

Gulf Cooperation Council (GCC) & African Economic Relations: A Forward-Looking Analytical Vision

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Africa presents a US\$2.7 trillion market economy; GCC – US\$1.7 trillion

Market Size - GDP (Billion'US\$)

Countries	2021
Saudi Arabia	842.6
UAE	410.2
Qatar	169.2
Kuwait	132.3
Oman	80.6
Bahrain	39.1
GCC	1,673.9

Market Size - GDP (Billion'US\$)

Countries	2021
Nigeria	480.5
South Africa	415.3
Egypt	396.3
Kenya	109.5
Congo, DR	54.8
Others	1,230.7
Africa*	2,687.2

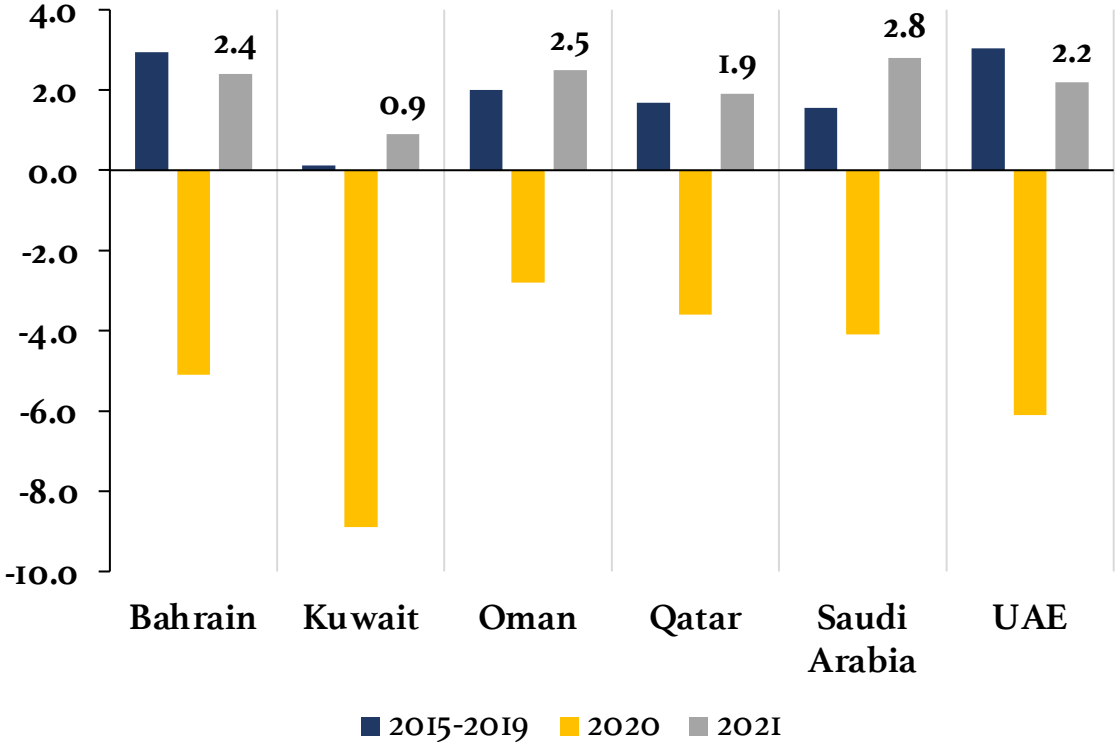
* Africa has 54 countries

GCC consists of Saudi Arabia, UAE, Qatar, Kuwait, Oman and Bahrain.

