

56. FIW-Lecture

„Africa’s trade with Europe: Trends, status and potential developments“

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Africa's trade with Europe: Trends, status and potential developments

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Introduction

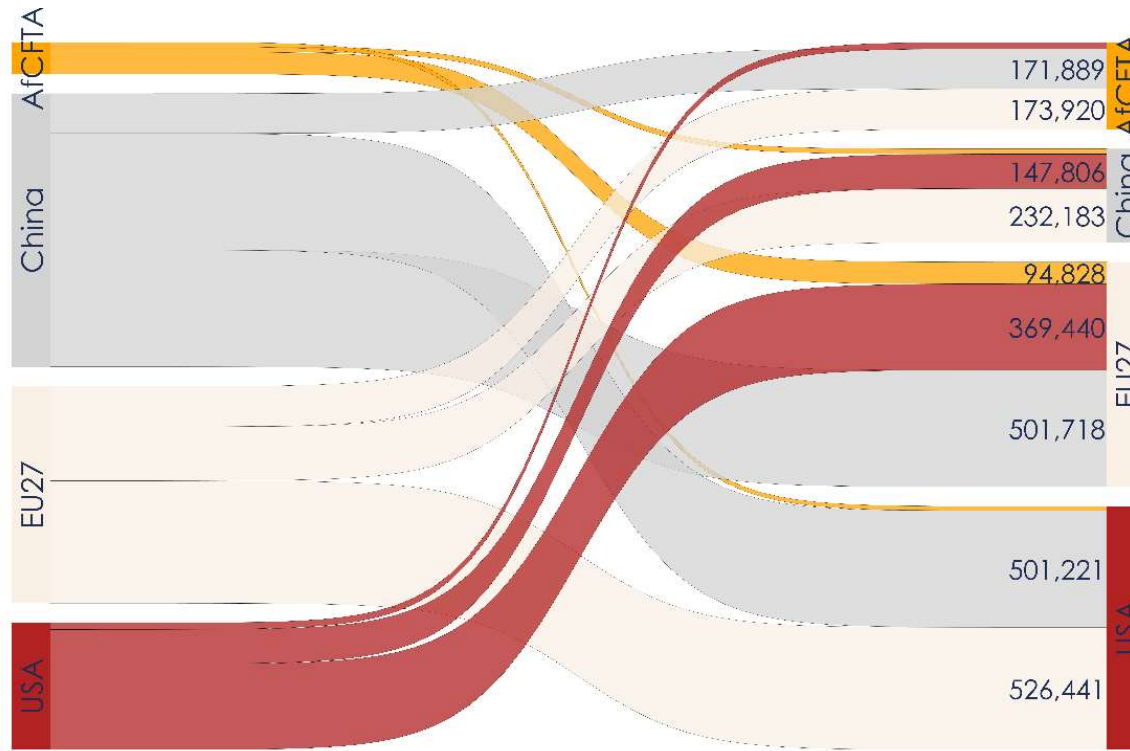
- Africa's trade relations with Europe are deeply rooted in historical ties and emerging economic opportunities. The EU can strengthen its supply chains and reduce dependency risks by fostering cooperation with Africa in sectors aligned with its green and digital goals.
- The African Continental Free Trade Area (AfCFTA) is a major initiative to boost trade and economic integration across Africa. By eliminating tariffs on 90% of goods and reducing trade barriers, the AfCFTA aims to double intra-African trade and create a single market of over 1 billion people. Moreover, the AfCFTA could reshape trade dynamics and serve as an intercontinental economic bridge, strengthening Africa-EU trade relations and fostering mutual economic growth and resilience.

Facts, trends, status and potential developments

- Africa accounts for 17% of the world's population, but only 2% of global manufacturing and 4% of global trade (AUC/OECD, 2024).
- Expected GDP growth: 3.5% in 2024, 4% in 2025 (AUC/OECD, 2024). Africa's working-age population will double by 2050, driving economic transformation (AUC/OECD, 2024).
- Africa mainly exports commodities and imports high value-added products (AUC/OECD, 2024).
- Intra-African trade is underdeveloped due to infrastructure and regulatory issues (AUC/OECD, 2024; Páez, 2023).

