



Transforming Africa's Trade

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Banque Africaine d'Import-Export

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Entering a New Age of Intra-African Trade



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Introduction

This report aims to promote intra-African trade by highlighting exciting opportunities for African businesses across the continent. African countries trade far too little with each other and the potential for companies to better exploit their geographic, economic and cultural ties with the rest of the continent is immense.

The timing for expanding intra-African trade has never been better. Most significantly, the African Continental Free Trade Area (AfCFTA) was finalised in 2019, creating a free trade area of 54 countries, with more than 1.3 billion people and a combined GDP of USD2.5 trillion. Moreover, a USD525 billion transport infrastructure pipeline is rapidly reducing the cost of trading between African countries. Combined with the rapid demographic and economic growth forecast in Africa over the next decade, these factors will create significant momentum for intra-regional trade. African businesses must embrace this opportunity.

So, what is holding them back? Knowledge is a big part of the problem. Improved access to trade information should act as a bridge to join up supply hubs with demand centres. This report will highlight some of the most exciting opportunities for growing intra-African trade.

Trade potential is mapped by identifying emerging supply hubs and important demand hotspots. On the demand side, we highlight opportunities ranging from a greater need for cement in Ethiopia to natural gas in South Africa, while the supply potential ranges from food production in Morocco to fertilizer in Nigeria. This report pinpoints a number of specific bilateral opportunities and probes into the type of major African corporates that are currently focussed on these markets, and should exploit several regional trading opportunities, both within existing trading blocs and beyond.

Calling for More Intra-African Trade

To be truly dynamic, Africa needs to trade more with itself

African trade was worth about USD1 trillion in 2018. The continent remains largely commodity-dependent in its trading activities with hydrocarbons, mining products and food accounting for the bulk of this trade. And Africa continues to trade largely with non-African countries, with intra-African trade making up just 16% of total trade. This illustrates the huge potential for African firms to capitalise on geographic, economic and cultural ties with the rest of the continent to better exploit intra-African trade opportunities.

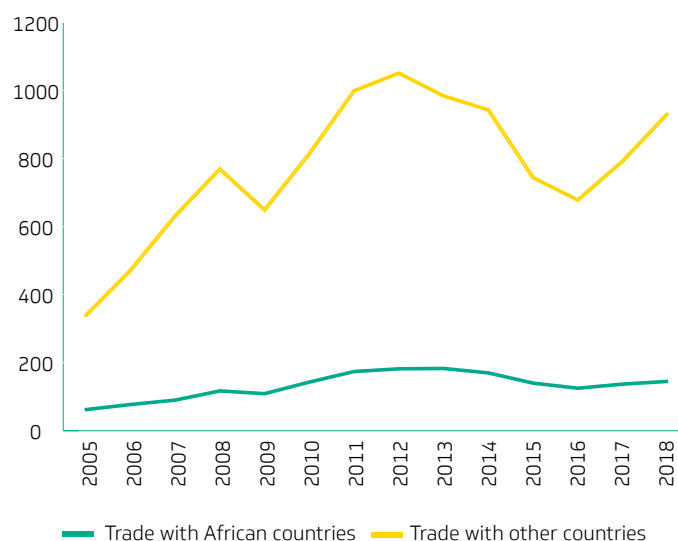
The relatively poor standard of the continent's infrastructure is often blamed as the main barrier to exploiting these intra-African trade opportunities. Improvements do need to be made to the standard of roads, ports and railways. However, this is not the whole story. For instance, at present there are Kenyan firms importing leather products from outside Africa at a higher cost than what Burundi is exporting out of Africa via Kenyan ports.

While poor infrastructure does obstruct African demand centres from linking up with regional suppliers, a lack of information is an equally telling factor. Too many countries import goods from outside Africa when these same goods are in production across the border, or elsewhere in Africa at a cheaper cost. Better trade information can act as a bridge to join up these potential supply and demand centres.

With all these factors in mind, this report aims to map intra-African trade opportunities. In so doing, Afreximbank aims to provide African companies with more information on how to grow intra-African trade. This aligns with the bank's role in supporting African businesses accessing global markets more generally. While this report focuses on intra-African trade opportunities specifically, subsequent editions of the report will examine opportunities for African businesses in markets outside of Africa.

In order to narrow down the potential opportunities for deepening intra-African trade, this report uses historic trade data to reveal in which markets African suppliers most significantly underserve African consumers. After also taking into account country-by-country demand and supply forecasts, this report is then able to highlight the most attractive opportunities for firms to deepen intra-African trade. On the demand side, we highlight opportunities ranging from a greater need for cement in Ethiopia to natural gas in South Africa, while the supply potential ranges from food production in Morocco to fertilizer in Nigeria.

African Trade (USD billion) 2005-18



Source: UN Comtrade

The Trade Climate in Africa

The next decade presents an enormous and important opportunity for African firms to deepen their intra-African trade ties.

Several factors will drive increased intra-African trade over the coming years including:

- **Deeper regional integration:** The AfCFTA agreement came into force in 2019, creating a free trade area of 54 countries. It comprises a market of more than 1.2 billion people and a combined GDP of USD2.5 trillion.
- **Improved infrastructure:** Significant and ongoing investment into port, road, rail and air infrastructure will reduce the cost of trading between African countries. The transport infrastructure project pipeline is currently valued at USD525 billion, equivalent to around one fifth of Africa's combined 2019 GDP. Headline projects include the USD10.0 billion Olokola Deep Sea Port in Nigeria, the USD10.0 billion Bagamoyo Mega Port in Tanzania and the USD20.0 billion Mozambique North-South Railway Line. More detail on major projects is provided later in the report.
- **Rapid economic development:** Africa will experience the fastest rates of population growth and urbanisation globally over the coming decade. This will create many dynamic demand hubs across the continent. According to the OECD, Africa's population will double between 2020 and 2050. Two-thirds of this growth will be absorbed by urban areas, which means that cities will be home to an additional 950 million people over the next three decades.

Intra-African trade is currently underdeveloped

Intra-African trade links have not been developed to anywhere near their full potential. The vast majority of Africa's import sources are outside the continent, dominated by China (which accounted for 17.2% of Africa's imports in 2018), followed by France (5.4%), USA (5.1%), Germany (4.7%) and India (4.6%). Non-African countries provided the vast majority of Africa's largest five import categories (oil, food, machinery, automobiles and chemicals), with African exporters accounting for less than 20% of all these products.

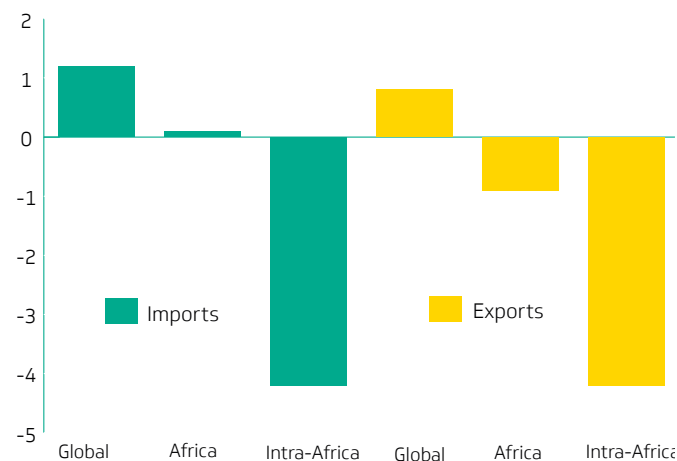
Only South Africa and Nigeria appear in the top 20 global import source markets for Africa. South Africa is ranked sixth accounting for 4.5% of Africa's total global imports with an estimated regional export total of USD25.6 billion. South Africa's exports to the continent are diverse, with the largest categories being refined fuels, machinery, automobiles and mining products such as chromium and iron ore. Nigeria is ranked 20th globally with a 1.4% share of Africa's imports. Nigeria's exports to the continent are dominated by oil and gas, which accounted for over 90% of this trade in 2018.

Long-term growth, but momentum has stalled

While intra-African trade has expanded rapidly over the past three decades, the pace of growth has slowed significantly over the past five years. The value of total intra-African trade more than doubled in the 15 years leading to 2018. This disguises a slump in the value of intra-African trade since the commodities price crash of 2014-2016. This performance underlines the over-dependence of intra-African exports on commodities. Depending on price fluctuations, commodities exports as a whole accounted for between half and two-thirds of all intra-African trade in each of the five years to 2018. In terms of hydrocarbons, crude and refined oil accounted for 19.5% of total intra-African trade in 2018, while gas accounted for a further 1.9%. Mining products accounted for 7.0%, dominated by diamonds, copper, coal and chromium, while agribusiness exports accounted for a further 14.4%.

Admittedly, these figures are an approximation of actual intra-African trade, given that they do not capture informal cross-border trade that evades measurement by customs agencies. We know there is significant informal cross-border trade in light manufactured products and agricultural commodities between ECOWAS countries and with neighbouring countries in central Africa. For example, the ECOWAS Trade and Customs Department estimates that informal exports of cattle from Burkina Faso and Mali to Côte d'Ivoire reached USD33.5 million and USD11.9 million, respectively in 2019. Ultimately, the unaccounted nature of this trade makes it impossible to usefully estimate the size of this "missing" trade. Nonetheless, the data for official trade serves to highlight the significance of commodities in intra-African trade. The volatile nature of international commodity prices means that the value of exports can swing wildly year-to-year, which is a challenging basis from which to deepen trade ties. This was particularly the case for hydrocarbon exports due to the severe slump in the price of oil in 2014.

Average Annual Growth In Trade, % (2014-2018)



Source: UN Comtrade

Identifying Regional Hubs

South Africa is by far the largest exporter within Africa supplying nearly 40% of all intra-African imports in 2018. This is shown in the below table, where the largest bilateral trade values are highlighted in the darkest green shading. The trade figures below are for gross values rather than value-added and thus do not strip out the multiple times that semi-finished goods cross borders within a trade bloc before finally being exported as a finished product. This enhances the relative size of trade between members of the SADC, which is the most integrated of Africa's regional trade blocs, with South Africa as the central hub in the bloc's supply chain. Nonetheless even taking this into account, the degree to which South Africa dominates intra-African trade remains striking.

South Africa is the largest source of imports for all the top 10 importing countries (as shown in the table below) from within Africa, with the sole exception of Côte d'Ivoire, which imports more from Nigeria. This is due to South Africa's relatively diversified and large economy, which is able to meet demand for many primary and manufactured products, ranging from coal, to processed food and automobiles.

South Africa is also the largest importer of goods from within Africa accounting for 16.3% of all goods imported in 2018. This is in part due to the large size of South Africa's economy, which makes it a significant source of regional demand. South Africa is the largest single export destination for 6 of the top 10 intra-African exporters but not for Kenya, Morocco and Egypt. Kenya exports more to Egypt, the DRC and Zambia, while Morocco exports more to Côte d'Ivoire, Egypt and Mozambique, and Egypt exports more to Kenya.

Aside from Côte d'Ivoire, Egypt and Kenya, it is striking that West, North and East African countries are absent from the list of top intra-African importers. This illustrates a lack of trade integration between these sub-regions and the rest of Africa, and in some cases even within sub-regions. Nigeria is a particularly striking omission from the list of top intra-African importers given that the country has the largest economy in Africa and is the fifth-largest African importer of goods from the world as a whole. Nigeria's absence is due to only 3.6% of the country's imports being sourced from African countries in 2018. Nigeria has instead established strong trading relationships with foreign exporters of its largest import categories (machinery, automobiles and refined fuels), such as China, India, and the EU.

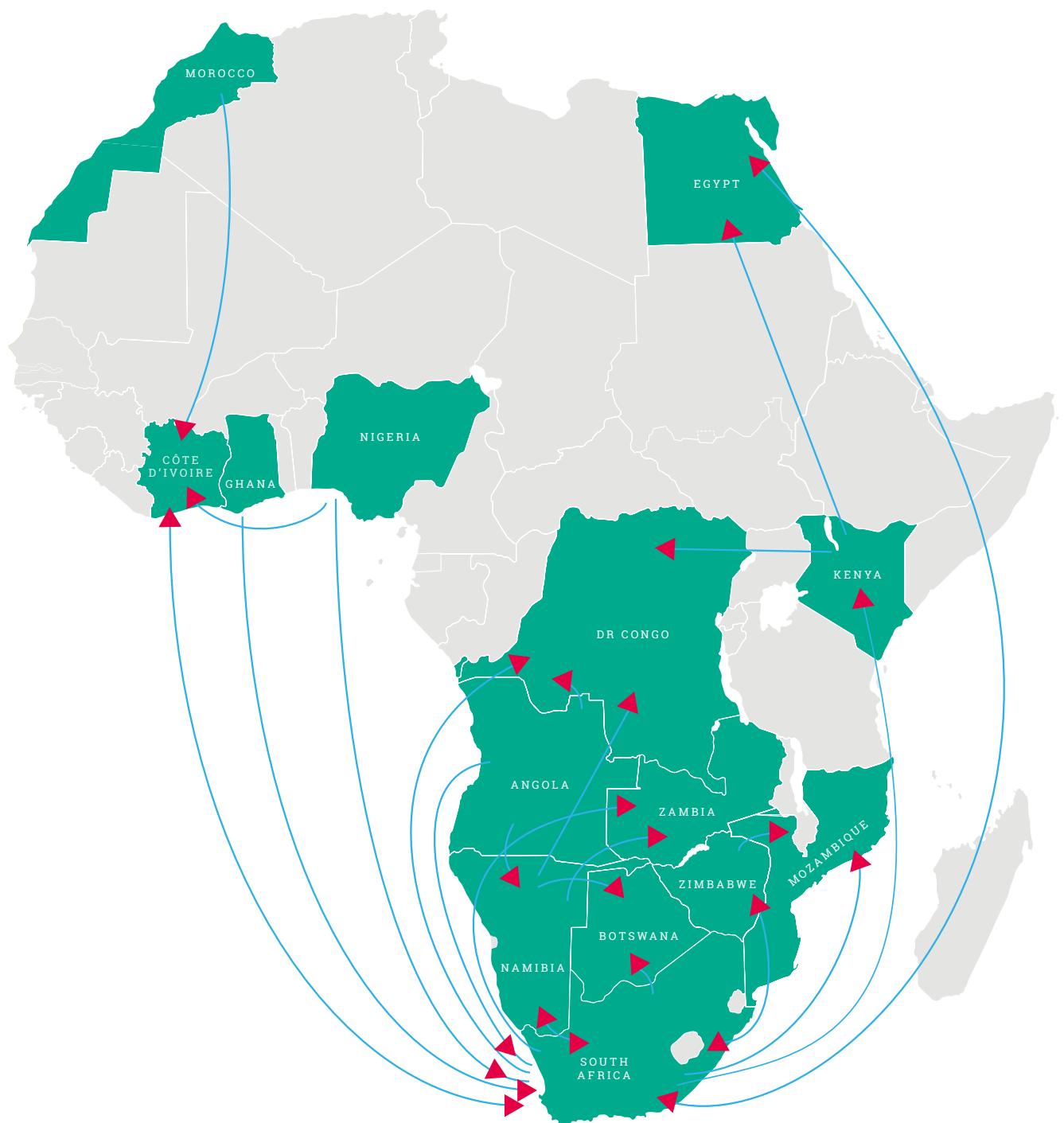
It is interesting to note that Morocco trades more with Côte d'Ivoire than with Egypt, despite the far larger size of Egypt's economy. This is illustrative of the rapidly developing trade ties between Morocco and West Africa. Moroccan exports of fertilizer, electrical equipment and food have grown steadily in recent years, lifting

total exports to West Africa to USD29.3 billion in 2018 compared to USD22.0 billion five years earlier. Top West African recipients of Moroccan exports include Senegal, Côte d'Ivoire, Mauritania, Nigeria and Ghana. Deeper trade ties between Morocco and West Africa have benefitted from a concerted diplomatic push by the Moroccan government and the greater presence of Moroccan banks in the region. With regards to diplomacy, Morocco has a pending application to join ECOWAS, which was approved in principle in 2017, albeit with limited progress since. In terms of banks, Moroccan firms have moved into the vacuum left by the retreat of French banks from the region since 2008. The big three lenders, Attijariwafa Bank, DMCU and Banque Centrale Populaire have acquired banks in Senegal, Côte d'Ivoire and other West African markets. Attijariwafa Bank alone has 499 branches in West Africa. Moroccan banks are thus able to facilitate merchandise exports from Moroccan firms to the West African market.

