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Navigating global headwinds: Africa's trade landscape and growth opportunities

Michael Chui, Leonardo Gambacorta, Emanuel Kohlscheen and Han Qiu

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Michael Chui
michael.chui@bis.org

Leonardo Gambacorta
leonardo.gambacorta@bis.org

Emanuel Kohlscheen
emanuel.kohlsheen@bis.org

Han Qiu
han.qiu@bis.org

Navigating global headwinds: Africa's trade landscape and growth opportunities

Key takeaways

- *Africa is not immune to trade challenges. Its direct exposure to new US tariffs is relatively limited, but indirect effects from slower global demand and turbulence in global financial conditions may be larger.*
- *Strengthening regional trade integration through initiatives like the African Continental Free Trade Area can help build regional supply chains and reduce reliance on commodity exports.*
- *Africa's young workforce, digital innovation potential and rich natural resources provide longer-term growth prospects. Unlocking these opportunities requires investment in skills, infrastructure and financial integration to boost trade and growth.*

Introduction

Over the past year, Africa has sustained its growth momentum, although the pace of expansion has varied across countries. This growth has been largely driven by increased private demand, supported by a more favourable macroeconomic environment of declining inflation and stable exchange rates. In addition, fiscal consolidation efforts have helped to stabilise public debt levels, which, in turn, have attracted inflows of foreign capital. However, the economic outlook for Africa is overshadowed by changes in trade policies and rising global policy uncertainty.

Against this background, this Bulletin explores the potential implications of shifts in global trade policy and discusses opportunities for the region to harness its young population, digital innovation potential and abundant natural resources to enhance growth prospects and strengthen external resilience.

Africa in the changing global trade policy landscape

Shifts in trade policy – including rising protectionism, evolving supply chain strategies and green trade initiatives – are reshaping global commerce. These developments carry important implications for Africa's export structure, integration prospects and long-term competitiveness.

The direct impact of US tariffs on Africa is expected to be limited compared with other regions, though certain economies may still experience significant disruptions. As of the time of writing, the scale, implementation timeline and legal status of the measures remain unclear. Nonetheless, the 2 April announcement indicates that around 10 African countries could face tariff rates exceeding 20% (Graph A.1.A in online Annex A).[1] For most African economies, however, the United States is not a major trading partner. Instead, Europe continues to play a dominant role in African trade, while China has been

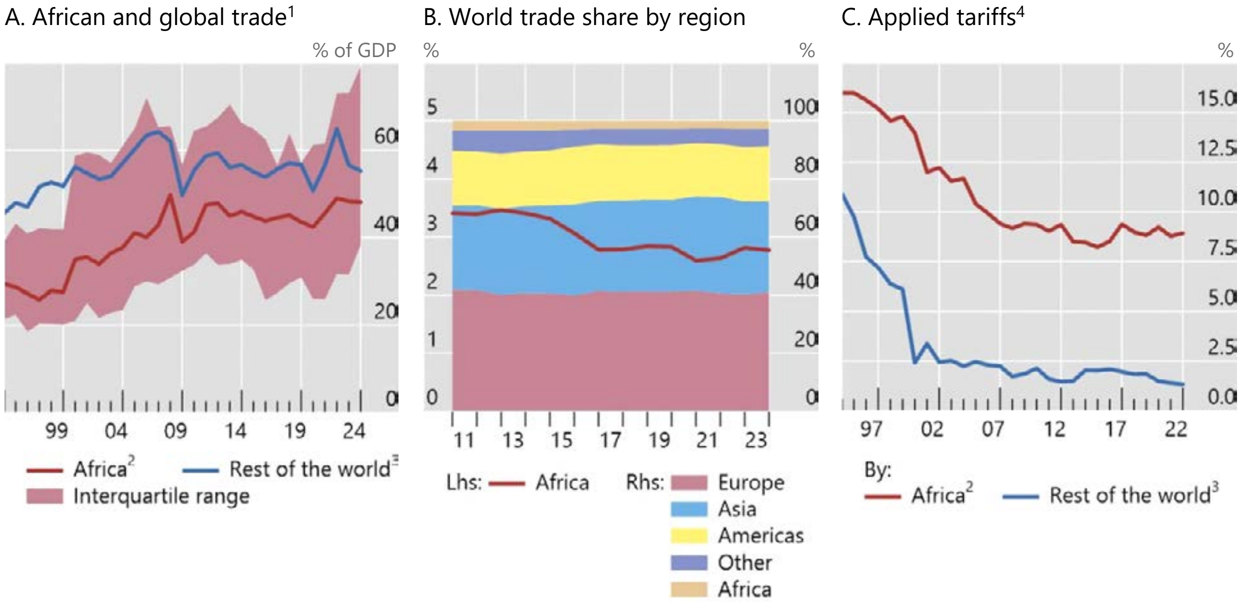
[1] As of now, 32 sub-Saharan African countries benefit from duty-free access to US markets for qualifying products under the African Growth and Opportunity Act (AGOA). Enacted in 2000 and extended several times, AGOA is set to expire in September 2025, with renewal pending in the US Congress. Recent cuts to US foreign aid and USAID support may indirectly affect trade by weakening African exporters' capacity to meet US standards and reducing the effectiveness of AGOA-related assistance.