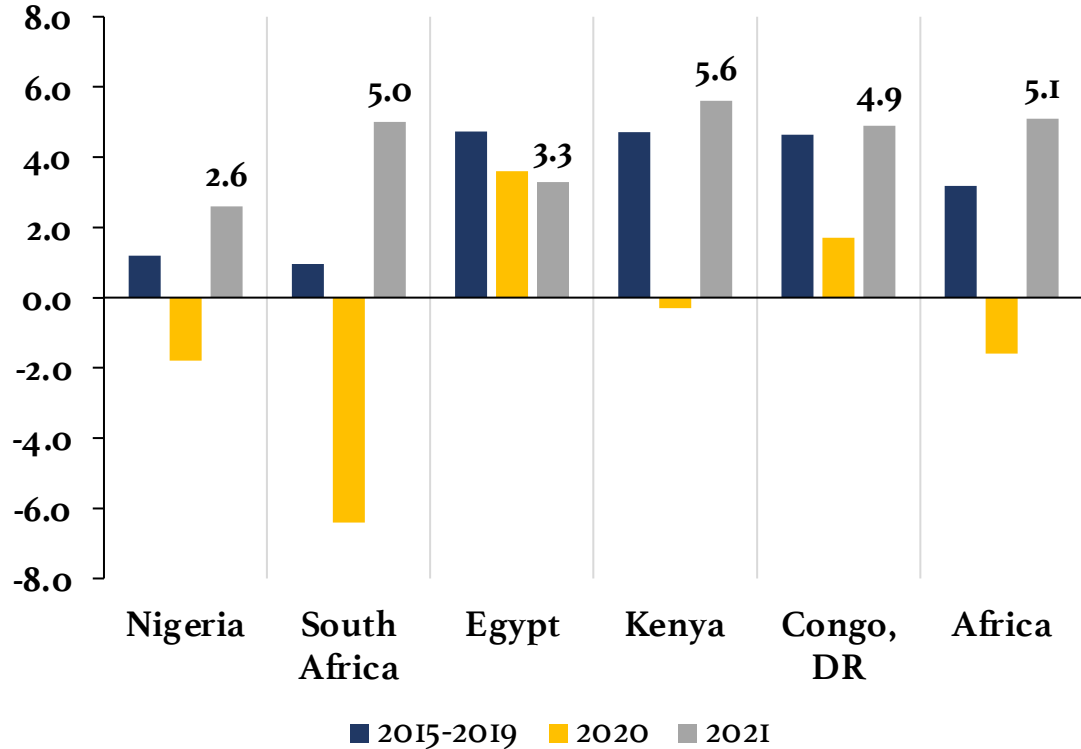
Collectively, the size of the economies of Africa and GCC is estimated at US\$4.36 trillion.

Economic Growth recovers post-COVID-19

Real GDP Growth Rate of GCC countries (%)



Real GDP Growth Rate of Africa's largest economies by region (%)



Source: International Monetary Fund (IMF)

Trade Relations between Africa and GCC

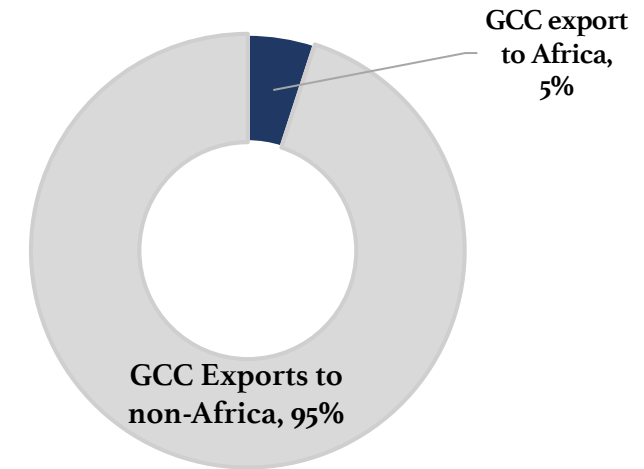
Trade figures in Billion US\$

	Africa's imports from GCC	Africa's imports from world	%
2018	50.7	583.2	9%
2019	46.3	574.4	8%
2020	35.3	505.2	7%

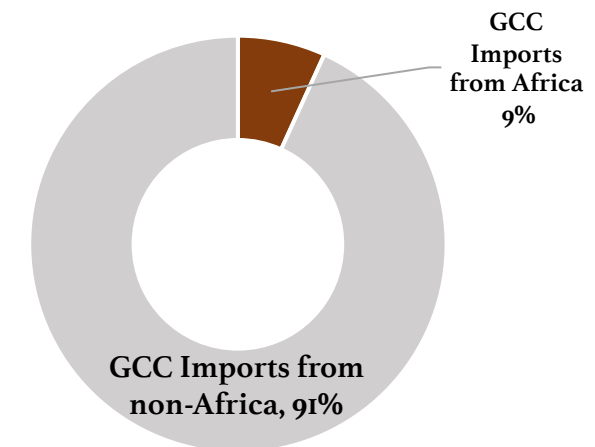
	Africa's Exports to GCC	Africa's Exports to world	%
2018	20.5	505.0	4%
2019	23.8	477.0	5%
2020	32.4	394.6	8%

- Total trade between Africa and GCC is valued at US\$67.7 billion in 2020 - a decline of 3.5% from US\$70 billion in 2019.
- Africa's export to GCC was US\$32 billion in 2020; Imports was US\$35 billion.
- Africa's import from GCC has been higher than its export to GCC but imports value has trended downwards - Trade deficit fell from US\$30 billion in 2018 to US\$3 billion in 2020.