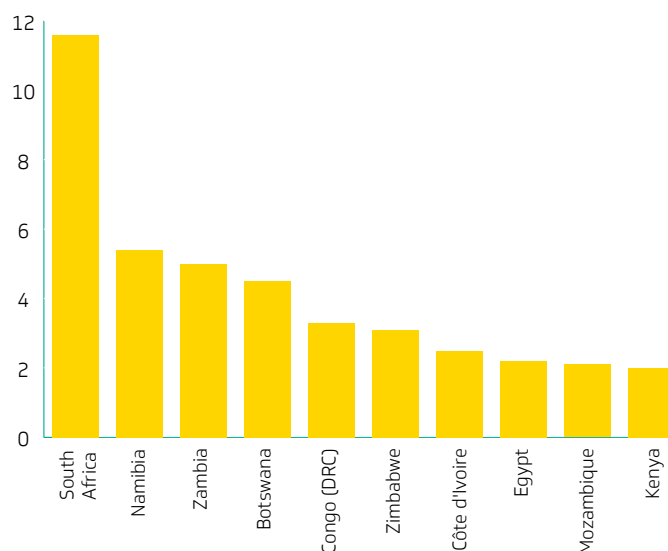
Largest Intra-African Traders - Bilateral Trade (USD million)

Exports from	Imports to									
	South Africa	Namibia	Zambia	Botswana	Congo (DRC)	Zimbabwe	Côte d'Ivoire	Egypt	Mozambique	Kenya
South Africa		3,564	2,428	4,077	1,277	2,340	121	205	3,256	756
Nigeria	3,376	28	0	0	0	0	1,145	72	21	1
Egypt	113	0	13	0	13	18	62		10	290
Côte d'Ivoire	344	1	1	0	6	0		6	4	1
Zimbabwe	2,078	8	67	31	1		0	0	392	22
Ghana	1,742	0	0	0	0	0	56	11	0	0
Namibia	1,132		265	703	153	24	0	3	24	1
Morocco	48	21	0	0	11	0	195	83	53	9
Angola	1,143	355	0	0	105	0	17	1	1	2
Kenya	43	1	52	1	150	11	3	199	12	0

Map of Intra-African Trade Flows



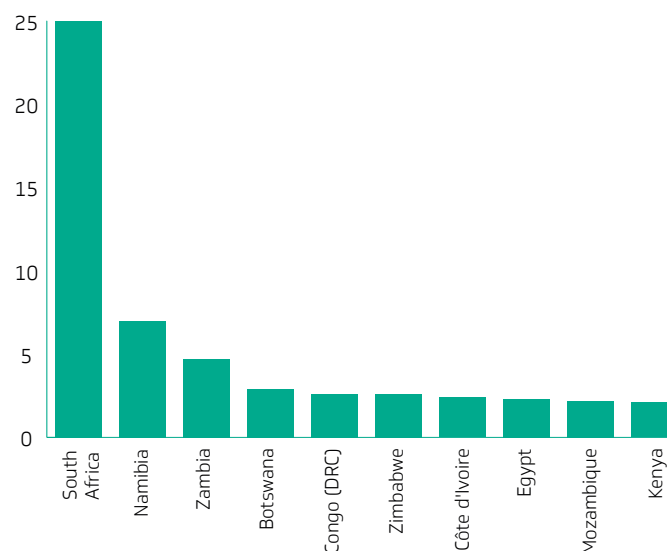
Intra-African Goods Exports by Country USD billion



Source: UN Comtrade

While this list of major intra-African importers and exporters has a wide geographical spread, it belies the localisation of much of Africa's internal trade. As the below table illustrates, the majority of intra-African trade occurs within respective sub-regions. Even South Africa, which has relatively developed trade ties across the continent, sources

Intra-African Goods Imports by Country USD billion



Source: UN Comtrade

over half of its intra-African imports from southern Africa and sends more than three-quarters of its intra-African exports to the same sub-region. Egypt, Morocco, Kenya and Ghana have the most geographically diverse trade within Africa, with only between 25-40% of trade occurring with these countries' immediate sub-regions.

Intra-African Trade Across Sub-Regions (USD billion)

Top 10 Importers	Sub-Region	Intra-Africa Imports (USD billion)	Imports from Sub-Region (USD billion)	% Imports Sourced From Sub-Region	Top 10 Exporters	Sub-Region	Intra-Africa Exports (USD billion)	Exports To Sub-Region (USD billion)	% Exports Sent To Sub-Region
South Africa	Southern Africa	11.6	6.6	56.9	South Africa	Southern Africa	25.0	20.0	3,256
Namibia	Southern Africa	5.4	5.3	98.2	Nigeria	West Africa	7.0	3.2	21
Zambia	Southern Africa	5.0	3.3	66.2	Egypt	North Africa	4.7	2.6	10
Botswana	Southern Africa	4.5	4.5	99.7	Côte d'Ivoire	West Africa	2.9	2.3	4
Congo (DRC)	Central Africa	3.3	0.0	0.9	Zimbabwe	Southern Africa	2.6	2.6	392
Zimbabwe	Southern Africa	3.1	3.1	98.3	Ghana	West Africa	2.6	0.8	0
Côte d'Ivoire	West Africa	2.5	2.0	77.7	Namibia	Southern Africa	2.4	2.2	24
Egypt	North Africa	2.2	0.8	35.6	Morocco	North Africa	2.3	0.6	53
Mozambique	Southern Africa	2.1	2.0	97.1	Angola	Southern Africa	2.2	1.5	1
Kenya	East Africa	2.0	0.7	34.5	Kenya	East Africa	2.1	1.6	73.0

Source: UN Comtrade

Part of this concentration of trade in countries' respective sub-regions is due to the variety of sub-regional trade blocs that exist in Africa. These trade blocs have reduced barriers to trade between members, but have generally retained high tariffs on trade with non-members. The major sub-regional trade blocs in Africa include the Southern African Development Community (SADC), Common Market for Eastern and Southern Africa (COMESA), Economic Community of West African States (ECOWAS), Economic Community of Central African States (ECCAS), Union du Maghreb Arabe (UMA) and East African Community (EAC).

The concentration of intra-African trade from the existing trade blocs suggests that trade agreements do help to facilitate trade between member countries. This is encouraging given that the recently signed AfCFTA, which includes 54 countries, is more ambitious in scope than any of these pre-existing trade blocs. By encompassing all of the above pre-existing trade blocs, AfCFTA aims to break down trading barriers between them, for example by eliminating tariffs on trade in goods between all members. That said, the effectiveness of the AfCFTA in boosting intra-African trade will be impeded by significant implementation challenges, such as protracted negotiations over the acceptable level of residual tariffs on exempted products. Although there are already agreed limits on the value of trade that can be subject to residual tariffs, precise tariff structures still need to be decided on a country-by-country basis. There are also extensive non-

tariff barriers in place between African countries that will need to be reduced before regional trade can achieve its potential. The opportunities and obstacles for the AfCFTA are more comprehensively examined in the next chapter of this report.

Prior to the signing of the AfCFTA in 2019, almost all African countries were already part of a sub-regional trade bloc, with the SADC being the most dominant in terms of volume and proportion, followed by COMESA and ECOWAS.

The dominance of the SADC in terms of volume of intra-African trade is highlighted in the table below. No other region has been able to generate a similar degree of trade integration. This is in part due to the retention of significant non-tariff barriers between member states, despite tariffs generally having been lowered. This illustrates that having already reached agreement on the elimination of tariffs between member states, AfCFTA will next need to focus on reducing non-tariff barriers if it is to achieve its potential in integrating regional trade. It has been proposed that mechanisms will be put in place to assist traders that are burdened by non-tariff barriers. Typical non-tariff barriers include quotas, licences, rules of origin and sanitary, phytosanitary and technical barriers. In this respect, African countries currently have among the highest non-tariff trade costs in the world. Non-tariff barriers are examined in more detail in the next chapter of this report.

Intra-African Trade Across Sub-Regions (USD billion)

Exports from	Imports to					
	SADC	COMESA	EAC	ECCAS	ECOWAS	UMA
SADC	37.1	15.2	2.5	3.3	1.8	0.3
COMESA	9.1	7.6	3.1	1.9	0.7	2.8
EAC	2.0	3.3	2.6	1.2	0.1	0.0
ECCAS	1.5	1.6	0.1	0.9	0.1	0.1
ECOWAS	6.7	0.3	0.1	0.6	8.6	0.3
UMA	0.3	1.0	0.0	0.2	1.6	1.7

Source: UN Comtrade

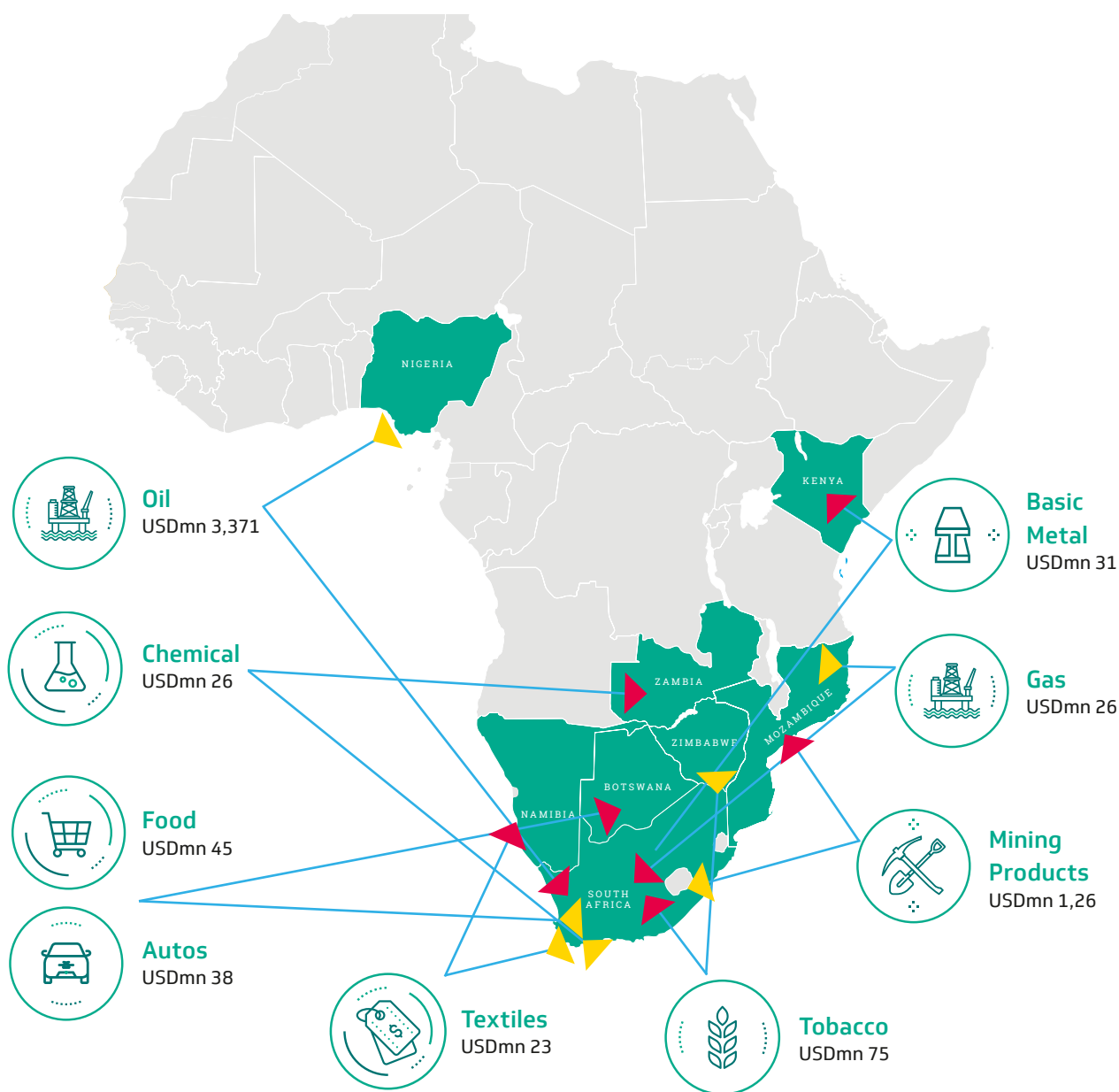
Identifying Key Traded Goods

Intra-African trade flows are dominated by commodities, which accounted for around two-thirds of total intra-African trade in 2018. Some of the best opportunities for deepening trade within Africa will therefore include a better linking up of commodities' supply and demand centres.

Exports of hydrocarbons (oil and gas) dominate this trade, accounting for 37% of total intra-African commodity exports in 2018. Nigeria dominates hydrocarbon exports in the region, with USD6.3 billion of oil and gas exports to Africa, or 39% of total intra-African hydrocarbon flows in 2018. Around half of these exports were destined for South Africa.

Food exports also feature largely, accounting for one-fifth of intra-African commodity trade in 2018. These flows include both staple grains and cash crops such as coffee, cocoa and sugar. South Africa accounted for 28% of food exports within Africa in 2018, with neighbouring countries Namibia, Botswana, Mozambique, Eswatini and Lesotho accounting for the majority of this trade.

Mining products accounted for 12% of total intra-African commodity trade in 2018. South Africa accounted for 41% of these exports, with around one-third of this value made up by coal exports to a variety of countries including Mozambique, Egypt and Djibouti, while another third of South Africa's exports are destined for Mozambique in the form of chromium. Other major mining trade flows within Africa include the movement of diamonds between



the diamond miners of South Africa, Namibia and Botswana for processing before export to global markets, as well as exports of copper from the DRC to Zambia for refining.

Trade in higher value-added products accounts for a minority of intra-African trade and there is significant potential to expand this trade through products such as automobiles, processed food products and chemicals, as elaborated on later in this chapter. Manufactured goods comprise the majority of non-commodities trade, accounting for 43% of total intra-African trade in 2018.

This is mainly constituted of low- and medium-tech manufactured goods including machinery, basic metal products, plastics, chemicals and automobiles.