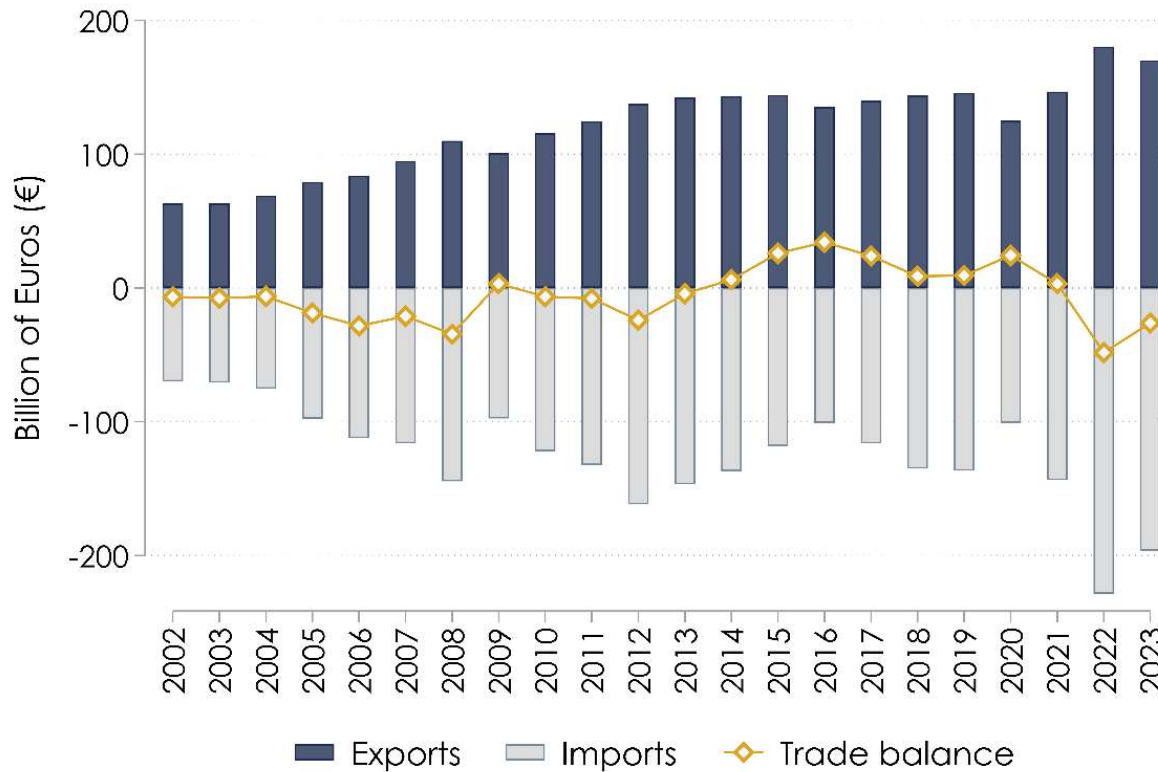


Trade flows of AfCFTA members, EU, US and China (USD bn.) (2023)



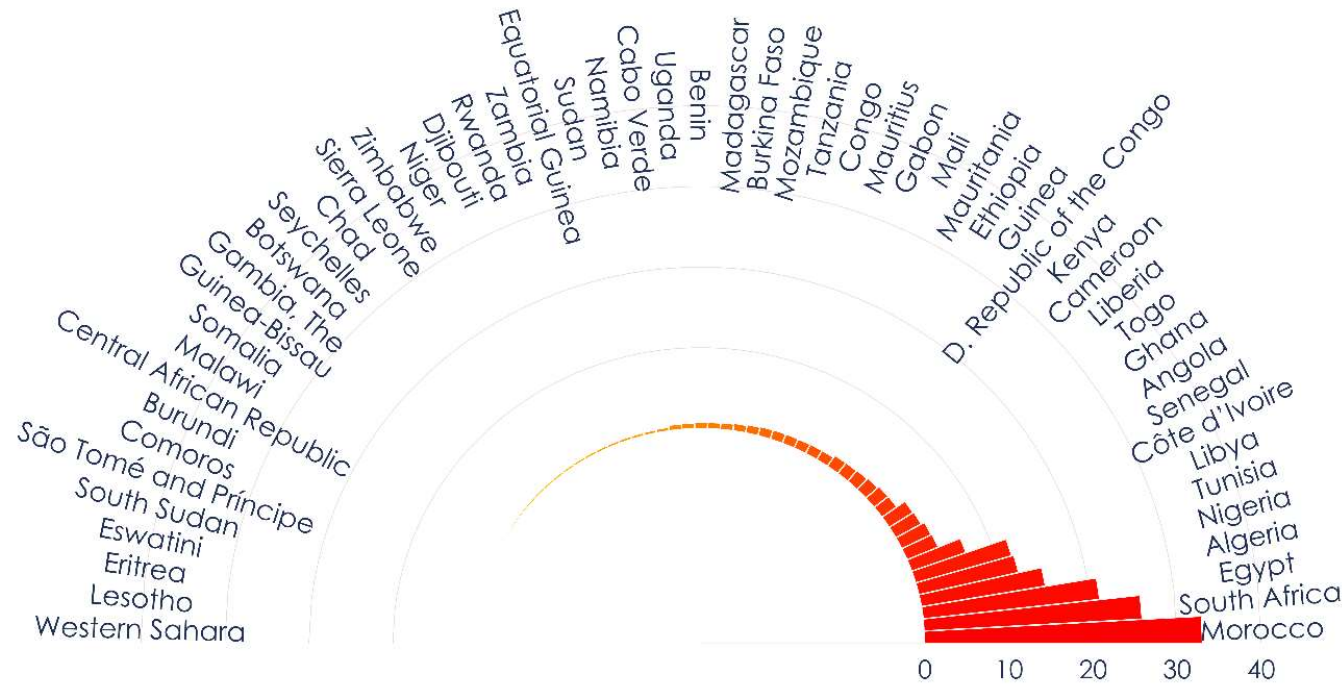
Source: UN COMTRADE; own elaboration.