GCC Export to Africa is 5% of total GCC Exports in 2020

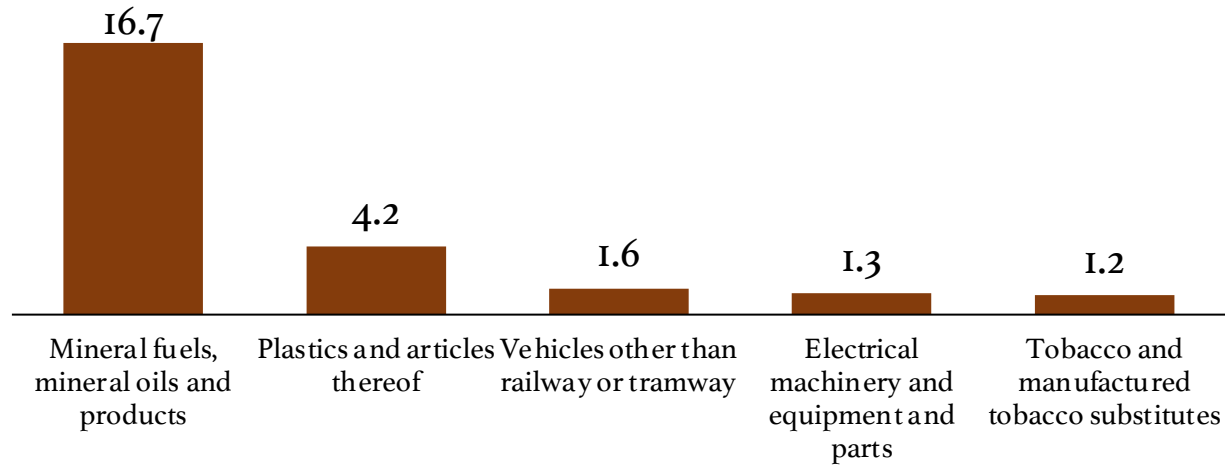


GCC Imports from Africa is 9% of total GCC Imports in 2020

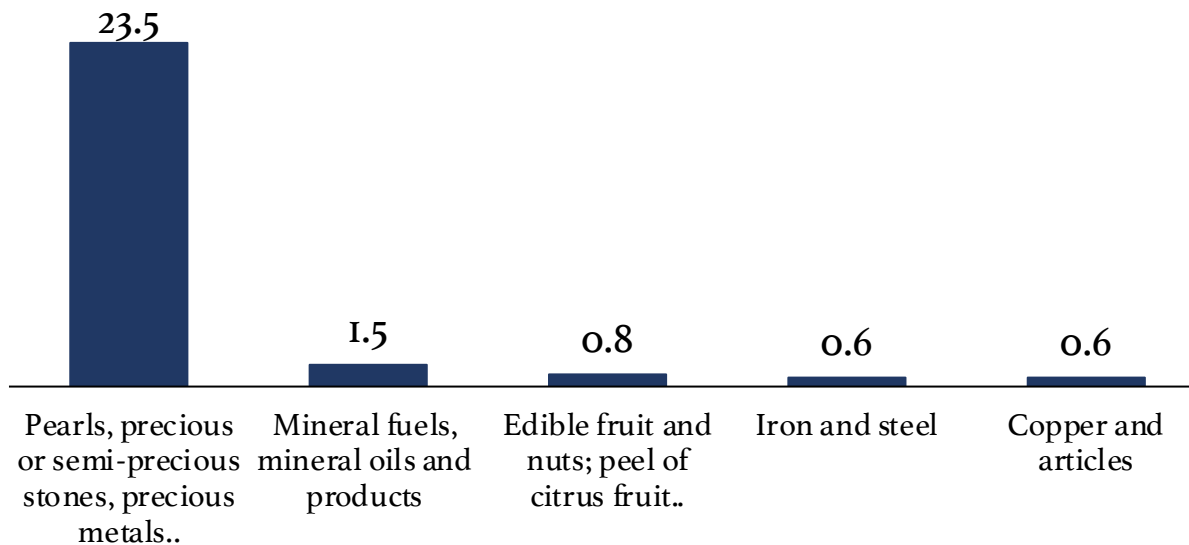


Top five traded products between Africa and GCC

Africa's Top five imports from GCC (US\$ Billion)



