W.
Pr. Edward Isles
Desert Id.
Nubelgat

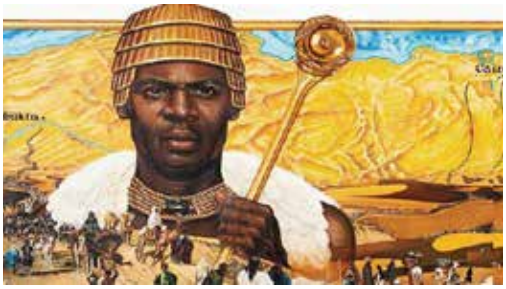
II. Once Upon a Time... Africa was Great

Up until the end of the medieval ages, many great Kingdoms flourished across the vast expanse of land called Africa. The impact of many ancient African civilizations can still be seen today in many shapes and forms around the world. It is true that *Homo Sapiens* is believed to have emerged from present day Ethiopia, making Africa the cradle of mankind. Ancient Egyptians some seven thousand years ago, achieved so many engineering, scientific, and mathematical accomplishments that baffle even the best minds of today [Gerdes (2010)].

The art of writing, the hieroglyphics, the giant pyramids of Giza, the complex temples and tombs in Luxor, the mathematics of geometry and algebra, and the art and science of embalmment are some of the amazing bequeaths of the ancient Egyptian history.

Temples and Tombs of Luxor

More recently in the Savannah regions of West Africa, Mansa Keita Musa held sway between the 13th and 14th centuries. He controlled a Kingdom, known as Ancient Mali, covering present day Mali, Burkina Faso, Chad, Senegal, Guinea, Ghana, Mauritania, Niger and Northern Nigeria.



Mansa Keita Musa

Scholars and architects gravitated towards the Kingdom, and Timbuktu, its capital, emerged as a center of learning, commerce and architecture. The University of Timbuktu, one of the world's earliest Universities, was built, and attracted many Arab scholars, such as Al-Sahiri, the poet and architect [Jeppie and Diagne (2008), Walt (2013)].

But the impressive contributions made by Africans in various fields including science and engineering were spread throughout the continent. Emmanuel Akyeampong, a History Professor at Harvard, reports that an anonymous recorder on the voyage of the Portuguese explorer, Pedro Alvares Cabral, took note of Kilwa, off the coast of present day Tanzania in the year 1500: "*This Island is small, near the mainland, and is a beautiful country. The houses are high like those of Spain. In this land there are rich merchants, and there is much gold and silver and amber and musks and pearls. Those of the land wear clothes of fine cotton and of silk and many fine things and they are black men*" [Akyeampong (2017)].

University of Timbuktu

Yet another sign of greatness and exceptional advances in pre-colonial Africa was the ability of its leaders to move markets as illustrated during Mansa Musa's stop-over in Cairo on his pilgrimage to Mecca in 1324. The Arab historian, Shihab al-Umari, who visited Cairo 12 years after King Mansa Musa, wrote: "*Mansa Musa left no emir or holder of royal office without a gift or load of gold; he and his company gave out so much gold that they depressed its value*

in Egypt and caused price to fall". Yes, actions taken by an African leader, as far back as 14 centuries ago, could depress the world price of gold.

Pedro Alvares Cabral

The continent is still well endowed with natural resources and primary commodities:

- Accounting for 90 percent of the world's cobalt deposits;
- Accounting for 64 percent of the world's manganese;
- Accounting for 60 percent of the World's usable arable land;
- Accounting for 56 percent of the world's diamond reserves;
- Accounting for 50 percent of the world's gold;
- Accounting for 50 percent of the world's phosphates;
- Producing 75 percent of the world's cocoa, and
- Producing 60 percent of the world's coffee.

But today actions taken by African leaders no longer move major markets, even for resources they control. The world price of gold and other precious metals and natural resources are set outside of Africa. It is therefore no wonder that Africa earns less than 10 percent (i.e. less than 12 billion US dollars) of the 120 billion US dollars global cocoa/chocolate market despite the fact that it produces 75 percent of world cocoa beans; receives only 3 percent of the 3 trillion US dollars petroleum products market, while it accounts for 10 percent of crude oil reserves; and receives 4 percent of the over 300 billion US dollars global gold earnings, while accounting for 50 percent of world gold production.

This is why the 55 African countries with a combined gross domestic product at 2.4 trillion US dollars, in nominal terms, represent only 2.8 percent of the global economy. African trade, estimated to be worth 735 billion US dollars accounts for just 3.2 percent of world trade. Manufacturing value added represents

only 2 percent of the world's. Comparable figures for South Korea – a country with a smaller economy than Nigeria in the 1960s and smaller in size than Eritrea (one of the smallest countries in Africa) geographically are startling:

Africa is the only continent that trades the least with itself: intra-African trade share of Africa's total merchandise trade is estimated at 15 percent compared to 33 percent for the Americas, 55 percent in Asia and 65 percent in Europe. Understanding the sources and causes of this state of affairs is crucial in putting Africa on the path to its renaissance, rebirth, and a return to glory and greatness.

