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

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Policy Brief No. 65, January 2025

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

Javier Flórez Mendoza and Robert Stehrer

(wiiw – The Vienna Institute for International Economic Studies)

Africa's trade relationship with Europe is shaped by historical ties and by emerging economic opportunities. This policy brief examines Africa's trade with Europe, showing selected trends, the current status and future potential, with a special focus on the European Union (EU) and Austria. It also considers Africa's economic interactions with major global players such as China and the United States, providing comparisons with Africa-EU trade flows, total trade volumes and key industries. In addition, it highlights how the EU could strengthen its supply chains and reduce dependency risks by fostering co-operation with Africa in sectors aligned with its green and digital goals. It examines how the African Continental Free Trade Area (AfCFTA) could be a catalyst to reshape trade dynamics by serving as an intercontinental economic bridge. Finally, the brief draws policy conclusions, offering insights into how the EU can enhance its trade strategies with Africa to foster mutual economic growth and resilience.

1. Introduction

Africa – which represents about 17% of the global population, but contributes only 2% of global manufacturing and not even 4% of global trade – seems to be at a critical point in its development path. AUC/OECD (2024) estimates that the continent will achieve annual GDP growth of 3.5% in 2024, rising to 4% in 2025, making it one of the fastest-growing regions in the world.¹ Africa's working-age population is expected to double by 2050, accounting for 85% of global labour force growth. Together with improvements in education outcomes, this presents unprecedented opportunities for economic transformation and sustainable growth. Nonetheless, an outstanding challenge is the fact that around 82% of Africa's workforce remains in the informal sector, holding back productivity and economic potential in the labour market (AUC/OECD, 2024).

With respect to its trade structures, Africa is largely an exporter of raw materials and an importer of high value-added products. Most of Africa's trade, around

85%, is with the rest of the world. Intra-African trade is rather underdeveloped. This is partly a consequence of an underdeveloped infrastructure. Connectivity and infrastructure problems hamper trade between African countries. Strict cross-border regulation also negatively affects intra-African trade, disrupting and distorting trade of goods and services (see, for example, AUC/OECD, 2024 and Pérez, 2023).

Activating and implementing the African Continental Free Trade Area (AfCFTA) has therefore become a priority, as discussed in more detail in Section 3. An integration strategy of this kind should go beyond the reduction of tariffs, fostering intra-African investment, and also seeking to strengthen infrastructure facilities, especially at national borders. Co-operation between governments is deemed crucial to overcoming these challenges and working together as a continent to achieve higher levels of production in value-added goods, as reflected in the African proverb *Bolo Kele tesseka bele ta*.²

AUC/OECD (2024) argues that Africa's transition into digitalisation and green energy offers immense

¹ According to the IMF World Economic Outlook (Update, January 2024), Africa's economy is expected to grow by about 4% over the next years.

² A common proverb on the importance of working together, which translates as 'One finger alone cannot lift a stone'. See <https://www.sanitationandwaterforall.org/news/bolo-kele-tesseka-bele-ta-insights-working-together-mali>.

opportunities to expand job creation in the region. It suggests that the renewable energy sector alone could create more than 9m jobs by 2030, with an additional 3m by 2050. Similarly, the rise of digital technologies is transforming labour markets, with 70% of jobs expected to require basic or intermediate digital skills by 2030. Therefore, governments should focus on harmonising these core competencies by aligning national education strategies with the skills needed for the digital and green economy, ensuring that Africa's workforce is well prepared to face the challenges ahead.

For Europe, these developments and expectations provide many opportunities. In September 2023, European Commission president Ursula von der Leyen announced in her State of the Union speech that the EU must 'develop a mutually beneficial partnership which focuses on common issues for Europe and Africa' and develop a new strategic approach with Africa.³ Such a strategy is also needed because geopolitical developments concerning trade or economic agreements with additional partners are gaining prominence, given EU moves towards diversification and de-risking of supply chains.

