

Intra-Africa Trade, Business and Investment Opportunities

Africa and Diaspora Round Table, New York, USA

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INTRA-AFRICAN TRADE FAIR

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Excellencies, Members of the Diplomatic Corp;

Captains of Industry;

Distinguished Ladies and Gentlemen.

Good Evening.

First of all, let me join MIPAD in welcoming you to this important occasion. We are grateful that you have taken valuable time off your busy schedules to be here with us today.



Distinguished Ladies and Gentlemen,

Up until the medieval ages, many great kingdoms flourished across the vast expanse of land called Africa. The impact of these great African civilizations can still be seen today in many shapes and forms. For example, ancient Egypt produced the pyramids, which modern day technology still cannot explain..... not to mention the art of writing (hieroglyphics) and the mathematics of geometry and algebra, and many engineering accomplishments that baffle even the best minds - today.

More recently, in the 13th and 14th centuries, in the savannah regions of West Africa, Mansa Keita Musa of Mali controlled enough gold to single-handedly depress the price of the commodity.....Yes...actions taken by an African leader at that time could indeed dictate the global price of gold.

Today, Africa is still well endowed with natural resources. We generate more than 50% of the world's cobalt, manganese, diamond, cocoa and coffee amongst other resources. Africa, however, no longer controls the prices of these commodities, because, in the absence of sufficient industrial capacity, it relies on demand from foreign markets to off-take its raw materials. The world price of gold and other precious metals and natural resources are set outside of Africa.

Afreximbank's commitment to stimulating Africa's diversification away from extractive industries has never been stronger. In 2016, in the circumstances of low commodity prices driven by China's economic slowdown, sluggish recovery in advanced markets and capital flight due to the rising cost of compliance, the Bank deemed it necessary to focus on reinforcing intra-Africa trade. Bearing in mind that Africa is the only continent that trades the least with itself, with the intra-African trade share of Africa's total merchandise trade at 15% compared to 33% for the Americas, 55% in Asia, and 65% in Europe.



In addition to these macro-economic headwinds that I just highlighted, the political will at the continental, sub-regional and national levels provided further impetus to the Bank's intra-Africa trade agenda; At the continental level, the African Union launched a strategy for Boosting Intra-Africa Trade (BIAT) and the Continental Free Trade Area (CFTA) was due to be launched.

It is in this context that Afreximbank launched its current strategic plan dubbed 'Impact 2021 – Africa Transformed'. The underlying premise is a self sufficient Africa, which is able to consume what it produces and produce what it consumes, and is therefore less vulnerable to external shocks. Our Strategy and emphasis is on "AFRICA FIRST". Central to the Impact 2021 strategy is Intra-Africa Trade, which we define as the trade in goods and services between and among African countries and between Africa and **Africans in the diaspora.**



In recent decades, there has been a growing global consensus among policy makers and academics about the value that diaspora populations can bring to development efforts in their homeland. In addition to foreign exchange flows through remittances, the diaspora have proved to be a major source of Foreign Direct Investment (FDI), technology & skills transfer, and market development, especially for developing economies.

Africa's diaspora also play an important market development role in trade between their host and home countries. They increase the availability of market information essential for trade by helping origin-country exporters (i) find buyers; (ii) improve their knowledge of the market, and (iii) comply with market standards. This role is driven by migrants' typical preference for their native country's goods and services - spurring "nostalgic trade" in ethnic products.

We have therefore seen trade between Africa and its diaspora steadily rise over the last decade. For example, African grocery stores and restaurants have gained strong traction in major host countries, such as here in the United States, and are in some cases influencing modern American cuisine. A good example of success is the South African Franchise Nandos, which has expanded to over 30 countries including here in the US (Washington) and the UK. These trends have expanded the potential market base for not just ethnic products but also Africa's textile, music and film, arts and crafts industries.

African governments have, in light of this, begun to recognize their diaspora as a critical constituent in their economies. African countries collectively have approximately thirty-two million migrants, sixteen million of which are living outside Africa. That number is significantly larger if second and third generation migrants are taken into account. African migrants, who save an estimated \$53 billion each year primarily in real estate investments and pension funds, remit about 63 billion US dollars annually back to their homelands. Diaspora remittances have now outstripped foreign aid in many African countries, constituting over 10% of GDP in countries such as Liberia and Gambia. As a matter of fact, should the collective African diaspora be regarded as the 56th African state, it would rank at the top in terms of GDP. Our estimates show that the diaspora state would have a GDP of over 500 billion US dollars and GDP per capita significantly higher than Africa's average.

In light of these trends, Afreximbank has developed a diaspora strategy that seeks to integrate the Africa's Diaspora into the continent's value chain. The Bank, among other interventions, is focused on supporting the growth of businesses operated by the African diaspora by providing the working capital finance to be able to import ethnic foods and other tradable goods from African markets. In addition to this, through a Franchising Facility, the Bank supports the expansion of African enterprises operating in major host countries across the globe. Afreximbank, through its Fund for Africa's Export Development (FUNFED) is also able to provide much needed venture funding to support diaspora entrepreneurs. Further along the value chain, the Bank, via its SME Incubation Programme, provides technical capacity building to entrepreneurs manufacturing products targeting consumers in the diaspora.

Research indicates that as a collective group, African diaspora are not only inclined to start their own enterprises, they are also more likely to succeed than those without international experience.