Macro variable	**Africa**	**Korea Rep.**
Number of Countries	55	1
Geographic Size (millions of km2)	30.37	0.10
Share of World Trade (%)	3.2	3.2
Share of World Economy (%)	2.8	1.8
Share of World Manufacturing Value Added	2.0	3.1

The genesis of Africa's decline can be traced to a time around the 1500s when it began to trade very actively with Europe. Prior to the arrival of the Portuguese on the coasts of West Africa, trading patterns among Africans were well established. Over time, the Portuguese and the Dutch inserted themselves, changed the patterns of demand and used economies of scale to depress prices and create dependency on imports of European goods, especially their textiles. The same kind of disruption of Africa-controlled trading patterns was witnessed in East Africa where again the Portuguese and the Dutch attempted to take control of trade links between Kilwa and Great Zimbabwe that produced so much gold and silver.

Perhaps, the most destructive form of that trade was the slave trade, the despicable degradation of human beings to tradable goods, the consequences of which were the abandonment of other productive forms of occupation,

including arts and crafts in response to the higher incentive to participate in the slave trade. It is depressing to note that the slave trade became a source of capital formation, helping build institutions that dominate the financial and capital markets today. In one of the most remarkable statements and rare apologies, one of the largest Wall Street banks today, admitted its acceptance of slaves as loan collateral, by which they ended up owning several hundred thousand slaves in the 19th Century [Guardian (2005)].

Across the Atlantic in Europe, two brothers who were engaged in the slave trade later used the earnings to setup a bank that still operates on a global scale. What was a great source of growth and wealth accumulation for Europe was devastating for Africa, setting the region on a path of regression, economic depression, population decline, and sustained violence after the advent of gunpowder. Besides its economic costs, the long period of slavery and external domination had several other consequences, including a psychological sense of inferiority, which weakened the will to dare, to explore and to take risks. In the 19th century, the slave trade was replaced by direct colonial rule and another long period of exploitation by the imperial powers which began, with a different name—*mission civilisatrice*—but with an outcome that instead perpetuated the underdevelopment of Africa.

Slavery did not end because suddenly, the perpetrators became humanists. With the Industrial Revolution, the structure of incentives changed in favor of cash crops needed as feed-stock in many factories. For instance, palm oil was needed for the manufacture of soaps, candles, etc. and also for the lubrication of certain engines. The struggle for Africa amongst major European powers intensified leading to the partition of Africa in 1884 and the beginning of colonialism. Colonialism had a strategic underpinning to divide and rule, and to create dependence on commodities. It extroverted economies and direction of trade which were biased exclusively to connect the colonies to imperial powers in Europe. The limited infrastructure developed by the colonial powers were specifically designed for resource extraction and hence followed the mine-to-coast path in most colonies. Empirical evidence shows that a standard deviation increase in the number of mines

over the mean biases a country's pattern of trade flows in favor of overseas trade, resulting in a development model where these mining countries import 56% less from neighboring countries than do countries with an average number of mines [Bonfatti and Poelhekke (2017)]. Since colonialism was driven by the need for control of critical resources needed by the metropolitan (colonial powers), its strategy was methodical and in many ways the reason why Africa remains underdeveloped today in the midst of abundant resources.

The strategy, structure and intent of a colonial economy was captured by the colonial administrator, Mr. Albert Sarraut (1872-1962) who noted, and I quote: "Economically, a colonial possession means to the home country simply a privileged market whence it will draw the raw materials it needs, dumping its own manufactures in return. Economic policy is reduced to rudimentary procedures of gathering crops and bartering them. Moreover, by strictly imposing on its colonial dependency the exclusive consumption of its manufactured products, the metropolis prevents any efforts to use or manufacture local raw materials on the spot, and any contact with the rest of the world. The colony is forbidden to establish any industry, to improve itself by economic progress, to rise above the stage of producing raw materials, or to do business with the neighboring territories for its own enrichment across the customs barriers erected by the metropolitan power".