Evolution of Trade Flows: EU-Africa (2002-2023)



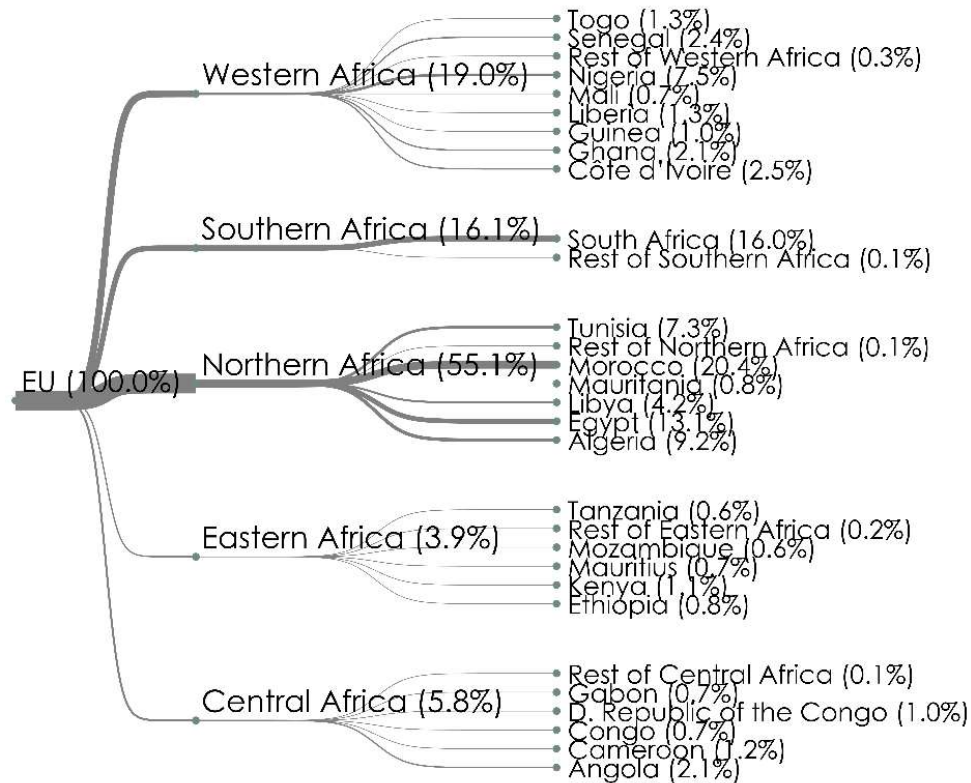
Source: Eurostat, Extra-EU trade by partner [*ext_lt_maineu*]; own elaboration.

EU exports (EUR bn) to Africa by partner (2023)



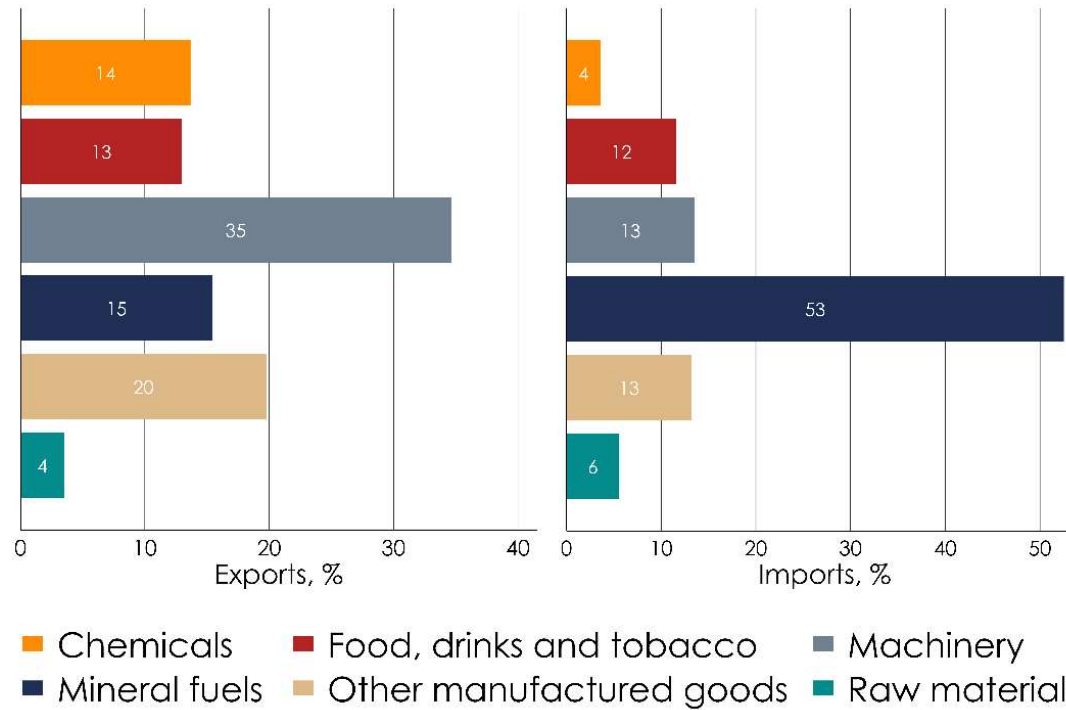
Source: Eurostat, Extra-EU trade by partner [ext_lt_maineu]; own elaboration.