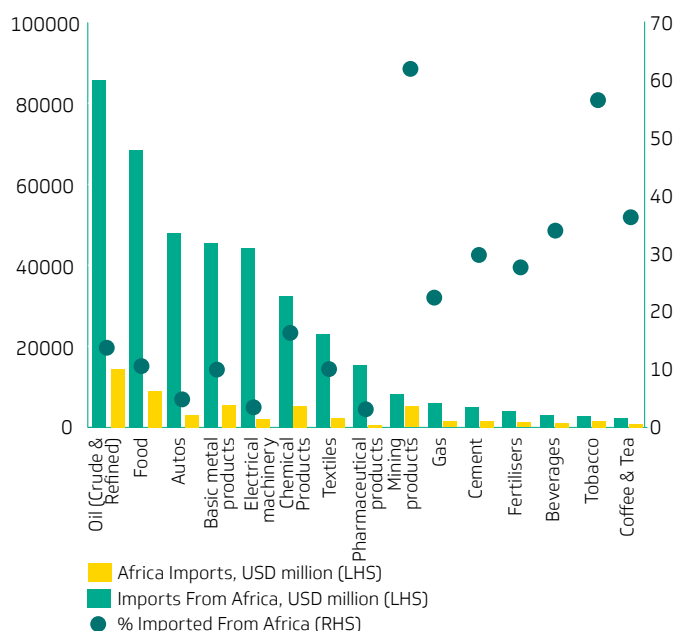
High-tech manufactured items form a small proportion of intra-African trade. For instance, pharmaceutical and aerospace products accounted for just 2% and 0.5% of intra-African manufactured trade respectively in 2018, mainly due to a lack of manufacturing capacity for these products on the continent. Nonetheless, manufactured goods are attractive to governments as a means of expanding higher value-added intra-African trade. This is due to more positive “spillovers” to the wider economy compared to mining, including more labour-intensive production processes boosting local employment and the creation of local supply chain ecosystems due to derived demand for manufacturing components and services. Value-added activities also include the processing of raw materials produced in a country, which is a strategy that has been intermittently applied in mining sectors across the continent including Zambia, DRC and South Africa, with mixed success. While processing, or the beneficiation of mining products, is a challenging path to trade diversification due to high demands on electricity production, food processing is a less power-intensive industry that has been gaining momentum, as in the case of West African cocoa processing discussed below.

Mapping Trade Opportunities

The low proportion of Africa’s import needs currently being met by African suppliers suggests there is significant opportunity to deepen intra-African trade flows. The first step in locating the most attractive opportunities for enhancing regional trade is to establish where the largest gaps are at present. With this in mind, the graph below highlights the extent of trade between African countries on a product-by-product basis. Of the major product categories listed, only mining products and tobacco are sourced mainly from within Africa rather than elsewhere in the world. Moreover, African countries provide more than one-quarter of total African imports for just six of the 15 listed products (mining, cement, fertilizer, beverages, tobacco, coffee and tea). This gap is most striking for the largest product categories by value, which appear on the left-hand side of the graph.

Africa sources 80-95% of its imports of key manufactured products such as autos, metal products and electrical machinery from outside the continent, particularly from China, the EU and India.

Intra-African Trade In Goods (USD million)



Source: UN Comtrade

Having highlighted significant gaps in intra-African trade, we then established which of these products African companies could better supply in the coming years. Some products, such as pharmaceuticals and high-tech electronics, have limited potential to be met by African producers over the next three-to-five years due to the current small size of the continent’s high-tech manufacturing base and the time it would take to build up significant production capacity. In contrast, other products inadequately supplied by African companies in the above chart already have promising production pipelines, namely food, autos and auto parts, oil & gas, fertilizer and cement. These five product categories became the focal point of the next step in our analysis, which was to highlight potential bilateral trade opportunities.

Focusing on the five products in our shortlist (food, autos and auto parts, oil & gas, fertilizer and cement), we considered which products will see particularly strong demand growth in the coming years and linked this up to potential future supply hubs. For instance, robust construction pipelines in Angola, Ethiopia and Tanzania will make them significant cement import centres in the coming years, to the potential benefit of suppliers in Kenya, Morocco and Nigeria. Meanwhile, rising food exports from Ghana (processed cocoa), Tanzania (corn) and Morocco (various) creates potential for suppliers in these countries to link up with growing import demand in Nigeria, Ethiopia and Egypt. The full mapping exercise is summarised in the following table.

Mapping Future Opportunities For Intra-African Goods Trade

Product	Africa Imports, USD million (2018)	% of Imports Sourced From Africa	Current Africa-Africa Exporters	Estimated Import Growth, Ave. Annual % (2020- 2024)*	Import Growth Centres	Export Growth Centres
Food	68,412	13.2	South Africa (USD2,560million), Namibia (USD649million), Senegal (USD326million)	10.2	Nigeria, Egypt, Ethiopia	Ghana, Morocco, Tanzania
Autos	47,943	6.4	South Africa (USD2,380million), Namibia (USD110million), Senegal (USD24.9million)	2.8	Egypt, Ethiopia, Tanzania	Kenya, Morocco, South Africa
Oil & Gas	16,058	17.1	Nigeria (USD6,316million), South Africa (USD1,997million), Angola (USD1,152million)	3.2	Egypt (oil), Kenya (oil), South Africa (gas)	Egypt (gas), Mozambique (gas), Uganda (oil)
Fertilisers	4,104	29.2	South Africa (USD304million), Senegal (USD19.4million), Mozambique (USD7.9million)	2.9	Ethiopia (nitrogen), Morocco (nitrogen, potash), Tanzania (nitrogen)	Eritrea (potash), Morocco (phosphate), Nigeria (nitrogen)
Cement	1,546	31.2	Senegal (USD million), Togo (USD million), South Africa (USD million)	3.6	Angola, Ethiopia, Tanzania	Kenya, Morocco, Nigeria

Note: * The following growth metrics were used as proxies for demand forecasts: Oil & Gas = hydrocarbon consumption; Food = Food expenditure; Autos = Autos sales (includes finished road vehicles (passenger and commercial), parts and accessories; Cement = Cement consumptions; Fertilizers = Agribusiness industry value). Source: Fitch Solutions

The following sections expand on the above table to summarise the potential opportunities for deepening intra-African trade in these five product categories.

Food

Context: Given that food products are typically perishable, African countries have a potential geographic advantage in supplying regional markets that have yet to be fully exploited. Rising incomes and the world's fastest rates of population growth and urbanisation will underpin a significant expansion in African food import requirements over the coming decade. There is currently little intra-African trade in food products, despite the region being a significant global exporter of primary food commodities. Africa imported USD9.1 billion of food in 2018 and alarmingly only 13% of this was sourced from other African countries.

Demand Hotspots: The biggest demand hotspots over the coming years will include a combination of factors including population expansion, urbanisation and rising incomes. Stand-out markets include:

- **Nigeria** will add 23.0 million residents to urban centres by 2024, underpinning a steady rise in import requirements for staple grains and processed food and beverages.
- **Egypt's** rice import needs will surge as domestic production of the grain is undermined by water shortages.
- **Ethiopia** will undergo both rapid urbanisation and income gains, driving up demand for imported processed food and beverages.

Potential Suppliers: In terms of processed food and beverages, food and drink multinationals will help drive new supply routes

for intra-African trade. Firms such as Unilever, Nestlé, PepsiCo and Coca Cola are likely to expand distribution and production hubs in countries such as Ghana, Nigeria, Egypt, Kenya, Ethiopia, Mozambique and South Africa in order to supply large local markets and sub-regional blocs. In terms of upstream food production, the following markets stand out:

- **Morocco:** The country's farming export sector is set to grow strongly in the coming years, underpinned by the government's 'Green Morocco' plan. A variety of export sectors have strong potential, including poultry, wheat and aquaculture. The government is targeting North, East and West Africa.
- **Ghana, Côte d'Ivoire, Cameroon:** Major West African producers are investing heavily in cocoa processing (grinding) facilities in order to extract more value from the cocoa supply chain. In contrast to raw cocoa beans, processed cocoa could be increasingly exported regionally as an input for food and beverage production in Africa. Potential export markets include major food and drink processors such as Nigeria, South Africa and Egypt. This would help West African cocoa producers diversify away from reliance on stagnant demand in Europe and the US on the one hand, and demand growth in Asia on the other hand.
- **Tanzania:** Following the bumper harvest of the last couple of seasons, the government lifted a corn export ban and is targeting Kenya, South Sudan, Malawi and DRC to sell off the surplus.



Autos

Context: Autos is the most important category of manufactured products traded between African countries, including both autos parts and finished road vehicles. Trade in autos within Africa reached USD3.1 billion in 2018, accounting for 4% of total intra-African trade. However, only 6% of Africa's autos imports were sourced from African countries in 2018, which was one of the lowest proportions among the major intra-African import categories. There is potential to significantly increase intra-African autos trade by better linking local demand with regional suppliers, as well as by taking advantage of the rise in regional autos demand that will accompany growth in population and average incomes.

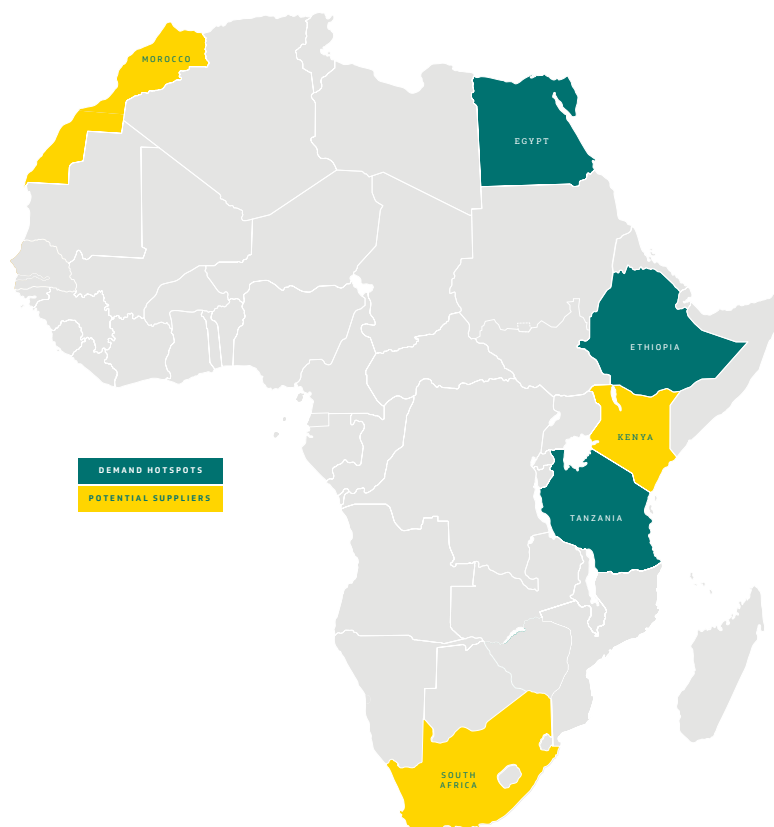
Demand Hotspots: The Africa region will experience strong demand across the board for both passenger vehicles and commercial vehicles, underpinned by economic growth, rising incomes and a strong construction project pipeline. Stand-out markets include:

- **Egypt:** A growing autos manufacturing industry in Egypt will support imports of vehicle components. Egypt imported USD1.5 billion of autos parts in 2018, although only USD2.4 million of this was from African countries, mainly South Africa, Tunisia and Morocco. The proximity of Morocco's burgeoning autos export hub creates potential for an increased parts imports from Morocco in particular. In contrast, African exporters of finished cars are currently impeded from exploiting this market by elevated import tariffs on finished cars. Moreover, in 2019, Egypt removed tariffs on imports of finished cars from the EU, giving EU suppliers a competitive advantage. The future progress of the AfCFTA could eventually improve African firms' access to Egypt's finished car market.
- **Ethiopia:** Rapidly rising incomes in Ethiopia will underpin strong autos imports. Although Ethiopia is emerging as a significant manufacturing export hub in its own right, to date there has been little investment by car producers. Domestic autos production will lag behind demand, underpinning a rapid rise in imports. Legislation being implemented to restrict imports of used passenger and commercial vehicles will boost imports of new cars. Such restrictions are being implemented in order to improve the quality of the country's vehicle fleet and in so doing, reduce both air pollution and traffic accidents. Kenya is a potential supplier of car imports given the country's growing autos export capacity and geographical proximity to Ethiopia.
- **Tanzania:** High levels of economic growth should lift incomes and thus improve the affordability of vehicles for consumers in Tanzania. Furthermore, the country's low passenger vehicle ownership rate will ensure that rising imports will be sustained over a longer-term period. An ambitious bus rapid transit programme aimed at easing traffic congestion is being implemented in Dar es Salaam and this will boost import demand for large-capacity passenger vehicles. Again, Kenya is well placed to service this demand.

Potential Suppliers: The African region has some good fundamentals, such as low labour cost and supportive

automotive policies, which present the possibility of the region becoming a strong automotive manufacturing region.

- **Kenya:** Kenya will continue to grow as a leading autos production hub in East Africa, driven by an expansion in domestic demand, investments by major original equipment manufacturers (OEMs) and improving export opportunities across the EAC bloc. The wide variety of automakers that have committed investment into the country, including Honda, GM and Tata, highlight how the country's auto manufacturing industry is diversifying to include more passenger vehicle production in what has traditionally been a hub for commercial vehicles.
- **Morocco:** Autos production has been the dominant driver of Morocco's value-added manufacturing export sector over the past decade, with shipments growing at an average annual rate of 39% over 2009-2018. Autos exports increased from USD224 million in 2009 to USD3.9 billion in 2018. While the overwhelming majority of Morocco's autos exports will continue to be directed towards Europe, there is potential to link up with African demand hubs for finished vehicles such as Ethiopia and Tanzania mentioned above, as well as markets for car parts in autos producing markets such as Egypt. This would align with the government's desire to increasingly develop trade ties with Sub-Saharan Africa.
- **South Africa:** While the pace of autos production growth in the country will be modest, the sheer size of South Africa's production base relative to the rest of Africa means that the country will be an important supplier of intra-African autos trade. It accounted for two-thirds of intra-African autos exports in 2018, with its top customers being Namibia, Botswana, Zambia, Zimbabwe and Mozambique.



Hydrocarbons

Context: Africa will be a major demand centre for hydrocarbon imports in the coming decade. Indeed, oil (crude & refined) accounts for the largest category of imports into Africa. That said, while the resource potential for both oil and gas is significant in the region, intra-African trade accounts for less than 17% of total oil imports and around 24% of total gas imports.

