6. How the Covid-19 crisis affected formal trade

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The word 'crisis' comes from the Greek 'to separate, to decide', marking a point at which a choice must be determined at a highly consequential turning point between continued or unchecked decline on the one hand, or recovery on the other. Implicit in this is that crises create powerful inflection points. This chapter sets out what actually happened to trade in Africa over the course of the Covid-19 crisis, focusing on three stories concerning Africa's *formal* trade. First, African countries' overall trade continued to be dominated by fluctuations in commodities and tourism, where volatility in prices and the collapse of travel strongly shaped trade performance. However, this meant nuanced and differentiated consequences across different parts of the continent. Second, manufacturing trade faced a potential turning point with whether Covid-19 would help to 'localise' production within the continent. Finally, did Covid-19 change trade policymaking itself in Africa, especially with the AfCFTA negotiations?

An overarching issue in any such period of intense disruption is to gauge the 'sticking power' of these changes. Which policies affected by Covid-19 will persist, and which will wither, as trade in Africa slowly re-establishes a new normal? We seek to assess the 'sticking power' of changes imposed by Covid-19 and in doing so to challenge the prevailing (sometimes lazy) narratives about Covid-19 in Africa, showing that realities were often more nuanced and complex. Commodity prices collapsed but also surged, and at different times and across different products, affecting countries across the continent differentially. While some manufacturing value chains did seem to localise, there is evidence that this was often merely transitory. The chapter highlights aspects of Africa's commodities and manufacturing trade that remain entrenched, despite the tumult of the Covid-19 pandemic. It also, however, demonstrates resiliency in African policymaking. The cumulative story is one of – in general – determined African trade policymaking.[1]

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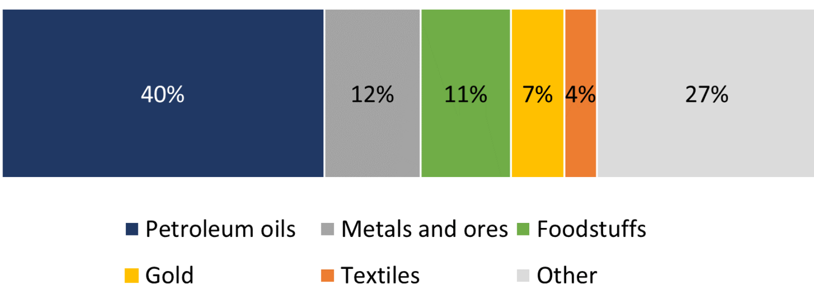
6.1 Commodity prices, lockdowns and supply disruptions

Africa's formal trade in goods was affected during the pandemic through three major impact channels: how it affected the prices of Africa's main export commodities, how lockdowns strained cross-border trade, and the disruptions created through global supply chains. These impact channels in turn help to explain how Covid-19 affected Africa's trade in the course of the pandemic.

Africa's exports are severely concentrated in a relatively small basket of products (as detailed in Chapter 1). Across the continent, petroleum oils, metals and ores account for almost 60 per cent of Africa's total exports (Figure 6.1).[2] Africa's exports, foreign exchange earnings and tax revenues are tied to the prices of these products and Covid-19 had a rollercoaster impact on these prices. After initially plummeting at the onset of the crisis, metal prices surged, recovering strongly and exceeding their pre-pandemic prices by July 2020 (Figure 6.2). The same was true for other agricultural commodity prices, such as cotton and food products, which had recovered to exceed their pre-pandemic prices by late 2020. The price recovery was driven by a faster-than-expected rebound in economic activity in China. Because modern China accounts for around half of global consumption of metals and a third of apparel exports, it helped to fuel a rebound many of these critical African exports.

The rebound was then further shouldered by economic stimulus measures in advanced countries and supply disruptions in several producer countries, which pushed prices higher still (Baffes and Nagle 2020; World Bank 2021a). An additional price surge in early February 2022, particularly in petroleum oils, was caused by the Russian invasion of Ukraine. The prices of gold, another key export from Africa, on the other hand, reacted counter-cyclically. Gold hit its highest ever price on 6 August 2020, before falling to still elevated levels throughout the remainder of 2020 and 2021. The cumulative effect of these swirling price fluctuations created differentiated impacts across the continent. In the first year of the crisis, major oil-producing countries struggled, while gold exporters benefitted. In the second (and third) years of the

Figure 6.1: Composition of Africa's exports



Sources: Based on ITC TradeMap Data, FAO and Trading Economics, May 2022.
Notes: Composition of Africa's exports based on three-year average from 2016 to 2018.

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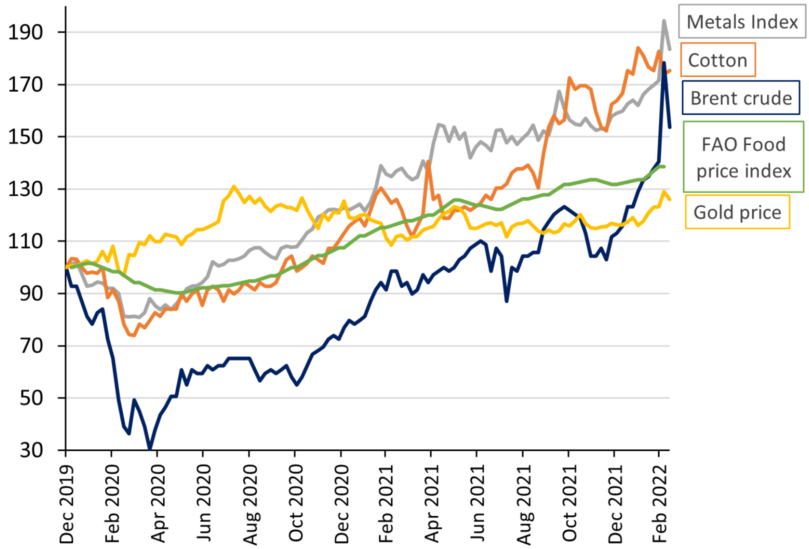
Figure 6.2: Price developments for Africa's top exports through Covid-19 (Dec 2019 =100)



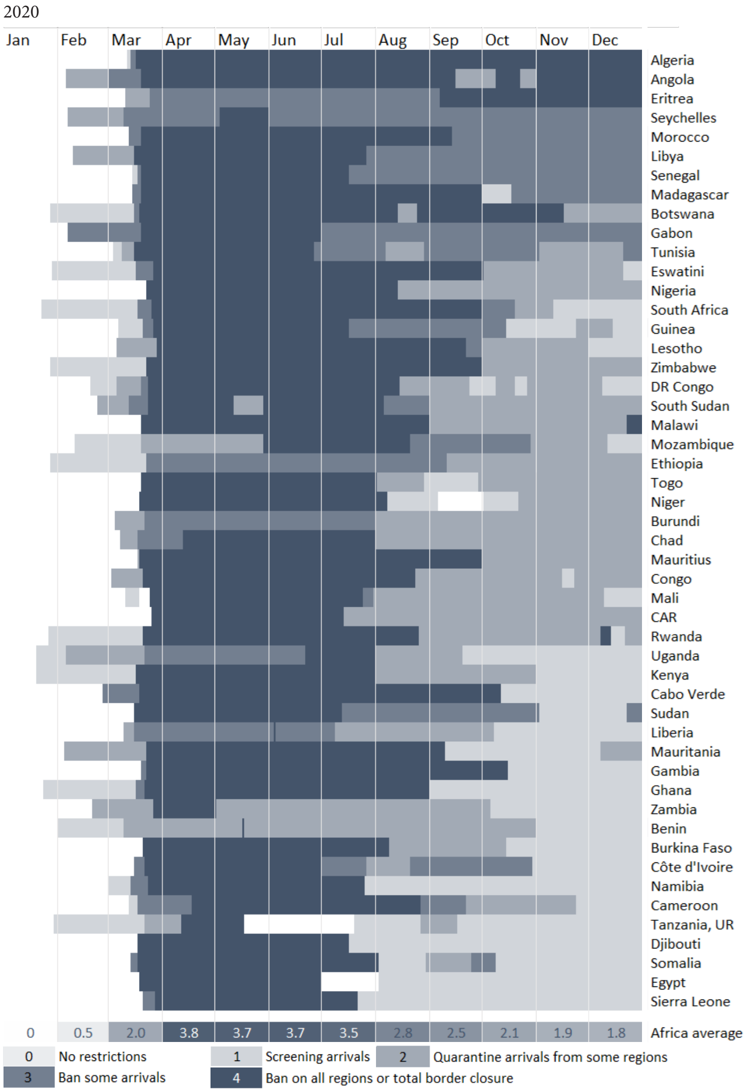
Sources: Based on ITC TradeMap Data, FAO and Trading Economics, May 2022.
Notes: Metals Index is the LME Index. Cotton prices are included as a (very) rough indicative proxy for textile prices.

pandemic, most African countries benefitted from elevated prices for their major commodity exports. Though such volatility may seem to 'balance out' over a longer time horizon, it exacerbates budgetary planning and investment (World Bank 2021a). It also erodes policymaking interest in fixing the pervading challenges of commodity dependency.

The second major disruptor impacting Africa's trade over the course of the pandemic was the lockdowns induced by Covid-19. As elsewhere in the world, these lockdowns severely – by design – restricted internal mobility, reduced economic activity, and closed borders to varying degrees. Figure 6.3 highlights the specific aspect of international travel closures that formed the most trade-relevant part of lockdowns. It shows how these varied across African countries and over time. Most African countries introduced, and then strengthened, lockdown restrictions beginning in late March 2020 and into early April 2020, as the extent of the Covid-19 pandemic became apparent. Lockdown restrictions then tended to gradually ease across Africa before stabilising between November 2020 and June 2021 (with some country idiosyncrasy). Travel closures were most prevalent and strict in the months of April to July 2020.