Mr. Albert Sarraut

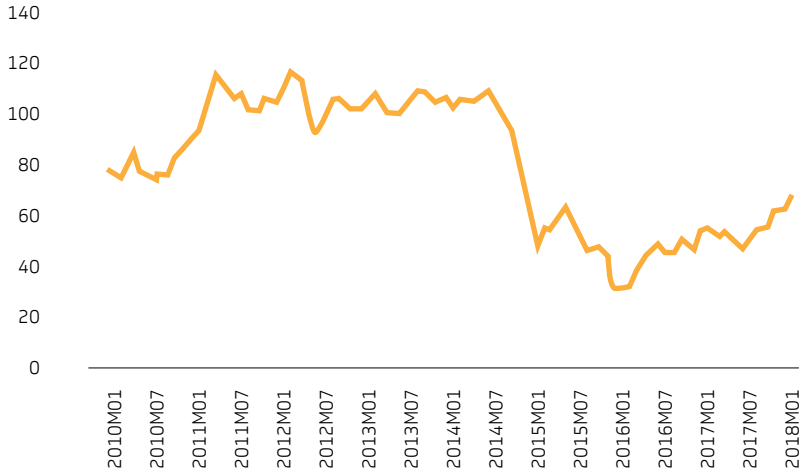
END

III. African Economies in the Post-Colonial Era

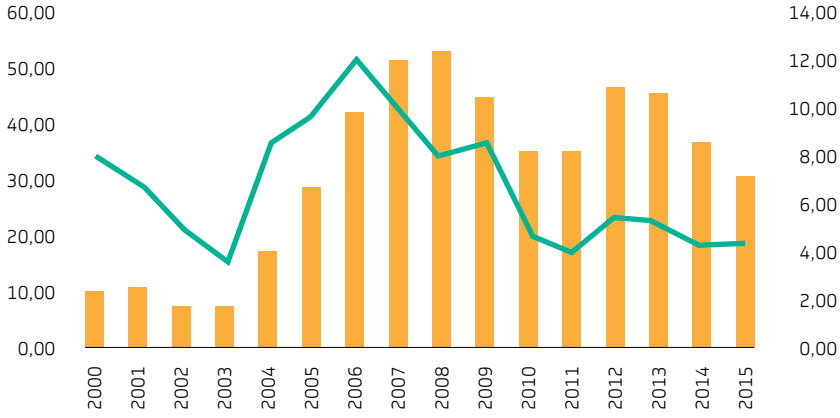
Against this background, it is no wonder that, at independence, African countries were not truly independent, except on paper. In most cases, they could not shape the future of their economies even if they wanted to. Almost 60 years after independence Africa is still the continent that depends the most on primary commodities and natural resources for fiscal and export revenues—reflecting the resilience of the colonial strategy so well encapsulated by Mr. Sarraut. Again, it is no wonder, that those of us born between 1957 and 1965, the period of Africa's independence, and who I refer to as the "AFRICA GENERATION", arrived in the world with so much hope but have not been able to meet the aspirations of our Fathers [Oramah (2018)].

Primary commodities and natural resources still account for over 70 percent of total Africa's merchandise exports [Oramah and Abou-Lehaf (1998)]. The continent's economic growth rate, fiscal and current accounts balances are today almost totally defined by movements in commodity prices. Oil-exporting countries alone account for a sizable share of Africa's GDP and export revenues.

Crude Oil, Average (US$/bbl)
World Oil Price (2012-2017)



Nigeria: Reserves & Import Cover
Nigerian Oil Reserves and Import Cover (2000 -2015)



Although commodities have to some extent been major sources of growth, they have also exposed the continent to recurrent adverse terms of trade shocks and balance of payments crises. In effect, as Africa attempted to take-off in the aftermath of independence, sustained deterioration in commodities terms of trade plagued the region causing a long recession and economic crisis in the 1980s and most of the 1990s. So, deep and devastating was the economic crisis that, till this day, the 1980s are still referred to as the "lost decade" [Artadi and Sala-i-Martin (2003), Fofack (2010)]. Indeed, some have been using a different label—the "lost Quarter Century"—perhaps reflecting the fact that the economic difficulty was much longer. It was an apt label because it was during this period that Africa lost the economic advantage it had over Asia. Up until the mid-1970s Africa enjoyed relatively strong economic growth and had an average per capita GDP of 1,410 US dollars, higher than that of Asia, including China, which amounted to 1,225 US dollars.

END

IV. The Path to Making Africa Great Again

With the foregoing in mind, we do not need "a rocket scientist" to show us the path to making Africa great again. To move forward and achieve greatness, we have to "reverse engineer" the colonial strategy captured by Mr. Sarraut. It was the absence of this strategic approach that dashed the hopes and great expectations that followed political independence in the 1960s. Our counter strategy should be to promote intra-African trade and stronger regional integration, and thereby kick-start diversification away from commodities. This approach will foster the rapid growth of Africa. Empirical evidence shows that intra-regional trade which has consistently acted as absorber of adverse global shocks is a significant determinant of long-run growth and structural transformation [UNECA (2013), Brixiova et al. (2015)].

The gains from higher intra-African trade will come through various channels, including:

- Facilitating greater dynamic comparative advantage in the production of certain kinds of goods thereby increasing Africa's share of global trade and GDP.
- Attracting much needed private investments in regional infrastructure, such as roads, railways, ports etc.
- Greater intra-regional trade will lead to a better integrated African market, especially across goods, services and financial markets.
- Attracting foreign direct investment to the manufacturing and services sectors thereby fostering industrialization.

V. The Path to Greatness: Windows of Opportunity

The path to greatness is never paved with gold. Boosting intra-African trade and economic integration calls for certain actions. The good thing is that the environment is now conducive for a decisive action.

First, there is the political will at the continental, sub-regional and national levels to advance this goal. At the continental level, the African Union declared 2012 a year for Intra-African trade. The Union launched shortly afterwards a strategy for Boosting Intra-African Trade (BIAT) and outlined a roadmap for the establishment of the African Continental Free Trade Area (CFTA) [UNECA (2013)].[1]

Second, many countries that used to look North have now seen the value of regional integration and are pursuing greater trade and economic ties with the rest of Africa. Egypt, for example, has joined the Common Market for Eastern and Southern Africa (COMESA) and hosted the negotiations leading to the Tripartite Free Trade Area, while Morocco has applied to join the Economic Community of West African States (ECOWAS).

