The Impact of Covid19 on Sino-African Trade Activities

By Egho Modu Aziz

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Introduction

The recent outbreak of COVID-19 has caused waves of horror and anxiety across many nations in the world. Considering the intense unravelling of the pandemic, no exact figure as per the number of confirmed and death cases worldwide is definite because the situation changes almost every hour. However, on April 14, 2020 3:40 GMT, Worldometer [1] reported 210 countries and territories across the globe having a total of 1,925,179 confirmed cases, and a dead toll of 119,699 deaths. The impact of the pandemic is disastrous globally affecting a variety of sectors including the service and supply chain, as well as trade, manufacturing, and tourism. This article aims to provide a synoptic assessment of the impact of COVID-19 on Sino-African trade activities. It stresses that, if African policymakers revamp their efforts to quickly address COVID-19, the human casualty will be less and African economic growth may experience lesser shock as previewed by the IMF. On the other hand, if they relent their efforts, the human casualty will soar while the growth rate may decline.

The effect of COVID-19’s outbreak in China has caused a slowdown on exports and services directed towards China. According to statistics from the General Administration of Customs of China, in 2018, China’s total import and export volume with Africa was US$204.19 billion, a yearly increase of 19.7%, surpassing the total growth rate of foreign trade in the same period by 7.1 percentage points. Among these, China’s exports to Africa were US$104.91 billion, up 10.8% and China’s imports from Africa were US$99.28 billion, up 30.8%; the surplus was US$5.63 billion, down 70.0% every year. The growth rate of Sino African trade was the highest in the world in 2018. [2] This shows that Sino-African trade has a significant contribution to the growth of African economies.
The DIPLOMAT Magazine reports that before the COVID-19 outbreak, Africa was predicted by the IMF to have six out of the world’s fastest-growing economies in 2020. [3] Africa was in dire need of that growth trend, especially as the African continent has the largest numbers of poor people in the world now projected at over 400 million. Unfortunately, Africa being part of global interconnectedness has been hit by the COVID-19 pandemic, making it likely for the continent to experience a sharp increase in poverty due to economic shocks. This also implies more difficulty for the continent to achieve the ongoing and enormously demanding UN Sustainable Development Goals (UNSDG) by 2030.

In principle, there are two types of effects that can be felt by economies from the COVID-19 shocks that have already occurred in China. These effects are the demand-side and supply-side shocks. Let’s first simplify the demand side shocks of COVID-19 on Sino-African trade links.

We are all aware that some African countries export goods to China for both manufacturing and consumption purposes. For example, Cameroon export crude oil, wood, and cotton to China, [4] Nigeria and Angola export oil to China while South Africa export precious metals to them. [5] With the COVID-19 lockdowns, mobile restrictions are intensifying. Manufacturing plants, retail, and wholesale shops and restaurants are closed causing a slowdown of demand in China for manufacturing and consumer goods. Consequently, imports of such goods into China from Africa may be obstructed or prices may need to be cut down. This might be followed by reduced production and the probability of job losses in Africa. The reverse is true when we move to the supply-side shock of the COVID-19’s impact on Sino-African trade. Again, to simplify it, many African countries import goods that are made in China to be used for infrastructure projects, and sales in shops and much more. The outburst of COVID-19 has caused China to slash down her manufacturing thus leading to less export from China to African countries. It has also led to exports at higher prices. Consequently, consumer demand in African countries is affected leading to the kind of empty shelves experienced by many shop owners in such difficult moments.
However, the COVID-19’s outbreak in Africa has not been too disastrous when compared with other regions and countries in the world, such as Vietnam and the Philippines, which were initially predicted by the IMF to grow by 6% in 2020, and are found in the danger zone for both types of shocks. This, in a way, implies good news for Africa since it does not fall in the danger zones where the above-mentioned shocks can be more evident. Put differently, African countries will either experience reduced exports or delayed projects and exorbitant bills at the supermarkets and restaurants. The saddening thing is that out of the 20 countries enlisted in the danger zone, 14 of them are least developed countries – thus implying supposedly more poverty in the poorest economies. What, should, therefore, be done to make things better for Africa? [6]

Conclusion

This article aimed at providing a synoptic evaluation of the impact of coronavirus on Sino-African trade activities. Its central thesis insinuated that if African policy-makers do not relent their efforts to quickly address COVID-19, the human casualty will be less and African economic growth may experience lesser shock as previewed, while growth rate may decline by around 1% point or probably less. Contrarily, if they relent their efforts to curb the spread of the pandemic, the human casualty will soar, and the growth rate may decline by around 2.1% point or probably more, according to Coulibaly and Madden from Africa in Focus.

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