steadily expanding its market share (Graph A.1.B in online Annex A).[2] Another factor that mitigates the impact of US tariffs on the continent is the exemptions for selected goods, such as energy products and critical minerals – considered essential to US economic interests. Once these exemptions are factored in, the effective tariff burden for many African countries is expected to be substantially lower than the headline rates (Graph A.1.C in online Annex A). However, some exempted goods – such as pharmaceuticals and copper – may still be subject to future sector-specific trade restrictions.[3]

Over the past three decades, Africa's trade flows as a share of GDP have grown, partly closing the gap with the rest of the world (Graph 1.A). Despite this progress, Africa's trade remains relatively low on a global scale, with the continent's total exports and imports of goods accounting for only about 3% of global trade (Graph 1.B). Similar to other regions, the faster growth in African trade has been accompanied by a substantial reduction in average tariffs, which have halved since the mid-1990s. Nonetheless, despite low trade barriers within subregional blocs, applied tariffs in Africa remain relatively high, at around 8%, well above the average in the rest of the world (Graph 1.C).

International trade developments and applied tariffs

Graph 1



[1] Total trade is defined as imports plus exports of goods as a share of GDP and shows the median across countries. [2] The Africa sample covers AO, BF, BI, BJ, BW, CD, CF, CG, CI, CM, DZ, EG, ET, GA, GH, GQ, GW, KE, LS, MA, MG, ML, MU, MW, MZ, NA, NE, NG, RW, SL, SN, SZ, TD, TG, TN, TZ, UG, ZA and ZM. [3] Rest of the world covers AT, AU, BE, BR, CA, CH, CL, CO, CY, DE, DK, EE, ES, FI, FR, GB, GR, ID, IE, IN, IT, JP, LT, LV, MT, MX, MY, NL, NO, NZ, PE, PH, PT, SE, SI, SK, TH, US and VN. [4] Applied tariff refers to the average of effectively applied rates, weighted by the import shares of each product from partner countries. Regional figures represent the median across countries in the respective sample.

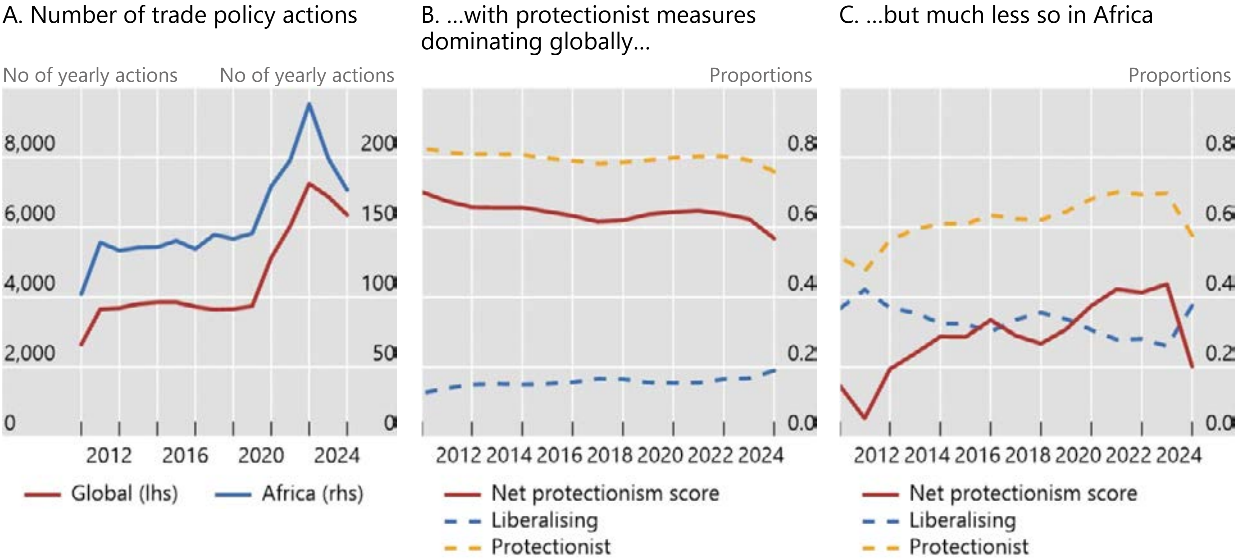
Sources: World Bank; WTO; IMF; BIS.