Third, Africa has at last become a market. With a total population of 1.2 billion people, it ranks third behind China and India in terms of population size; it has a rapidly growing middle class with household expenditure at $1.6 trillion—one of the fastest-growing in the world. By being a market, the incentive to trade therein is high.

Fourth, the rise of African capitalism has rapidly grown intra-African investments with annual intra-regional investments estimated at 15 billion US dollars, accounting for 24 percent of total FDI.

1 The African Continental Free Trade Area Agreement was signed in March 2018. It requires 22 ratifications for it to come into force.

Companies such as the El-Sewedy Group of Egypt, Dangote Group in Nigeria, Shoprite in South Africa, Loukhil Group in Tunisia, Export Trading Group in Tanzania, and the South African telecoms giant MTN have significant activities and investments across borders.

Fifth, African banks have followed the corporates to establish regional footprints. Banks such as Ecobank, UBA Group, Bank of Africa and Standard Bank are some of the banks with a significant regional presence. These have significantly improved cross-border payments, key to boosting intra-regional trade.

Sixth, the African Diaspora has also become an intra-African trade resource: more than 30 million Africans live outside their home countries. African migrants remit about 63 billion US dollars and save another 53 billion US dollars annually. Should the collective African diaspora be regarded as the 56th African state, it would rank top in terms of "GDP". Our estimates show that the "State" would have a GDP of over 500 billion US dollars with a GDP per Capita significantly higher than Africa's average.

Finally, developments in the external environment is bringing some urgency to the matter. Economic nationalism in traditional markets are making many African governments to begin to focus on the African market. The Trump doctrine of "America First" expounded recently at the United Nation General Assembly must be seen as potentially beneficial to Africa as it will force Africa to begin to take control of its own destiny.

With these positive developments, Africa appears poised to take-off on the basis of a concerted focus on intra-African trade. But to fully unlock it, some actions are necessary and urgent. Permit me to outline a few and also share with you how the African Export-Import Bank is contributing to that ongoing efforts to boost intra-African trade with the view of accelerating the process of structural transformation of African economies:

1. Africa Must Deal with Inadequate Trade Information. Ask analysts, including economists, what the main constraint to intra-African trade is and you are likely to hear "lack of trade-facilitating infrastructure" [UNECA (2013)]. While the deficit of infrastructure


94
63

has to certain extent constrained the growth of African trade, the real problem in our view is that the colonial legacy has not yet been broken. African businesses know very little about what happens right across their borders. A recent study on the regional value chains for leather and leather products jointly commissioned by Afreximbank, the United Nations Conference on Trade and Development (UNCTAD) and the Commonwealth Secretariat made some interesting revelations.

To cite a few examples:

i. South Africa imports leather, further prepared after tanning, from India at a price which is double the price at which Ethiopia exports the input to the world.

ii. Mauritius and Nigeria globally import leather products from Italy and Belgium at a much higher cost as compared to what South Africa and Botswana globally exports.

iii. Kenya imports raw hides from New Zealand while Burundi exports the same to the world at a much lower price.[2]

2 For more details on the study, see Banga et al. (2015).

It is no wonder that the African Union (AU), in collaboration with the International Trade Centre (ITC), has launched a project tagged the Trade Information Observatory, to begin to deal with this matter; little wonder that Afreximbank has committed to establishing a Trade Information platform in support of intra-African trade.

2. Africa Must begin to Produce Dynamic Goods Competitively. To boost intra-African trade, the continent must acquire the capacities to produce more of the goods and services demanded by the rising middle class. It must focus on the production of labor-intensive goods, in particular light manufacturing. As President Kwame Nkrumah once said, "We have become poor because we produce what we do not consume and consume what we do not produce." The most abundant resource in Africa today appears to be labor. Rising production costs and the consequent delocalization of light manufacturing from China provides a unique opportunity for Africa's industrialization. Afreximbank is working with China Exim Bank to facilitate the delocalization of some of their factories to Africa.

3. The institutional failure that fosters informal intra-African trade must be resolved. Informal intra-African trade is estimated at 40 to 60 billion US dollars (some 30 to 50 percent of recorded intra-African trade). The existence of such high level of informal trade is one evidence of institutional failure. In the absence of Export Trading Companies, atomistic traders travel far, across multiple borders at great expense and inconvenience to conduct business most times of no more than 10 thousand US dollars per trip. Formalizing the trade will bring so many efficiency, fiscal, employment and investment promotion benefits to the continent.

4. Deal with Fragmented Financial Markets and Multiple National Currencies in Africa. The nature of international trade is that it must be supported by appropriate trade financing and payment infrastructure. Today, it is easier for a bank in an African country to finance trade with a European counterparty than with its neighbors. Letters of Credit issued by a bank in one African country is, in most times, only accepted in another if confirmed by a bank outside the continent [Oramah

(2017)]. Buyers of African goods must pay for them in US dollars or Euros, etc. All these raise the cost of intra-African trade and actually sometimes divert the trade elsewhere.

