



European Commission



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# The European Union and Africa: Partners in Trade

## European Union and Africa are major trading partners

In 2019<sup>1</sup>, trade between the European Union and Africa reached €280 billion.

**The EU is Africa's first trading partner** and by far its largest export market, ahead of China, India, and the US. Trade between the two regions is fairly balanced, with a slight surplus in the EU's favour of €8 billion euros.<sup>2</sup>

For North Africa, the EU remains the main trading partner for both exports and imports, while for Sub-Saharan Africa, the EU is the second biggest trading partner after China.

**Africa is the EU's fourth largest trading partner**, after the United States, China, and the United Kingdom. The EU trades with Africa almost one and a half times as much as with Latin America, and more than twice as much as with Japan.



*The EU is Africa's first trading partner, accounting for 28% of Africa's total trade in 2019.*

## EU-Africa Trade Agreements boost sustainable development in Africa

In 2019, close to 28% of total African exports went to EU markets, representing a steady increase since 2016. This trend highlights the **benefits** of the various preferential trade regimes. Those include preferential trade agreements between the EU and 18 African countries, namely: five **Economic Partnership Agreements (EPAs)** are being applied with 14 countries in Sub-Saharan Africa<sup>3</sup> and four **Association Agreements (AAs)** with countries in North Africa.<sup>4</sup> In addition, 34 African countries benefit from the EU's General Scheme of Preferences – Everything but Arms (GSP/ EBA).

Through these preferential trade regimes, more than 90% of African exports enter the EU market of 450 million consumers free of import duties. Compliance with the EU standards simultaneously opens the opportunities to other potential markets and makes their products more competitive and of better quality.



*The EU's total trade with Africa rose 20% between 2016 and 2019, to €280 billion.*

<sup>1</sup> Most of the data in this article will use 2019 as the most recent year since, if we look at a long-run assessment of EU-Africa trade relations, the year 2020 was atypical, with significantly lower volumes of international trade due to the Covid-19 crisis.

<sup>2</sup> Source: Eurostat

<sup>3</sup> Botswana, Cameroon, Comoros, Côte d'Ivoire, Eswatini, Ghana, Lesotho, Madagascar, Mauritius, Mozambique, Namibia, Seychelles, South Africa and Zimbabwe

<sup>4</sup> Algeria, Egypt, Morocco and Tunisia

EPAs in particular are important tools of the EU's Comprehensive Strategy with Africa, **promoting sustainable development through enhanced trade relations and regional economic integration**. EPAs are permanent arrangements that encourage a progressive shift from more traditional aid towards trade and investment as engines of growth, jobs, and poverty reduction. EPAs are reciprocal in nature, entailing rights and obligations for both EU and African countries.

African countries that have been granted preferences under various EU trade agreements tend to fully utilise these preferences. For example, in 2019 the preference utilisation rates (PUR) for the following countries were high, resulting in stronger and more dynamic exporting to the EU:

Country	PUR
Cameroon	99%
Côte d'Ivoire	99%
Egypt	95%
Ghana	99%
Mauritius	97%
Namibia	99%
Tunisia	93%

Source: Eurostat



*Africa is a key geographical priority in the new EU trade strategy.*

### EU-Africa Trade Agreements boost diversification of exports

Another positive outcome of the trade agreements between the EU and Africa has been the **growing diversification of African exports**. Whereas the bulk of exports from Africa to the EU historically had been composed of raw materials, in recent years African exports have increasingly included machinery and transport equipment, manufactured goods including textiles, and agri-food products.

### Success stories of Diversification of trade



South African exports of cars to the EU increased by almost 250%. In 2019, cars accounted for 31% of the total of South Africa's exports to the EU.



Likewise, Moroccan exports of cars to the EU more than doubled in that same period. Cars represented 14% of Morocco's exports to the EU in 2019.



Exports of watches and clocks from Mauritius to the EU increased by 62%. In 2019 they represented 2.7% of the total of Mauritius' exports to the EU.



Ghana's diversified its exports with semi-processed or prepared fruits, the value of which reached EUR 7 million in 2018, up 100 % in 5 years.



Egypt's exports of cameras increased 9000% and constituted over 3% of the total of Egypt's exports to the EU in 2019.



Exports of textiles and clothing from Madagascar to the EU increased by more than 40%, accounting for over 33% of Madagascar's exports to the EU in 2019.

## EU-Africa Trade Agreements boost EU trade with and investment in Africa

With an estimated population of 1.34 billion, **Africa is an attractive and growing market for EU trade and investment.** EU exports to the African continent have followed a globally upward trend since 2009 (with a small decrease in 2016). In 2019, EU exports to Africa amounted to €145 billion, close to 7% of total EU exports to the rest of the world.

The upward trend is currently most evident in EU exports to North Africa and West Africa. It is worth noting that EU exports to West Africa and to the Southern African Development Community (SADC) EPA Group<sup>5</sup> began increasing in 2016, when EPAs were signed with countries in those regions.

As EPAs and other trade liberalisation schemes consolidate and mature in the coming years, they should help increase EU exports to its trading partners in Africa, especially those that will help African countries to develop their own industry with more value added, such as machinery, car parts, and medical equipment.

Services account for over half of Africa's GDP but trade in services represents only 22% of total African trade and remains far below its potential. EU-Africa Trade Agreements could create new opportunities for both African and EU service suppliers given geographical proximity. Services could be a promising area for discussion in the modernisation of the existing Agreements.

In terms of investment, with more than €212 billion worth of stocks in 2018, **the EU was the first supplier of foreign direct investment (FDI) to Africa**, well ahead of the UK, the US (€41 bn each) and China (€39 bn). The value of the EU's FDI stocks in Africa is almost half of that of its FDI stocks in European countries outside the EU. North Africa and SADC capture between them two-thirds of the EU's total FDI stocks in the continent.

**These investments** mainly target the extracting industries, the agri-food sector, public works, and the service sector and **are gradually being diversified into other sectors.**



*The EU is the largest foreign investor in Africa, with over €212 billion in FDI stocks in 2018.*

## Strengthened trade and investment partnership

As a major driver of growth and development, investment is necessary to attain sustainable development goals. Trade and investment relations between the EU and Africa are evolving into a strengthened partnership that continues to open up markets, increase competitiveness, promote industrialisation and encourage regional integration, contributing to sound economic governance and improved living conditions.

The EU – EU institutions together with the Member States – continues to account for the largest share of total Official Development Assistance (ODA) in the world. EU Member States collectively provided €73.6 billion in 2019, of which €25.9 billion went to Africa.



*The EU and Africa trade and investment partnership continues to open up markets, increase competitiveness, promote industrialisation.*

**Investment facilitation measures** will increase the impact of global and continental agreements. Those measures include increased transparency on policies and regulations, streamlined administrative and procedural requirements, best practices, and coordination between actors to ensure policies and regulations are implemented efficiently and effectively, along with after care support to firms so that investments are retained.

Pursuing sustainable investment agreements with Africa, as pledged in the new EU trade strategy launched in February 2021, is part of the broader EU strategy to step up its engagement with African partners to unlock their economic potential, foster economic diversification, and promote inclusive growth. Such agreements are meant to further enhance sustainable trade and investment links between both continents and within Africa itself.

<sup>5</sup> Angola, Botswana, Eswatini, Lesotho, Mozambique, Namibia, and South Africa