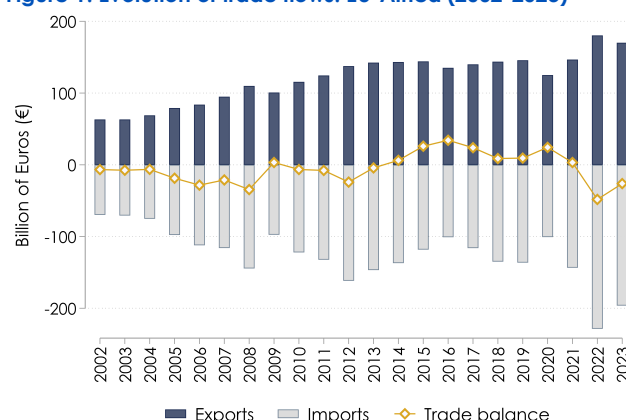
African countries can be relevant in this respect. In 2023 about one-third of African exports go to the EU making the EU the largest export partner, followed by Asia. In terms of individual countries, China is the most prominent export destination. In terms of African imports, Asia with about 35% is far more important than the EU with slightly above 20%.⁴ The trends indicate that there occurs a strong shift of African trade towards Asia, and specifically China as a result of the Belt and Road Initiative.⁵ Thus, in line with making it a promising area for trade expansion, the EU should continue its efforts to further reduce one-sided dependencies on critical raw materials (CRMs), where Africa can play a major role.

2. Africa's trade with the EU

2.1 Trade with the EU

Figure 1 shows the evolution of trade between the EU and Africa since 2002. EU exports to Africa increased from EUR 63.22bn in 2002 to EUR 170.14bn in 2023. Similarly, EU imports from Africa increased from EUR 69.85bn to EUR 196.32bn in this period. Thus, recently, the EU trade balance is slightly negative.

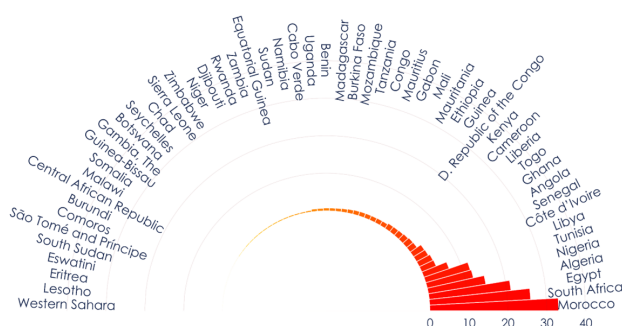
Figure 1: Evolution of trade flows: EU-Africa (2002-2023)



Sources: Eurostat, Extra-EU trade by partner [ext_lt_mainneu; last update: 16/09/2024]; own elaboration.

The EU's 10 most important African trade partners are Morocco, South Africa, Egypt, Algeria, Nigeria, Tunisia, Libya, Côte d'Ivoire, Senegal and Angola (see Figure 2). In terms of exports from the EU to Africa, Morocco (19.5%) is the most prominent trade partner, followed by Egypt (12.5%), Algeria (8.8%) and Tunisia (7%). The most important trade partner in Southern Africa is South Africa (15.3%). Countries in Western Africa such as Nigeria (7.2%), Côte d'Ivoire (2.4%) and Senegal (2.3%) also play a prominent role in trade with the EU.

Figure 2: EU exports (EUR bn) to Africa by partner (2023)



Sources: Eurostat, Extra-EU trade by partner [ext_lt_mainneu; last update: 16/09/2024]; own elaboration.