5. Africans must Rid Themselves of the Colonial Mentality. The ingrained mistrust of, and hostility towards Africans, as well as a preference for non-Africans must be reversed very quickly. Indeed across the region, the mistrust and sustained hostility towards fellow Africans has been one of the stickiest legacies of slavery and colonialism with wide-ranging consequences both in the political and economic arena. In the political arena, the recurrence of fratricidal wars and conflicts has claimed the lives of tens of millions of Africans while at the same time diverting scarce resources away from productive investments and structural transformation of African economies.

In the economic arena, the structure and composition of African trade which is still heavily skewed towards extra-African trade is one manifestation and illustration of that colonial mentality. Another manifestation is the inability of stakeholders within the continent to forge a robust public-private partnership to foster the development of the private sector across the continent. For instance, while public procurement contracts in most other regions and countries around the world, most notably in Asia, Europe and USA, have been primarily executed by local and national companies, in Africa these contracts have been overwhelmingly allocated to foreign multinational companies and very often without clause for skills and technology transfers. The end result on the challenging development path has been structural weak capacity and sustained culture of excessive dependency on external assistance for both financing and implementation capacity.

6. Trade Facilitation Should Give Priority to Goods in Transit Issues and Standards. Of the 55 African countries, 16 are landlocked (28.5 percent). Exports from and imports to such landlocked countries must pass through other countries. Today, the process is extremely cumbersome and trade constraining. Enormous bureaucratic custom procedures result in long delays at border posts. Although a number of trade facilitation reforms are underway or planned by stakeholders, including

infrastructure reforms, One Stop Border Posts, Electronic Single Windows, etc., numerous bottlenecks still exist. Multiple licensing and the use of national transit bonds along key transit routes increase the cost and time of doing business and negatively impact intra-African trade.

7. Intra-African Investment Must Be Encouraged. Visa free travel for African businesses within Africa is imperative. A few countries have begun the process but more needs to be done. Deliberate efforts must be made to attract intra-African investments as trade usually follows such investments. Dangote's investments in cement facilities in 14 African countries have boosted export of cement bags from Nigeria. Dangote itself has dramatically expanded exports of clinkers to some of its facilities across Africa. Regional value chains are created when such investments happen. Free movement of business people across borders is a necessary condition for boosting intra-African investments.[3]

8. Targeted Investments in Infrastructure Are Necessary. Investments on Industrial parks, Export Processing Zones, and other economic infrastructures are necessary to reduce the constraint of inadequate infrastructure to competitive manufacturing. Regional infrastructure projects, railways, ports must be financed using innovative techniques, including use of natural resources.

9. The African diaspora must be brought into Intra-African trade to deepen the dynamism of the Trade. Today, intra-African trade is viewed principally as trade amongst countries in the geographic space called Africa. Over the years, the population of Africans in the diaspora has expanded. There is no reason why this group cannot be considered a resource and incorporated into policies to boost intra-African trade. After-all, we say intra-AfricaN trade and not intra-Africa trade. This shift will make it possible for a continent like ours, with a very large diaspora, to begin to use GNP more in measuring economic activity and to begin to pay more attention to the Diaspora.

3 In March 2018, 29 African countries signed the Agreement for free movement of people within Africa. The number of signatories is expected to increase over time.

VI. How is Afreximbank Contributing towards Paving the Way for Africa's Greatness

Afreximbank is a Pan-African Multilateral Trade Finance Institution created in 1993, under the auspices of the African Development Bank (AfDB) to promote and finance extra—and intra-African trade. The Bank, created under an international Public Private Partnership arrangement, has the mission to facilitate, promote and expand extra—and intra-African trade focus on expansion, diversification and development of trade, operate as a first-class, profit-orientated, socially responsible bank and be a centre of excellence in African trade matters. This is delivered through three broad instruments, namely credit (trade and project finance), risk bearing (guarantees and credit insurance) and trade information and advisory services.

It is headquartered in Cairo, Egypt and has branch offices in Abuja (Nigeria), Abidjan (Côte d'Ivoire) and Harare (Zimbabwe). New branches are expected to open in East Africa and Central Africa. It currently has 50 Participating African States and Authorized Capital at US$5 billion.

From the medium-term perspective, the Bank has launched its new five-year strategy dubbed **IMPACT 2021—Africa Transformed**, with the strategic shift towards the promotion and financing of intra-African trade and industrialization and export development in Africa as well as ensuring improved access to trade and project finance across Africa. More specifically the new strategy is founded on four corporate and developmental pillars, namely: (i) Intra-African Trade; (ii) Industrialization/Export Manufacturing; (iii) Trade Finance Leadership; and (iv) Financial Soundness and Performance.

In May 2016, Afreximbank launched an intra-African trade Strategy framed around three key Pillars: "Create, Connect and Deliver" with an ancillary pillar known

as "Measure" (CCDM). The philosophy behind CCDM is that building solid export manufacturing and tradable services capacities as well as domestic and continental supply chains will facilitate an increase in the flow of goods and services across borders in Africa and between Africa and Africans in the Diaspora.