[2] Africa's trade with the European Union, China and the United States reflects diverse dynamics and strategic priorities. The European Union remains Africa's largest overall trading partner, with a growing focus on sustainable development through initiatives like the €150 billion Global Gateway Investment Package. In contrast, China–Africa trade reached $282 billion in 2023, but is heavily imbalanced by African exports of raw materials and Chinese exports of manufactured goods. China is also investing heavily in critical minerals for its green transition. The United States, through the AGOA, provides preferential access for African exports, but total trade volumes remain lower than those with China or the European Union.

[3] Africa's services exports to the United States remain limited, representing less than 1% of total US global services imports. While less significant than goods trade, these exports are growing in specific niches and hold strategic importance for certain countries. Key sectors include travel and tourism, transportation, business process outsourcing and professional services such as legal, consulting and information and communications technology (ICT). South Africa is the leading African exporter of services to the United States, particularly in travel, financial and ICT services. Although services trade is not directly affected by the proposed US tariffs on goods, weaker demand for transportation and logistics, along with potential changes in US regulatory policy, digital standards or market access could have implications over the medium term.

Beyond tariffs, the number of trade policy actions – both protectionist and liberalising – rose sharply after the Covid-19 pandemic but declined in 2023–24, both globally and for African countries (Graph 2.A). Globally, the net protectionism score – defined as the share of actions that are protectionist minus the share that are liberalising – has remained constantly positive over the past 15 years.[4] This indicates that many countries have increasingly relied on (non-tariff) protectionist tools, such as export controls, local content requirements and subsidies, to shield domestic industries and enhance supply chain resilience (Graph 2.B). By contrast, Africa has been relatively less active in implementing trade-restrictive measures, particularly in recent years (Graph 2.C). Nonetheless, several African countries have introduced non-tariff barriers in response to recent food and energy shocks.

Protectionist measures have been increasing globally, less so in Africa | Graph 2



[1] Based on 75,000 trade-affecting actions, as reported by the Global Trade Alert. The net protectionism score represents the share of actions that are protectionist minus the share that are liberalising. The proportions do not add to one as some actions are classified as ambiguous. All figures are three-year moving averages.

Sources: Global Trade Alert; BIS.

An important development is the progress towards the African Continental Free Trade Area (AfCFTA). This initiative has the potential to boost intra-African trade by removing tariffs and other non-tariff barriers. By doing so, the AfCFTA could accelerate economic diversification, strengthen the continent's external resilience and improve its growth prospects.[5]

Empirical evidence suggests that tariff reductions increase the import content of exports, thereby promoting greater backward participation in global value chains (GVCs). In Africa, there has been some progress in this direction in sectors such as apparel, agribusiness and auto parts.[6] This shift could help diversify Africa's trade structure, moving away from over-reliance on traditional upstream GVC participation (where primary commodities are exported for processing in other countries) towards higher value added activities. Recent data show that intraregional trade in Africa remains lower than in emerging Asia, and even fell between 2017 and 2023, but it exceeds that of Latin America (Graph 3.A).

[4] Note that trade alert data indicate the direction of change rather than absolute levels. To gain a comprehensive understanding of the overall trade stance, these data should be considered alongside metrics such as average tariff levels and, importantly, the starting positions of individual countries.

[5] For more details, see online Annex B.