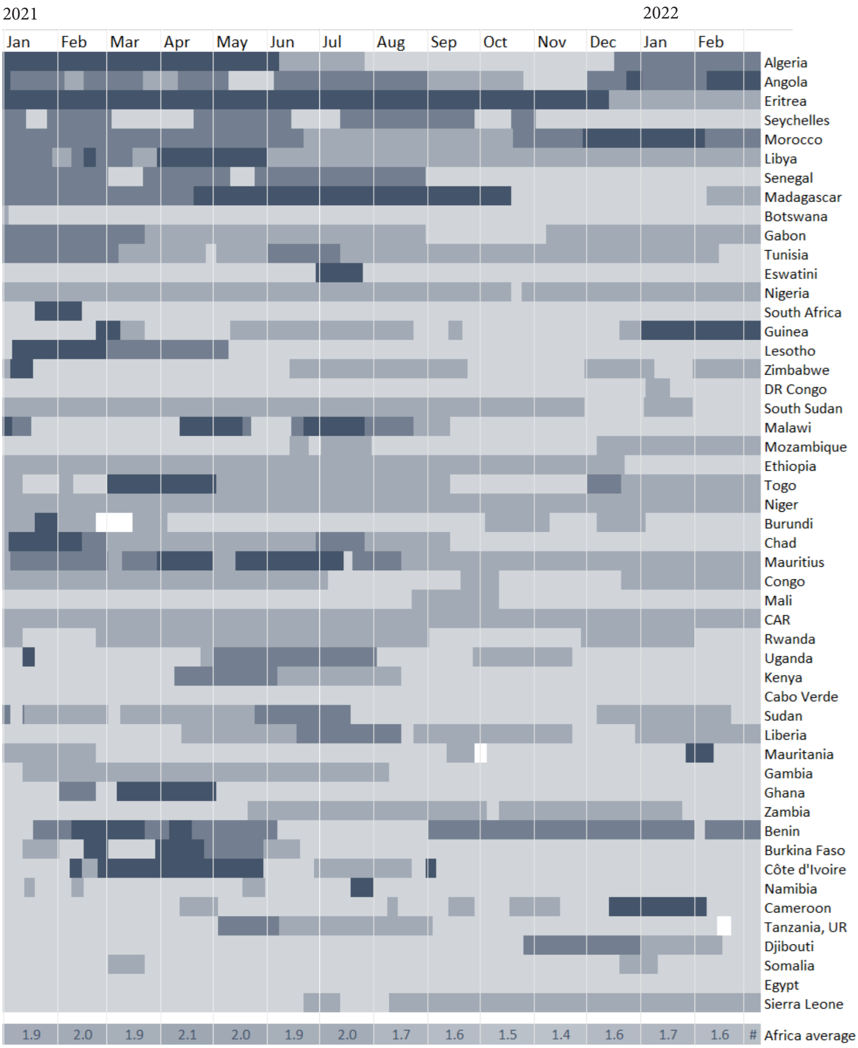
At that point, most major ports throughout the continent experienced delays and congestion as port authorities and maritime shippers reacted to additional health screening measures and port congestion (UNECA 2020a). Passenger

Figure 6.3: Africa's international travel closures: scale of 0 to 4 (white to blue), January 2020 to March 2022



flights, which usually carry commercial cargo in their holds, declined precipitously in number and were wholly banned from many countries. Land borders became congested due to mandatory testing, the sanitisation of trucks and limits on crew numbers, and in some cases were completely closed between neighbouring countries (UNECA 2020a). As these measures were introduced

Figure 6.3: (continued)



Source: Authors' calculations, based on Oxford Covid-19 Government Response Tracker.
Notes: Data was unavailable for Comoros, Sao Tome and Principe, Equatorial Guinea and Guinea-Bissau.

quickly in response to emergency conditions, there was initially little coherence or harmonisation in their introduction dates, coverage or stringency. As the pandemic persisted, two changes eased the restrictiveness of Africa's lockdowns on trade. First, the stringency of lockdowns gradually eased in general as countries refined the targeting of their lockdown interventions (UNECA

2020b). Second, countries and regional economic communities introduced and then harmonised cross-border 'safe trade' measures to facilitate trade and goods transit between their member countries. Regional guidelines were first introduced during 2020 on 6 April in SADC, 24 April in the EAC, 15 May in COMESA and 17 June in ECOWAS (UNECA 2020c). These guidelines varied, but generally aligned with international sector-specific practices on issues such as border health screening, testing and certification, truck crew sizes, digitalised trade procedures, electronic cargo tracking and information sharing. An African Union protocol was supposed to be under development in 2021 to further align and harmonise measures between RECs but had not – as of December 2022 – been issued. That belatedness represented a missed opportunity for the continental body to show leadership, while developments at the regional level moved ahead more nimbly.

Lockdowns did not just affect Africa's economies, of course, but also those of Africa's trading partners. The third major impact of Covid-19 on Africa's trade was through international supply chain disruptions (something discussed further in Section 6.2). Covid-19 caused the first long-term supply chain crisis in decades, disrupting patterns of production that had come to rely on lean global outsourcing and a crisis-free management mentality (Ivanov 2021). In an ECA and IEC business survey, 56 per cent of a sample of businesses in Africa in July 2020 were reported to be facing supply shortages (UNECA and IEC 2020).

As demonstrated in Figures 6.4 and 6.5 together, supply-side disruptions first hit China as lockdown measures were imposed there as early as late January in 2020. This affected a large number of companies, given China's extensive integration into global production systems. Lockdown measures then cascaded across the rest of Africa's trading partners in late March. As the pandemic continued, the stringency of lockdowns was fairly idiosyncratic to the specificities of each import-supplying country – rising and falling in accordance with different Covid-19 waves, such as the Alpha wave that hit Europe in December 2020 and the Delta wave affecting in India in late March 2021. China persistently had some of the strictest lockdown measures since their introduction in March 2020. In contrast, the lockdowns in European countries, the US and African countries eased more rapidly, eager to return to relative 'normality'.

The logistics component of supply chains confronted acute challenges through Covid-19. Border closures at the start of the crisis resulted in dramatic disruptions to the movement, and allocation of, shipping crewpeople as well as delays in complying with new port health and quarantine requirements. These caused spillover disruptions with shortages of equipment and containers, and less reliable services, as well as shipping turnaround delays. A strong rebound in global demand for goods in the second half of 2020, driven by an economic rebound in China and stimulus in Western economies, then created a surge in shipping prices as demand outstripped available supply capacities.

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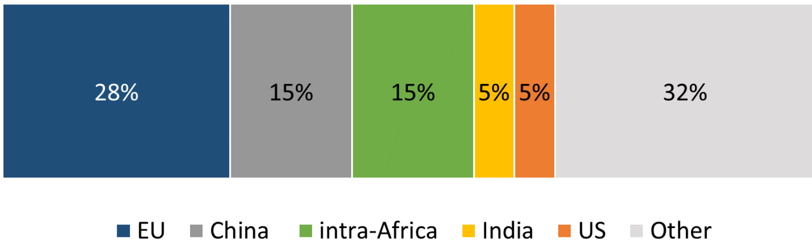
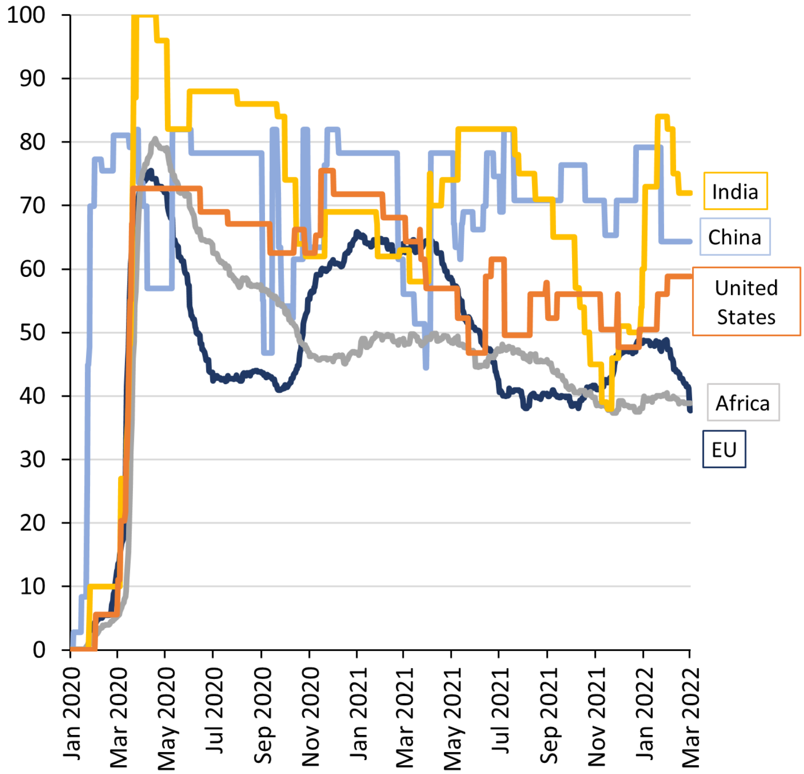
Figure 6.4: Composition of Africa's imports by supplier



Source: Authors' calculations, based on IMF Direction of Trade Statistics 2022.
Notes: Composition of Africa's import suppliers is based on three-year average from 2016 to 2018.

Figure 6.5: Stringency of lockdowns in Africa's import partners, January 2020 to March 2022



Source: Authors' calculations, based on Oxford Covid-19 Government Response Tracker 2022.

Supply chain management processes strengthened in the course of the pandemic, however. Businesses increasingly adopted supply chain visibility tools to better understand their supply chains, improved oversight of emerging constraints among suppliers, and began to more proactively model supply chain risks and costs (El Baz and Ruel 2021; Ivanov 2021). Supply chain resiliency was reported to have risen to the top of business priorities in a survey by Gartner of more than 1,300 supply chain professionals, which also revealed that 87 per cent of respondents planned to invest in supply chain resiliency within the two years following 2020 (Gartner 2020). These improvements to supply chain management practices, alongside the better targeting of lockdown measures, help to explain why the stringency of lockdowns declined as an indicator of negative quarterly economic growth after the second quarter of 2020 (König and Winkler 2021). Stringent lockdown measures increasingly had a more muted impact on economic activity. Supply chains – following an initial shock in March 2021 – were increasingly more resilient to further Covid-19 related disruptions.

Impacts on trade in goods

As the economic consequences of the Covid-19 pandemic unravelled across the world, there was no shortage of letter-based descriptors of recovery. Commentators wondered whether the global economy would rebound in a sharp V-shape, a slower U-shape or a double-dip W-shape. Inspired by this nomenclature, the impact on Africa's formal exports in merchandise goods might be described as 'J-shaped'. A sharp negative shock in April and May 2020, at the start of the crisis, gradually gave way to a strong rebound and growth in 2021. Though the value of Africa's total exports to the world was 11 per cent lower in 2020 than in 2019, by 2021 it was 19 per cent higher than in 2019. That this 'J-shape' replicates the prices of Brent crude oil (recall Figure 6.2 and see Figure 6.6) over this period is an important reminder that too much African trade continues to be concentrated in petroleum oils (40 per cent, in recent years). The impact of Covid-19 is, however, more complex, with prices of other African commodities reaching unprecedented heights by as early as mid-2020 and supply chain disruptions, including historical highs in container freight rates, weighing on relatively more complex value chains, such as manufactures.