Africa's Top five Exports to GCC (US\$ Billion)



- Oil and oil related products account for 47% of total imports from GCC.
- In terms of exports, precious stones, metals, (gold, diamonds) etc account for 73% of Africa's exports to GCC.
- Between January 2016 and July 2021, investments in SSA was \$1.2 billion (4.4 billion dirhams) - transport and logistics, food and beverages, financial services, and hospitality*.
- 88% of the investment came from UAE, 11% from Saudi Arabia*.

GCC countries share similarities and differences with African countries

Some Commonalities

- Reliance on commodities. Crude oil, mineral products account for a significant share of government, foreign exchange and export earnings.
- Many of the economies have experienced the movement of labour and economic activities towards services.
- GCC and African economies are pursuing economic diversification towards manufacturing.
- Tax to GDP ratio remains low.
- GCC shares historic religious and linguistic links with parts of Africa.

Some Differences

- Some countries rely heavily on oil - 50% of GDP in Kuwait.
- GCC countries mostly have larger savings – external reserves or SWF
- Difference in labour market structure as some GCC countries have larger shares of foreign workers.
- Level of depth of private sector
- Legal, political systems vary

Recent Engagements between Africa and GCC

- Since 1999, DP World, a Dubai-based port operator and logistics company, has invested in Africa, operating ports and logistics centres across Mozambique, Djibouti, Senegal and Rwanda, etc.
- In 2019 a UAE-based retail supermarket chain, Lulu Group, discussed plans to set up a logistics facility in Nigeria to secure its supply of agricultural products to its operations in the Middle East.
- Saudi-headquartered ACWA Power has three facilities in South Africa and Ethiopia, which together have a capacity of 275 MW.
- UAE-based Etisalat, a telecommunications company, has established operations in ten sub-Saharan African countries. DP World made significant investments to develop Port Ndayane in Senegal.
- Private-equity and venture- capital firms in the GCC such as DiGame, VentureSouq and Nuwa Capital are actively investing in sectors such as fintech, education and ride-hailing.
- Farmcrowdy, a Nigerian agritech company, is entering the UAE market, providing a digital platform linking farmers in Africa with buyers in the UAE. Farmforte plans to establish a food-processing facility in a GCC country.
- A South African healthcare multinational, Mediclinic, commenced operations in the UAE in 2007.

AfCFTA: A leeway to recovery across African economies

- African Continental Free Trade Area (AfCFTA) agreement was established in 2018. The goal is to create a single market for Africa.
 - 1.3 billion people.
 - 55 Countries. Currently with 54 signatories in Africa except Eritrea.
 - US\$2.7 trillion economy, according to the IMF.
- It promises to lay the foundation for the establishment of a Continental Customs Union
- From 2021, tariffs on 90 percent of tariff lines will be eliminated over a 5-year period
- From 2025, tariffs on an additional 7 percent of tariff lines will be eliminated over a five-year period.
- The rule of origin: Tariff removal applies to goods produced within the continent.

AfCFTA – Key Opportunities

Businesses



- Opportunity to expand markets across the continent and improve revenue.
- Free flow of goods and services across the border.
- Enhance competition, which is needed for innovation.
- Labour mobility.

Governments



- Opportunity to boost inflow of foreign direct investment.
- Opportunity to implement crucial reforms.
- It is one big step towards industrialization & improved trade.
- Accelerate adoption of digital technologies.
- Boost the income, employment and reduce poverty.
- **One Africa!**

Going forward, relations between GCC and Africa should be based on:

- ✓ **Mutual respect:** Treat citizens with respect, uphold bilateral agreements..
- ✓ **Mutual benefit:** Knowledge-sharing, knowledge transfer, investment in growth sectors, FDI inflows, etc.
- ✓ **Unity and Trust:** Unity within each block sends a positive signal to the other parties.
- ✓ **Limited Political Interference.**
- ✓ **Assistance when needed.**