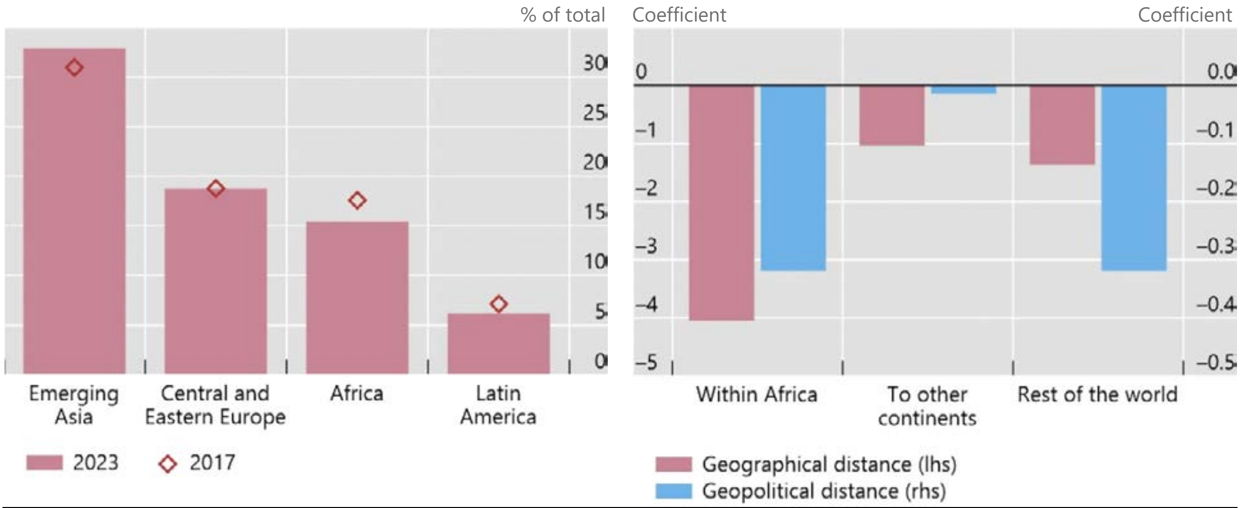
[6] See Echandi et al (2022).

A comparison of Africa's intraregional and intercontinental trade highlights weak road transport infrastructure as a key non-trade barrier hindering regional trade integration. An analysis of export flows, using the benchmark gravity model of trade, shows that geographical distance remains a much stronger barrier to trade within Africa than elsewhere.[7] In fact, its negative impact on intra-African exports is nearly three times greater than on exports in the rest of the world (Graph 3.B).[8] By contrast, African exports to other continents are less constrained by geographic or geopolitical distance. This probably reflects the nature of intercontinental trade, which is dominated by maritime shipping and bulk commodity exports. These goods – such as raw materials or primary goods – are shipped in large quantities without packaging. Once loaded onto a ship, the marginal cost of travelling additional distances is relatively low. Moreover, bulk commodities are typically traded in standardised global markets, making them less sensitive to geopolitical frictions than goods traded within regional contexts.

Regional trade integration, geographic and geopolitical distance — Graph 3

A. Intraregional trade share

B. Effects of geographical and geopolitical distances on exports

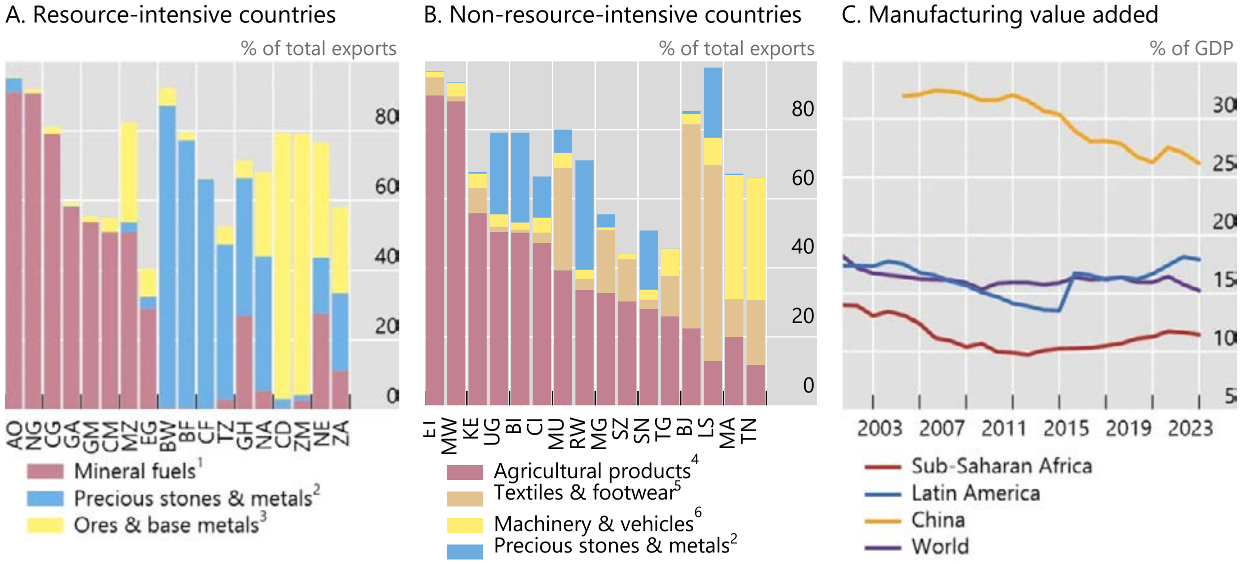


Promoting economic diversification through increased intraregional trade can strengthen Africa's external resilience. Many African countries face significant external vulnerabilities due to high export concentration. Resource-intensive economies, in particular, rely heavily on a narrow set of commodities such as oil, precious stones and base metals (Graph 4.A), making them highly susceptible to commodity-driven boom and bust cycles. In non-resource-intensive countries, exports are often dominated by agricultural products (Graph 4.B), exposing them to volatile global prices and increasing risks from extreme climate events. Additionally, the relatively small size of the manufacturing sector across much of the continent limits production to lower value added goods, constraining both export diversification and long-term growth prospects (Graph 4.C).