EU export shares (%) to Africa by region (2023)



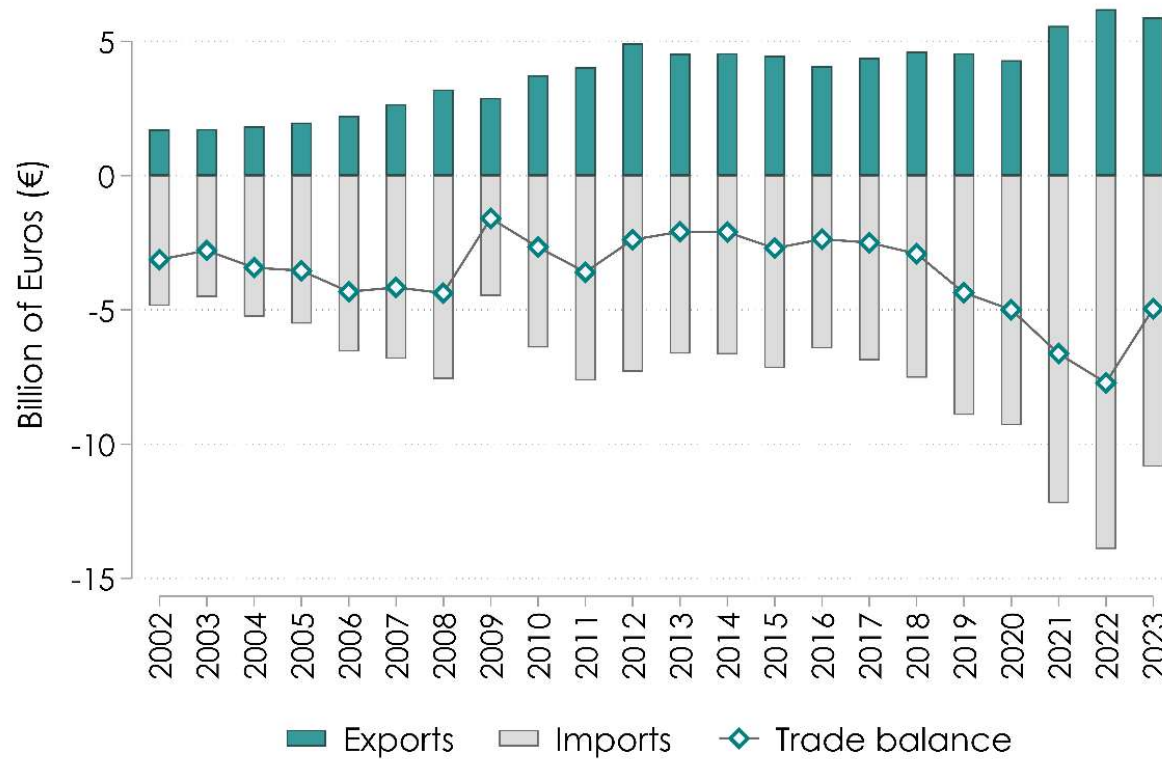
Source: Eurostat, Extra-EU trade by partner [*ext_lt_maineu*]; own elaboration.

Trade flows EU-Africa by SITC (2023)