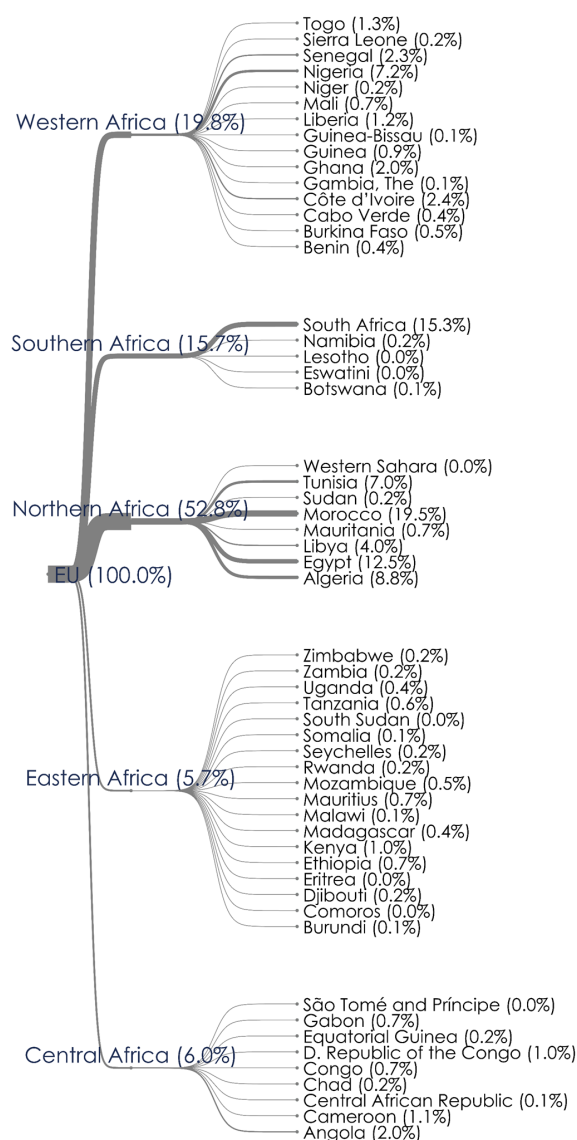
Similarly, EU exports to Africa by regions within the continent are dominated by Northern African countries (52.8%), followed by Western Africa (19.8%), Southern Africa (15.7%), Central Africa (6%) and Eastern Africa (5.7%), as shown in Figure 3.

³ See European Commission, State of the Union (2023): https://state-of-the-union.ec.europa.eu/index_en.

⁴ <https://www.afreximbank.com/reports/african-trade-report-2024>

⁵ See 'Africa has much more to gain from a more contained BRI': <https://issafrica.org/iss-today/africa-has-much-to-gain-from-a-more-contained-bri>.

Figure 3: EU export shares (%) to Africa by region (2023)

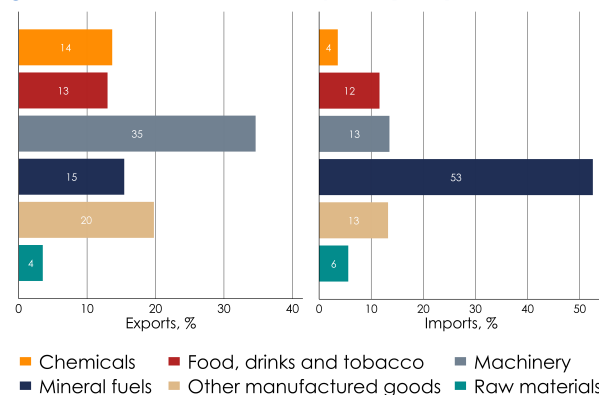


Sources: Eurostat, Extra-EU trade by partner [ext_lt_mainneu; last update: 16/09/2024]; own elaboration.

Although EU trade with Eastern Africa is relatively small, countries such as Rwanda are actively pursuing deeper integration with the EU. In particular, they aim to strengthen political and economic relations and foster broader co-operation with France, despite the historical challenges.⁶

In terms of goods, the bulk of EU imports from Africa are mineral fuels (53%), as indicated in Figure 4. EU exports mainly comprise machinery (35%), chemicals (14%) and other manufactured products (20%).

Figure 4: Trade flows EU-Africa by SITC (2023)



Sources: Eurostat, Extra-EU trade by partner [ext_lt_mainagri; ext_lt_mainrawm; ext_lt_mainmine; ext_lt_mainchem; ext_lt_mainmanu; ext_lt_mainmach last update: 16/09/2024]; own elaboration.

However, these trade structures – particularly with respect to imports – are notably heterogeneous across African partners. Whereas EU imports from Algeria, Cameroon, Libya, or Nigeria are dominated by mineral fuels, imports from other countries have higher shares in food, drinks, and tobacco or manufactured goods. EU exports are dominated by machinery and other manufactured products as well as chemicals.