The pattern with intra-African trade is a similar, if less smoothly rendered, 'J-shape', to Africa's total trade with all partners (Figure 6.7). Intra-African trade also fell precipitously in April and May 2020, before remaining muted throughout the remainder of 2020 and recovering well in 2021. In total, intra-African trade was only a little more resilient to the economic shock of Covid-19 than Africa's exports outside the continent. Unlike the global financial crisis of 2008 to 2009, when Africa's internal trade remained much more buoyant than its external exports, the Covid-19 crisis imposed a direct shock on intra-African trade through lockdowns and particularly border closures affecting contiguous countries, which account for most intra-African trade.

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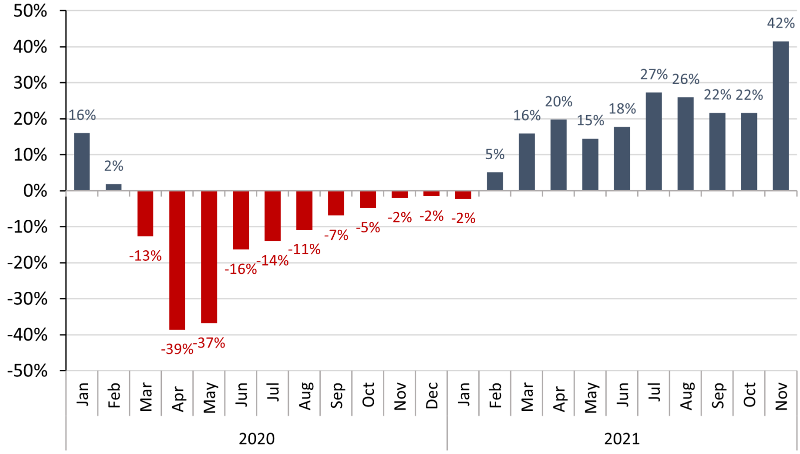
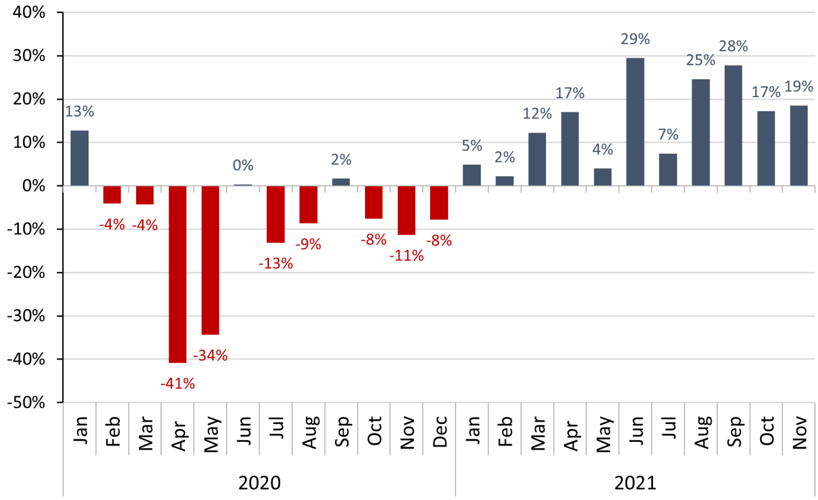
Figure 6.6: Africa's exports to the world, compared to equivalent month in 2019, percentage change



Source: Authors' calculations, based on IMF Direction of Trade Statistics 2022.

Figure 6.7: Intra-African exports, compared to equivalent month in 2019, percentage change



Source: Authors' calculations, based on IMF Direction of Trade Statistics 2022.

Nevertheless, the most significant indicator of the experience of African countries throughout the throes of Covid-19 in 2020 was whether or not they were major exporters of either petroleum oil or gold. We classify African countries as major petroleum exporters if petroleum oils account for at least

35 per cent of their total exports, and gold exporters if gold accounts for at least 35 per cent of their total exports (Figure 6.8). The former group of African petroleum oil-exporting countries suffered a net 34 per cent fall in the value of their exports in 2020, while the latter gold exporting group enjoyed a 20 per cent increase. This bifurcated response is clearly driven by commodity prices, with major gold exporters benefitting from exceptionally high prices as petroleum exporters suffered from price troughs. Though it is not the entire story, the most important determinant of trade performance for African countries in the course of Covid-19 would appear to be their particular commodity dependencies.

Figure 6.9 aggregates the data presented in Figure 6.8 into African country groupings while showing the difference between exports to the world and intra-African exports. It is again clear that the impact of Covid-19 on exports is driven, to a large extent, by the commodities that individual African countries export. The West, Central and North African regions that are host to most of Africa's major petroleum oil-exporting countries experienced the poorest export performance in 2020. While intra-African exports proved marginally more resilient than exports to the world in total, there was variance across African regions.

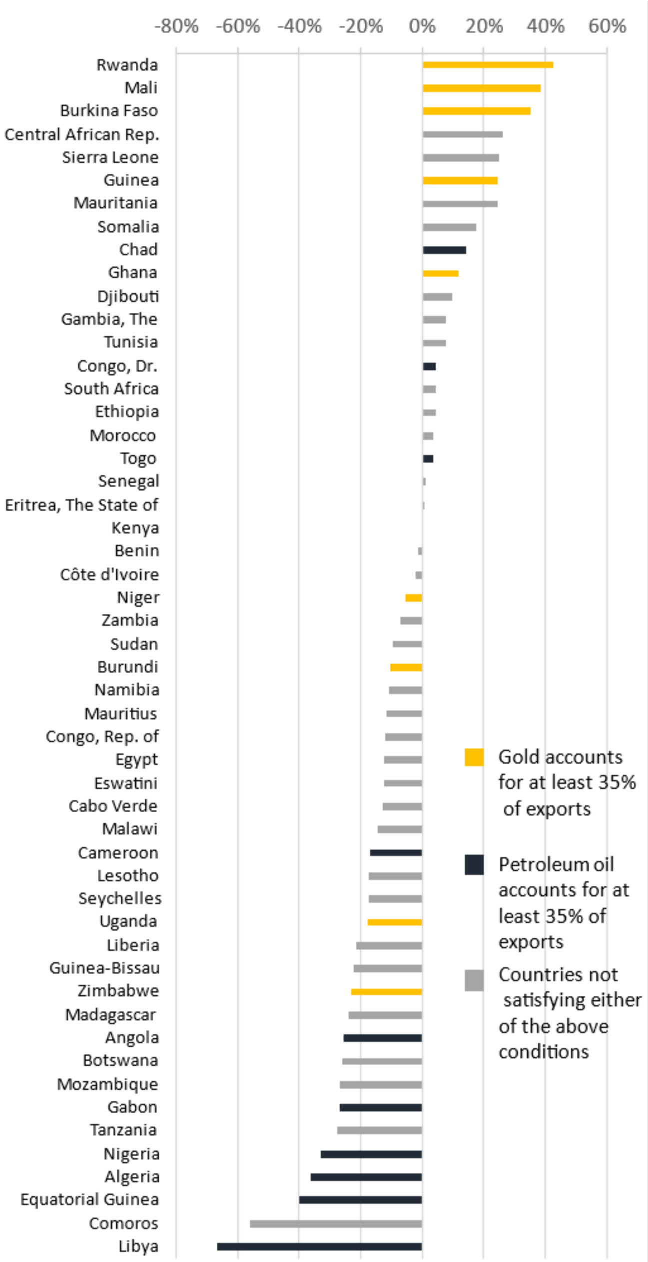
So far, the data presented has considered only exports. As Figure 6.10 shows, Africa's imports also fell in 2020 before rising in 2021 as compared to 2019. The impact of Covid-19 on Africa's imports has been broadly in line with the impact on exports – following the same 'J-shaped' curve. Imports into African countries were similarly constrained by the Covid-19 restrictions to movements, disruptions to supply chains, and reduced foreign exchange revenues with which to fund imports.

Early in the pandemic crisis, Africa's trade structure – which disproportionately involves exporting commodities and importing finished goods – threatened African countries' access to the medical supplies, personal protective equipment and medicines needed to fight Covid-19, as scores of countries that produced these goods instituted export restrictions and bans (UNECA 2020a; UNECA 2020b). As concern over the pandemic rose, some countries imposed additional bans or restrictions on food exports. Fortunately, local solutions emerged to address supply gaps in the case of simple products, such as disinfectants, facemasks and personal protective equipment, although African countries still struggled with access to complex equipment, such as ventilators (*Financial Times* 2020). The African Medical Supplies Platform, championed by South African President Cyril Ramaphosa and developed by the African Union, Africa CDC, Afreximbank and UNECA, further provided a pan-African solution, allowing for pooled government procurement of Covid-19 medical supplies across African countries.

Impacts on trade in services

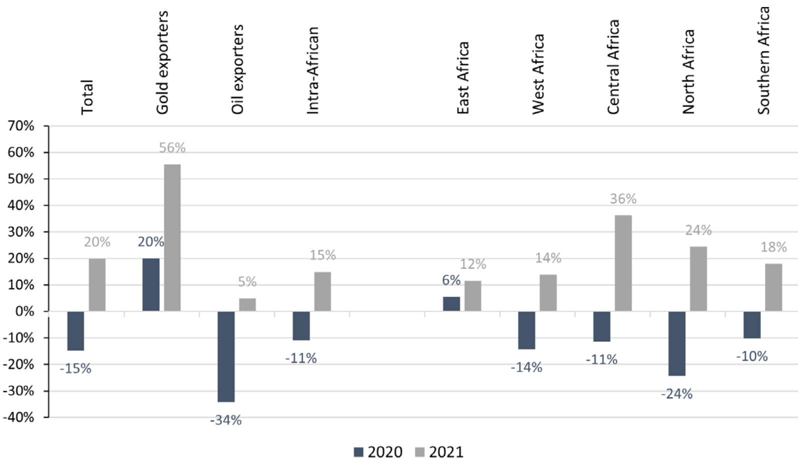
The sectoral impact of the Covid-19 crisis on Africa's services exports is perhaps unsurprising. Transport and travel services plummeted during the

Figure 6.8: Individual African countries, change in annual exports, 2020 as compared to 2019, percentage change



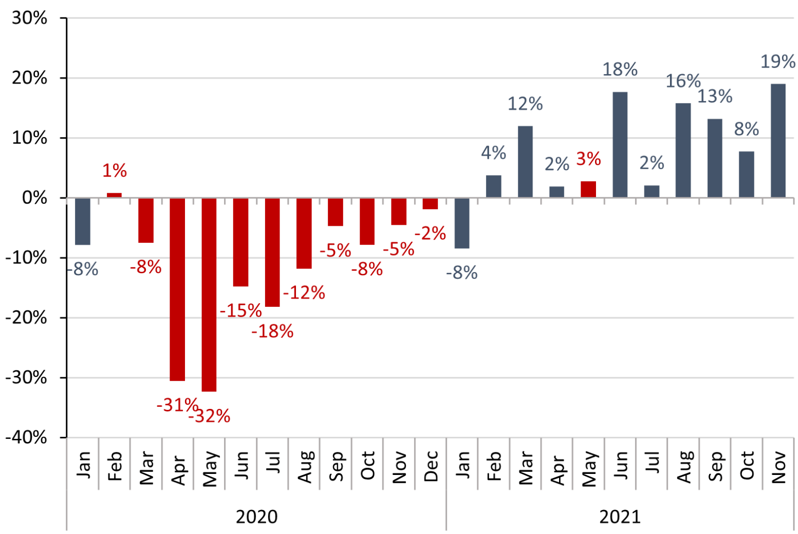
Source: Authors' calculations, based on IMF Direction of Trade Statistics 2022.
Notes: Gold and petroleum oil concentration categorisations calculated using CEPI BACI reconciled trade flows data for 2018. Countries that do not satisfy either condition are left grey.