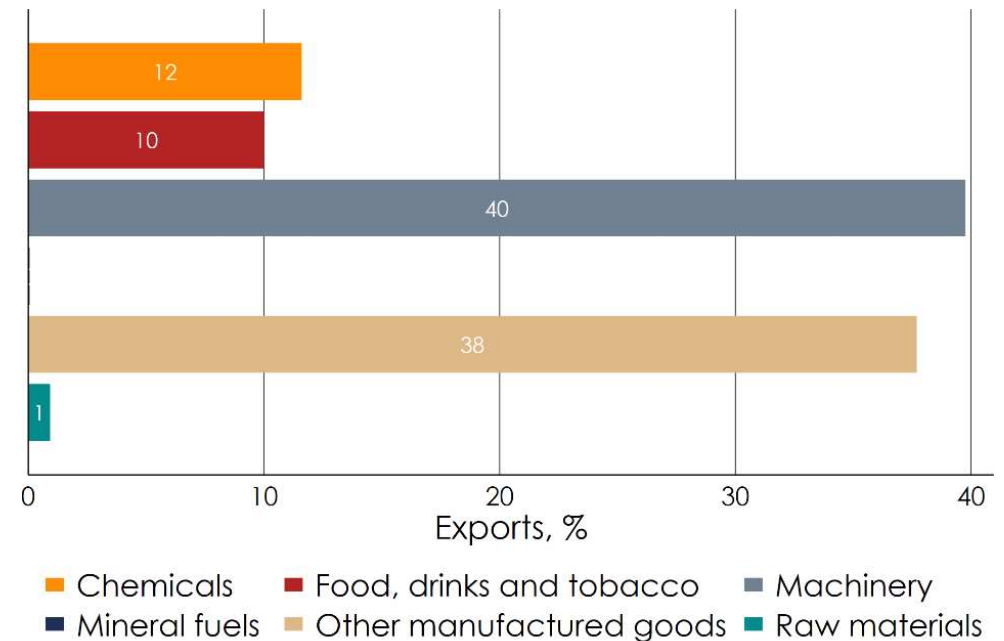
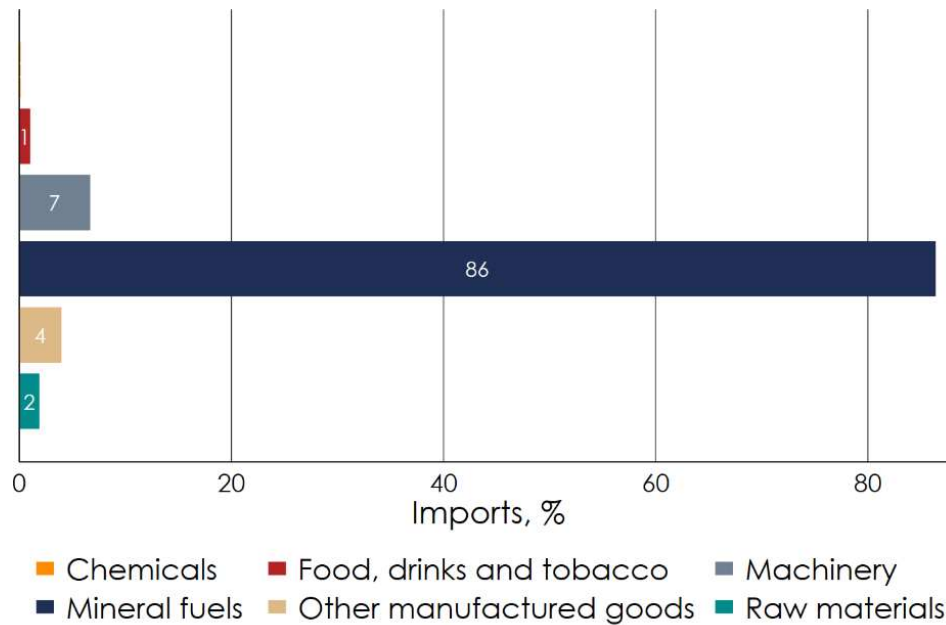
Source: Eurostat, Extra-EU trade by partner [ext_lt_mainagri; ext_lt_mainrawm; ext_lt_mainmine; ext_lt_mainchem; ext_lt_mainmanu; ext_lt_mainmach]; own elaboration.

Critical raw materials: EU-Africa (2002-2023)



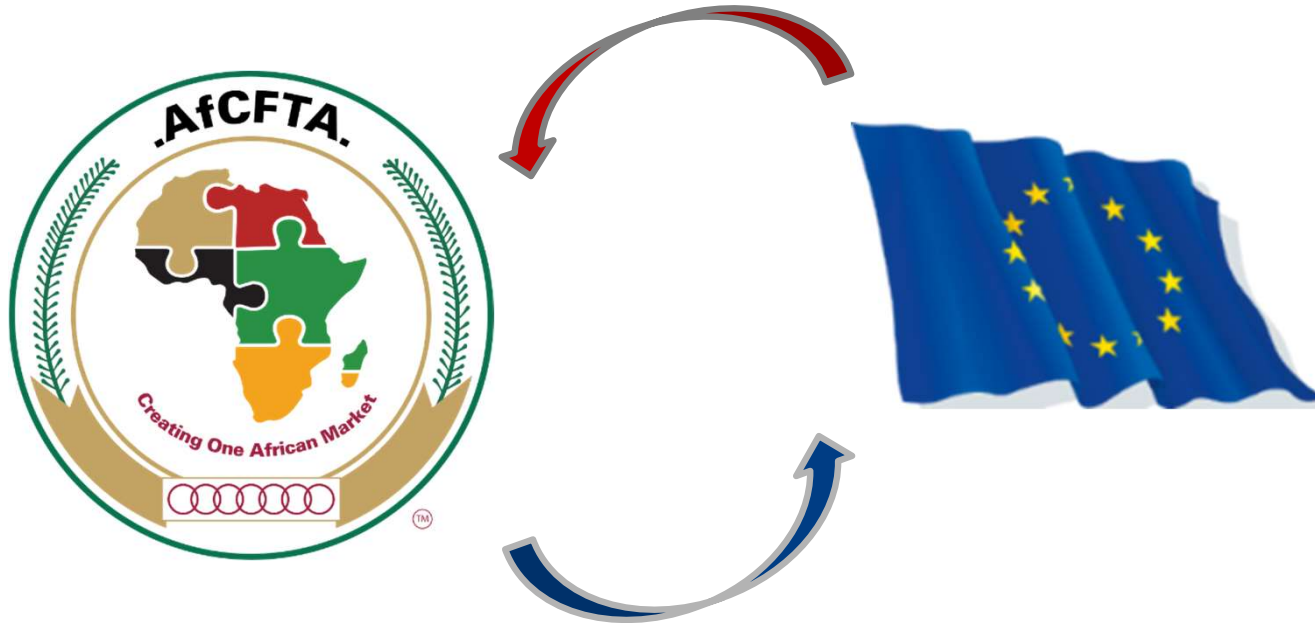
Source: Eurostat, Extra-EU trade by partner [ext_lt_mainrawm]; own elaboration.