Demand Hotspots: The most favourable demand hotspots will experience rapid economic and population growth, particularly in expanding cities. Stand-out markets include:

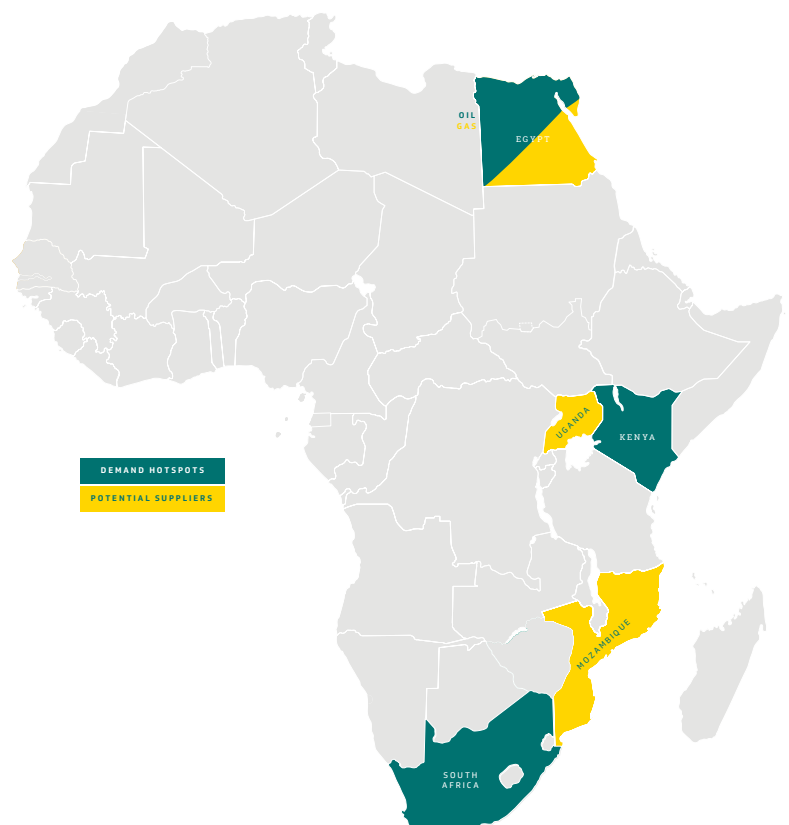
- **South Africa:** The government's Integrated Resources Plan (a roadmap for the diversification of South Africa's energy industry through to 2030) targets a significant increase in the role of gas in the country's domestic electricity mix. Specifically, the plan targets 3,000MW of gas-fired power generation by 2030, which will act as a major driver underpinning gas feedstock import demand due to limited domestic gas production. Increased construction of gas-fired power plants is intended to reduce the economy's current reliance on coal-fired generation, which is a more carbon-intensive feedstock than natural gas.
- **Egypt:** In contrast to a growing natural gas surplus, Egypt will see strong growth in crude oil imports. This will be due to falling domestic crude oil production and rising demand for oil feedstock from the country's oil refineries. Oil refinery processing capacity is set to grow strongly as refiners aim to meet the requirements of a rapidly expanding population and vehicle fleet.
- **Kenya:** Kenya will see strong economic growth and a population increase of nearly one quarter by 2030. An associated sharp rise in the country's vehicle fleet will result in growing domestic consumption of refined oil fuels. Given that Kenya's ambitions to become an oil producer have faced significant delays, rising fuels demand will result in strong fuel imports over the coming years.

Potential Suppliers: Investment into upstream exploration and production is rising in line with government efforts to monetise hydrocarbon resources. This will pave the way for new suppliers to emerge besides the regional heavyweights of Nigeria, South Africa and Angola. In terms of hydrocarbon production, the following markets stand out:

- **Mozambique:** Already an important supplier for the South African market, Mozambique will begin to develop its vast offshore resources. Investments have been

made to construct the export infrastructure necessary to make Mozambique a major global LNG exporter. While Asian markets will be the main destination for Mozambique gas exports, there is potential to tap into rising import demand within Africa including South Africa, Ghana and Côte d'Ivoire.

- **Egypt:** Gas production will continue to go from strength to strength with growth driven by the Zohr field, which is believed to be the largest-ever gas discovery in Egypt and the Mediterranean. Italian oil and gas firm Eni's discovery and successful five-well appraisal programme of the Zohr field roughly 190 km north of the city of Port Said adds considerable upside to the long-term potential gas output. Egypt's natural gas trade balance experienced an inflection point in 2019 as the country became a net exporter again. As with Mozambique, there is potential for Egypt to tap into rising import demand in South Africa, Ghana and Côte d'Ivoire.
- **Uganda:** With reserves of 2.5 billion barrels of crude, Uganda has Sub-Saharan Africa's fourth largest crude reserves and is looking to capitalise on this to become a key regional exporter. Investment into the sector will remain robust, supported by past discoveries, an attractive investment climate and strong government commitment to the development of the nascent oil sector. Kenya is a potential African destination for this oil given the country's strong fuel demand prospects. South Africa's large refinery sector could also import more Ugandan crude oil.



Fertiliser

Context: Fertiliser demand in Africa is growing as governments in the region seek to modernise farming methods, especially in the major agribusiness markets of Ethiopia, Morocco and Tanzania. This will create opportunities for miners of fertiliser products such as phosphates and potash, as well as industrial producers of nitrogen fertilisers, to develop intra-African export routes.

Demand Hotspots: The intensity of fertiliser application in Africa's farming industry is low by international standards, with negative implications for regional crop yields. Government, private and multilateral investment into boosting crop output will include raising fertiliser use. Generally speaking, grains producers are more significant fertiliser users than cash-crop producers. This is in part due to the far larger planted area dedicated to production of grains such as corn, wheat and rice compared to cash crops such as cocoa, coffee, tea and sugar. With these factors in mind, strong demand growth will be seen in:

- **Ethiopia:** The country is one of the largest producers of wheat and corn in Africa and investment into the farming sector is set to grow strongly. As part of a wider programme of economic liberalisation, the government is privatising various state assets in the agricultural sector. Increased private participation in the country's farming sector will modernise farming practices and in so doing raise the rate of fertiliser application. For instance, the government is planning to privatize Ethiopian Sugar Corporation's assets and firms from China, South Africa, Qatar, and Kenya, as well as local private players such as Ethio Sugar, are considering acquiring these assets and modernising the sector.
- **Morocco:** Although Morocco is the largest fertiliser exporter in Africa and will continue to run a major fertiliser trade surplus, it will also be a key source of fertiliser import demand. Morocco produces abundant phosphate fertiliser, but has a shortfall in nitrogen and potassium-based fertilisers, which it currently needs to import from countries including Russia, Belarus and Spain. Morocco imported USD310 million of fertiliser in 2018, the third-largest total of any African country, made up almost entirely by nitrogen and potassium-based fertilisers. Fertiliser demand will grow strongly as the government continues to channel public and private investment into the country's farming sector in line with the 'Green Morocco' plan. As highlighted below, more fertiliser could be sourced from Eritrea (potassium-based) and Nigeria (nitrogen-based).
- **Tanzania:** The country imported USD193 million of fertiliser in 2018, making it the sixth-largest importer of fertiliser in Africa that year. Strong gains in corn production in the country should boost fertiliser import demand. As the country has limited domestic fertiliser production, this could be sourced regionally, for instance from fertiliser export growth centres such as Morocco, Nigeria and Eritrea. Morocco already exported USD30.4 million of phosphate fertilizer to Tanzania in 2018.

Potential Suppliers: Potential suppliers include countries with at least one of two characteristics. First, there are those with significant mine reserves of fertiliser inputs such as phosphate rock and potash. Extraction and

export of this raw material is relatively low-tech and dependent on local geology. Second, some countries have the capacity to produce industrially-processed nitrogen fertilisers such as ammonia and urea.

- **Morocco:** State-owned OCP, which is a phosphate rock miner, phosphoric acid manufacturer and phosphate fertilizer producer, will increasingly direct phosphate exports to West and East Africa over the coming years, in line with the country's strategic pivot towards Sub-Saharan Africa. This will require transport of significant quantities of phosphate rock mined in Morocco to processing facilities across the continent. OCP is also increasing industrial investments in the region in order to secure more direct access to consumers. The company has 12 subsidiaries in Africa and has investments planned in Ethiopia, Nigeria, Ghana, Côte d'Ivoire and Senegal. Most significantly, in 2016 OCP penned an agreement with the Ethiopian government to build a USD3.7 billion phosphate fertiliser complex in the country, scheduled for 2023–24.
- **Nigeria:** Major nitrogen-based fertiliser production projects will add around 3.0 million tonnes of production by 2022. Combined with the country's roughly 2.0 million tonnes of existing production, this would be enough for Nigeria to begin exporting nitrogen fertiliser. Potential African destinations for Nigerian nitrogen fertiliser exports will include Morocco, Ethiopia and Tanzania given that these three countries already import significant quantities of nitrogen-based fertiliser and will see strong fertiliser import demand growth in the coming years.
- **Eritrea:** Australian potash miner Danakali has plans for the construction of the world-class Colluli potash project in Eritrea in 2020. Danakali expects to initially export 472,000 tonnes per annum, with this figure expected to double by around 2027. In addition to global markets, potash exports could find a ready market in nearby Ethiopia and Tanzania.



Cement

Context: The ongoing demand-supply imbalance for cement in Africa paves the way for significant expansion in intra-regional trade. Surging demand for cement is underpinned by the strengthening project pipeline of residential and non-residential buildings, ports and hydropower projects. The import burden for cement from outside the region is high: around 70% of imports are sourced from outside Africa.

Demand Hotspots: The most favourable demand hotspots over the coming years will experience rapid urbanisation. Those markets with ambitious hydropower expansion plans and port-building programmes will also drive cement demand. Stand-out markets include:

- **Angola:** Besides a sizeable project pipeline of hydropower and port facilities, Angola has a high urbanisation rate, of an estimated 66% in 2019. This ensures cement demand from the residential and non-residential buildings sectors remains elevated. Portugal, China and the UK are typically the main suppliers of cement to Angola.
- **Ethiopia:** The government has established an ambitious hydropower expansion plan, as part of its Growth and Transformation Plan (GTP). Under the GTP II, the government plans to mobilise USD20 billion of investment in order to build 10-12 new power generation facilities, fuelling robust demand for cement.
- **Tanzania:** As part of the country's Vision 2025, the government is seeking to increase its port capacity, as it looks to emerge as a logistics hub for the region. Construction is underway at Dar es Salaam Port and the vast Bagamoyo Port project is also in the pipeline. Further to this, Dar es Salaam is one of Africa's largest and fastest growing cities.

Potential Suppliers: There is significant scope for further investment in production facilities in most markets across the continent, to increase production capacity and thereby boost export potential. The following markets stand out in this regard:

- **Nigeria:** It will continue to lead the way in increasing cement production across Africa - both with a view to export to neighbouring markets and by building new capacity across the region. Target markets will likely include the demand centres we have highlighted in Angola, Ethiopia and Tanzania.
- **Morocco:** The government remains focused on expanding its industrial sector as a way to boost exports and drive economic growth in the country. As part of this, the country is ramping up its building material manufacturing capacity, with cement forming a key component of this. In line with the government's desire to develop trade with Sub-Saharan Africa and existing strong trade ties with ECOWAS, Morocco will likely target high-growth construction markets in West Africa. Morocco exported USD47.7 million of cement to West Africa in 2018 including to Ghana, Côte d'Ivoire, Guinea and Mauritania.
- **Kenya:** The country's mature and well-established cement industry is home to a number of cement manufacturers. While demand for cement has been notably high domestically, owing to a handful of large infrastructure projects, these are now beginning to wind down leaving additional capacity to serve the African export market. Neighbouring Ethiopia and Tanzania will be potential destinations for rising Kenyan cement exports.



Intra-African Trade in Services

Services account for a far smaller proportion of intra-African trade than goods. While comprehensive intra-African trade data is unavailable for services, a sense of the relative scale of goods and services exports is apparent from looking at Africa's exports to the world. Africa's services trade with the world, including other African countries, totalled USD267 billion in 2018, or just 20% of total trade in goods and services. We note these are rough figures that will both omit informal trade in services across borders and be influenced by differing statistical categorisation of services in different countries. Ultimately, data for trade in services is less reliable than that for goods.

Africa – Total Trade in Goods And Services



Source: UN Comtrade

The services trade is dominated by trade in travel, transport, ICT, business and financial services. With this in mind, there will be several drivers of increased intra-African services trade over the coming years:

- **Rising intra-African trade in goods:** Increased intra-African trade in goods will create opportunities for associated trade in services. Transport, logistics, trade finance and insurance are among the services that are typically required in order to facilitate cross-border movement of goods.
- **Increased ICT Interconnectivity:** Greater penetration of broadband, wireless connectivity and smart devices will increase the geographical reach of services and facilitate their trade across national boundaries. For instance, Mobile financial services (MFS) interoperability is a potential growth area that could accelerate financial inclusion as well as enhance cross-border trade for a wide range of goods.

- **Rising Household Incomes:** Rising household disposable incomes will increase consumer spending on non-essential items. While essential spending is dominated by goods (food, clothing, shelter, heating), non-essential spending typically has a higher services component. One manifestation of this will be increased tourism flows between African countries.
- **Increasing Scale Of African Businesses:** As expanding domestic economies enable more small and medium-sized African firms to gain scale, there will be increased demand for cross-border corporate services including legal, finance and ICT services.

Regulation Harmonisation to Add Impetus

A greater focus on lowering barriers to cross-border trade in services will be required in order for expansion in intra-African services trade to reach its full potential. AfCFTA is a positive step forward in this regard, as unlike previous regional trade deals, this agreement pursued concurrent negotiations on both goods and services. According to the AfCFTA roadmap, each member country will submit proposals for reform of their own services regulatory regimes in 2020 and AfCFTA-wide commitments will be finalized and adopted by January 2022. However, the Covid-19 pandemic will likely result in this timetable being pushed back. The Secretary General of the African Continental Free Trade Area Secretariat stated in May 2020 that free trading between countries that have ratified the agreement will not begin on July 1st 2020, as was originally scheduled.

Focusing on Key Sector Growth Areas

Section three of this report, "Rise of the African Corporate" examines trends and opportunities for intra-African trade in goods and services via the activity and strategy of major African corporations. From a national perspective and for the purposes of this chapter, there are two main points regarding opportunities for increased intra-African services trade:

- South Africa will be the leader in ramping up services exports to the rest of Africa. South African firms in finance (e.g. Firststrand, Standard Bank), telecoms (e.g. MTN, Vodacom) and logistics (e.g. Transnet, Grindrod) already facilitate significant services exports into Africa and will be in a strong position to capitalise on future opportunities.
- Construction and logistics services from a range of countries will be boosted by the development of numerous major port, road rail and airport infrastructure across the continent in the coming years. Africa's transport infrastructure project pipeline is currently valued at USD525 billion, with the largest growth hotspots in Nigeria, Egypt and Kenya. The construction of these projects will require significant input from foreign engineering, construction and procurement firms, while the operation of port, air and rail assets will in many cases be undertaken by foreign companies.

Africa - Largest Transport Project Pipelines

Country	USD million	Country	USD million	Country	USD million
Nigeria	89,897	Uganda	16,712	Senegal	5,358
Egypt	50,571	Ghana	15,079	Côte d'Ivoire	5,148
Kenya	48,718	Cameroon	12,030	Liberia	4,833
Mozambique	37,519	Guinea	11,067	Mali	4,015
Tanzania	36,908	Namibia	9,858	Benin	3,997
Algeria	35,629	Zambia	8,997	Rwanda	3,207
Angola	22,009	Tunisia	8,710	Reunion	3,127
Ethiopia	19,352	Libya	6,222	Eswatini	2,912
Morocco	18,380	Zimbabwe	6,009	Djibouti	2,752
South Africa	17,218	Malawi	5,947	Congo (DRC)	2,030

Trade Policy to Usher in New Era for Intra-African Business

With a long-term perspective, there has never been a better time to push for greater intra-African trade. A historic step forward in cooperation between African governments has created a launching pad for more rapid regional trade integration. AfCFTA was launched in July 2019. This landmark agreement seeks to create a single market with the greatest number of member countries in the world. While full liberalisation of trade between members remains some years off, businesses will immediately begin to benefit from lower barriers to trade.

Given that improving the visibility of opportunities for intra-African trade is the main backdrop to this report, here we focus on how AfCFTA will create new opportunities for regional trade. We also stress the importance of inter-governmental cooperation in boosting the other key facilitator of regional trade, namely infrastructure development.