One specific aspect is that Africa is an important source of CRMs such as cobalt, platinum, rhodium and ruthenium, with South Africa and the Democratic Republic of Congo (DRC) the largest suppliers (see Stehrer, 2024, for an overview). In 2023, imports of such products amounted to about EUR 10bn, as shown in Figure 5.

Figure 5: Critical raw materials: EU-Africa (2002-2023)



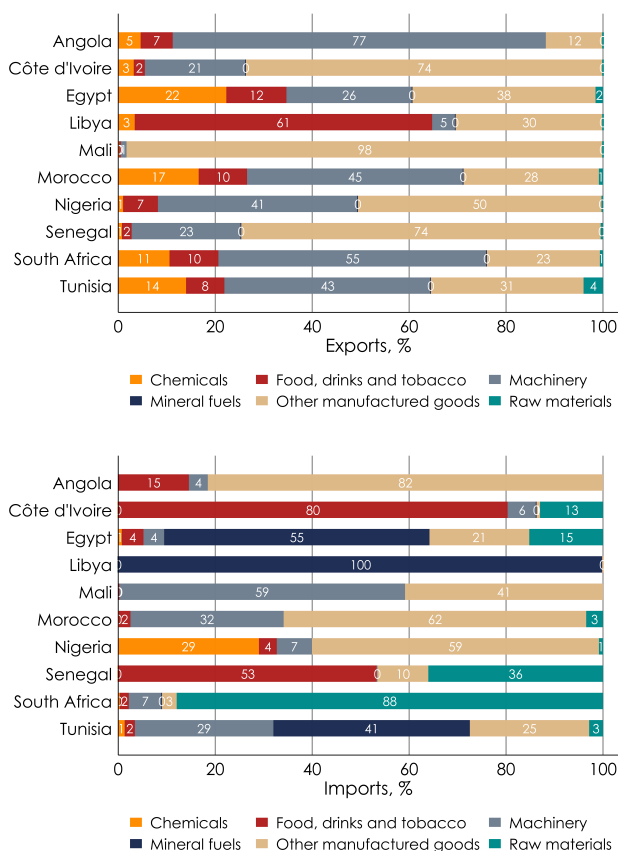
Sources: Eurostat, Extra-EU trade by partner [ext_lt_mainrawm; last update: 16/09/2024]; own elaboration.

⁶ See *The New York Times*, 'Many African nations want France out. This country wants it in'. 24 June 2024
<https://www.nytimes.com/2024/06/24/world/africa/rwanda-france-kagame.html>

2.2 Africa's trade with Austria

In 2022 exports from Austria to Africa (covering 55 African economies) accounted for only about 1% of Austria's total trade. Imports from Africa to Austria represented an even smaller share, at just 0.75%. According to data from Eurostat Comext, Austrian exports to Africa totalled EUR 2.03bn. In terms of exports, the top 10 African partners were South Africa, Egypt, Morocco, Mali, Nigeria, Angola, Tunisia, Senegal, Libya and Côte d'Ivoire. Mineral fuels account for about two third of Austrian imports from Africa followed by raw materials with about 20%. The share of the latter strongly increased since 2012 (from 2%), whereas the share of the mineral fuels declined (from 86% in 2012). Exports are dominated by machinery with 40% (43% in 2012) and other manufactured goods with 38% (33% in 2012). Figure 6 however underlines the heterogeneity of trade patterns with individual African countries.

Figure 6: Trade flows Austria-Africa by SITC (2022)



Source: Eurostat, Comext.

3. Characteristics and status of the African Continental Free Trade Area (AfCFTA)

3.1 Expectations of the AfCFTA

The African Continental Free Trade Area (AfCFTA) represents a major initiative to boost trade and economic integration across Africa, involving 54 of the 55 African Union states creating one of the largest free trade areas.⁷ The AfCFTA aims to eliminate tariffs on 90% of goods, reduce trade barriers and increase intra-African trade. The aim is to promote economic growth, industrialization and job creation across the continent. Since its launch in 2020, the agreement has been implemented in phases, initially focusing on trade in goods and services. Areas such as investment, intellectual property, competition policy and dispute settlement are still under negotiation (African Union, 2020; for an overview, see Pérez, 2023).