Imports and exports: Austria-Africa by SITC (2022)



Source: Eurostat, Comext; own elaboration.

The AfCFTA-EU Agreement (simulation)



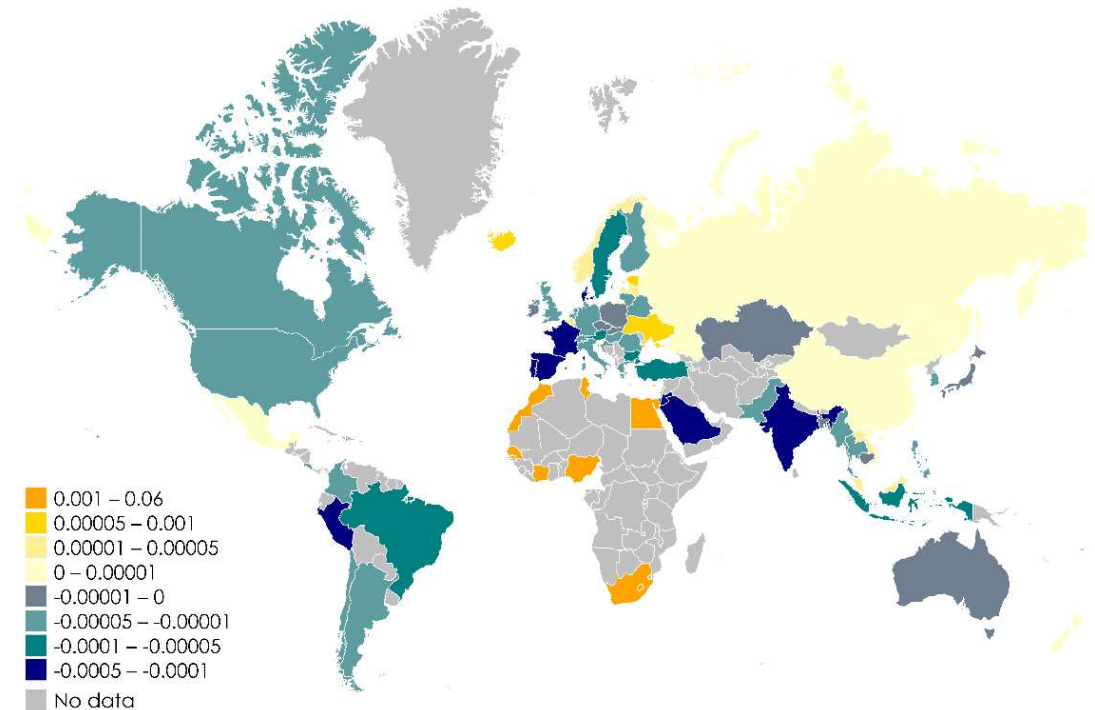
Expectations from AfCFTA

- Higher market access
- Tariff reduction
- Export diversification
- FDI boost
- Environmental and digital development

General equilibrium (GE) effects of AfCFTA: changes in real GDP (%)

Key message:

- Positive GDP effects in African countries driven by larger trade.
- Trade diversion effects for most other countries implying small negative GDP effects.