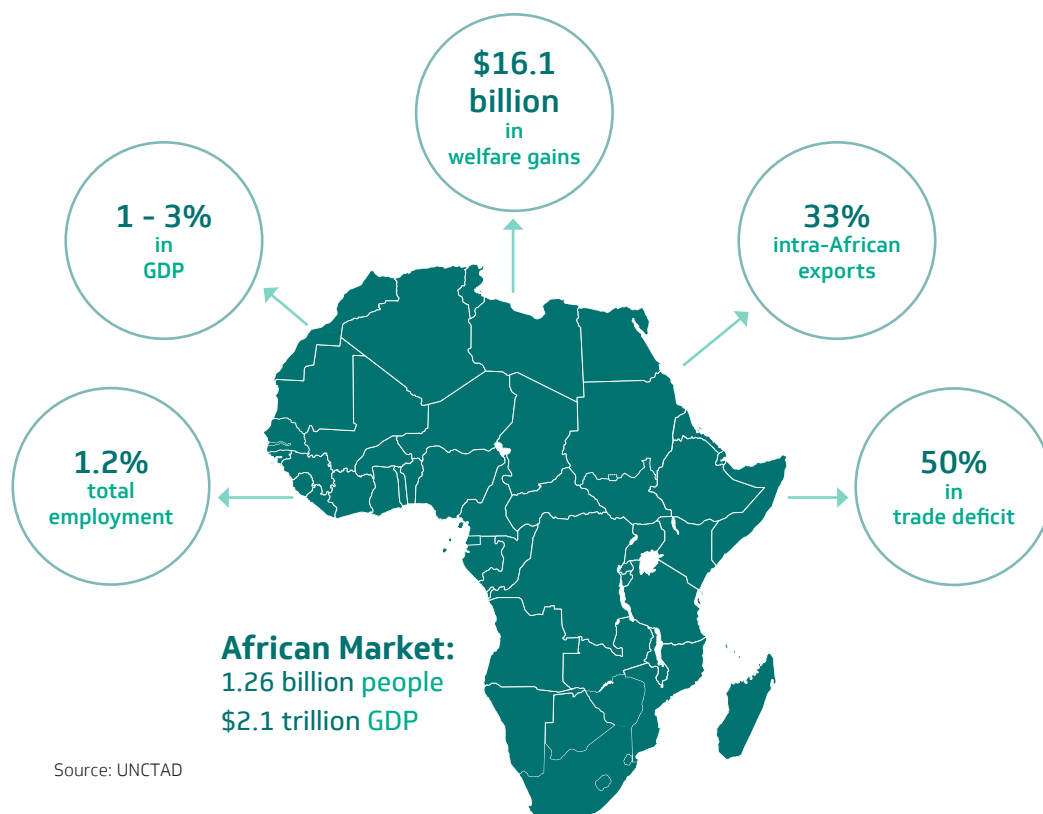
AfCFTA acts as spark for increased regional trade

Regional trade agreements in Africa entered a new era in July 2019 with the formal launch of the AfCFTA agreement. The ambitious project of the African Union (AU) has united 55 countries in a free trade agreement (FTA), the largest number of members for any

regional FTA in the world. AfCFTA will span a market of more than 1.3 billion people with a combined nominal GDP of USD2.5 trillion. Out of the continent's 55 states, 54 have signed the agreement, with Eritrea as the only non-signatory as of early 2020. The AU continues to work with Eritrea in the aim of including it in AfCFTA.

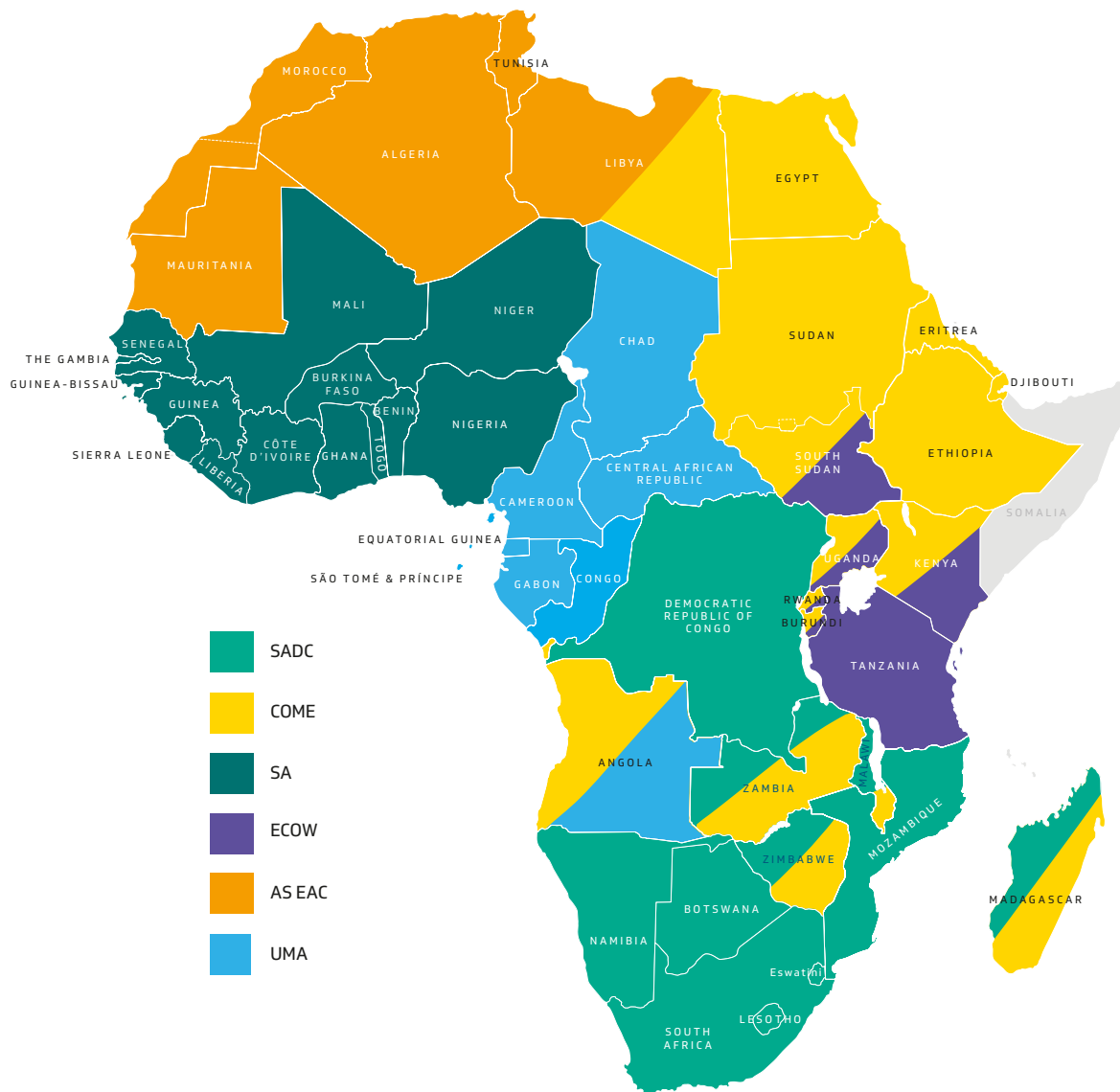
The agreement aims to eliminate tariffs on intra-African trade, reduce unemployment, accelerate infrastructure development and eventually create a more competitive and sustainable environment for cross-border trade. According to UNCTAD, AfCFTA could increase the intra-African share of total African trade to 21.9% by 2022, up from less than 15.0% in 2018.

Aside from just leading to an increase in the volume of intra-African trade, regional signatories also hope that AfCFTA will encourage a shift away from reliance on primary sector exports towards a more sustainable and diversified trade in Africa. Greater trade integration should encourage the development of a wider range of domestic industries through two main channels. First, easy access to a large regional market will make it simpler for domestic firms to exploit economies of scale and scope. This will be particularly useful for labour-intensive industries in manufacturing and agriculture. Second, larger volumes of intra-African trade will require greater local provision of trade-related services, supporting the development of African financial, legal and logistics industries.



Putting AfCFTA in Context

Prior to the signing of AfCFTA, almost all African countries were already part of one sub-regional trade bloc (excluding Somalia), with the SADC being the most dominant in terms of volume and proportion, followed by COMESA and ECOWAS. The architects of the AfCFTA seek to preserve existing regional economic communities as building blocs for AfCFTA.



Note: Multiple memberships denoted in corresponding colour mixes; Somalia is not party to any regional free trade areas.
Source: Fitch Solutions

Learning Lessons from Trade Blocs

Given that existing regional trade blocs have failed to lift intra-regional trade to anywhere near its potential, it is important to learn lessons that can be applied to the implementation of AfCFTA. There is some evidence that the AU has taken these into account, which should help AfCFTA avoid some of the shortcomings of other African trade blocs.

Firstly, the fine print matters. Although AfCFTA came into force in July 2019, the full details have yet to be finalised. The 2019 Framework Agreement aims to achieve the following:

- 90% of trade in goods will be **liberalised** over the course of five to eight years
- 7% of goods will be classed as **sensitive** and liberalised over 10-13 years
- 3% of goods will be **exempt from free trade** entirely.

The allocation of goods to these different categories has yet to be negotiated and regional countries and their respective customs unions are currently preparing offers for their continental counterparts to consider. The 'sensitive items' lists may differ according to each bilateral relationship. For many countries, sensitive goods lists could reduce the potential benefits of proposed trade liberalisation if they use this facility to block access to key sectors. Given the narrow range of industries in many African countries, a few exemptions could easily end up covering a high proportion of a country's exports, thereby restricting potential new regional trade. An anti-concentration clause is intended to ensure no more than 10% of the value of recent imports from AfCFTA countries is designated as exempt.

Despite regulations to limit exempted products being put in place, negotiations regarding acceptable tariff levels will in many cases be protracted, risking delays to the implementation of AfCFTA. First, there will be an incompatibility between some national governments' domestic economic objectives, such as the protection of nascent domestic manufacturing industries on the one hand, and the objective of AfCFTA to eliminate tariffs on key imports on the other. Second, the products that make up 10% of the value of recent trade will evolve over time, requiring regular renegotiations in order to rebalance tariff levels. Finally, delayed tariff reductions in some countries could create resentment among other members of the trade bloc due to perceived free-riding, whereby some benefit from increased access to regional markets without reciprocating with lower import tariffs of their own.

Such resentment could reduce AfCFTA members' collective willingness to progress with further implementation of the trade bloc's goals.

Secondly, tariff removal is only the first step. Having already reached agreement on the elimination of tariffs between member states, AfCFTA will increasingly focus on reducing non-tariff barriers. It has been proposed that mechanisms will be put in place to assist traders that are burdened by non-tariff barriers. Typical non-tariff barriers include quotas, licences, rules of origin and sanitary, phytosanitary and technical barriers. In this respect, African countries currently have among the highest non-tariff trade costs in the world.

Most Prevalent Non-Tariff Barriers in Africa

Non-Tariff Barrier	Average % of a country's non-tariff barriers
Sanitary and phytosanitary measures	48.7
Trade-related investment measures	24.0
Technical barriers to trade	17.7
Pre-shipment inspection and other formalities	16.7
Export related measures	10.6
Charges, taxes and other para-tariff measures	4.8
Price control measures	2.1
Licences, quotas, prohibitions and other quantity control measures	0.6
Anti-competitive measures	0.3
Distribution restrictions	0.1

Source: World Integrated Trade Solution

*Averages are for the following countries for which data is available: Algeria, Benin, Burkina Faso, Cameroon, Côte d'Ivoire, Ethiopia, Gambia, Liberia, Mauritania, Morocco, Niger, Nigeria, Senegal, Tunisia

Infrastructure cooperation will facilitate AfCFTA goals

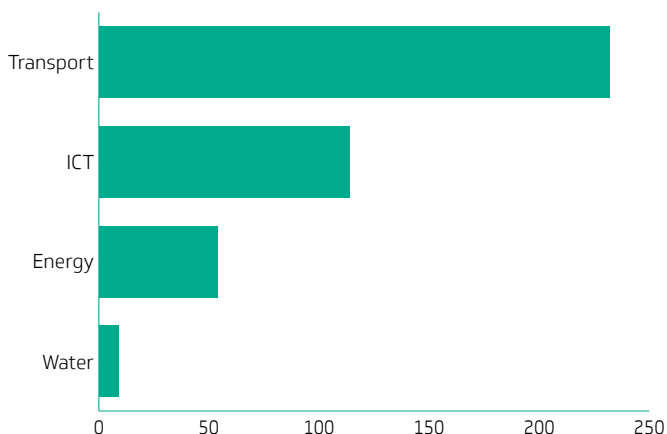
Lower tariffs between AfCFTA members will initially most benefit countries with pre-existing intra-African trade relationships, streamlined trade procedures and good access to ports, railways and airports. Regional bright spots in this respect include Mauritius, Egypt, Morocco, South Africa, Kenya, Namibia, Botswana, Côte d'Ivoire and Algeria.

Future opportunities will emerge as a result of significant infrastructure investment across the region. For instance, ongoing infrastructure capacity enhancements in East Africa will strengthen links to those less-integrated countries such as Ethiopia, Rwanda and Tanzania. In fact, the trade agreement could help stimulate more infrastructure development across the continent, particularly as warehouses and dry ports will increase along inland routes.

Intra-regional cooperation will play an important role in helping to develop the infrastructure required to fully realise the potential of AfCFTA. With this in mind, the AU formulated the Programme for Infrastructure Development in Africa (PIDA) in 2012. This ongoing continental initiative will help address the continent's infrastructure deficit.

From a policy perspective, PIDA aims to establish a common framework for African stakeholders to build the infrastructure necessary for more integrated transport, energy, ICT and transboundary water networks to boost trade. PIDA also defines priority infrastructure projects to be implemented across the continent through Priority Action Plans (PAP). The first PIDA Priority Action Plan consisted of 51 cross-border infrastructure programmes and more than 400 individual projects.

PIDA: Number of Projects by Sector

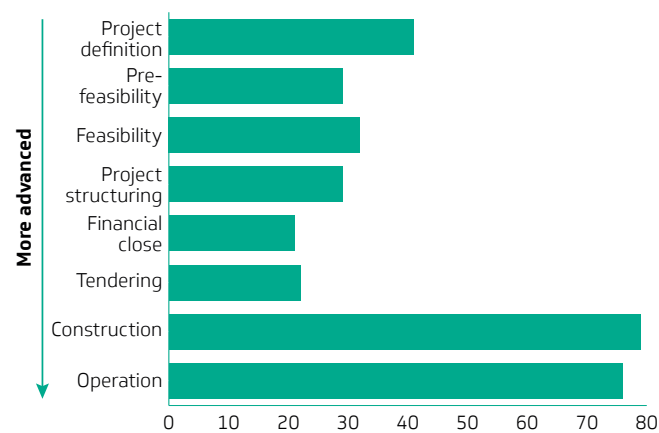


Source: PIDA, 2020

This inter-governmental cooperation is helping to accelerate the progress of major trade-related infrastructure projects. For instance, the PIDA Service Delivery Mechanism (SDM) helps coordinate national and regional authorities to ensure adequate

early stage project preparation. The SDM provides, amongst other services, institutional advisory services, legal advice, communications and capacity building support. Major projects currently benefiting from the PIDA SMA include the Lamu Port-Southern Sudan-Ethiopia Transport (LAPSSET) Corridor Project, the Central Corridor (CC) and the North South Corridor (NSC). The positive impact of PIDA's inter-governmental approach to infrastructure development can be seen in the progress of the first raft of priority projects: 76 major projects are operational, while 79 are in construction and a further 22 are in the process of tendering.