Figure 6.9: African country groupings, annual change in exports, 2020 and 2021 as compared to 2019, percentage change



Source: Authors' calculations, based on IMF Direction of Trade Statistics 2022.

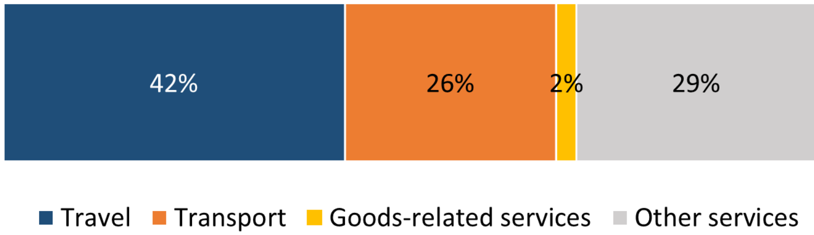
Figure 6.10: Africa's imports, compared to equivalent month in 2019, percentage change



Source: Authors' calculations, based on IMF Direction of Trade Statistics 2022.

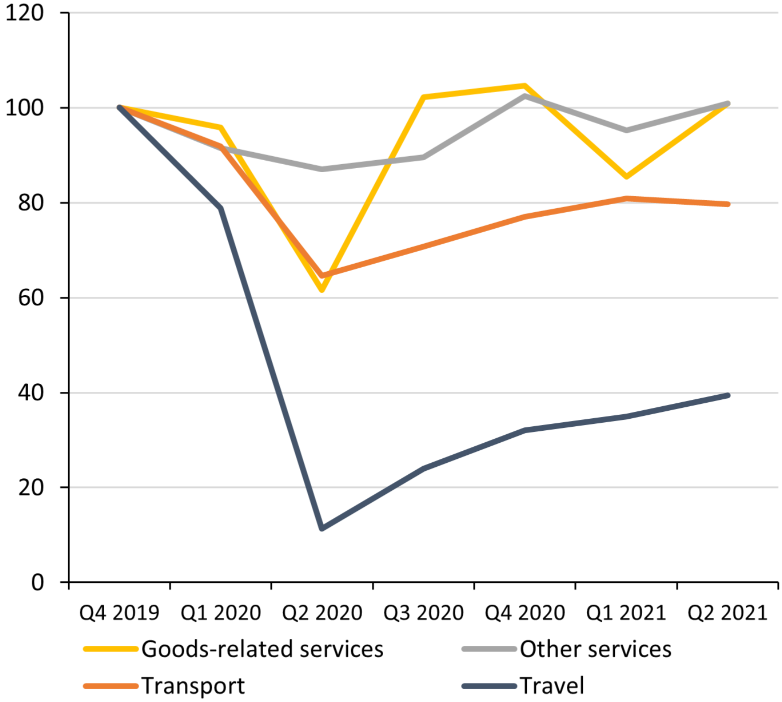
pandemic as can be seen in Figure 6.12, which shows service sector export indices quarterly between 2019 and 2021. These two sectors are, furthermore, the most important service exports for the continent in terms of value (Figure 6.11). The extent of the collapse in travel services was dramatic, falling

Figure 6.11: Contribution of BPM6 sectors to total African trade in services exports, 2019



Source: Authors' calculations based on UNCTAD Stat, accessed September 2021.
Notes: Africa services trade data is patchy. The above indices are calculated on the basis only of countries for which sector services exports data was available for Q4 2019 through to Q3 2020, and only give a rough estimate for the continent more broadly.

Figure 6.12: Africa's services exports, sector indices, Q4 2019 = 100



Source: Authors' calculations based on UNCTAD Stat, accessed September 2021.
Notes: Africa services trade data is patchy. The above indices are calculated on the basis only of countries for which sector services exports data was available for Q4 2019 through to Q3 2020, and only give a rough estimate for the continent more broadly.

89 per cent by the second quarter of 2020 as compared to the last quarter of 2019. Only a small rebound was experienced by the second quarter of 2020, the most recent data point available at the time of writing. As dramatic as this was, it was not wildly inconsistent with the experience in other regions of the world.

Exports of goods-related services and other services held up more strongly, likely owing to their lower dependency on cross-border movements of people. The former includes manufacturing services on physical inputs belonging to other countries and maintenance and repair services, but accounts for only about 2 per cent of total African services exports. The latter – 'other services' – in the African context includes primarily 'Other business services', such as research and development services, professional and management consulting services, and technical, trade-related and other business services, but also telecommunications services and government services. Clearly these are more resilient to border closures than services such as travel and tourism. These remained relatively more stable in the course of 2020, with telecommunications services, in fact, actually growing by about 11 per cent.

In normal years, tourism and travel account for about 42 per cent of African service exports, 6.9 per cent of Africa's GDP (equivalent to about $173 billion) and 6.5 per cent of total Africa's employment. It is also an important employer of women (UNWTC 2019; WTTC 2021). While tourism is a significant foreign exchange earner for large African economies, such as South Africa (where it accounts for one in 10 jobs), Kenya, Egypt and Morocco, it is most important for Africa's small island economies, notably the Seychelles and Cabo Verde, where tourism accounts for an estimated 26 per cent and 18 per cent of total GDP, respectively (World Bank 2021b; WTTC 2021). The crisis exposed Africa's dependency on foreign travellers for tourism. With fewer domestic tourists to absorb local tourism services, the impact on this sector was more pronounced than in other places, such as Europe or the US, where domestic tourism was able to replace international travellers to a certain extent. Domestic tourism as a share of total tourism is lower in Africa than any other region, accounting for around 55 per cent of travel and tourism spending in Africa, as compared to 83 per cent in North America, 64 per cent in Europe and 74 per cent in the Asia-Pacific (WTTC 2017). This has been particularly pronounced in Eastern and Southern Africa, with tourism offerings like safaris more oriented towards European, American and Asian visitors. Yet policy changes may be underfoot: Kenya launch a Domestic Tourism Recovery Strategy in 2020, focusing on, among others, marketing, infrastructure, and product diversification with their domestic market.

Both transport and tourism are included in the five priority sectors for services liberalisation under the AfCFTA. This creates an opportunity for promoting intra-African investments as African countries begin to recover from Covid-19 to accompany increased intra-African trade flows. In the words of Wayne Godwin, senior vice-president of JLL Hotels & Hospitality Group for Sub-Saharan Africa,

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> the free-trade agreement is an absolute game changer for travel. If 97 percent of commodities and goods are tariff-free, that's going to do a lot for regional trade. And when there's regional trade, travel will follow. (Monnier 2021)

Doing so could be the catalyst African countries need to follow the successes of more developed countries like China, which, with an emerging middle class armed with increasing disposable incomes, experienced a fourfold increase in domestic travel and tourism spending in a decade, from $208 billion in 2008 to $836 billion by 2019 (see Box 6.1; WTTC 2017; WTTC 2021).

Box 6.1: Lessons from the rise of domestic tourism in China

When we think of China's growth miracle, most think of manufacturing. Yet domestic tourism has been one of the fastest-growing sectors of the Chinese economy, with spending quadrupling from $208 billion in 2008 to $836 billion in 2019, overtaking the United States to become the largest domestic tourism market in the world, despite China still being a developing country. Tourism in 2019 accounted for 11.6 per cent of the total Chinese economy (above the world average of 10.4 per cent). It was also the source of about 30 million jobs in China, equivalent to about 10 per cent of total employment. Though now a much wealthier region than Africa, lessons can be drawn from the tools used to promote domestic tourism in China.

A specific focus on domestic tourism has been present in China's national economic and social development plans since 1993, a time at which China's GDP per capita was much lower than that of most African countries today. National holidays have been an important tool. 'Tourism Golden Week' – a series of separate national holidays implemented in 2000 – were useful in stimulating demand. A developed rail network and air infrastructure – including low-cost carriers in second- and third-tier cities – have helped to make movement, a prerequisite for tourism, possible. An 'Internet + Tourism' strategy has improved information and awareness of tourism opportunities. Policy has also involved transposing the notion of 'industrial parks' to the tourism sector, with tourism bases focused on the theme of film and television in Hengdian and Song City, of history and culture in the ancient city of Xi'an and Luoyang, and of sports tourism in Chongqing. More recently, a focus on the preservation of cultural heritage and environmental sustainability have been introduced to promote a healthy local identity alongside tourism attractiveness.

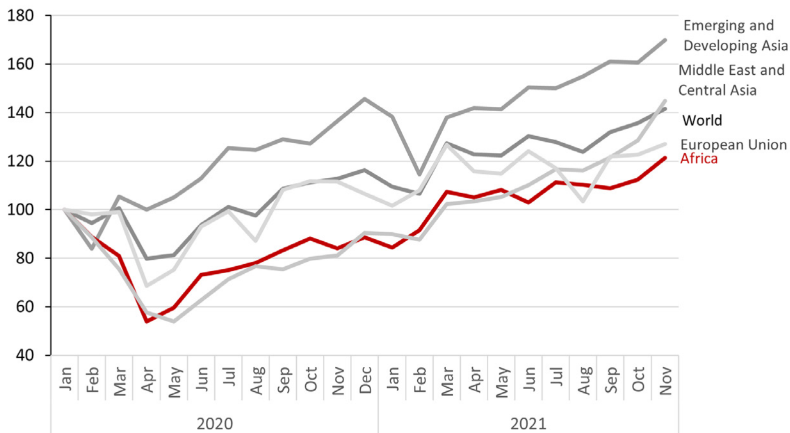
Sources: Zhao and Liu (2020); WTTC (2017); WTTC (2021); Giorgi, Cattaneo and Enríquez Alatriste (2020).