7 Efficient border institutions are vital for fostering trade by reducing uncertainty and risks for businesses. While Morocco and South Africa align with international best practices (see Graph A.2 in online Annex A), most countries have room for improvement, particularly in governance, impartiality and advance rulings, despite strengths in information availability and direct fees.

8 Trade within Africa remains complex and costly, fostering opportunities for subregional trade. For instance, members of the Southern African Development Community (SADC) trade primarily within the bloc, with intra-SADC exports comprising approximately 80% of their total exports to Africa (see Graph A.3.A in online Annex A). A comparable, albeit less pronounced, pattern is observed within the Economic Community of West African States, as shown in Graph A.3.B in Annex A.

Lack of export diversification is compounded by the small manufacturing capacity Graph 4



[1] Harmonised Tariff System (HTS) Chapter 28, five-year average. [2] HTS Chapter 71. [3] HTS chapters 29 and 83. [4] HTS chapters 1–24. [5] HTS chapters 50–67. [6] HTS chapters 84–9.

Sources: UN Comtrade; World Bank.

Foreign direct investment (FDI) can catalyse economic diversification in Africa, stimulate growth and strengthen resilience to external shocks.[9] However, over the past decade, FDI inflows to the continent have remained relatively subdued compared with those to Asia and Latin America (Graph A.4.A in online Annex A). In 2024, FDI inflows to Africa increased sharply, by 86%, reaching $95 billion. Despite this rise, project finance deals – mainly in infrastructure – fell by 13%, as tighter global financing conditions and expectations of declining interest rates led investors to delay large-scale commitments.

Unlocking Africa's potential: demographics, resources and digital transformation

Going forward, Africa has important opportunities. The first significant opportunity derives from its demographic dividend.[10] Africa is projected to experience significant growth in its working age population (16 to 64 years) over the next few decades (Graph A.5.A in online Annex A). By the end of this decade, Africa's working age population is projected to surpass that of China. However, the demographic dividend is not automatic and requires education and skills development policies to diversify occupations beyond the dominant agricultural and mining sectors into higher value added, employment-intensive industries. Currently, Africa's share of the world's manufacturing value added is considerably lower than that of China, for example (Graph A.5.B in online Annex A).

Second, Africa's abundant natural resources present substantial opportunities to diversify the economy and add value, particularly in the context of the global energy transition and technological advancements. Although climate events have affected growth and migration flows in Africa,[11] the global

[9] Trade policy and FDI are deeply interconnected and mutually reinforcing. Open and predictable trade frameworks – such as tariff liberalisation, reduced non-tariff barriers and regional integration through the AfCFTA – make African markets more attractive to investors (Asiedu (2006)). In turn, FDI can stimulate trade by bringing in technology, managerial expertise and access to global markets (Harding and Javorcik (2012)). It also helps to integrate local firms into global value chains, increasing both the scale and complexity of exports.

[10] See, among others, Bloom et al (2017) and Groth et al (2019).

[11] Extreme climate events can directly affect production and consumption and may also influence labour supply, as people in vulnerable countries migrate to other regions within Africa or abroad (Kwanhi et al (2024)).

shift towards cleaner energy sources presents new opportunities for the continent, as many African countries are rich in reserves of the raw materials essential for the energy transition (Graph A.3.C in online Annex A). These minerals are also relevant for semiconductor and chip manufacturing in the artificial intelligence supply chain.[12]

Third, new opportunities could arise from advances in technology. Already, digital payments like mobile money are promoting economic activity by offering a cheaper and more efficient alternative to cash, providing a gateway to other financial services and reducing informality. More broadly, the development of payment systems plays a critical role in supporting financial integration. In particular, the ability of the banking sector and non-bank lenders to provide working capital is essential for the functioning of supply chains and the promotion of regional trade integration.[13]

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[12] See Gambacorta and Shreeti (2025).

[13] On payments and financial integration, see among others, Kim and Shin (2023), Aguilar et al (2024) and Ehlers et al (2025). On financial inclusion opportunities, see Beck et al (2022), Gambacorta et al (2023) and Caballero et al (2025).