According to the World Bank (2021), the potential impact of the AfCFTA is significant. There are suggestions that it could double intra-African trade, creating a single market of over 1bn people and a combined GDP of around USD 3.4trn. Such integration could reduce Africa's dependence on single-commodity economies, increase its resilience to global market volatility and promote diversification. However, challenges such as infrastructure deficits, complex customs procedures and regulatory differences between African countries will need to be overcome. Improving transport infrastructure and reducing non-tariff measures (NTMs) will be essential.

The AfCFTA is expected to lead to a transformation of the continent's economy and development. This could have positive impacts for the EU and European countries individually. These aspects mean we should assess the ongoing trends, trade patterns and potential future developments of Africa-EU trade relations.⁸

To ensure the success of the AfCFTA, policy makers should prioritise harmonising standards, improving transport links and investing in digital trade infrastructure and skills development (AUC/OECD, 2024). These measures can benefit small and medium-sized enterprises (SMEs) and help to ensure that they become more fully integrated. Moreover, the AfCFTA will position Africa as a more cohesive trading bloc, strengthening its leverage in international trade negotiations and potentially attracting more foreign

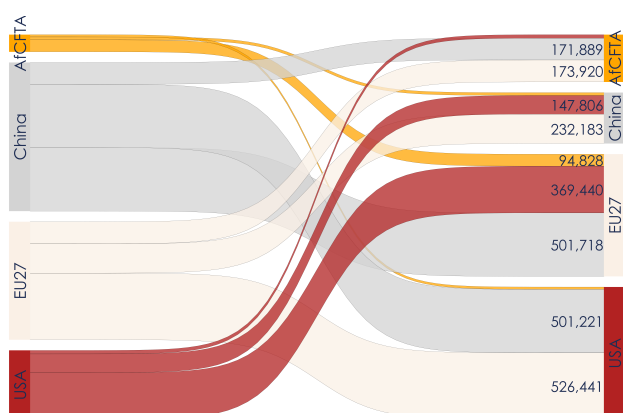
⁷ See African Union, Trading under the AfCFTA <https://au.int/en/articles/trading-under-afcfta-begins>. For additional information regarding the Status of the AfCFTA ratification see <https://www.tralac.org/resources/infographic/13795-status-of-afcfta-ratification.html>.

⁸ See *Financial Times*, How EU funds paid for risky African aid projects. 26 September 2024. <https://www.ft.com/content/2d6103c6-0578-4581-b29b-d3fb52caaafa>

direct investment (FDI) by presenting a unified market to investors worldwide.⁹

It should be noted, however, that the role of the AfCFTA countries in global trade is very low (see Figure 7) and accounts for less than 3%.

Figure 7: Trade flows of AfCFTA countries, EU, US and China (2023), in USD bn.



Sources: UN COMTRADE; own elaboration.

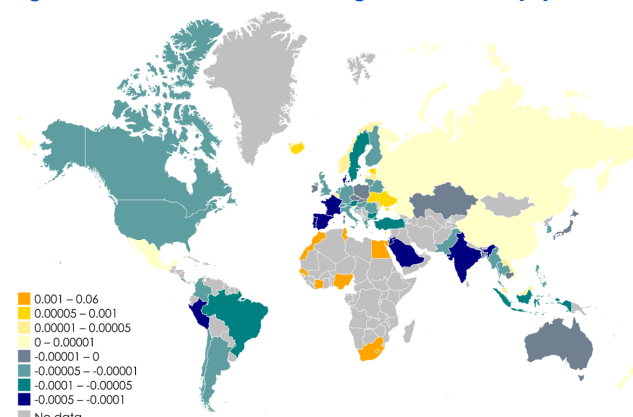
3.2 Assessing the impact of the AfCFTA

We assess the impact of the AfCFTA, employing a structural gravity model that combines recent theoretical advancements with advanced econometric methodologies to evaluate the general equilibrium (GE) effects of free trade agreements (FTAs) on trade and welfare.¹⁰ The analysis uses a novel dataset suitable for simulating the potential impacts of the AfCFTA agreement.¹¹