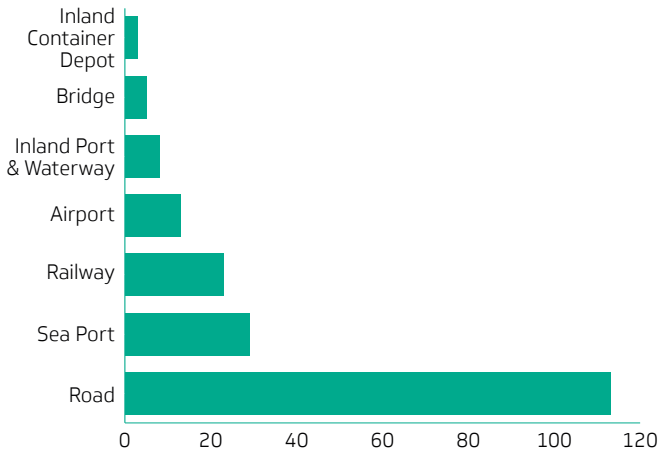
PIDA Priority Action Plan (PAP) 1 Project Progress



Source: PIDA

The transport project pipeline will be particularly beneficial to boosting intra-African trade. Road projects are the most numerous in PIDA's priority projects list (as shown in the graph below), although railway and port construction accounts for the majority of capital invested. This aligns with the broader picture of Africa's infrastructure project pipeline, where the railway project pipeline accounts for 42.8% of the total transport projects, ahead of ports on 25.2%. Rail projects are particularly dominant in West Africa, accounting for just under half of the total transport pipeline. The two-largest transport infrastructure projects in Africa are the USD20.0 billion Mozambique North - South Railway Line and the USD11.0 billion Lagos - Calabar Coastal Railway Project, followed by the USD10.2 billion Hauts-Plateaux Motorway Project in Algeria.

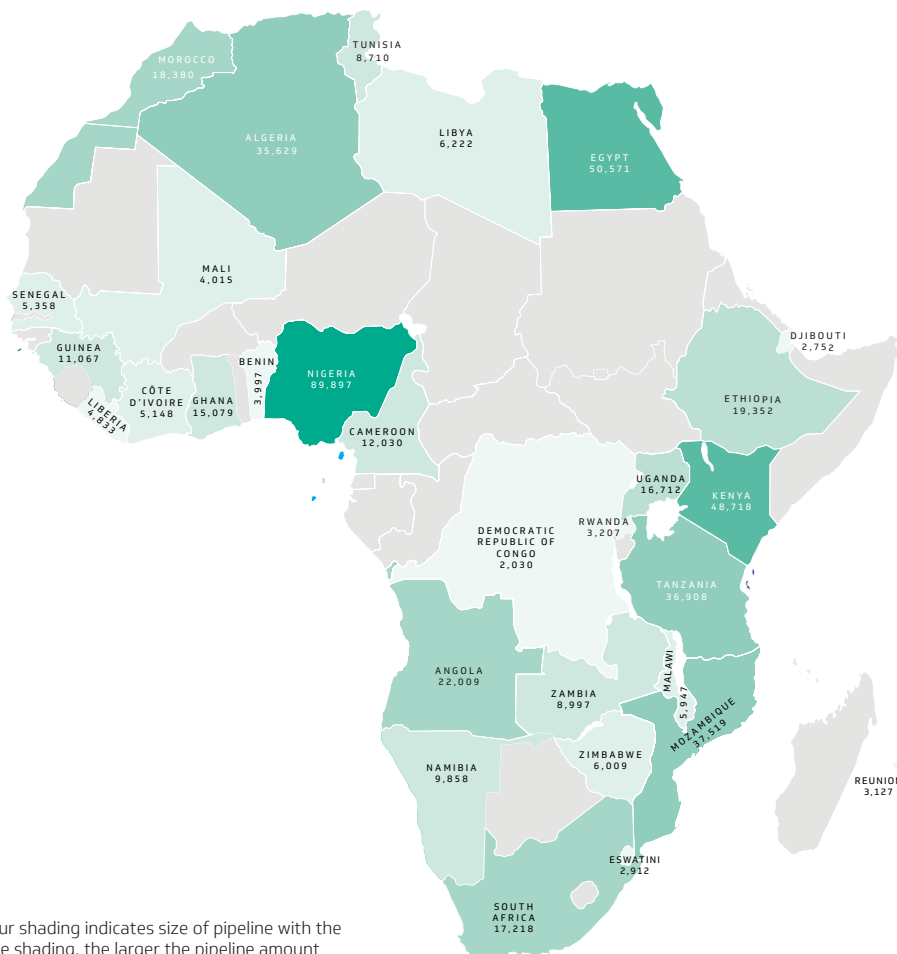
Number of PIDA priority projects by transport type



Source: PIDA

The map below illustrates where the major transport pipeline projects are occurring across Africa. It is this level of investment that will support more intra-African trade and the objectives of AfCFTA. The table below the map highlights the largest transport infrastructure projects from the 10 countries with the largest pipelines.

Map showing top 30 countries in Africa by size of transport pipeline (USD million)



Note: Colour shading indicates size of pipeline with the greener the shading, the larger the pipeline amount

Table of Top 10 countries in Africa, by Transport Project Pipeline, showing major projects

Country	Project Name	Value (USD million)
Nigeria	Lagos - Calabar Coastal Railway Project	11,000
	Olokola Deep Sea Port, Ondo	10,000
	Lagos - Kano Railway Line Modernisation Project, Segment IV (Ibadan - Kano)	5,300
Egypt	Alexandria-Cairo-Aswan High-Speed Rail	7,865
	Cairo Metro Line 3 - Phase III, Attaba - Cairo University, Cairo	5,800
	Hurghada (Cairo) - Luxor High Speed Rail	4,231
Kenya	Kenya - Uganda - Rwanda - South Sudan Rail Project - Phase IIB (Naivasha - Kisumu) Nairobi	3,523
	- Mombasa Highway Expansion Project	2,958
	Kenya - Uganda - Rwanda - South Sudan Rail Project - Phase IIC (Kisumu - Malaba)	1,247
Mozambique	Mozambique North - South Railway Line Project	20,000
	Macuse Deepwater Port Project, Quelimane, Zambezia	2,400
	Chitima (Tete) - Macuse (Zambezia) Railway Line Project	2,000
Tanzania	Bagamoyo Mega Port, Dar es Salaam	10,000
	Dar es Salaam - Mwanza Standard Gauge Railway Line	7,500
	Dar es Salaam - Mwanza Standard Gauge Railway Line, Morogoro - Makutupora Section	1,924
Algeria	Hauts-Plateaux Motorway Project	10,200
	El Hamdania Sea Port Project, Cherchell, Tipasa	3,300
	Thenia (Boumerdes) - Bordj Bou Arreridj Double Rail Line	2,290
Angola	Porto Amboim Commercial Port, Torre do Tombo, Kwanza Sul	1,800
	Porto Do Caio, Cabinda	800
	New Luanda International Airport Access Roads Project, Luanda	692.7
Ethiopia	New Addis Ababa International Airport, Bishoftu, Oromia	5,000
	Awash - Mekele Railway Project, Awash - Woldia/Hara Gebeya Section	1,700
	Awash - Mekele Railway Project, Woldia/Hara Gebeya - Mekelle Section	1,500
Morocco	Meknes - Errachida Highway Project	1,653
	Atlantic Port Project, Western Sahara, Dakhla	1,023
	Kenitra Atlantique Port, Rabat-Sale-Kenitra	802
South Africa	Moloto Rail Corridor Project, Gauteng - Mpumalanga	4,402
	Johannesburg (Gauteng) - Durban (KwaZulu-Natal) High-Speed Rail Project	2,140
	Mpumalanga - Richards Bay Coal Terminal (RBCT) Railway Line	1,955

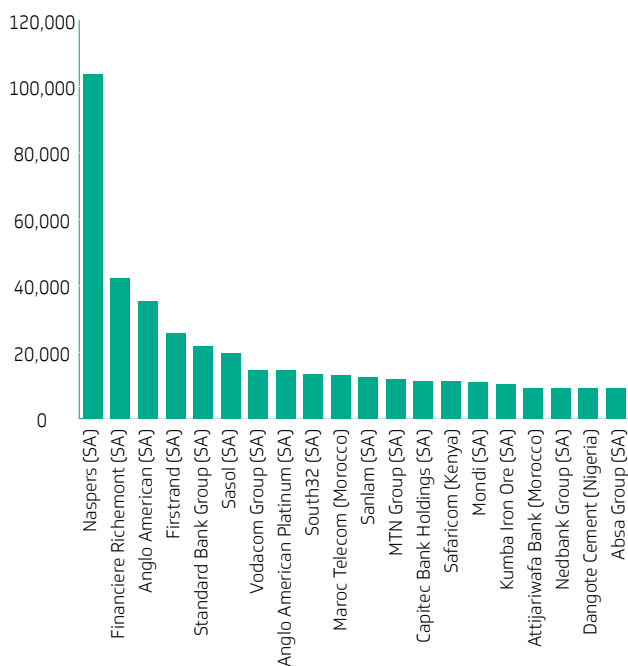
African companies need to embrace intra-regional trade

Strengthening government cooperation, deeper regional integration and continued investment into infrastructure are all crucial to boosting intra-regional trade in Africa. However, governments and multilateral organisations can only do so much to facilitate and encourage trade. Corporations themselves must play a vital role in driving the growth of intra-African trade and seizing the significant opportunities afforded to them within the region.

Who are Africa's biggest companies?

Africa's corporate landscape is dominated by small and medium sized enterprises (SMEs), particularly in sub-Saharan Africa, where SMEs account for up to 90% of all businesses, according to the International Finance Corporation (IFC). The IFC defines SMEs as firms with less than 300 employees. Africa is also home to an expanding number of large companies: by the end of March 2019, 113 African companies had a market capitalisation of over USD1 billion, 16 of over USD10 billion and one of over USD100 billion (South Africa's media company, Naspers).

Top 20 African Companies by Market Capitalisation USD million



Source: African Business

We have used data from the top 100 African companies by market capitalisation to assess Africa's corporate landscape. The figures are taken from the end of March 2019 and relate to listed companies only, and so state-owned enterprises (SOEs) are not included in the breakdown.

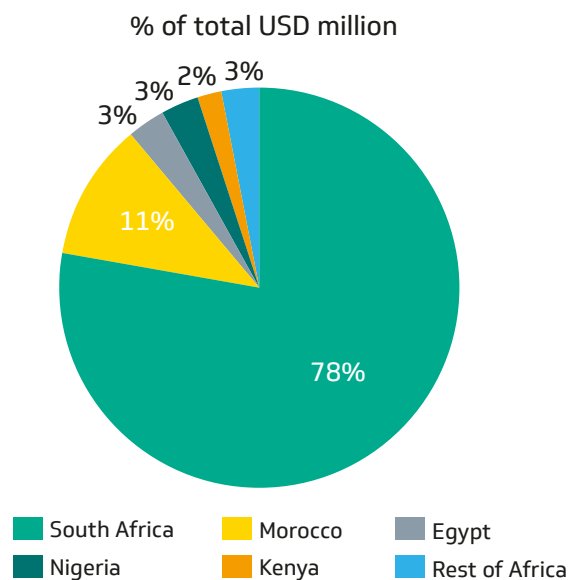
Key Takeaways

South Africa dominates top 100 companies

South Africa dominates Africa's corporate landscape, hosting 63 out of the 100 top companies, made up primarily of banking and financial service companies and metals and mining firms. In terms of the market capitalisation value, these South African firms account for nearly 80% of the total value of the top 100 companies. The prevalence of South African-based companies operating in the region aligns with earlier findings that South Africa is currently the main driver of intra-regional trade in Africa.

Many of the largest South African companies also have an extensive footprint throughout the rest of Africa. These include Anglo American, FirstRand, Standard Bank Group, Vodacom Group, Sanlam, MTN Group, Mondi, Nedbank Group and Absa Group, who all have a market capitalisation of over USD 10 billion.

Top 100 companies by market capitalisation, by host country

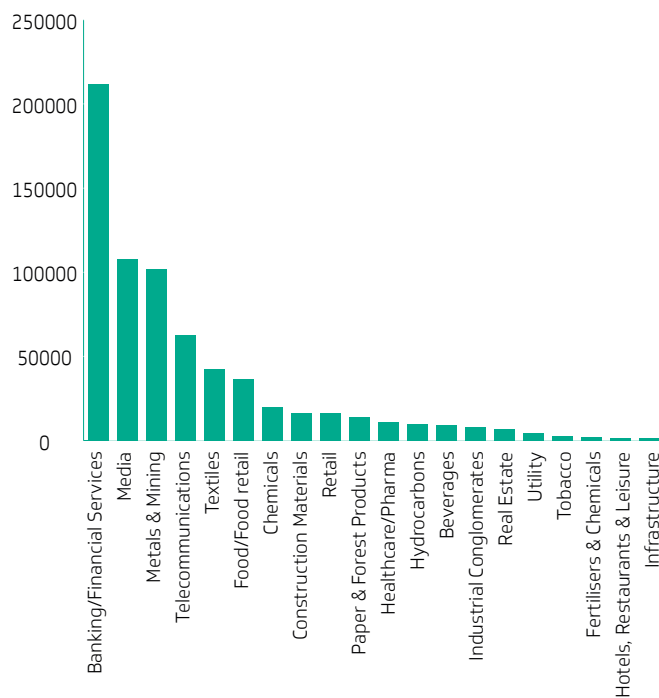


Gaps in corporate landscape underline opportunities for growth

Banking and financial services companies feature most heavily in the top 100 companies list making up 29 firms with a combined market capitalisation of USD212 billion, which is nearly twice the value of any other sector. Nearly 60% of these companies are South African. A robust financial services industry is a positive for trade growth in the region given the potential role these companies will need to play in facilitating and supporting regional trade.

We highlighted previously in this report the low proportion of Africa's import needs currently being met by African suppliers in the food, hydrocarbons, fertiliser, cement and autos industries. The view that these intra-African trade opportunities are currently under-exploited is corroborated in the top 100 list of companies in Africa, as there is a notable lack of fertiliser, cement and hydrocarbons firms in this list, and no autos companies listed at all. Food production and retail companies do feature more heavily, but there is still significant room for the emergence of companies from Africa to take advantage of these trade opportunities, especially within these sectors.

Top 100 companies by market capitalisation, by sector USD million



Source: African Business

Morocco emerging as regional trade hub

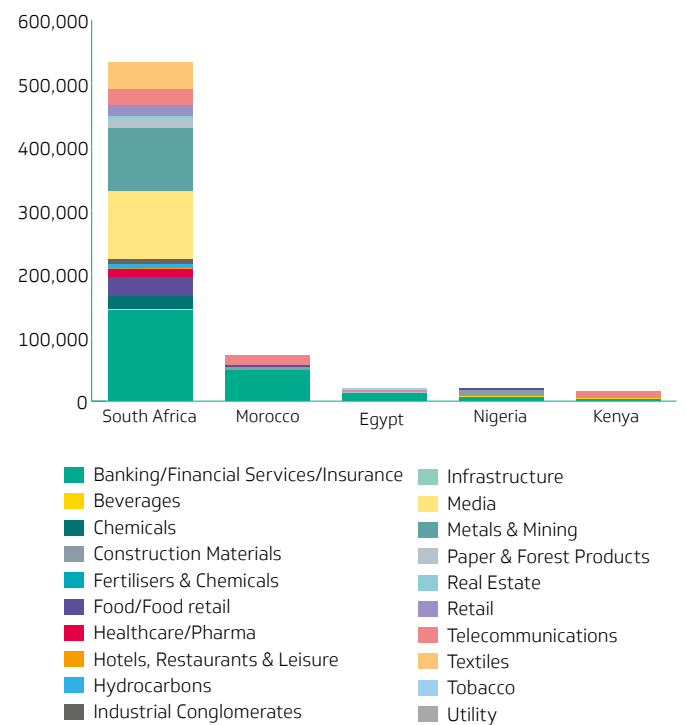
South Africa has a diversified competitive landscape, with large companies spanning multiple industries. This positions the country favourably in terms of trade, highlighted by the fact that South Africa is the largest exporter and importer of goods within Africa.