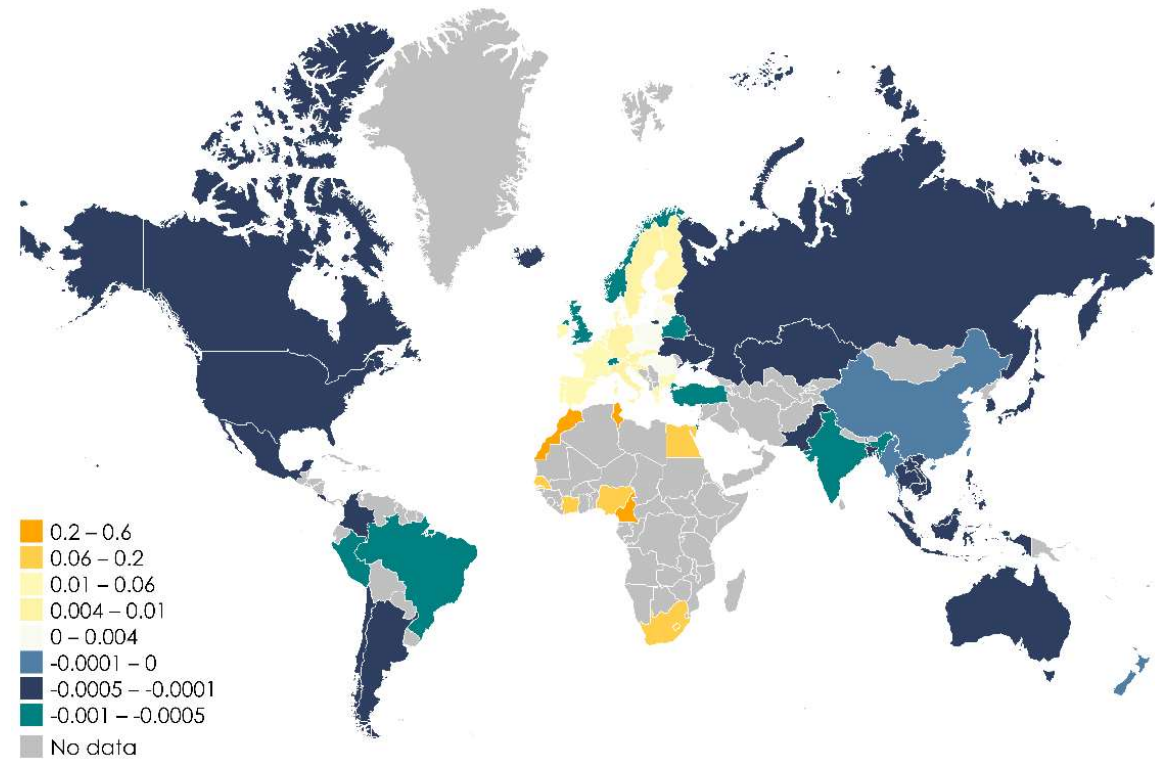


Source: OECD-ICIO 23 and DGD, own calculations.

General equilibrium (GE) effects of a potential EU-AfCFTA agreement: changes in real GDP (%)

Key insights:

- Gain-gain situation for the EU and AfCFTA.
- AfCFTA benefits are higher than the EU.
- Stronger negative economic impact on third countries.



Source: OECD-ICIO 23 and DGD, own calculations.

Conclusions

- Africa is a key source of critical raw materials (CRMs) crucial for Europe's green and digital transitions.
- The AfCFTA can streamline supply chains, reduce trade costs, and enhance EU-Africa economic relations.
- Strengthening Africa-EU trade ties supports mutual economic growth, resilience, and sustainable development.
- A unified African market offers the EU stable, diversified sourcing, reducing reliance on single suppliers like China.
- Initiatives for further cooperation (e.g. economic partnership agreements, Global Gateway, etc.) would imply mutual benefits.

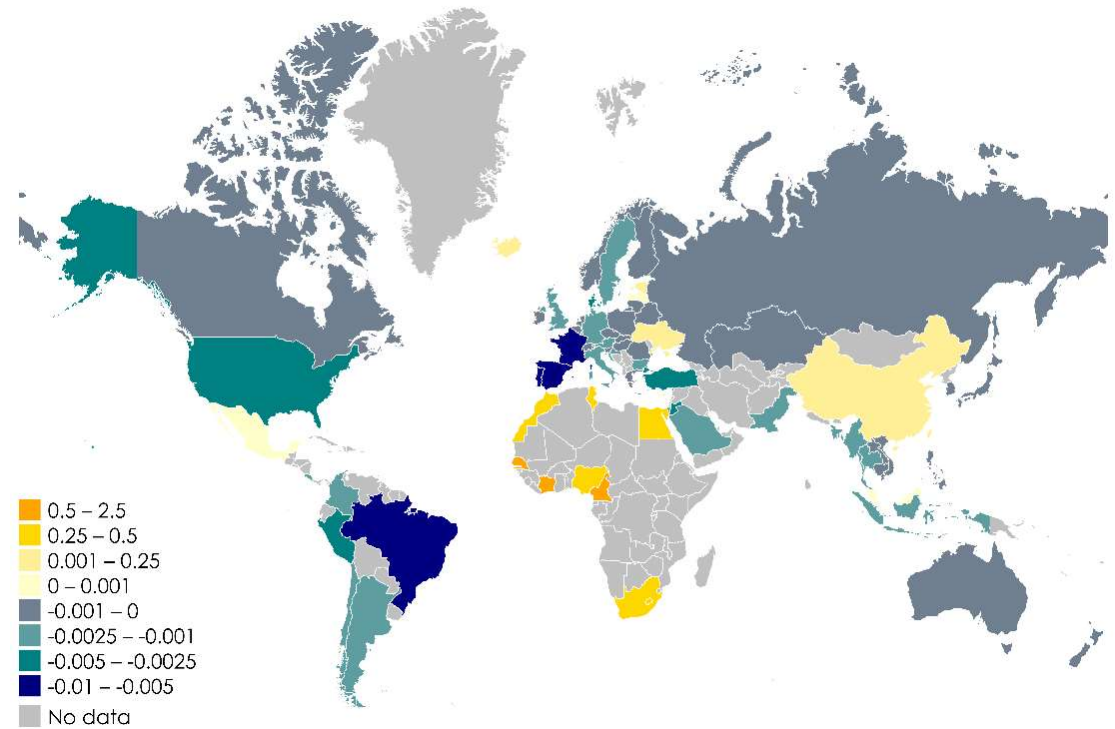
Thanks for your attention!