We find that the creation of the AfCFTA results in some modest gains (see Figure 8) of up to 0.06% of GDP for the African countries included in the analysis. We also find some small negative effects on trade partners (particularly India, Portugal, Spain and France and also one country within Africa – Egypt), owing to trade diversification effects (see Figure 9).¹² Thus, the AfCFTA will strengthen intra-African trade, but will mostly reduce trade with other partners (one exception to this is China, where trade flows remain more or less

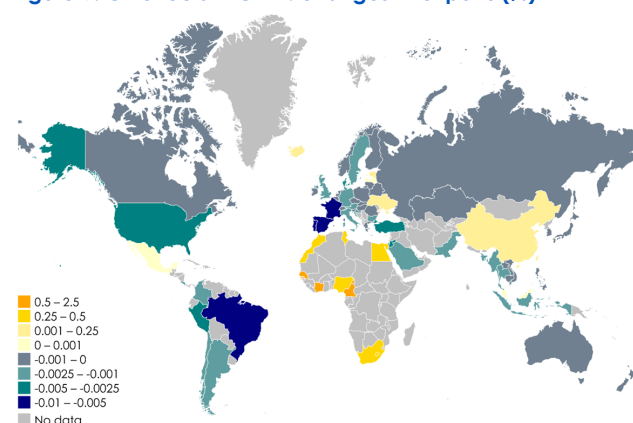
constant), although this does not take into account potential overall growth effects.

Figure 8: GE effects AfCFTA: changes in real GDP (%)



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

Figure 9: GE effects AfCFTA: changes in exports (%)



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

3.3 The strategic importance of the AfCFTA for Europe

However, Africa's future prospects are important in further respects for the EU, particularly in relation to access to CRMs. The European Green Deal (EGD) aims to achieve carbon neutrality by 2050, prioritising renewable energy and sustainable transport solutions. This ambitious goal relies heavily on CRMs such as cobalt, lithium, rare-earth elements (REEs), platinum

⁹ See Economic Commission for Africa, Implementing the AfCFTA Agreement will boost intra-African trade and industrialization. 18 January 2023. <https://www.uneca.org/stories/implementing-the-afcfta-agreement-will-boost-intra-african-trade-and-industrialization>.

¹⁰ For theoretical contributions of the gravity model of trade, see Anderson (2011), Arkolakis, Costinot & Rodríguez-Clare (2012) and Yotov (2024). Recent developments in the structural gravity model include the framework developed by Larch & Yotov (2023), Yotov et al. (2016), Larch et al. (2019) and Weidner & Zylkin (2021).

¹¹ The study uses the OECD Inter-Country Input-Output (ICIO) database (OECD, 2023), a robust dataset suitable for analysing inter-regional trade flows across 76 countries and 45 sectors (which are aggregated as total trade) combined with the Dynamic Gravity Dataset (DGD) Version 2.0 developed by Gurevich and Herman (2018). Moreover, our approach explicitly accounts for the role of domestic trade flows, which are crucial for accurately estimating the general equilibrium (GE) effects of trade and welfare outcomes (see Yotov, 2022).

¹² Similar findings on the effects of the AfCFTA agreement can be found in Hinz et al. (2022).

group metals (PGMs), copper and nickel, which are essential for electric vehicles (EVs), battery storage, wind turbines and hydrogen fuel cells. A more integrated African market through the AfCFTA offers Europe a stable, diversified supply of these resources, aligning the economic and environmental goals of both continents (European Commission, 2020).

Africa's extensive CRM reserves are crucial to the EU's green and digital transformation. These resources form the cornerstone of the EU's energy transition, enhancing progress in both renewable energy and high-tech sectors. For instance, cobalt is essential for the lithium-ion batteries that power EVs and large-scale energy storage solutions. With the DRC supplying around 70% of global cobalt demand, Africa plays a prominent role in the EV market and renewable energy innovation (Cobalt Institute, 2021).