Beyond South Africa, Morocco, Egypt, Nigeria and Kenya are all becoming increasingly important host countries for larger corporations. Morocco, in particular, is emerging as a key hub, ready to participate in the growth of intra-regional trade. This favourable outlook is underpinned by the Moroccan government's strong commitment to leverage its geographic and cultural links with sub-Saharan Africa and the country's competitive business environment. The World Bank ranks Morocco as the 53rd best place to do business globally.

Morocco's competitiveness is boosted by its high degree of openness to foreign investment and trade and a relatively stable internal security environment. In addition, the country has globally integrated supply chains, a strong infrastructure by regional standards and offers low levels of trade bureaucracy, which make trading across borders easier and less expensive.

We have already highlighted Morocco as a potential supply hotspot for numerous goods, including fertilisers, autos, food and cement, earlier in the report.

Select Countries - Top 100 companies by market capitalisation, by sector USD million



Source: African Business

In line with this, companies in Morocco are gradually rising in the rankings of the continent's top 100 companies by market capitalisation. Between 2018 and 2019, Maroc Telecom, Attijariwafa Bank, Banque Centrale Populaire, Taqa Morocco and Marsa Maroc all climbed the top 100 list, displacing South African firms predominantly. This improvement in rankings is underpinned by a combination of industry and country-specific factors that

has boosted the performance of these firms, but is also due to the deteriorating macroeconomic outlook in South Africa and ongoing weakness across domestic industries, including mining, retail

and healthcare. Some of the largest falls in the rankings came from Aspen Pharmacare Holdings, Truworths International and Mediclinic International.

Rank 2019	Rank 2018	Company	Country	Industry	Ranking Change
10	11	Maroc Telecom	Morocco	Telecommunications	1
17	19	Attijariwafa Bank	Morocco	Banking/Financial Services	2
31	36	Basque Centrale Populaire	Morocco	Banking/Financial Services	5
72	74	Taq Morocco	Morocco	Utility	2
99	100	Marsa Maroc	Morocco	Infrastructure	1

Africa corporates as enablers of trade

African corporates, both in the form of SMEs and larger multinationals play a fundamental role in supporting local economies, strengthening supply chains and helping to bridge the region's infrastructure gap. Even when these firms do not trade internationally themselves, many provide key enabling functions for other firms to trade across borders. This is particularly the case for companies operating in the telecommunications, financial and professional services, retail and logistics sectors.

Financial & professional services

Financial services firms are pivotal in facilitating intra-African trade through the provision of services such as trade finance, capital for start-ups, insurance and currency exchange. Given the many challenges facing SMEs in trading across many of Africa's borders, insurance solutions help to reduce risks and encourage expansion. Meanwhile, by improving business liquidity, trade finance can

lower barriers to entry for SMEs looking to break into new regional markets. With regards to currency exchange, the illiquid nature of some African currencies increases costs for foreign firms looking to trade with these economies. Multinational African financial services firms can act as intermediaries in currency exchange and lower the overall costs of trade for businesses. Local knowledge is a value commodity in the financial services industry. Given their expertise within the continent, African financial services firms have far greater potential to use this expert knowledge in reducing operating costs than firms from outside of Africa.

We have highlighted the general lack of trade information as a key reason for the shortage of intra-regional trade within Africa. Financial and professional services can play an important role in producing and disseminating such information to support trade flows within Africa.

Company Case Study - Standard Bank

Standard Bank's 'Founders Factory Africa' (FFA) Venture Scale programme provides African start-ups with financing to help scale up operations across Africa. It also provides access to distribution channels, customer acquisition, pilots, data and expertise. Overall, the companies chosen will be provided with £220,000 in tailored support and an additional financial cash investment of £30,000.

At the start of 2020 several start-ups were accepted for the programme, including Truzo (a South African web and app-based escrow platform), Redbird (a Ghanaian healthcare company), MVXchange (a Nigerian tech-driven maritime logistics platform), WellaHealth (a Nigerian micro health insurer), FoodLocker (a Nigerian food retailer), Bwala Africa (a Kenyan 'last mile' crowd sourcing logistics company), LocumBase (a South African medical booking and management platform), Akili Labs (a South African medical diagnostics company) and Envisionit Deep AI (a South African company offering a radiologist platform).

ICT

Deploying advanced mobile data services (4G/5G), the expansion and strengthening of rural networks and developing digital service channels (such as mobile financial services) are the cornerstone of African ICT firms' strategies as the industry supports the transformation of mass communications across the continent. Strengthening the digital technology landscape across

Africa is reducing the reliance on physical infrastructure and makes it possible for businesses to expand into regional markets and capitalise on trade opportunities. Digital technology has been used across Sub-Saharan Africa particularly effectively in empowering the mass market in urban and rural areas to access finance more easily.

Company Case Study - AgroCentra

AgroCentra is a agtech startup from Ghana, targeted at smallholder farmers to help them gain access to capital, source information on best farming practices and boost trade opportunities. This is done via two digital platforms: AgroTrade and AgroPay.

AgroTrade is a supply chain platform that has smallholder farmers on one end and large off-takers on the other end, enabling them to trade directly. Smallholder farmers can sell in bulk since the off-takers are typically large companies, such as breweries or feed manufacturers. By integrating themselves into the supply chains of large regional companies, Ghanaian farmers can tap into cross-border trade opportunities.

AgroPay is a financial inclusion platform providing smallholder farmers that have traded on AgroTrade with a financial statement they can use to get access to finance.

By July 2019, AgroCentra had over 46,000 smallholder farmers on the AgroTrade platform from four regions and 640 communities. Since the launch of AgroPay in January 2019, approximately 3,000 smallholder farmers in two regions are active on the platform.

Logistics

Africa's road and rail network typically lead towards ports rather than linking countries across regions. Boosting transport interconnectivity across borders, strengthening supply chains and building warehouse capacity will play a major role in improving the trade prospects of the region. There are numerous organisations operating across the region that support such initiatives, including

the African Export-Import Bank, African Development Bank, African Union Commission, United Nations Economic Commission for Africa, and NEPAD Planning and Coordinating Agency. Working in tandem with these agencies and independently are a growing number of African-based infrastructure and logistics companies that are focused on interconnectivity and trade.

Company Case Study - Bwala Logistics

Kenyan-based Bwala is a 'last mile' crowd sourcing logistics company, designed to connect fleet operators with manufacturers, retailers and e-commerce companies. It reportedly completes between 700–850 shipments a day. The company is currently looking to expand its operations into Nigeria, Ghana and Tanzania.

Retail

Large retail firms promote intra-African trade by acting as intermediaries between producers and consumers in different countries. Micro-enterprises typical of the informal retail sectors present across much of the continent tend to have localised supply chains due to limited capital and logistical capacity. In contrast, the larger chain stores typical of more formalised retail

sectors are able to use superior technical, financial and logistical capacity to source goods from across the continent, encouraging international trade. As Africa's retail sectors gradually formalise in the coming years, the increasing prevalence of mid- to large-sized retail firms will increase the proportion of consumer goods that are sourced from other countries on the continent.

Company Case Study - Shoprite

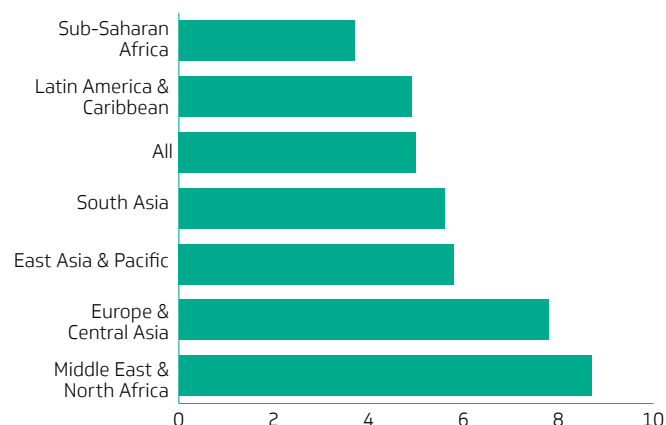
Shoprite initiated its ambitious expansion plant in Africa in 1990 and is now the continent's largest food retailer, with over 500 outlets in 14 African markets. Besides food, household goods and small appliances, Shoprite also offers a 'Money Market' service, whereby customers can send and receive payments and buy insurance products. Shoprite is also expanding its e-commerce offering, which includes Click & Collect orders and on-demand liquor home delivery.

Scaling up SMEs and Capitalising on Entrepreneurial Ecosystem

Two trends in Africa's corporate landscape have the potential to significantly boost intra-African trade.

First, most economies on the continent should see increased consolidation across industries, resulting in a greater number of large firms. At present, national industries across Africa are characterised by many small firms and few large firms. According to World Bank's Enterprise Surveys 2019, the median number of employees in African firms is just seven. There is a larger share of African firms with fewer employees than in other regions, and the density of larger firms is lowest in Africa. This limits the potential for international trade in several ways. Small firms suffer from limited access to finance, possess limited logistical capacity and enjoy fewer links to established customers abroad. As reflected in the below chart, this results in firms based in Africa exporting a smaller proportion of their sales than firms based in other developing regions. More formalised industries with larger average employee sizes are less constrained by these factors and would be able to engage more readily in intra-African trade. In addition to being more able to trade internationally in their own right, larger SMEs would also have more capacity to be incorporated into global value chains.

Proportion of total business sales that are exported, by region



Source: World Bank Enterprise Surveys

Several factors will help drive industry consolidation across Africa, which in turn will help boost intra-African trade. First, economic growth and associated greater fiscal resources will increase the capacity of governments to uniformly regulate their domestic industries. Aside from protecting consumers, the stricter regulation of products and services benefits larger firms as they are more easily able to consistently meet quality standards. Second, the benefit of more active larger companies across the continent will be seen as a result of AfCFTA coming into force, as businesses will have easier access to a larger tariff-free market. This will help ensure that when firms in small economies ramp up their production to achieve economies of scale, there is a market ready for their products.

Second, the region's vast entrepreneurial potential could be a significant driver of intra-African trade. Africa's entrepreneurial potential is significant, underpinned by the region's high youth population, expanding digital landscape, a booming consumer base and rising levels of secondary and tertiary education. Africa

also has the highest rate of female entrepreneurship in the world, with African women twice as likely to start a business as women elsewhere in the world.

High levels of entrepreneurship will help promote intra-African trade. Start-ups play a disproportionately large role in the ICT and fintech industries, which are key enablers of regional trade. As discussed above, a stronger digital technology landscape reduces the reliance on physical infrastructure and enables firms to more easily expand into regional markets.

Assessing Trade Opportunities by Sector

Earlier in the report, we highlighted five particularly strong industry opportunities for deepening intra-African trade. Here, we illustrate how regional firms are already starting to capitalise on emerging trade opportunities within these sectors.

The companies chosen in the below analysis are a mixture of prominent SOEs and large private companies that feature in the top 100 market capitalisation rankings. Furthermore, they were chosen because they are domiciled within the countries that we previously highlighted as being potential supply markets for intra-regional trade within each product category.

Food

Given that food products are typically perishable, African countries have a potential geographic advantage in supplying regional markets that have yet to be fully exploited. Rising incomes and the world's fastest rates of population growth and urbanisation will underpin a significant expansion in African food import requirements over the coming decade. There is currently little intra-African trade in food products, despite the region being a significant global exporter of primary food commodities. Africa imported USD9.1 billion of food in 2018 and alarmingly only 13% of this was sourced from other African countries.

Stand-out potential markets will include Nigeria, Egypt and Ethiopia.

Company	Country/Region	Summary	Strategy & Activity
Cosumar	Morocco	Leading manufacturer of white sugar in Morocco. Carries out the extraction of local sugar plants, refining of imported raw sugar, packaging, distribution and export of white sugar in different forms.	Group strategy is centered around establishing itself as a regional player in the African sugar industry. Aims to increase production and export volume. Cosumar's Morocco-based refinery exports 400,000 tons of sugar to 40 countries in Africa and the MENA region.
Olam (regional subsidiaries of OLAM International Ltd; a Singapore based global commodity trading company)	West Africa	Olam is today in 15 countries in West Africa with sourcing, processing and marketing operations covering a wide range of commodities and packaged foods.	Olam International, in partnership with A.P. Moller Capital and Africa Finance Corporation, is set to invest in the West African port sector to help facilitate trade. The focus will be expanding the infrastructure ecosystem in connection with an existing mineral and a general cargo port in Gabon as well as developing a new multi-cargo port in Nouakchott, Mauritania and a new bulk port in San Pedro in Côte d'Ivoire.
Bakhresa Group	Tanzania	Bakhresa Group is an industrial conglomerate There are a range of companies under its umbrella with investments primarily in the Food and Beverage Sector, Packaging, Logistics, Marine Passenger Services, Petroleum and Entertainment.	The Group's operations have spread outside of Tanzania, to include Kenya, Uganda, Malawi, Mozambique, Zambia, Rwanda, Burundi and in South Africa. The company is currently expanding its storage capacity at its Dar es Salaam facilities. This includes three 200 tonne silos for corn storage from Symaga.

Autos

The Africa region will experience strong demand across the board for passenger and commercial vehicles, underpinned by economic

growth, rising incomes and a strong construction project pipeline. Stand-out markets include Egypt, Ethiopia and Tanzania.

Company	Country/Region	Summary	Strategy & Activity
Necst Motors	Kenya	Necst Motors is an authorized dealer of Volvo Trucks & Buses, Volvo Construction Equipment, Volvo Penta and SDLG Construction Equipment in Kenya.	Volvo and Necst Motors has expanded its operations across Uganda and Tanzania. Necst Motors is currently setting up an extensive network of sales and service branches that will include up-to 20 workshops in the region.
Somaca	Morocco	Moroccan-based firm, with a majority investment from Renault. Flagship production facility in Casablanca	The Renault-Somaca plant in Casablanca is currently increasing capacity, aiming to double production from 2018 levels to 160,000 cars per annum by 2022.
Mureza	South Africa	South African autos start-up registered in Zimbabwe and South Africa. Backed by funders in the United Arab Emirates.	Initial plans include assembling and distribution of Iranian developed vehicles in Southern Africa. Ultimate objective is to design and manufacture vehicles in Africa for African drivers.

Hydrocarbons

Africa will be a major demand centre for hydrocarbon imports in the coming decade. The most favourable demand hotspots over the coming years will experience rapid economic and population

growth, particularly in expanding cities. Stand-out markets include South Africa (for gas), Egypt (for crude oil) and Kenya (for crude oil).

Company	Country/Region	Summary	Strategy & Activity
Empresa Nacional de Hidrocarbonetos	Mozambique	SOE responsible for the research, prospection, production and commercialization of petroleum products.	Mozambique has Africa's third largest gas reserves, located offshore. Three liquefied natural gas (LNG) plants with the capacity to export more than 30m tonnes per year are under development. Start-up of production should see Mozambique's natural gas output match rising domestic consumption and increase gas exports to South Africa.
Egyptian Natural Gas	Egypt	SOE that issues licenses for exploration and supervises all aspects of the natural gas activities in the country. EGAS is engaged in the upstream (exploration, drilling and production of natural gas) and downstream (processing, transmission, distribution of natural gas in the domestic market, and liquefaction and LNG marketing)	EGAS strategic aim is to allocate Egypt's gas reserves to satisfy local demand and export the excess gas, including to the Middle East, Africa and Europe. 2019 marked an inflection point for the Egyptian natural gas trade balance, as the country once again became a net LNG exporter, as large offshore fields are brought to full capacity.
Tullow Oil	UK (operations across Africa including Uganda)	Tullow entered into three Ugandan exploration licences in 2004 following the acquisition of Energy Africa. The Group added further equity and operatorship to the licences in the Lake Albert Rift Basin when it acquired Hardman Resources in 2007.	The Lake Albert Development Project is a major development which expects to achieve around 230,000 bopd when it reaches plateau. Development Plans were approved by the Government in August 2016 to develop the first 1.2 billion barrels of oil. The Government of Uganda has agreed an export route through Tanzania to the Port of Tanga.