However, despite being launched in 2018, the AfCFTA protocol on trade in services is yet – as of December 2022 – to be implemented. Technical components of this part of the agreement are being worked on by trade negotiators, with much work still needing to be done. Negotiators are involved in reviewing and making requests upon service sector liberalisation offers from other countries. Even once negotiations on these technical components are completed, implementation will take time before substantial impacts are realised. When eventually concluded, the AfCFTA services offers will include provisions that enable service providers from AfCFTA state parties better access in other African countries. This can involve, for example, lifting limitations on the participation of foreign capital in terms of maximum percentage limits on foreign shareholding, limitations on the total number of foreign employees, or limitations on the total value of service transactions or assets. Beyond liberalisation, the AfCFTA negotiators are also in the process of negotiating regulatory frameworks. These seek to improve regulatory convergence and harmonisation in different service sectors, to make it easier for services operators to expand operations across African countries.

Comparative perspectives

Covid-19 hit African trade harder than most other regions. Using January 2020 as a baseline, Africa's exports fell by 46 per cent by April 2020 – a fall that was more severe than any other region, with the exception of the Middle East and Central Asia, exports from which also fell by 46 per cent by May 2020 (see Figure 6.13). All of these regions are notable petroleum oil producers and struggled with the sharp decline in oil prices throughout 2020,

Figure 6.13: Africa's exports relative to selected regions through Covid-19: exports indexed to January 2020

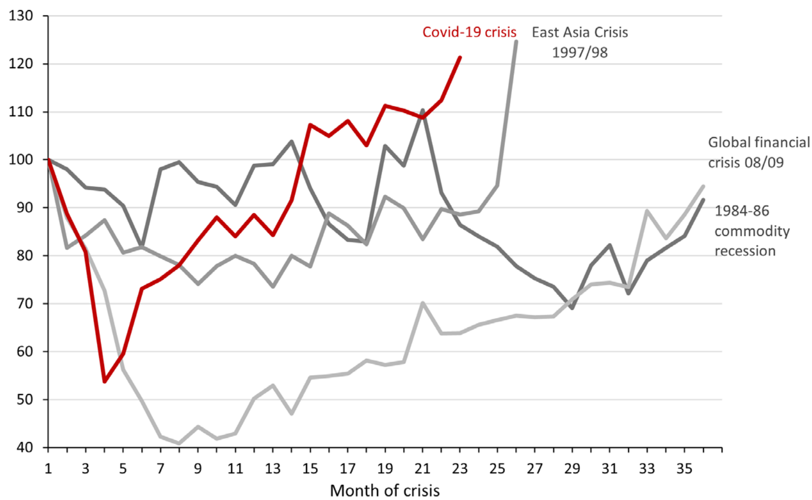


Source: Authors' calculations, based on IMF Direction of Trade Statistics 2022.

before recovering in 2021. However, exports from the Middle East and Central Asia recovered much more strongly than those from Africa in the second half of 2021. A sharp contrast is drawn with the Emerging and Developing Asia region, which, after an initial contraction in February 2020, recovered strongly from the pandemic crisis – with the East Asia region even managing to record GDP growth of 0.9 percentage points in 2020, and among the fastest growth in 2021 too. This recovery was led by impressive control of the virus in many Asian economies in 2020, such as China and Vietnam, which rode the subsequent wave of rising world demand to boost manufacturing exports.

The economic crisis surrounding Covid-19 marks only the most recent in a succession of global crises that have undermined development in African countries. Falling export receipts followed the global financial crisis of 2008 and 2009 and the East Asia crisis in 1997 and 1998, as well as a commodity prices recession in 1984 to 1986. In each of these instances, African trade was weighed down by crumbling commodity prices. The Covid-19 crisis in its impact on Africa's exports is notable for its brevity, compared to those preceding crises (see Figure 6.14). Despite comprising one of the greatest economic upsets in recent history, and imposing a particularly sharp drop in Africa's exports, it was characterised by a notably swift recovery. Africa's exports had returned to their January 2020 level just 14 months later, before then growing substantially as commodity prices continued to rise. It was an unusually rapid recovery for African exports, in comparison to other major economic troughs of recent decades. However, this recovery cannot be considered to have been delivered by much more than the commodity price rebound, which saw

Figure 6.14: Covid-19 relative to other economic crises: impact on Africa's exports, by month into crisis



Source: Authors' calculations, based on IMF Direction of Trade Statistics 2022.

prices for most of Africa's traditional commodities soar. The African economy, in aggregate, remains structurally unchanged from its overconcentration in metals, ores and petroleum oils.

Great crises create moments in which entrenched outcomes within political economies can be revisited and changed. The risk of Africa's rapid trade recovery from Covid-19 is that it removes the incentives and impetus to structurally change African trade, leaving it persisting in its dependence on too few commodity products and their prices. High prices may help buoy government finances and foreign exchange reserves, for the African countries that export them, but will undermine the type of trade transformation that would better create jobs and sustainable development over the longer term. With commodity prices having recovered, Africa's export structure seems likely to continue in its persisting over-concentration in fuels and metals unless trade policy changes.

6.2 Did supply chains localise and bring production to Africa?

The Covid-19 pandemic sparked much interest over whether supply chain disruptions would lead to a great 'rebalancing' of global supply chains. This was particularly prevalent at the start of the crisis as countries scrambled to ignite domestic production of personal protective equipment and medical supplies in the face of excess global demand, disrupted supply chains, and export prohibitions. There were initial worries, too, over imported food supplies, as a small number of countries imposed export bans on strategic food crops including rice and wheat,[3] both important imports for Western and Northern African countries, respectively (UNECA 2020a).

In May 2020, the Institute of Management Development issued an article anticipating the re-emergence of logistics hubs at the regional level 'to eliminate single-source dependencies [and that] suppliers will source, assemble and deliver from their own backyards' (Cordon 2020). The consultancy firm McKinsey cautioned businesses in a 6 August 2020 report on exposure to over-extended supply chains designed for 'efficiency … but not necessarily for transparency or resilience', while projecting that $2.9 trillion to $4.6 trillion worth of exports could shift to 'domestic production, nearshoring, or new rounds of offshoring to new locations' as a result (Jayaram et al. 2020). As early as April 2020, policymakers in Northern economies seemed keen to actively court such a 'rebalancing'. The then EU trade commissioner Phil Hogan announced that the EU would seek to 'reduce [its] trade dependencies' after the pandemic. Japan unveiled a $2.2 billion fund to tempt Japanese manufacturers out from China. The then US director of the United States' National Economic Council, Larry Ludlow, pushed for US policy to help assist American manufacturing firms in relocating back from China.

However, as the pandemic progressed, 'early expectations of a spontaneous rapid shift in supply chains have been downgraded' (*Financial Times* 2020).

Manufacturing value chains continued to concentrate in Asia following the region's more rapid and early recovery from the Covid-19 crisis (Cable and Kihara 2020). An AmCham Shanghai survey of 346 American companies operating in China in 2020 found that American companies remained committed to the China market, with 79 per cent reporting no change in investment allocations (a larger share than in 2019) (AmCham 2020). A relatively short-lived supply chain rebalancing might be expected in Africa, too. While 56 per cent of an ECA and IEC survey of businesses reported in July 2020 to have switched suppliers in which they prioritised domestic and other African suppliers, 87 per cent of these firms also reported that they would switch back to original suppliers, mostly due to better prices (UNECA and IEC 2020).[4] Covid-19 may yet catalyse supply chain relocations, particularly in strategic sectors such as medical equipment and drugs (UNCTAD 2020), but at this point the extent and duration of these supply adjustments remain uncertain. For African countries, the opportunity to capture some of the localised supply chains would be beneficial to longer-term industrialisation goals. Particular value would derive from developing localised pharmaceutical industries, a sector of acute import dependency in Africa (Banga, MacLeod and Mendez-Parra 2021).

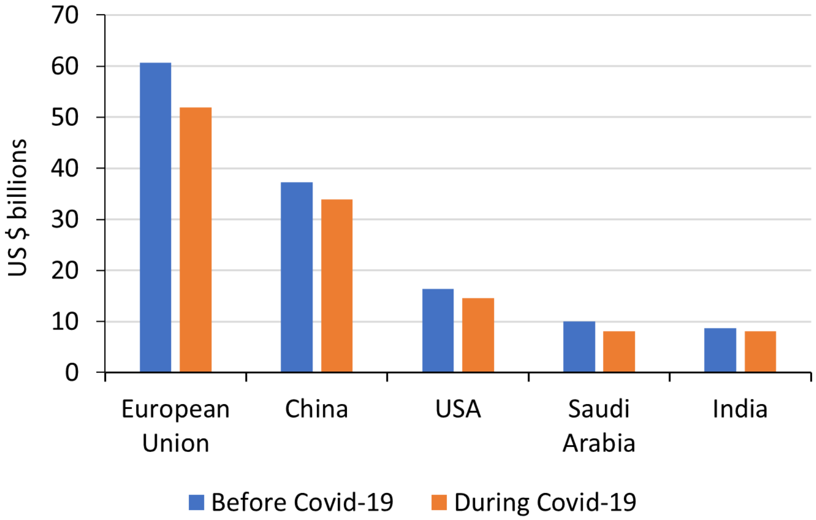
Did the crisis catalyse long-term changes or merely short-term adjustments in supply chain localisation? The measures taken to tackle the Covid-19 pandemic (lockdowns, movement restrictions, social distancing, border closures) had multiple impacts on global economies. One area in which this was most prevalent was the production of manufactured goods. Manufactures typically depend on more disaggregated and complex logistical supply chains comprising many parts produced at different locations. Comparing the second quarter of 2019 with the second quarter of 2020, global output growth in manufacturing industries declined by about 15 per cent, 12 per cent and 11 per cent for low-technology, medium-technology and technology-intensive industries, respectively (UNIDO 2022). In the first half of 2020, there was a significant decline in global vessel port calls, with the largest drop (nearly 21 per cent) occurring between mid-May and mid-June (Committee for the Coordination of Statistical Analysis 2021).

In general, the crisis highlighted the crucial role of supply and value chains at the global level, but also in Africa. For the African continent, it also highlighted opportunities. Indeed, following the crisis, the halt in the production in China of intermediate products necessary for the activity of various global industries (textiles, chemicals, pharmaceuticals etc.) raised the question of the relocation of industries in diverse countries, calling into question the fragmentation of production processes, the essence of globalisation. One of the conclusions of the Covid-19 crisis, but also of the crisis in Ukraine, is necessarily the fact that states and companies aim to diversify their source of supply in order not to depend only on a given country. Related to this, there may be new incentives for Africa to develop its manufacturing sector and have a resilient supply chain to deal with future crises.