Moreover, the 'Buy American' approach of the US Inflation Reduction Act (IRA) underscores the tension between trade policy and environmental goals, with EV tax credits favouring US suppliers and raising EU concerns over restricted access to critical EV materials (Allcott et al., 2024). Through the AfCFTA, Europe could secure a diverse and ESG-compliant supply chain for essential EV inputs such as cobalt and lithium, fostering renewable growth in Africa while enhancing supply independence for the EU's green agenda.

In addition, lithium, another essential component of battery technology, is critical to sustainable energy solutions. Although African lithium production is currently modest, emerging projects, particularly in Zimbabwe, are positioning the continent as a more prominent player in the global lithium supply chain.¹³ This growing capacity highlights Africa's potential to support the EU's ambitious climate goals.

IEA (2024a) reinforces the urgent need to reduce dependence on fossil fuels to meet global climate goals, addressing the importance of renewable energy and Africa's rich reserves of essential minerals. For Europe, securing sustainably sourced CRMs such as cobalt, lithium and PGMs is essential as demand grows. Through the AfCFTA's ability to streamline intra-African trade, Africa can support the EU's renewable energy goals by providing a reliable, cost-effective supply network. This integration would not only stabilise supply chains and reduce energy costs, but would also promote sustainable economic growth for both regions and protect them from global energy market disruptions.

IEA (2024b) emphasises that North Africa – notably Morocco – is emerging as a strategic hub for EV and battery manufacturing, with projected production of up to 1.8m EV units by 2035. Around 70% of this output is expected to be exported to the EU and the US, positioning North Africa as a key supplier to the EU's expanding EV market. This transformation is being driven by significant investment in battery production and cathode active materials (CAMs), supported by technical expertise provided by Chinese companies, which is helping to reduce production costs and increase Morocco's competitiveness in the global market.

In a high-growth scenario for 2050, North Africa could scale up to 4.1m EV units every year, meeting about 5% of EU's battery demand and nearly 20% of its demand for CAMs. This scenario also assumes an increase in local production of vital components such as anodes and cathodes, reducing dependence on Chinese imports and securing North Africa's place as a resilient trading partner in the EU's green transition (IEA, 2024b, p. 318).

By expanding domestic production capacity for key EV components, African countries such as Morocco and South Africa could further reduce EU reliance on Asian imports, thereby increasing the EU's supply-chain security and economic resilience. An African shift from CRM exports to value-added manufacturing would diversify the EU's sourcing, while moving African economies towards sustainable regional production. In line with the AfCFTA, this transformation would strengthen Africa's position in global supply chains and support the EU's ESG commitments, as well as its climate goals, through responsible and efficient production practices (IEA, 2024b).

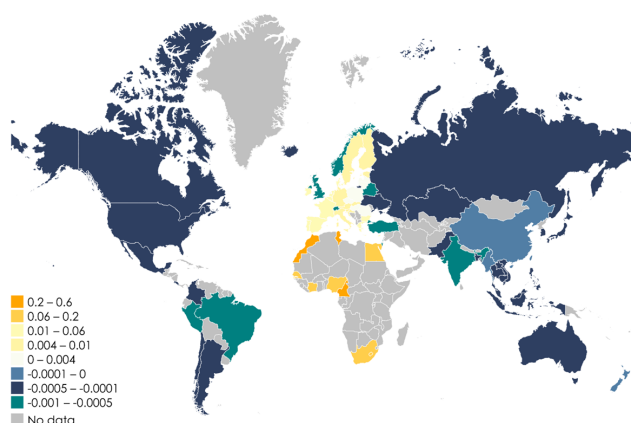
The same IEA report also emphasises the importance of removing high tariffs on renewable technologies, which raise costs for both African and European markets. Reducing barriers under the AfCFTA would make renewable technologies more accessible in Africa, boosting the local market for green technology and positioning African-made products to compete in EU green markets. Additionally, strategic investments in transport and energy infrastructure are essential for Africa's growing role in the global clean technology market. Such improvements would attract European investment, ensuring the efficient movement of renewable energy products and establishing the foundations for Africa's long-term green economic partnership (IEA, 2024b, p. 290).