Fertiliser

Government, private and multilateral investment into boosting crop output will include raising fertiliser use. Stand out markets

include Ethiopia, Morocco, Tanzania and Côte d'Ivoire.

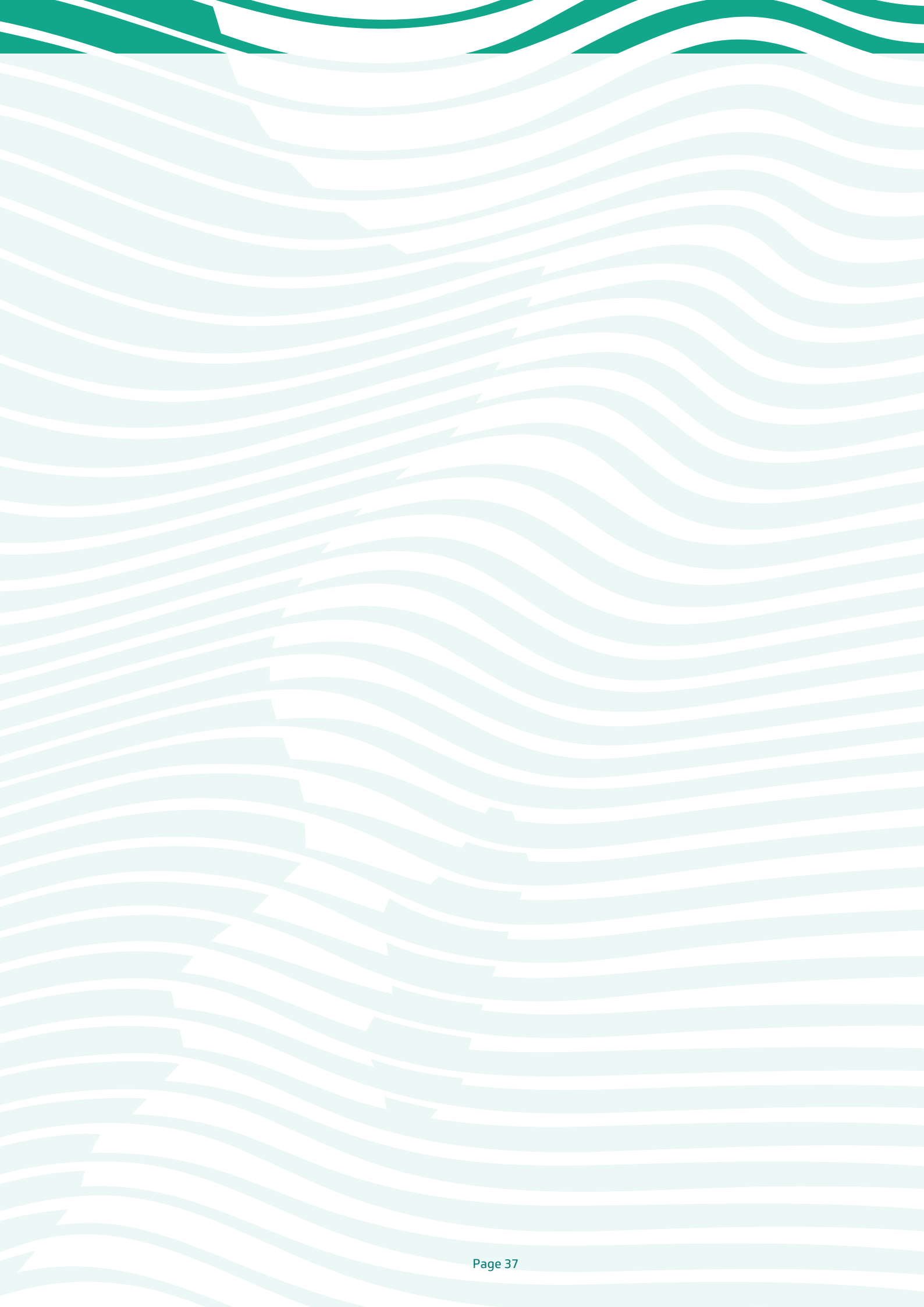
Company	Country/Region	Summary	Strategy & Activity
OCP	Morocco	State-owned miner and fertilizer processor. One of the leading exporters of phosphate rock, phosphoric acid and phosphate fertilizers in the world.	Ramping up investments in Africa to secure more direct access to consumers. The company has 12 subsidiaries in Africa and has investments planned in Ethiopia, Nigeria, Ghana, Côte d'Ivoire and Senegal. Most significantly, in 2016 OCP penned an agreement with the Ethiopian government to build a USD3.7 billion phosphatic fertiliser complex in the country.
Dangote Industries	Nigeria	Dangote Industries is a diversified conglomerate, with an annual group turnover in excess of USD4.1 billion. Operations in 17 African countries across industries spanning cement, food, beverages, hydrocarbons, farming and fertilizer.	In February 2020, testing began at a new USD2.0 billion fertilizer plant in Lagos. Once operational, it will be the largest in the world with annual capacity of 3.0 million tonnes.
Indorama	Nigeria	Indorama is the largest producer of granular urea in Sub-Saharan Africa, utilizing ample natural gas feedstock at Port Harcourt, Nigeria.	A new urea plant slated for 2021 would double the company's annual fertilizer output to 3.0 million tonnes. The company has stated plans to target West Africa for exports.
Eritrean National Mining Company (ENAMCO)	Eritrea	ENAMCO is the state-owned mining body which oversees production in the country. ENAMCO typically co-invests in projects with foreign mining firms.	ENAMCO shares a 50:50 stake with Australian potash miner Danakali, which will begin construction of the world-class Colluli potash project in 2020. ENAMCO expects initial exports of 472,000 tonnes per annum with an eventual increase rise to just under 1.0 million tonnes by around 2027.

Cement

Those markets with ambitious hydropower expansion plans and port-building programmes will drive cement demand. Stand-out

markets include Angola, Ethiopia, Tanzania and Ghana.

Company	Country/Region	Summary	Strategy & Activity
Dangote Cement	Nigeria	Dangote Cement is Africa's leading cement producer with operations in 10 African countries: Nigeria, Cameroon, Congo, Ethiopia, Ghana, Senegal, Sierra Leone, South Africa, Tanzania and Zambia.	Focused on opening new capacity to serve Africa's rapidly growing demand for cement, planned mainly in West Africa, including Niger and Côte d'Ivoire. The company announced plans in late 2019 to open plants in Nigeria that will allow it to export clinker to grinding plants in Cameroon and West Africa.
LafargeHolcim Maroc	Morocco	LafargeHolcim is a leading global building materials and solutions company. Group operations produce cement, aggregates and ready-mix concrete which are used in building projects. In Morocco, the company is involved in Cement, Concrete, Aggregates, Cement Mortar, Plaster and Lime.	LafargeHolcim Maroc's export activity started in 2014. With a production capacity of 6 MT, LafargeHolcim Maroc exports nearly 1MT per year of clinker to West Africa and South America. The company operates from three port sites: Jorf Lasfar, Nador and Casablanca; and it plans to develop clinker exports from the port of Tanger Med.
Bamburi Cement Limited	Kenya (Bamburi Cement Limited is a subsidiary of LafargeHolcim listed in the Nairobi Securities Exchange)	The leading cement manufacturing and marketing company in the East Africa region. The company has two cement plants located in Mombasa and Athi River.	Bamburi Cement Limited already exports cement to the wider East Africa region. Increased production capacity in the region and higher competition has led to a slump in exports in recent years.



Conclusion

This report aims to promote intra-African trade by highlighting several exciting opportunities for African businesses across the continent. African companies should seek to exploit the geographic, cultural and cultural ties they share with businesses across the rest of the continent. And particularly now, given the 2019 launch of the African Continental Free Trade Area.

African countries trade little with each other at present.

Although African trade was worth about USD1 trillion in 2018, this was mainly between African and non-African countries. In fact, intra-African trade made up only around 16% of total trade in 2018. Moreover, the continent remains largely commodity-dependent in its trading activities with low-value-added products such as hydrocarbons, mining products and food accounting for the bulk of this trade.

While boosting Africa's trade with all foreign countries is an important goal, stronger regional trade has particularly positive potential benefits.

Greater regional trade integration can create larger markets and help to ensure the regional economy becomes less exposed to global economic and commodities cycles. Combined, these factors could help to accelerate economic growth and make the African economy more resilient to global shocks.

While poor infrastructure obstructs intra Africa trade, a lack of information is an equally serious impediment. Too many countries import goods from outside Africa when these same goods are in production across the border, or elsewhere in Africa at a cheaper cost. Better trade information can act as a bridge to join up these potential supply and demand centres.

The timing for expanding intra-African trade has never been better. Most significantly, AfCFTA was finalised in 2019, creating a free trade area of 54 countries, with more than 1.3 billion people and a combined GDP of USD2.5 trillion. Preliminary estimates suggest that the agreement will contribute to a more than 50% increase in intra-African trade by 2030.

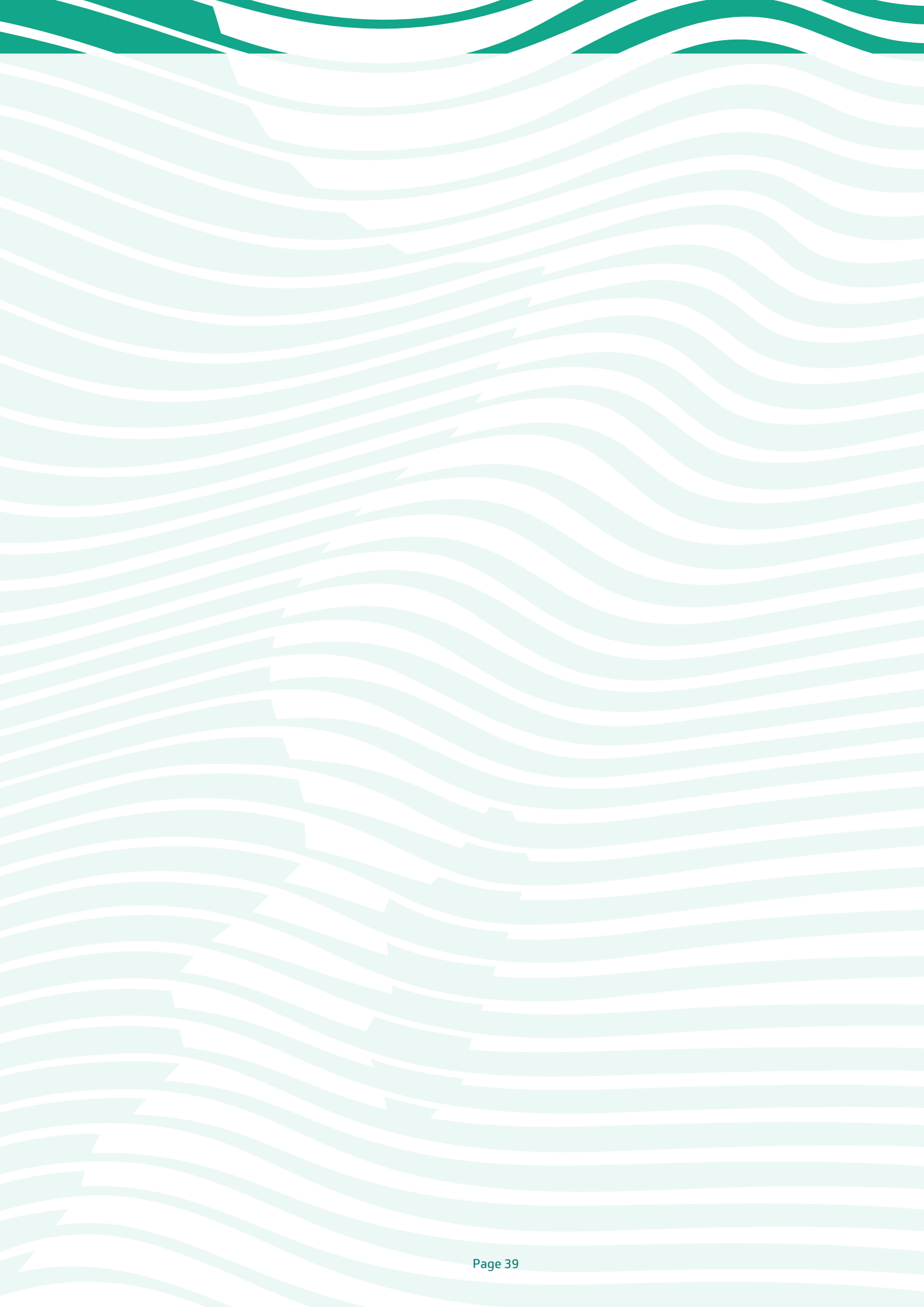
This report highlights several particularly promising industries for deepening intra-African trade, namely food, automobiles, fertilizer, hydrocarbons and cement. Potential import demand hotspots ranged from a greater need for cement in Ethiopia to natural gas in South Africa, while potential supply hubs were evident ranging from food production in Morocco to fertiliser in Nigeria.

African corporations will play a vital role in driving the growth of intra-African trade. This report also examines the role of African corporations in driving trade integration. We illustrate how regional firms are already starting to capitalise on emerging trade opportunities within the key sectors focused on in this report, as named above.

This report is just the start of a series of reports on trade in Africa. Here, we have focused on some of the continent's largest economies, including Nigeria, South Africa and Egypt. Future reports will focus on smaller-scale, yet no less exciting opportunities to enhance regional trade among smaller economies. For instance, there is potential for greater processing of minerals currently exported in their raw form from Africa, which would enable African firms to extract more value from the global mining supply chain. The development of an increased metals processing capacity in larger economies such as South Africa, Nigeria and Egypt will increase the potential for smaller countries without processing capacity, such as Congo-Brazzaville, Guinea and Liberia to redirect mineral ore exports away from non-African customers and towards regional markets. Elsewhere, the reduction in tariffs that will accompany AfCFTA will increase the potential for the development of sub-regional food processing supply chains, including amongst Nigeria's smaller neighbours in West Africa such as Côte d'Ivoire, Senegal and Cameroon.

Future reports will also examine how Africa can increase trade with the rest of the world, both in terms of volume and value added. Examining how Africa can diversify away from primary commodity exports to increase value-added activities will be a recurring theme in this analysis. For instance, the coming decade will provide an opportunity to increase Africa's share of the global manufacturing supply chain. On the demand side, multinational firms will increasingly look to shift some proportion of their production facilities away from China and into other low-cost manufacturing sectors. This will be due to both rising production costs in China and the potential of escalating trade tensions between China and USA/Europe. On the supply side, significant investment into African infrastructure over the coming years, such as special economic zones in Ethiopia, Kenya and Morocco will increase the attractiveness of Africa as an export-orientated manufacturing centre.

With knowledge a big part of the problem in holding back intra-African trade, this series of reports aims to improve access to trade information serving as a bridge in joining supply hubs with demand centres, principally within Africa but also beyond.





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