The Strategy prioritizes interventions in each of the major issues identified in the previous sections as critical to transforming Africa's trade as follows:

1. Deepening access to Trade Information

- The creation of a Trade Information Unit within the Bank to be responsible for using innovative methods in the gathering, analysis, and dissemination of relevant information in support of African trade. This Unit will lead our effort towards a trade information revolution in Africa.

- Developing and franchising Trade Information Centers across Africa to provide trade information physically and electronically and create infrastructure for trade exhibitions.

- Instituting a programme for biennial hosting of Intra-African Trade Fairs with the first holding late in 2018.

- Development of an Intra-African Trade Platform (IATP) to support the emergence and growth of online market places focused on intra-regional trade by among other things, providing them a platform for payment and settlement of intra-African trade in local currency. The market places will serve as a potent source of trade information in Africa and an effective way for integrating African markets.

- Implementing a major programme of identifying markets for major corporations engaged in intra-African trade and dubbed "Afreximbank Intra-African Trade Champions"—Afreximbank Senior Executives travel with major African entrepreneurs to African countries launching major supply and/or construction contacts; we expose the companies to opportunities and support their bids for those contracts.

2. Formalizing Informal Intra-African Trade by supporting the emergence and

growth of Export Trading Companies (ETCs) to serve as institutional vehicles for intra-African trade. Work is ongoing on the creation of a regulatory framework for operation of such ETCs as well as mechanisms for directly supporting ETCs through Advisory, Market access services, financing, training, etc.

3. Broadening Intra-African Trade to Include the Diaspora – we are supporting the growth of businesses operated by the African Diaspora by providing the working capital and financing to be able to import ethnic foods and other tradable goods from African markets. We have launched an effort to establish Quality and Standards Certification Centers across Africa to facilitate exports of ethnic goods. A project is underway in Nigeria and will be extended to other countries.

4. Dealing with the Challenge of Colonial Mentality - Afreximbank is following the approach of "Charity Begins at Home". Our emphasis is on "Africa First."

- We have a History and Culture Committee that ensures that every employee understands the history and culture of Africa as well as the opportunities and challenges on the continent. This encourages commitment to the work we are doing to improve Africa.

- The Bank's capacity building programme for African journalists is aimed at equipping them with the requisite skills (particularly) in on issues relating to trade finance and economic development. This the Bank hopes will improve on the quality of reporting and help propagate positive news and image of the African continent.

5. Fragmented Financial Markets and Multiple Currencies: Afreximbank priorities in this area include:

- Ongoing IATP project aimed at making Afreximbank the Pan-African payment and settlement platform capable of handling several local currencies and reducing the dependence on foreign currency for intra-African trade payment.

- Expanding its correspondent banking services under its African Correspondent Banking programme (AFRICORRBANKING) to reduce the

need for Letter of Credit in support of Intra-African trade to be confirmed outside the continent.

- Continuing with its initiative for supporting sub-regional Bankers' Associations with the goal of federating them into an African Bankers Association. Such a federation will foster greater intra-African banking relationships.

- Deepening Afreximbank support for African banks operating across borders through several initiatives, such as the Alliance for African International Financial Institutions (AAIFI).

6. Production of Dynamic Goods

- Afreximbank is implementing an Industrialization/Export Manufacturing Strategy as a component of its five-year strategy known as IMPACT 2021. The Industrialization Strategy is framed around three key pillars: Catalyze, Produce and Trade (CPT). Under this strategy, the Bank acts as a catalyst for industrialization and export development in Africa by directly addressing the constraints to industrialization and by facilitating the production of value-added exports and services, while ensuring that the produced goods and services are traded internationally.

- Our focus is on light manufactures. So, we have set ourselves a target of supporting the construction of at least 2 Industrial parks and export processing zones by the end of 2018;

- We have introduced financing products, such as Forfaiting, that support the import of investment, rather than consumption goods into Africa;

- We are prioritizing investment promotion and last June, Afreximbank Board of Directors approved the establishment by the Bank of a Fund for Africa's Export Development (FUNFED). This Fund is expected to catalyze the inflow of Foreign Direct Investment into Africa's manufacturing sector.

VII. Concluding Remarks

Despite the blights of slave trade and colonialism, Africans should be proud of their history and heritage; it was glorious. The Ancient Egyptians, the Carthaginians of present-day Tunisia, the medieval kingdoms of West, and Eastern Africa were globally well respected. Slavery and colonialism brought Africa to its knees such that to this day it is still trying to find its feet.

The path to greatness is to unshackle the continent from the perfectly executed strategy of colonialism so aptly captured by Mr. Sarraut, a colonial administrator.

Doing that requires a set of actions that Africa must take as a matter of priority. The critical piece is hinged on fostering intra-African trade and de-commoditization of the continent's exports.

We are encouraging our Member States to lay far less emphasis on grants and aids but rather to emphasize belief in themselves and their ability to use their abundant resources to pull themselves out of poverty. We remind them always that *grants never pull a people out of poverty; rather they perpetuate the culture of dependence*. There can be no gain without pain.