¹³ See Mining Review Africa, Top 10 largest lithium mines in Africa. 28 November 2023. <https://www.miningreview.com/energy/top-10-lithium-producers-in-africa/>.

3.4 Potential beneficial effects of further Africa-EU trade integration

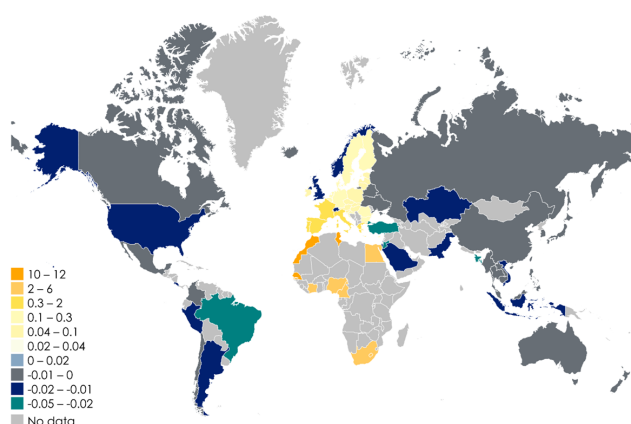
African countries could play an important role for energy and raw material imports to support the green transition. These aspects can be supported by further trade integration initiatives between Africa and the EU.¹⁴ Therefore, we simulate the effects of a (hypothetical) FTA between the EU and Africa (in addition to the creation of the AfCFTA). The results are presented in Figure 10 for GDP and Figure 11 for trade. As can be seen, such strengthening of the ties between Africa and the EU would have positive effects for EU member states (of up to 0.06% of GDP), and also for African countries, both in terms of GDP as well as exports, underpinning efforts to establish a mutually beneficial partnership between Europe and Africa.

Figure 10: GE effects EU-AfCFTA: changes in real GDP (%)



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

Figure 11: GE effects EU-AfCFTA: changes in exports (%)



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

¹⁴ For an actual status of agreements in place, being adopted or ratified, negotiated or on hold, See https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/negotiations-and-agreements_en.

4. Conclusions

Africa plays a prominent role as a source of critical CRMs for European industries, particularly for renewable energy, EVs and high-tech manufacturing. Key resources such as cobalt, lithium, REEs and PGMs are fundamental to Europe's green and digital transitions. As the AfCFTA reduces trade barriers within Africa, Europe might benefit from more stable, streamlined supply chains with lower logistics and trade costs when sourcing from African suppliers. African countries such as Morocco, Guinea, the DRC and South Africa are highlighted as major potential suppliers of CRMs to the EU (European Commission, 2023). The 'Global Gateway' partnership agreements represent an important building block in intensifying economic relations with developing countries.

A unified African market could provide the EU with solid supply-chain stability and transparency, allowing for diversification of sourcing from a well-established African market. This should allow European industries to reduce their reliance on individual CRM suppliers (such as China), reducing their vulnerability to global trade disruptions. A more accessible and interconnected African market would also encourage EU companies to deepen their investments in the continent's economies, building partnerships that ensure a steady and reliable flow of raw materials (IEA, 2022).

Moreover, several African countries are leading unique energy transitions that serve as models for trade and investment supported by the AfCFTA. Nigeria, Africa's largest oil producer, is focusing on policies to stabilise oil consumption while expanding natural gas and renewable energy sources. The AfCFTA could facilitate Nigeria's import of green technologies and create export opportunities for renewable products across the continent. South Africa, with its significant PGM reserves (critical for hydrogen fuel cells), is working to move away from coal dependency. Through AfCFTA-driven trade integration, South Africa could attract investment to support its clean energy transition and boost regional trade in renewable energy. Similarly, Morocco is emerging as a green energy hub, promoting solar and wind technologies. Leveraging the AfCFTA, Morocco could lead the way in exporting clean energy solutions to neighbouring countries and building sustainable supply chains with Europe (IEA, 2024b).

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