

The European

Graham Bright, Compliance Director, Euro Exim Bank
(graham.bright@euroeximbank.com)

The commonality of Africa and The Caribbean

Classified as emerging economies, the 54 countries comprising the African continent and the 33 political, sovereign states, dependencies and territories of the Caribbean, despite the geographic distance between them, have common issues.

Each feature a vibrant tapestry of languages, music, and dance that reflect their diverse heritage, with African rhythms and traditions heavily influencing Caribbean genres such as reggae, calypso, and salsa.

Additionally, the prominence of communal values, storytelling, and spirituality in both regions highlights an enduring connection to ancestral roots.

And, having spoken at the recent UK Africa Summit and Eastern Africa Association conferences in London and attended the Caribbean Association of Banks meeting, there may be consensus, and a clear call to action.

Trade between Africa and Caribbean countries has gained increasing attention in recent years, fostering opportunities for mutual growth and development. Both regions, rich in natural resources and cultural heritage, are exploring avenues to enhance their economic ties and benefits.

But all industrial advances require the basics of life, namely food security, supported with innovative financial instruments from specialist banks such as Euro Exim Bank. These instruments cover agrifood production supply and economic access to distribution chains, with the aim of alleviating and eradicating hunger in all territories by 2030.

By issuing the instruments supporting Farm to Table initiatives, we facilitate the efficiency, sustainability, and inclusiveness of agricultural trade by addressing liquidity and FX challenges and creating enabling environments for smallholder farmers and agribusinesses to compete in domestic and international markets.

The Caribbean region may also benefit from Africa's vast mineral resources, including gold and oil, while Africa can access the diversity of Caribbean agricultural products, tourism expertise, and niche markets for cosmetics and pharmaceuticals sourced from indigenous plants.

Organizations such as the African Union and CARIFORUM are working towards establishing frameworks for all important trade agreements, which aim to reduce tariffs and encourage investment.

Additionally, diaspora connections between the two regions may facilitate knowledge transfer and commerce, ultimately contributing to sustainable development and economic resilience. As both regions recognize the potential benefits of stronger trade relationships, collaborative efforts will pave the way for a more integrated ecosystem.

Despite geographical distances, the resilience and creativity that have emerged from their colonial pasts foster a strong sense of identity and unity, inspiring movements for social justice and economic empowerment in both Africa and the Caribbean today. These shared experiences continue to shape the cultural narratives and societal structures of both regions, emphasizing the importance of their interconnected histories.

The trade gaps, prevalent in African and Caribbean countries presents a complex economic challenge that impacts development and growth in both regions.

Both regions share a narrow range of exports, vulnerability to external shocks, and underdeveloped infrastructure, with additional threats of rising water levels, depleted yield from oceans and pollution and impacts of global warming.

Africa depends heavily on commodities like oil, minerals, and agricultural products, while Caribbean nations primarily export tourism services, agricultural products, and minerals. The trade gap is exacerbated by barriers such as tariffs, lack of access to financing, and trade agreements that do not adequately consider the developmental needs of these regions.

Moreover, fluctuations in global demand have created imbalances, leading to increased deficits that actively prohibit economic progress. Collaboration through trade agreements and investment in infrastructure may bridge this gap, fostering sustainable growth and improving trade relations.

Imports vs exports

The diversity of imports and exports, and the world's reliance on critical raw materials play a significant role in the economic development of both regions. The dynamics between imports and exports shape the economic structure, influence trade policies, and affect the region's integration into the global economy.

Historically, Africa is key exporter of raw materials and commodities, with highly prized and often undervalued goods in its export portfolio. These include firstly, minerals and resources, such as crude oil (from countries like Nigeria, Angola, and Libya), metals (gold from South Africa and Ghana, copper from Zambia and the Democratic Republic of Congo (DRC), and diamonds from Botswana). Uranium, cobalt, and other rare minerals are also highly sought after in global markets, particularly by industrial powers like China, the EU, and the U.S., with cobalt expected to rank amongst the most desirable and prized elements in the next 25 years.