Afreximbank has identified its role in the scheme of things and within the remits of its mandate. In particular, it has launched an intra-African trade strategy dedicated to this effort. Afreximbank is implementing its interventions under a partnership framework. We see scope in developing a partnership with NYU Africa House to undertake a multi-year study of the Africa Diaspora. We hope we can support collaborative studies to be coordinated at Africa House so that we can ultimately create a Center of Excellence on Africa Diaspora Studies. Afreximbank will also be willing to discuss a possible collaboration on a study that establishes the relationship between trade levels and availability of trade information in Africa.

REFERENCES

Akyeampong Emmanuel (2017). History of African Trade. The African Export-Import Bank (Afreximbank) 2017.

Artadi V. Elsa and Xavier Sala-i-Martin (2003). "The Economic Tragedy of the 20th century: Growth in Africa", National Bureau of Economic Research Working Paper No. 9865.

Banga Rashmi, Dinesh Kumar and Philip Cobbina (2015). "Trade-led Regional Value Chains in Sub-Saharan Africa: Case Study on the Leather Sector." Commonwealth Trade Policy Discussion Papers 2015/02, the Commonwealth.

Bonfatti Roberto and Steven Poelhekke (2017). "From mine to coast: Transport infrastructure and the direction of trade in developing countries." Journal of Development Economics, Vol. 127, Issue C, 91-108.

Brixiova Zuzana, Qingwei Meng and Mthuli Ncube (2015). "Can Intra-Regional Trade Act as a Global Shock Absorber in Africa?" IZA Discussion Paper No. 9205.

Fofack Hippolyte (2010). "Fiscal Adjustment and Growth in Sub-Saharan Africa: Overview and Lessons from the Current Downturn." World Bank Policy Research Working Paper No. 5306. The World Bank Group.

Gerdes Paulus (2010). "Exploration of technologies, emerging from African cultural practices, in mathematics (teacher) education," *The International Journal of Mathematics Education* 42(1):11.

"Bank admits it owned slaves". The Guardian. January 2005.

Jeppie Shamil and Souleymane Bachir Diagne (eds). *The Meanings of Timbuktu*. Cape Town: Human Sciences Research Council of South Africa Press, Republic of South Africa.

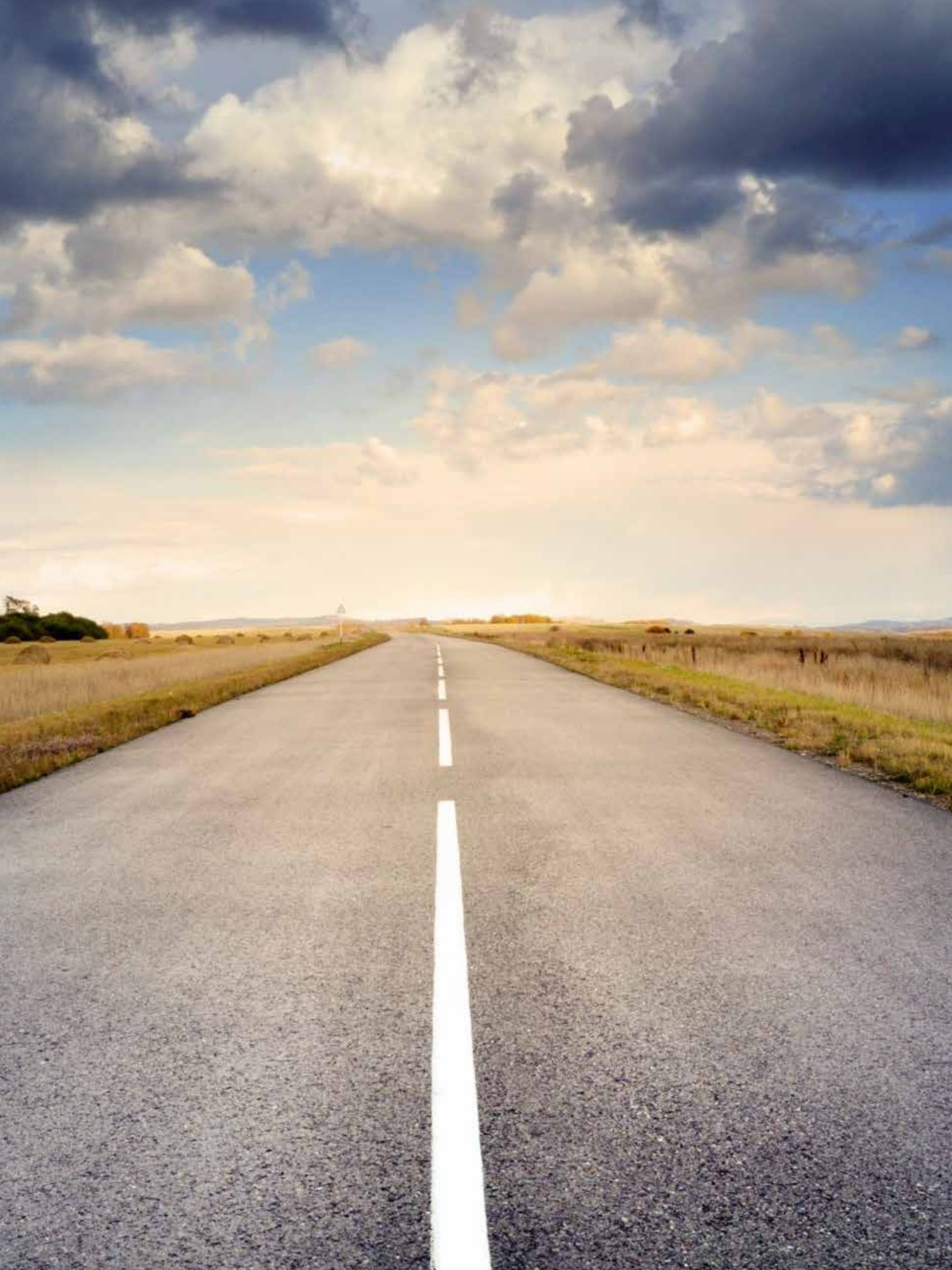
Oramah Benedict (2017). "Changing Regulatory Frameworks, Rising Costs of Compliance and Implications for Financial Institutions in Africa." *Contemporary Issues in African Trade and Trade Finance*, Volume 3, No. 1, November 2017.