At the peak of the pandemic, the United Nations Economic Commission for Africa conducted three surveys to understand the response and outlook of African businesses to the crisis. The surveys revealed that the crisis had affected businesses differently depending on their size. Large firms had lost between 50 per cent and 60 per cent of their production capacity, while small firms had lost between 30 per cent and 40 per cent of their production capacity. The impact was greater for larger companies because of their more significant dependency on global supply chains. Surprisingly, however, micro and small firms were also more dependent on the international market than the continental market for inputs to their production (ECA and IEC 2020). Indeed, most imports of intermediate goods into Africa come from the rest of the world. Only 16 per cent[5] of imported intermediate goods come from within the continent. The EU is the leading exporter of intermediate goods to Africa. It accounts for 26 per cent of total imports of intermediate goods, followed by China (15 per cent), the US (7 per cent), Saudi Arabia (4 per cent) and India (3 per cent). By focusing on these main import partners and comparing the periods before and during the Covid-19 crisis, Figure 6.15 provides a first glimpse of how the manufacturing industry, using intermediate goods as inputs, may have been affected by the crisis.

Trade in intermediate goods with each of the main importing partners declined during Covid-19. However, the declines were not overly substantial. For some partners, such as China and India, the decline was surprisingly small

Figure 6.15: African imports of intermediary goods from main partners (average 2018–2019 and 2020–2021)

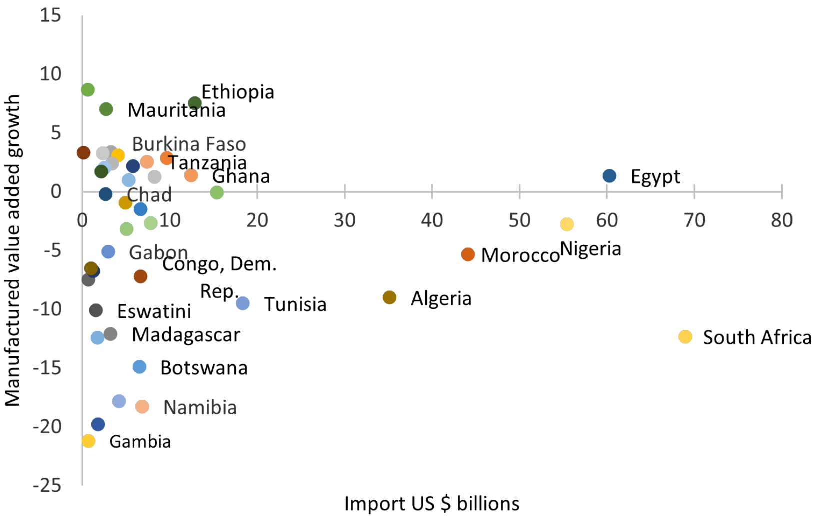


Source: Authors calculations based on UN Comtrade database and the System of National Accounts (SNA) classifications of goods.

despite these countries facing severe Covid-19 crises. However, looking at these figures alongside manufactured value added changes the perspective. Manufacturing value-added growth[6] in sub-Saharan Africa remains very low and in fact declined between 2010 and 2019, from 4.8 per cent to 3 per cent. With Covid-19 reducing the supply of industrial inputs, the average growth rate of manufacturing value added on the continent plummeted to –4.5 per cent in 2020. One driver of this decline was disrupted supply of intermediate products.

The phenomenon of declining manufacturing value added was not universal across the continent. Some African countries, such as the Central African Republic, Ethiopia, Mauritania, Benin, Niger, Burkina Faso and Cameroon, observed positive manufacturing value-added growth in 2020. While this seems to imply that the manufacturing sector in these countries has been more resilient than in other African countries, it does not mean that the manufacturing value added of these countries was entirely unaffected.[7] Nevertheless, many of these economies continue to be less integrated into global supply chains. Figure 6.16 clearly illustrates the relationship between integration into the world economy and manufacturing value-added growth. Many of the African countries that import the least experienced positive growth in manufacturing value added in 2020. But the countries most open to the rest of the world (except for Egypt) experienced negative growth in manufacturing value added. The manufacturing sectors in these countries suffered relatively more when their more globally integrated supply chains were disrupted by the Covid-19 pandemic.

Figure 6.16: African countries manufactured value-added growth and total imports in 2020



Source: Authors calculations, based on world development indicators and UNTACD annual trade data.

The Covid-19 crisis raised awareness of the value of regional production chains to reduce the dependence of African countries on the rest of the world in critical goods, such as medicines. In the pharmaceutical sector, African countries lobbied hard with investors to host mRNA vaccine production units. Egypt, Kenya, Nigeria, Rwanda, Senegal, South Africa and Tunisia were chosen to host such production facilities. Pharmaceutical investment and production deals were signed between Rwanda and BioNTech and between South Africa and Johnson & Johnson. In other sectors, such as machinery and equipment manufacturing, experts additionally argued for a greater weight of Africa in manufacturing (Martin 2020). However, efforts to support the localisation of pharmaceuticals production within the continent have not been without their challenges. As discussed in Chapter 5, the TRIPS waiver at the WTO, led by South Africa and India aiming to make licensing of Covid-19 vaccines and medicines easier, faced blockages from developed countries. Since investments were made in African countries, initial production efforts risked being undermined for a lack of orders as a result of free Covid-19 vaccine doses donated by high-income countries (Adepoju 2022).

If regional production chains in manufacturing can be developed, it could contribute to reinforcing Africa's industrialisation. A long-term relocation of firms to the continent could help reinforce a virtuous cycle of GDP per capita and manufacturing value-added growth. To do this, it would be necessary to incentivise policies for firms on the continent so that the cost of an input available on the continent is cheaper than when that same input comes from the rest of the world. This is a major challenge as the health crisis, which has favoured sourcing from the continent, does not appear to have turned this demand diversion into a long-term adjustment. As UN surveys reveal, firms say they want to return to their original suppliers mainly because of the price of inputs on the continent (ECA and IEC 2020). Covid-19 created a renewed policy and business interest in localising value chains, including within the continent. This was often necessitated by disruptions to global supply chains. However, there is yet little to suggest that this localisation drive has been substantial – beyond a few sectors like pharmaceuticals – or sustained.

Challenges for further localising supply chains in Africa

Digitisation is a vector for strengthening but also managing supplier relationships as well as logistics and shipping processes by companies (Baker McKenzie 2022). To better manage supply chains and identify associated risks, a good combination of the benefits of digitalisation through data accessibility and artificial intelligence can help African countries to shape a resilient supply chain. The continent can improve its traditional supply chain management methods by implementing tracking systems, digitised information flows, and automation to insert itself into the global value chain and attract a relocation of global industry to the continent. Such a 'revolution' should benefit trade on the continent, as digitisation will allow for efficient interconnection between ports.

Digitisation can also help to bridge the information gap within and outside of the continent. For example, the continent has the lowest internet penetration (standing at around 30 per cent), far below the global average, which was twice as high in 2020. Digital tools such as digital platforms can also be used to leverage human capital productivity in logistics activities. Indeed, one of the biggest challenges facing logistics managers and professionals is the level of competence and professionalism of their workers (Kuteyi and Winkler 2022). To benefit from the diversification of supply chains and to locate them on the continent, African countries should invest in infrastructure and logistics. For example, the expected gain from supply chain digitisation will not happen if the continent is not able to be supplied with electricity. Investment in energy supply in sub-Saharan Africa has fallen by more than 30 per cent since 2011, leaving an estimated 600 million people without access to electricity on the continent and needs to increase two and a half times through 2040 (IEA 2019). African countries face many logistical challenges that need to be addressed to increase trade and encourage regional companies to localise production and eventually enter the export market. These challenges include inefficient gateways and transport facilitation, among others (see Table 6.1).

The regulatory environment should evolve to better support the industrial sector to stimulate the regional supply chain. A weak regulatory environ-

Table 6.1: Logistic challenges in sub-Saharan Africa

Inefficiency	Examples
Gateway inefficiencies	• Cheaper demurrage than warehouse storage costs encourage longer dwell times at ports • Cumbersome custom clearance process and lack of single window • Poor GPS tracking systems
Trucking inefficiencies	• Low market transparency and excessive wait times • Poor inland road quality • 'Black box' pricing models with mostly fixed costs and limited variable costs due to powerful transporter unions • Old fleet operated by poorly qualified truckers • Current incentives are to strip containers and overload trucks • Scarce backload due to more imports than exports • More demand for transport of high-value products than supply which is readily available during most of the year
Trade and transport facilitation inefficiencies	• High shipping line and port handling charges • Weak information sharing and communication infrastructure • Unstable internet connectivity for efficient clearing processes • Excessive checkpoints, informal payments, and corruption • Low professionalism and expertise among freight forwarders

Source: Kuteyi and Winkler (2022).

ment can discourage companies from locating in the continent. In this context, the African Continental Free Trade Area can play a role in harmonising rules and then developing and implementing continental business and supply chain standards. This will give African companies a major role in global supply chains. The continent's particularity lies in the flexibility and an often non-existent regulatory environment, which allows for different forms of innovation in some respects. This phenomenon, referred to as 'reverse innovation' by Oke, Boso and Marfo (2022), is illustrated by the example of businesses like Zipline drone technology, in Rwanda. This company took advantage of the relative paucity of regulation in Rwanda, compared to more developed markets in Europe or the US, to develop and reach a critical size before starting its activities in the United States. In conclusion, when it comes to regulation, African governments should make a trade-off between the establishment of clear rules governing supply chains and the flexible nature of regulation so as not to harm innovation and then the value chain on the continent.