Secondly, Agricultural Products including Coffee (Ethiopia, Uganda), Cocoa (Côte d'Ivoire and Ghana, which produce over 60% of the world's cocoa), Tea (Kenya), Cotton (West Africa sending to manufacturing plants in Asia), and Tobacco (Zimbabwe, Malawi)

Thirdly? Energy, with many African countries, particularly in North and West Africa, are major exporters of oil and natural gas, with countries like Nigeria, Angola, and Algeria being key players in global energy market and then Fisheries and Livestock, with Namibia, Morocco, and Senegal exporting seafood, and Ethiopia and Sudan known for livestock exports, such as cattle, sheep, and goats.

When we look at imports, again there are stark Africa/Caribbean similarities, relying on imports of a significant amount of finished goods and capital products, including firstly, Machinery and Equipment: with heavy dependency on imported machinery and capital goods, particularly for construction, manufacturing, and infrastructure development. These also include industrial machinery, electrical and electronic equipment, vehicles, aircraft and ships.

Secondly, Food Products: Wheat from Ukraine, rice, and maize, Processed food products, dairy and meat products (with a change of diet and in countries with less developed agricultural sectors).

Thirdly, Chemicals and Pharmaceuticals including fertilizers for agriculture, and pharmaceuticals, which are crucial for health care systems across Africa.

Then with growing middle class and spending power, there are the rising demands for consumer goods, such as textiles, clothing, electronics, and household goods from China, India, and the EU. Finally, fuel. Although many African countries export oil, some nations, especially those without refining capacity, import vast quantities of refined petroleum products like gasoline and diesel. Few are progressively looking at replacing fossil fuels at source (which only nuclear power can achieve), whilst alternatives such as solar, wind, hydro, geothermal, or biomass may be considered in future.

Identifying sustainable trade partners is vital. Today these partners reflect both historical ties and growing global economic shifts, with China being Africa's largest trading partner, mainly driven by demand for African raw materials and a ready new market for Chinese exports of low-priced manufactured goods.

The European Union (EU) is a traditional partner, particularly with North, West and Francophone countries with demand for energy and agricultural products. The United States imports oil and minerals from Africa but at small scale. India is a growing partner in East and Southern Africa, due to historical ties and growing economic interests, increasingly using Mauritius as a trade gateway.

Also of significance is Intra-African trade, which on the face of it should be the major source when trading with nearest neighbours, but remains low, however this is set to grow through initiatives like the African Continental Free Trade Area (AfCFTA) and many other regional agreements.

Trade Imbalances:

The major strain on any growth is a large trade gap, where most African and Caribbean countries export primarily raw materials, and seasonal products but import higher-value manufactured goods. The imbalance limits economic diversification and

increases dependence on volatile markets with risks of price, currency and weather fluctuations, lack of liquidity, potential fraud and bureaucracy of trade, impacting revenue, reputation and economic stability.

How can Africa and the Caribbean resolved these issues?

No easy answer, but some key areas are perhaps the first to review. Through governments, banks and the private sector, regional bodies need to address these challenges through various initiatives:

- a) Creating a sustainable infrastructure for value-added production – Develop manufacturing sectors and to process raw materials within their own countries. This will reduce dependency on imports and boost exports of finished products, additionally realising retaining the true value and revenue of commodities and critical raw materials
- b) Better Intra-African Trade – Through the AfCFTA, which created the largest free trade area in the world, potentially removing barriers, oiling the wheels of commerce at lower cost for mutual benefit, and reducing external dependency.
- c) Diversification – reducing reliance on a few key exports, and developing industries like tourism, tech, and services.
- d) Agricultural Development – Using Ai, vertical farming and drone technology to improve agricultural productivity and processing capabilities reducing dependence on food imports and increase its share of global agricultural trade.

Conclusion:

Whilst our bank is positioned to assist globally with issuance of financial instruments, the challenge of mobilising the economically powerful SME's in every nation, the lack of foreign direct investment, need for renewed infrastructure and processing at source, competition from other global powers and trade barriers remain.

With targeted precise policies aimed at industrialization, economic diversification, agricultural productivity and boosting intra-African trade, not in an isolated fashion but in a collaborative framework, this will fully realize the potential of the African continent and the Caribbean region alike, improving their trade positions in the global economy.