In terms of savings solutions, the Bank has created attractive investment opportunities for Diaspora savings currently held outside the continent through diaspora bonds. The Afreximbank Bond Initiative involves advising African governments on issuance of Diaspora bonds, which are bonds issued by governments and public entities to their respective Diaspora, allowing them to tap into foreign currency funds which can be used to implement their development strategies.

Afreximbank also acknowledges the potential for Africa's creative economy to become one of the principal pillars of trade and advertising between Africa and its diaspora. African movies, music and other forms of entertainment have grown rapidly in popularity in recent years, driven by digital marketing and online sales. As such, the Bank has developed a framework for supporting the growth and development of Africa's entertainment industry.



Distinguished Guests, despite all of this traction, Africa's trade with its diaspora is still subject to some major challenges. Non-tariff barriers such as information on quality standards and the lack of testing capacity to certify products for exports still impede trade with the diaspora. Afreximbank has thus embarked on interventions that enable traders and entrepreneurs to address these challenges, including facilitating the establishment of internationally accredited certification centers with a pilot project in Ogun State, Nigeria. We embarked on this project when we met a wholesale trader of ethnic goods who lamented rejection of shipments from Nigeria into the USA due to issues of standards or lack of certification.

In addition, major gaps in market knowledge, such as the lack of information on where to source products and raw materials, lack of information about demand in African consumer markets and lack of information about rules of trade and investment opportunities also constrain trade flows between Africa and its diaspora. Intra-African / diaspora trade can only thrive if, for example, the trader based in Nigeria understands the market dynamics in Ghana, Kenya (or any other market across the continent) and the major diaspora host cities.

African businesses know very little about what happens right across their borders. To cite a few examples from a study on leather value chains commissioned by Afreximbank, UNCTAD and the Common Wealth Secretariat:

- South Africa imports leather, further prepared after tanning, from India at a price which is double the price at which Ethiopia exports to the rest of the world
- Kenya imports rawhides from New Zealand while Burundi exports the same to the world at a much lower price.



At Afreximbank, we are convinced that improving knowledge of the market potential and opportunities in Africa through trade, market and investment information sharing and networking could expand intra-African trade and trade with the diaspora by more than 50 billion US dollars, and raise the intra-African trade share of Africa's trade from current levels of about 13 -15 percent to over 22 percent.

Driven by this conviction, Afreximbank recently launched the **Intra-African Trade Fair**, to be held every 2 years, with the overarching aim of improving access to trade information and promoting connectivity and networking among African businesses and governments.



The Trade Fair, which is the first of its kind in the continent, offers a unique platform for networking, exchange of information, business ideas and actual execution of trade and investment deals among traders, manufacturers and financiers. Being the continent's single largest trade fair, it will truly bridge the enormous trade information gap, connecting major players in the continent's trade space and identifying market opportunities.



The Trade Fair is also a unique platform for African countries and corporates to showcase their investment, tourism and cultural/creative economy opportunities.

The Intra-African Trade Fair will, among other things:

- bring together continental and global players and Diaspora to showcase and exhibit their goods and services, explore business and investment opportunities in Africa;
- serve as a marketplace where buyers and sellers of goods and services meet and explore business opportunities;



- provide a Digital Platform for virtual e-commerce and enable the development of a Trade Information Portal that will provide relevant trade and market information to Africans and those in the diaspora;
- provide a platform for B2B exchanges and development of business opportunities.
- provide an opportunity for Africans in the diaspora to share trade, investment and market information with various stakeholders including investors, SMEs, the informal sector, and identify solutions to address the challenges affecting intra-African trade;
- provide a platform to discuss topical issues affecting intra-African trade and provide practical and effective solutions.
- deploy multi-country and multi-company Pavilions that will serve as one stop shop for intra-African trade and investment opportunities in Africa

The maiden Trade Fair is being organized in partnership with the African Union in Cairo under the auspices of the Government of the Arab Republic of Egypt during December 11-17. The IATF is expected to attract about 1000 exhibitors and 70,000 participants and generate 25 billion US dollars in business deals. The fair is targeted at Agriculture and Agro-processing; Automotive; Clothing and Textiles; Construction; Creative Industries; Consumer Goods; Education; Finance; Light Manufacturing; Standards and Quality Control; Innovation; among others.



Distinguished guests, Afreximbank invites the African diaspora to take active part in this transformative programme. We call on you to mobilise your business networks (corporate and SMEs) involved in trade and investments across Africa and those seeking joint venture/partnership arrangements to participate in the Trade Fair as exhibitors and/or sponsors. We encourage African Governments to take up Pavilions to fully showcase not just their local businesses, but also what their diaspora have to offer in terms of business and investment opportunities.



Let me conclude by thanking you all again for taking the time out to participate at this evening's round table session. A special thanks to our hosts, The Most Influential People of African Descent (MIPAD) for being ardent proponents of Afreximbank and this initiative. The Bank is most grateful for your support.

We are glad to be associated with you, not just on this occasion but in recognition that one of ours Mrs Samallie Kiyingi our Director of Legal is an honouree of MIPAD Class of 2018.

We hope to see all of you in Egypt.

Thank you



I THANK YOU ALL FOR YOUR KIND ATTENTION.

**Mrs. Kanayo Awani,
Managing Director
Intra-African Trade Initiative**

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