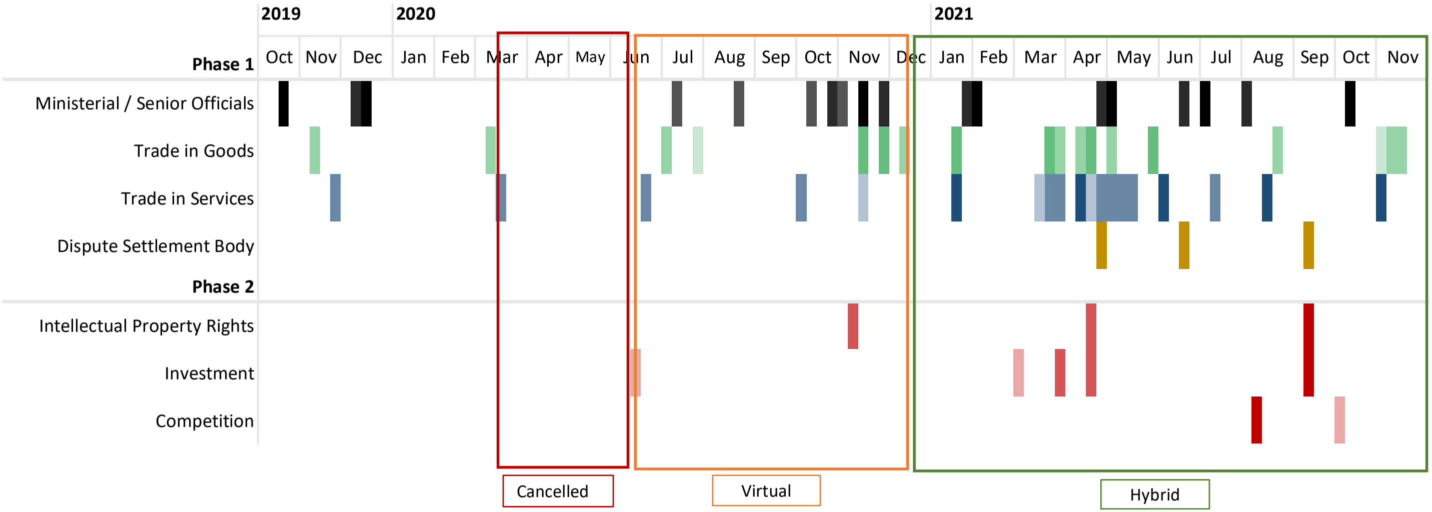
6.3 Negotiating the AfCFTA throughout Covid-19

Covid-19 changed trade in Africa, but it also changed the process of designing and formulating trade policy. With policymakers in many cases unable to meet physically to negotiate complex trade policy instruments, and with policymaking and business attention rediverted to the emerging health and economic emergencies thrown up by the crises, previously set pathways for policy development were disrupted. This section delves into how Covid-19 changed the negotiations for the AfCFTA.

AfCFTA negotiations involve the physical assembly of a large group of delegates, experts, interpreters and support staff. In just one example, the sixth negotiating forum, held in Niamey in June 2017, involved 246 delegates including representatives of negotiating states, their regional economic commissions, supporting international organisations, and staff of the African Union Commission, which was at that time the Secretariat for the negotiations.[8] The impact of Covid-19 caused a clear cessation of negotiating meetings in the first half of 2020 (Figure 6.17). With negotiating forums cancelled, these disruptions undermined a deadline set by the African Union summit to commence trading under the AfCFTA by July 2020.

As the longevity of the crisis became clearer and an adjustment to a 'new normal' resolved, negotiators were forced to identify a mechanism for virtual negotiations. This process mirrored efforts internationally, where negotiations such as those at the OECD over tax reform (OECD 2020), EU–UK over Brexit (BBC 2020) and the UN Human Rights Council continued through virtual or hybrid platforms. Secure online platforms for the AfCFTA were put in place by mid-2020. A flurry of negotiating meetings – including seven at the chief negotiator, senior trade official and ministerial levels – were then held in the second half of 2020 in a push to conclude the AfCFTA negotiations and

Figure 6.17: AfCFTA negotiation meetings, by subject and seniority level, October 2019 to November 2021



Source: Compiled by authors from AfCFTA Secretariat and AUC meeting reports and communications.

Notes: Negotiating meetings are shaded in accordance with three levels of hierarchy: capacity-building training or workshop (lightest); sub-committee, technical working group, or expert working group (medium); and committee or negotiating forum (darkest). If more than one meeting took place in a week, shading is accorded to the highest level.

commence trading by the start of 2021. The introduction of virtual platforms also enabled the initiation of capacity-building sessions and the first committee-level meetings on the phase II negotiating issues to be held in 2020.

The adjustment to virtual platforms was not without its challenges. Intelligent negotiators carefully craft the negotiating processes before negotiations over the substance of a trade agreement begin. The AfCFTA experience was no different, with four of the original negotiating forums dedicated to outlining the strict rules, regulations and terms of references guiding the participation, governance, transparency, reporting and observance of the negotiations. Such carefully crafted and agreed negotiating protocols were undermined over necessitated virtual platforms, with new challenges arising over issues such as the verification of accreditation, transparency and participation, including internet connection issues for some participants. Many negotiating forums were severely delayed due to technical issues as virtual negotiating systems were established. While some of these issues were eventually resolved with practice, others, such as internet connection disruptions, continued to affect negotiators.

The topics being negotiated in 2020 (and in many instances remaining unresolved and spilling over into 2021 and 2022) were also the most significant and sensitive, involving the product schedules of concessions, the rules of origin, and specific commitments in trade in services. These sensitive issues are commonly those requiring the most delicate discussions often resolved over more intimate 'coffee table' discussions or working lunches, rather than within the formalities of plenary-level negotiating meetings involving many negotiators. Such nuanced side discussions and caucuses are inherently more difficult to organise alongside virtual negotiations. Yet, as virtual negotiations – and options for virtual participation – became the 'new normal', they offered benefits, too. Asymmetry of representation in traditional physical negotiations can be stark: in the abovementioned sixth negotiating forum the sub-regional powerhouses South Africa and Kenya fielded at least 11 negotiators each, while Africa's LDCs averaged 2.9,[9] and its small island developing states just one each. The latter often would have to contend with time-consuming, expensive and exhausting flight connections to attend negotiations physically. However, virtual negotiations in general are also less satisfying, less effective and tend to be more protracted, suffering from reduced nuance and sensitivity in communication (Baltes et al. 2002). To get the most out of them, negotiators and negotiation secretariats must continue to learn new skills to improve the effectiveness of virtual negotiations. This can include employing frequent summarising language, labelling behaviour, and efforts in the preparation and planning around negotiations (Hughes 2020; Movius 2020).

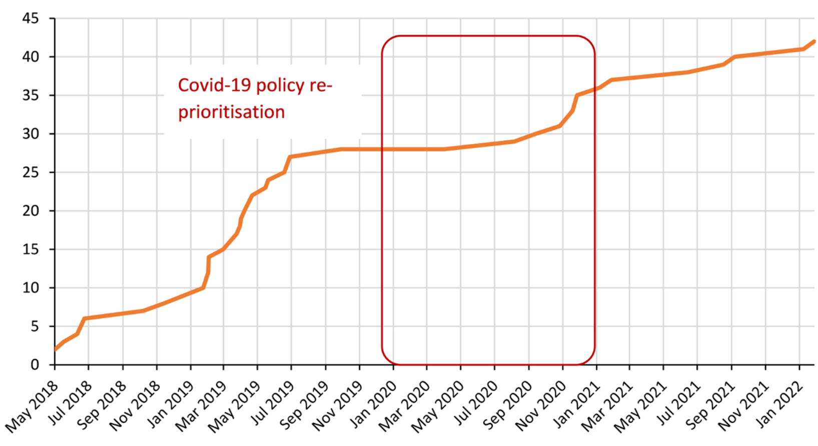
Despite the considerable challenges posed by Covid-19 for the negotiation of the remaining issues of the AfCFTA, Africa made progress in the course of 2020 and 2021, including the establishment of the AfCFTA Secretariat (see Chapter 2). This achievement deserves due credit and demonstrates the commitment of policymakers to ensuring the success of the AfCFTA project.

Yet not all prerequisites for the effective commencement of trade under the AfCFTA could be finalised in this timeframe. The obstacle of Covid-19 perhaps also revealed some of the unrecognised opportunities in virtual negotiating methods. In his closing remarks at the Third Meeting of the AfCFTA Council of Ministers, in November 2020, the secretary-general of the AfCFTA Secretariat informed the meeting that, for future meetings, 'the hybrid virtual and in-person Meetings will be the mode of operation'.[10] This helps improve the accessibility to the negotiations of less well-resourced, capacity stretched, and remote countries in the continuing negotiating processes while allowing face-to-face discussions over the most sensitive issues.

Political commitment to the AfCFTA

The process of legal commitment to a treaty – such as trade agreements – typically involves two steps. A country first signs a treaty, indicating commitment to the terms of the treaty. Ratification then makes the terms of the treaty legally binding in that country. Before Covid-19, at the end of 2019, 54 African Union member states had signed the AfCFTA Agreement, of which a subset of 28 had at that point deposited their instruments of ratification with the African Union Commission. Momentum for the ratification of the AfCFTA seemed to have halted with the onset of Covid-19. From November 2019 to October 2020, just two African countries ratified the AfCFTA. To illustrate the severity of this slowdown in the pace of ratifications, nine instruments of ratification were deposited in 2018 and 19 were deposited in 2019 (Figure 6.18).

Figure 6.18: Cumulative number of AfCFTA ratifications over time



Source: Authors' calculations based on Tralac.

Why might progress have stalled so dramatically? Ratification entails processes through which a state reviews and shows its consent to be bound by a treaty, usually by parliamentary approval through the standard legislative procedure for passing a bill in that country. National consultations are frequently a prerequisite for such approvals. Covid-19 disrupted the hosting of national AfCFTA consultations and refocused legislative attention to emergency health and economic priorities. AfCFTA ratifications are also usually reserved for deposition at a ceremony within African Union summits. The postponement of the July 2020 summit denied member states this opportunity.

Despite the considerable impositions of Covid-19, African countries still managed to make progress with AfCFTA ratifications as the year 2020 drew to a close. In the lead-up to the 33rd Ordinary Assembly of the Heads of State and Government of the African Union, on 5 December 2020, six further ratifications were deposited with the African Union Commission, bringing the total to 32. A further 10 countries were able to conclude their ratification processes throughout 2021 and early 2022, bringing the total number of state parties to the AfCFTA to 42 as of December 2021. In comparison, the African Union Free Movement of Persons Protocol, launched at the same time as the AfCFTA in March 2018, had garnered only 33 signatories and just four ratifications as of early 2022. Still more ratifications are required to ensure the comprehensibility of the AfCFTA project for the African continent, yet the progress made in the face of Covid-19 is noteworthy, with the ratified state parties to the AfCFTA now comprising a considerable majority of the continent, and most of the large economies.

Government and business commitment to the AfCFTA

After giving the AfCFTA legal effect, practical preparations are required to implement and effectively utilise the AfCFTA. The Economic Commission for Africa worked with 43 African countries and five African regional economic communities to develop AfCFTA implementation strategies. Though each differs in accordance with country priorities, these strategies generally seek to establish the national-level institutions required for implementation, including creating national AfCFTA committees, identifying reforms required by the AfCFTA Agreement, and prioritising trade opportunities in AfCFTA partner markets.

