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INTRA-REGIONAL TRADE GLOBAL PERSPECTIVE

Intra-regional Trade (2017)

31% North America
68% Europe
59% Asia
17% Latin America
16% Africa
7% Oceania

Source: UNCTADstat
INTRA-REGIONAL TRADE GLOBAL PERSPECTIVE

- Intra-African trade remains limited and lowest compared to other regions
- Intra-regional trade accounted for about 16% of total African trade compared to Europe 68%, Asia 59%, America 47% and Oceania 7%
- African trade to rest of world was circa $760bn compared to Europe $4,109bn, Asia $5,140bn, America $6,801bn and Oceania $481bn
- Africa Trade Report (2019) estimates Intra-regional trade in Africa to have grown to 16.1% in 2018 from 15.5% in 2017 due to price increase of commodity exports & robust demand for manufactured goods from South Africa & Egypt.
- Intra-African trade growth potential is expected to be dampened by the prevailing China-US trade war as China has become the single largest trading partner accounting for over 14% of total African trade in 2018.

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<th>Region</th>
<th>Intra</th>
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<tr>
<td>Oceania</td>
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<td>Latin America &amp; Caribbean</td>
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<td>Africa</td>
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• In 2016, SADC reported highest intra-regional trade at $34.7bn followed by CEN-SAD $18.7bn, ECOWAS $ 11.4bn and COMESA $10.7bn with lowest trade being in ECCAS $0.8bn
• SADC had deeper level of integration at 84.9% followed by COMESA 59.5%, CEN-SAD 58.4%, ECOWAS 56.7%, AMU 51.8%, IGAD 49%, EAC 48.3% and ECCAS 17.7%
• Higher integration & trade volumes in SADC attributed to South Africa, largest trading partner within and outside region while low volumes in ECCAS attributed to prolonged conflicts within sub-region and landlocked nature of most member countries.
• Level of trade in Africa varies among RECs due to different levels of industrial, economic, social and political developments among member countries.
Top ten contributors to intra-African trade include South Africa, Congo DR, Nigeria, Namibia, Zambia, Egypt, Zimbabwe, Botswana, Cote d’Ivoire and Congo Republic.

South Africa remains the largest intra-African trade economy with intra-trade value of $36.5 billion representing 23% of total intra-African trade. Exports from South Africa to rest of Africa include fuels, machinery, vehicles, Iron & steel, electrical goods and plastics.
The coming into effect of the African Continental Free Trade Area Agreement (AfCFTA) in May 2019 has potential to significantly accelerate process of industrialisation and expand intra-African trade with growth estimates pegged at over 50% in first 20 years of the agreement.

By bringing together all 55 member states of the African Union covering a market of over 1.2 billion people and combined GDP of over $3.4tn, the AfCFTA will be world’s largest FTA since WTO formation in terms of number of participating countries.

Intra-African trade will be enhanced through harmonisation and coordination of trade liberalization and facilitation as well as instruments across the RECs. Further improve competitiveness at industry and enterprise level through economies of scale, continental market access and better reallocation of resources as human capital and investments move freely across borders.

AfCFTA will offer tremendous benefits in terms of trade and economic transformation thereby mitigating future risks of trade wars
INTRA-REGIONAL TRADE OBSTACLES

Some factors impeding growth of intra-regional trade in Africa as underlisted:-

1. Economic diversification – Many African countries specialise in same products as neighbours with minimal value add e.g. commodities like oil, gas & minerals

2. Infrastructure – economic growth & productivity hindered by infrastructure deficiencies e.g. poor road, railway network which raises transport costs etc

3. Financial Markets infrastructure-limited and inactive cross listings on the Stock exchanges

4. Border issues – restrictive customs procedures & high fees making cross-border trade expensive

5. Conflict – political tensions, conflict and violence slows regional trade and discourages investments

6. ICT – Enabler for growth and development and has impact on e-commerce and trade flows. The limited ICT penetration & use in some parts of Africa contributes to slowed regional trade & integration

7. Financial Systems – African financial systems remain shallow and narrow with higher concentration of assets in banking sector. A vibrant & robust financial system essential for trade promotion. Central banks, DFIs and other FIs are key to enhancement of trade.
ROLE OF CENTRAL BANKS IN INTRA-REGIONAL TRADE

• Support foreign exchange regimes /mechanisms that ease trading through easing of exchange control restrictions and repatriation of FX
• Linking local markets to regional markets through improvement of access to technology, e.g. MPESA & REPSS (CBK played vital role in MPESA while central banks in region played role in REPSS set-up)
• Supporting implementation of regional trade agreements e.g. EAC, SADC, COMESA
• Coordinated monetary policy approach – Setting-up regional central bank to help better coordinate monetary policy, cost management (inflation) & strengthening of financial sector thereby reducing costs of doing trade
• Pursuance of a single currency/basket of currencies with potential to reduce transaction charges of cross-border trade such as exchange losses etc
• Facilitate supportive monetary policy and liquidity management, enhance monetary and financial sector integration as well as expedite customs processing and government transactions through regional payment and settlement system e.g. COMESA and EAC which are operational
• Financial sector deepening by addressing the low access to banking services and finance especially by SMEs
ROLE OF DFIs AND OTHER FIs IN REGIONAL INTEGRATION

• Support use of the regional payment and settlement systems by exporter and importers e.g. COMESA REPSS, EAPS etc

• Engage risk management of trade risks – Africa Re, ATI etc

• Implementation of regional digital payment and settlement system to facilitate payment of goods and services in local currencies e.g. Afrexim - PAPSS;

• Provision of multi-currency regional/continental guarantees to facilitate exports and imports e.g. AfDB, Afrexim, TDB

• Provision of multi-currency lines of credit to finance trade transactions e.g. AfDB, Afrexim, TDB

• Risk sharing arrangements through risk-in & risk-out funded and unfunded MRPA

• Promote growth and sustainable development through financing long-term projects e.g. infrastructure to support regional integration

• Increase access to trade financing solutions by exporters and importers, including SMEs, through offering competitively priced products and advisory services
TDB’S SUPPORT TO INTRA-REGIONAL TRADE IN AFRICA

• As a regional DFI, TDB has over past 35 years promoted regional integration and development through provision of tailored trade and project finance solutions to sovereigns and commercial entities

• TDB’s financial institutions (FI) strategy has seen the Bank set-up lines of credit/trade lines with various local commercial banks within COMESA, SADC and EAC regions to support cross-border and intra-regional trade thereby fostering financial deepening in the region

• TDB has offered support to Central Banks within its member states to ensure financial stability, availing of resources for investment in productive sectors and support to exporting entities with FX generating capacities etc

• TDB will deepen its relationship with central banks and local commercial banks within its footprint by providing appropriate finance to enhance use of COMESA’s regional payment and settlement system (REPSS) as platform for bringing together exporters and importers in the region thereby acting as trade catalyst
THANK YOU

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35 YEARS

THANK YOU