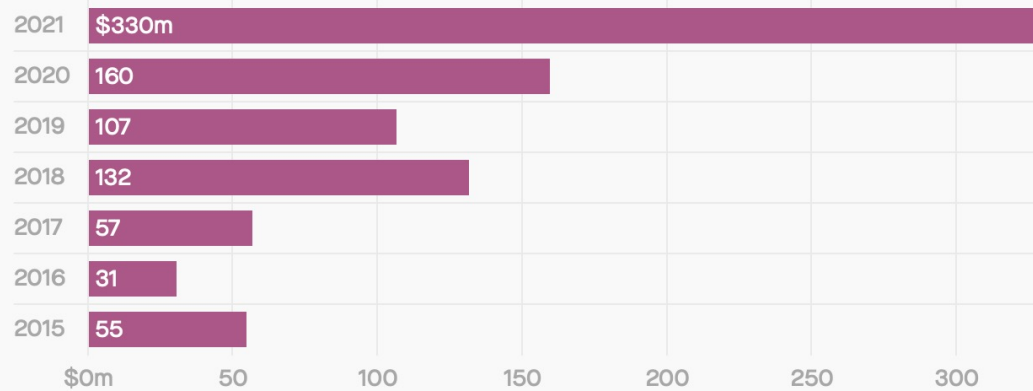
Areas of opportunities in Africa

- **Minerals:** Africa is endowed with precious minerals - platinum, gold, uranium, bauxite, iron, coal, copper, lead and diamonds. Over 80% of the world's platinum reserves and more than half of the world's cobalt and diamond reserves are located in Africa.
- **Infrastructure:** The African Development Bank estimates that Africa's infrastructure financing needs at \$170 billion a year by 2025, with an estimated gap of around \$100 billion a year. Ports infrastructure needs are also significant.
- **Telecoms:** Africa has experienced growth in the services sector and telecoms is among the leading sectors in many Africa countries. Despite this, opportunities still exist – to boost rural connectivity.
- **Tourism:** Africa and GCC have enormous tourist sites and attractions – wildlife, waterfalls, mountains, beaches, food, cultures, etc.
- **Manufacturing:** Several African countries have special economic zones to support businesses engaged in processing, exports etc. Key areas in manufacturing include food processing, petrochemicals and consumer goods.
- **Sports development and entertainment:** Africa has a large youthful population, a growing entertainment industry and great love for sports.
- **Renewable energy:** Limited access to electricity in several African countries presents opportunities for renewables.

Digital revolution is on the rise in Africa

African fintech startups lead the pack in attracting investment

Funding secured by African fintech startups (2015 to 2021)



Quartz | qz.com | Data: Disrupt Africa | Note: The 2021 data only covers January to June.

- African start-ups have gained significant attention from local and foreign investors.
- We have seen several solutions across African countries: AgTech, FinTech, HealthTech, EduTech, e-commerce, etc. These sectors are high-potential sectors where business leaders see revenues expanding in the future.
- Countries such as Nigeria, South Africa, Kenya and Egypt are making significant strides.

Sectors poised for growth in sub-Saharan Africa

Percentage of executives surveyed expecting revenue to expand in 2022



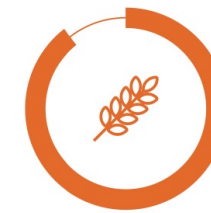
90%

Financial services and fintech



89%

Healthcare



87%

Agriculture and food



74%

Retail and e-commerce

From a survey of 200 senior executives in sub-Saharan Africa conducted between May and July 2021

Areas to strengthen partnerships between GCC and Africa

- Investment in manufacturing and agro-processing, renewable energy and infrastructure.
- Africa's services sector is rising.
- Number of embassies/commercial attaches.
- Organise more trade and business-related events, roadshows etc to highlight the opportunities that exist in both regions.
- Conditions of migrants from Africa.

Conclusion

- Africa, like many other regions, is fast recovering from the impact of the COVID-19 pandemic.
- The continent is expected to experience improvements in output growth and investments as economies open-up and adjust to the new-normal.
- Africa and the GCC are two regions that can benefit from more interactions in the area of investment and trade, which remains low at the moment.
- More strategic partnerships are needed between both regions to take advantage of the enormous opportunities that exist.
- Such partnerships must be based on mutual respect, mutual benefits and trust.
- Some major risks to doing business include political instability in some countries, infrastructure deficit, complex regulations, among others.

Thank You

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