Covid-19 disrupted the development of national AfCFTA implementation strategies. Work on 17 of the strategies was delayed, while the validation of a further six strategies that were already in an advanced stage of preparation at the start of 2020 was delayed or postponed.[11] By creating other critical challenges, Covid-19 distracted the attention of governments, but also business associations and civil society organisations, from contributing to such strategies. Nevertheless, as new teleworking and safety practices emerged throughout the year, governments began again reporting progress in finalising national AfCFTA implementation strategies, including validated strategies

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Table 6.2: AfCFTA national implementation strategies: progress by March 2022

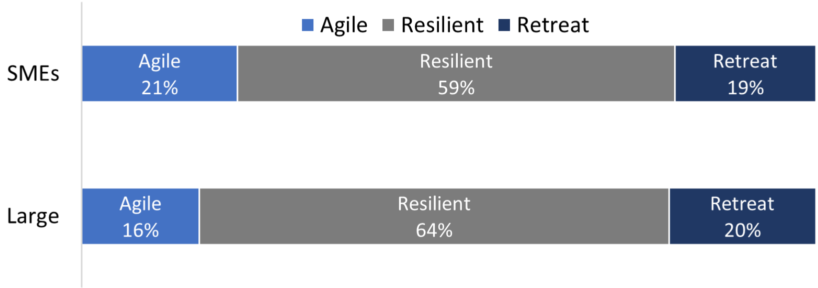
	Inception phase	Drafting/ consultations phase	Validated and/or under implementation
Countries	Benin, Central African Republic, Equatorial Guinea, Eswatini, Guinea-Bissau, Liberia, Libya, Cabo Verde, Sao Tome and Principe, Seychelles, Somalia, Sudan, South Sudan	Algeria, Botswana, Chad, Comoros, Djibouti, Mozambique, Nigeria, Rwanda, Mauritius, Tunisia	Burkina Faso, Burundi, Cameroon, Congo, Côte d'Ivoire, DRC, Gabon, Guinea, Kenya, Malawi, Mauritania, Namibia, Niger, Nigeria, Senegal, Sierra Leone, The Gambia, Togo, Zambia, Zimbabwe
No.	**13**	**10**	**20**
RECs	ECCAS, UMA	EAC, ECOWAS, IGAD	
No.	**2**	**3**	**0**

Source: Information shared directly by UN Economic Commission for Africa, by March 2022.

in Sierra Leone and Mauritania in early 2021. By March 2022, 20 AfCFTA implementation strategies had been validated or were in the process of being implemented (see Table 6.2).

It is not just governments that must prepare for the AfCFTA. Businesses must scout out market opportunities, identify related regulatory and quality standards requirements required for exporting, verify that they meet the AfCFTA rules of origin and determine payments and logistics options. In many sectors, Covid-19 refocused business attention from potential market expansion to survival. In a global business impact survey conducted by ITC through April to June 2020, 84 per cent of large businesses and 78 per cent of SMEs reported to either be following a 'resilience' strategy to 'weather the storm' or be in outright 'retreat', shedding assets, shutting down operations and accumulating debt just to survive (Figure 6.19). Just 16 per cent of large businesses and 21 per cent of SMEs were found to be proposing new products or business models in response to new market trends, identified as an 'agile' response strategy. The postures adopted by firms, of course, relate to the extent and way in which their broader industries were impacted by Covid-19: while some, such as airlines or hospitality businesses, may have experienced industry consolidation, others experienced sustained demand, such as telecoms. In banking, for example, there were signs of the emergence of 'digital-first' operating models as incumbents resized their branch networks and acquired smaller companies with technology capabilities (Jayaram et al. 2020).

Figure 6.19: Covid-19 response strategies, by business size



Source: ITC (2020). SME Competitiveness Outlook: Covid-19: The Great Lockdown and Its Impact on Small Business.

While fewer businesses may have been bullishly expanding into new products and markets, regional trade was reported to have emerged as an important 'backup' in business resilience strategies. In an ECA and IEC survey of 206 African businesses in June to July 2020, 56 per cent reported to have switched to national and regional suppliers in response to international supply shortages (UNECA and IEC 2020). Two-thirds of the surveyed firms further identified new opportunities in reaction to the crisis, of which 'growth in markets' was the most frequently cited.

Many African economies have been those least scathed, at least in economic terms, by Covid-19: of the 31 countries that remarkably experienced positive GDP growth in 2020, 16 were African (IMF 2022). African countries also have impressive medium-term market fundamentals, including a rapidly increasing, urbanising and maturing consumer population. Regional trade has been a legitimate solution to African business survival, recovery and longer-term growth post-Covid-19.

AfCFTA leadership

'When a state finds itself in crisis, it does not see beyond its nose', lamented Adebayo Adedeji in surveying the lost opportunities of Africa under the plague of economic crises it faced in the 1980s (United Nations African Renewal 2002). One of the lost opportunities at that time was economic integration; the 1980 Lagos Plan of Action – a systematic political programme for integration – collapsed as policymaking attention refocused on commodity price and debt stability challenges (Gérout, MacLeod and Desta 2019). Covid-19 likewise diverted the attention of leaders onto Covid-19 health and economic shocks, including (initially) falling commodity prices, domestic production and imported access to essential medical equipment, tax revenue, debt sustainability and unemployment. Policy attention consumed itself with new budgeting and funding priorities and crisis management, rather

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than implementing an economic project such as the AfCFTA that involves a longer-term vision and commitment.

In the marketplace of ideas, attention is the currency. Stakeholders continued to fight for the attention of the AfCFTA as a tool for the transformative growth of the African continent. Much effort was made to articulate the AfCFTA as a part of the Covid-19 'recovery package' for Africa:

> Many countries in Africa do not have the monetary policy space, the fiscal policy space to provide large bailouts in the trillions of dollars for economic recovery. Therefore, for Africa, the stimulus package is the actual AfCFTA, the implementation of this agreement. Increased intra-African trade is what will drive economic development post-COVID-19. (H.E. Wamkele Mene, secretary-general, AfCFTA Secretariat, cited in Ighobor 2020)

> Africa does not need a Marshall Plan to ride out the ongoing coronavirus crisis. It has a more powerful tool in the African Continental Free Trade Area (AfCFTA) to use in accelerating regional and economic integration and prepare for uncertain times. (Vera Songwe, executive secretary of the ECA and under-secretary-general for the UN, cited in Tralac 2020)

> While the operationalization of the Secretariat was postponed due to the Covid 19 pandemic, the same pandemic has also magnified the urgent need for speed to accelerate economic integration on the Continent. (H.E. Moussa Faki Mahamat, chairperson of the African Union Commission, cited in Mahamat 2020)

As of December 2022, with 44 African Union member states having now ratified the AfCFTA Agreement – and 42 having submitted their initial tariff offers – it appears that Africa's leaders agree as to the significant role of the AfCFTA in Africa's Covid-19 recovery.

Though it is likely that more progress on the AfCFTA may have been made without the Covid-19 distractions to policymaking attention, that such a crisis failed to upend the momentum of the AfCFTA is impressive. Covid-19 also enabled the introduction of new working practices such as the option of remote participation in negotiations, which has persisted even after physical travel became possible, and offers new possibilities for improved participation for some countries. The history of failed African economic integration under the economic crises of the 1980s fortunately appears to have been averted. The challenges of Covid-19 in Africa in 2020 reveal a story of the perseverance of African leadership and commitment to transformative economic policies.

Summary

Covid-19 created a sharp, but relatively short, crisis in African trade. The main determinant of the trade performance of African countries is revealing of their continued structural weaknesses. Successes, and failures, in exports from African countries closely charted the ebbing and flow of just a few commodity prices, and especially the prices of petroleum oil and gold. These goods and other metals continue to account for more than 60 per cent of Africa's exports. Africa's exports of services embodied a similar dependency challenge, being heavily concentrated in travel and tourism services, which plummeted in the crisis. A drought in international travel precipitated by the pandemic could not, as was the case in other countries in Europe and the US, be replaced by domestic tourism, which remains overly nascent in most of the continent. The brevity of the impact of Covid-19 on African trade, at least in commodities trade, and the rapid rebound in the value of African commodity exports, undermines the opportunity that the crisis could have created for deciding upon meaningful change. As commodity prices soared, they reinforced and entrenched the commodity dependencies of African countries that do little to serve longer-term goals of structural transformation, jobs creation and sustainable economic development.

Excitement over the potential for Covid-19 to shorten supply chains, localise production and bring some manufacturing from Asia to Africa appears to have been – in general – premature. Though Covid-19 did disrupt more complex global supply chains, such as those in the manufacturing sector, producers are reported to have considered many these changes to have been merely transitory. Covid-19 catalysed some investments by pharmaceutical companies for production facilities within the continent, but there have been challenges due to a reluctance of developed countries over the TRIPS waiver at the WTO and free Covid-19 vaccine donations, which undermined local production efforts. Further efforts are still needed to improve the business environment and better attract diversified export-oriented businesses to Africa. In summary, the Covid-19 crisis does not appear to have catalysed the substantial transformation of Africa's trade. Covid-19 is, however, also a story of African trade policymaking focus and persistence. The AfCFTA, as an initiative, amounts to a longer-term and slower-burning economic policy, rather than a 'quick fix'. That is exactly the kind of project that is most at risk of being forgotten in the throes of the sorts of emergency crises pressed upon African countries during the Covid-19 pandemic. Despite the redirection of policy and business attention towards health and economic urgencies, the longer-term vision of continental economic integration embodied by the AfCFTA has persisted. The momentum behind the AfCFTA has weathered a considerable storm, suggesting that this time policymakers have held fast and committed to its promise of economic development. African policymakers have also shown the willingness and value of policy efforts at the continental level. Pooled medical supplies procurement across the continent helped to alleviate the difficulties African countries, as some of the poorest in the world, faced in the global scramble for vaccines, medicines and medical products.

Notes

1. Early versions of some figures in this chapter were first published in Luke, David and MacLeod, Jamie (2021) 'The impact of COVID-19 on trade in Africa', Africa at LSE blog. 3 December. https://blogs.lse.ac.uk/africaatlse/2021/12/03/the-impact-of-covid-19-pandemic-on-trade-africa-afcfta/
2. Authors' calculations based on ITC TradeMap Data.
3. The Russian Federation, Vietnam and Myanmar, among others see (ECA 2020)
4. Survey of 206 businesses with operations covering all 54 African countries over the period of 16 June to 20 July
5. Manufactured value-added growth data comes from World Bank development indicators.
6. Manufactured value-added growth data comes from World Bank development indicators.
7. In the case of Benin, for example, we observe a decline in the growth of added value between 2019 and 2020 (11.25 per cent vs 3.36 per cent).
8. List of participants. Sixth Meeting of the Continental Free Trade Area Negotiating Forum, 5–16 June 2017, Niamey, Niger.
9. Average excludes the host country Niger.
10. Report of the Third Meeting of the AfCFTA Council of Ministers, Accra, Ghana, 20 November 2020, AfCFTA/CoM/3/Decns 11.
11. Updates on progress with the development of national AfCFTA strategies were supplied by Judith Ameso of the African Trade Policy Centre, at the UN Economic Commission for Africa, in November 2020.

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