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General equilibrium (GE) effects of AfCFTA: changes in exports (%)

Key message:

- Gains from Trade for AfCFTA countries
- AfCFTA benefits are higher than the EU.
- EU member states get slightly affected.

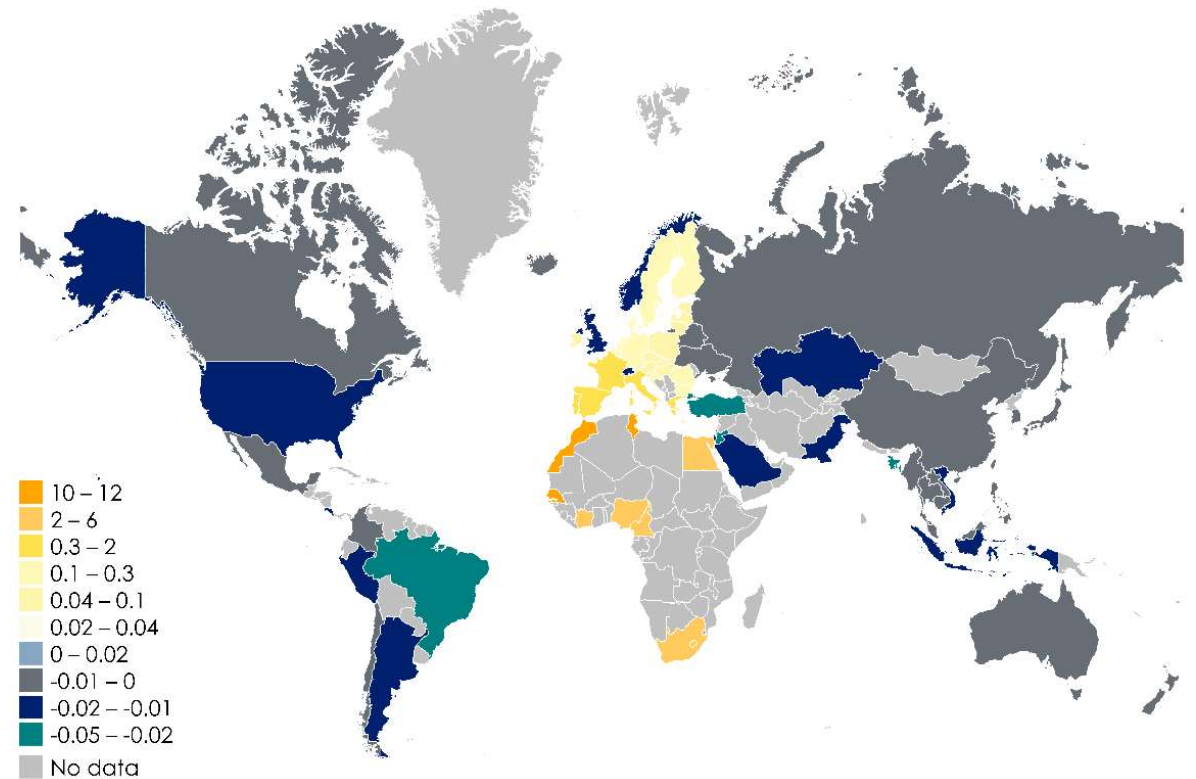


Source: OECD-ICIO 23 and DGD, own calculations.

General equilibrium (GE) effects of a potential EU-AfCFTA agreement : changes in exports (%)

Key insights:

- Gain-gain situation in trade for the EU and AfCFTA.
- AfCFTA exhibits higher benefits than the EU in exports.
- Stronger negative economic impact on third countries.



Source: OECD-ICIO 23 and DGD, own calculations.

Upcoming events

FIW Research Conference on „International Economics“

20-21 February 2025

at Vienna University of Economics and Business

FIW Annual Report on Austrian Foreign Trade 2025

with Harald Oberhofer (WU, WIFO), Elisabeth Christen (WIFO) and Robert Stehrer (wiiw)

5 March 2025

at Federal Ministry of Labor and Economy

Further event information as well as all information and registration links at <https://www.fiw.ac.at/>