Oramah Benedict (2018). "The Coming of Age of the Africa Generation." Distinguished Lecture Series. The African Export-Import Bank, Forthcoming.

Oramah Benedict and Christiane Abou-Lehaf (1998). "Commodity Composition of African Trade and Intra-African Trade Potential." *Journal of African Economies* (CSAE), Vol. 7(2), pages 263-300.

UNECA (2013). "Making the Most of Africa's Commodities: Industrializing for Growth, Jobs and Economic Transformation." Economic Report on Africa, United Nations Economic Commission for Africa.

Walt, Vivienne (2013). "Mali: Timbuktu's Ancient Manuscripts Are Safe, Preservationists Say, TIME.com". World.time.com.



OTHER PUBLICATIONS IN THE AFREXIMBANK DISTINGUISHED LECTURE SERIES (ADLS)

- Leading Issues in African Trade: The Role of the African Export-Import Bank, by Dr. Suleiman Kiggundu, ADLS 1/04
- Trade and Development at the Dawn of a New Millennium: Challenges and Strategies for Africa and the Role of Afreximbank, by Prof. Vremudia P. Diejomah, ADLS 2/04
- In Promoting Export Diversification in Africa: Issues and Challenges, by Dr. Sylvester U. Ugoh, ADLS 3/04
- From Vision to Reality: Reflections on the African Export-Import Bank, by Dr. Babacar Ndiaye, ADLS 1/05
- Strengthening the Rural Sector for Export Promotion in Africa: A Role for Co-operatives, by Prof. Adeniyi Osuntogun, ADLS 2/05
- Export Development Strategy: Export Success Stories and Lessons for Africa, by Prof. Alemayehu Geda, ADLS 1/06
- Promoting Export Diversification in Africa: Traditional Financing Techniques and Innovative Options, by T.C. Venkat Subramanian, ADLS 1/08
- African Trade is Changing, by Jean-Louis EKRA, President, Afreximbank, ADLS 1/10
- Linking Africa's Enclave Extractive Sector to Domestic Economy: Is Local Content Promotion a Panacea? By Prof. Mike Morris, ADLS 1/11
- From the Periphery to the Centre: Africa as the Growth Market for Factoring by Dr. Benedict O. Oramah ADLS 1/14
- The Role of China in Africa's Development, by Jean-Louis EKRA, ADLS 1/15
- From Entrepreneur to Corporation: An Examination of Critical Success Factors and Implications for Access to Credit, by C. Randel Lewis1, ADLS 1/16
- The African Growth and Opportunity Act: An Opportunity or A Mirage? by Florizelle Liser, ADLS 1/18

HEADQUARTERS
72B El Maahad El
Eshteraky Street, Roxy.
Heliopolis, Cairo 11341, Egypt
T +(202) 24564100/1/2/3/4
info@afreximbank.com

ABUJA BRANCH
No. 2 Gnassingbe
Eyadema Street Asokoro
Garki, Abuja, Nigeria
T +(234) 9 460 3160
abuja@afreximbank.com

HARARE BRANCH
Eastgate Building, 3rd Floor
Gold Bridge (North Wing)
2nd Street, Harare,
Zimbabwe
T +(263) 24 2 700 904/941
harare@afreximbank.com

ABIDJAN BRANCH
3ème Etage, Immeuble CRRAE-UMOA,
Angle Boulevard Botreau Roussel –
Rue Privée CRRAE-UMOA
Abidjan, Côte d'Ivoire
T +(225) 2030 7300
abidjan@afreximbank.com

AFREXIMBANK.COM

A PATH TO MAKING AFRICA GREAT AGAIN

TRANSFORMING AFRICA'S TRADE

DR. BENEDICT O. ORAMAH
AFRICAN EXPORT-IMPORT BANK (AFREXIMBANK)