Trade effects, policy responses and opportunities of COVID-19 outbreak in Africa

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Abstract

Purpose – The paper is a preliminary assessment of coronavirus disease’s (COVID-19) effects on African trade, policy responses and opportunities within the limitations imposed by data and the information currently available and in the lights of other international organizations’ growth forecasts. The study was undertaken to get deeper understanding of the threats and opportunities of COVID-19 on African trade because of the existing interconnected trade networks making African countries to be more vulnerable and increasing number of restrictions and distortions among major traders. This study aims to present strong information required in underpinning sound national, regional and inter-regional policy responses to keep trade flowing.

Design/methodology/approach – To assess COVID-19’s effects on African trade, policy responses and opportunities, this study relied on data and information currently available from organizations such as World Trade Organization (WTO), World Bank (WB), Organisation for Economic Co-operation and Development, International Monetary Fund, European Union, International Trade Statistics and various African countries’ trade and national statistics publications. The analysis contains two main scenarios. The first, an observed effects scenario (first quarter of year 2020), looks at the observed effect of COVID-19 outbreak on trade in Africa. The second, a potential effects scenario, analyses the potential trade effects if the COVID-19 outbreak lingers and spreads more intensively than is assumed in the baseline scenario.

Findings – The COVID-19 outbreak affects several aspects of international trade even though the full effects of the outbreak are not yet visible in most trade data. Some leading indicators had shown that keeping trade flow can support the fight against COVID-19 as well as having damaging effect on Africa’s trade. COVID-19 had led to a deep fall in transaction, both at the international level and within-regions. Tariffs and other restrictions to imports harm the flow of critical products to African countries. Uncooperative trade policies lead to higher prices of goods in fragile and vulnerable African countries.

Research limitations/implications – Long term in-depth analysis of the effects of COVID-19 on trade using quantitative data is still very difficult because of paucity of data and the great level of the improbability of the trajectory of the spread of the virus. Informed assessment of the full trade impact of the pandemic on African countries is therefore still difficult. Notwithstanding, this study assesses the immediate effects and conveys the likely extent of impending African trade pains and the potential needs for assistance.

Practical implications – Trade in both goods and services plays a key role in overcoming the pandemic and limit its effects by providing access to essential medical goods to treat those affected, ensuring access to food, providing farmers with needed inputs, support jobs and sustain economic activity during global recession. However, temporary COVID-19 trade measures such as borders closure, export prohibition and import ban are a threat to globalization and free trade agreements engaged by some African countries.

Social implications – The continuous rise in COVID-19 cases is expected to trigger economic recession in Africa despite a rapid expansion and creation of new social protection programmes. The unavoidable decline in trade caused by COVID-19 is already having painful consequences on the economy, social anxiety among families, households, businesses and trade across countries in the continent. COVID-19 trade restrictions aimed at reducing the transmission of the virus have led to loss of income and jobs as well as closure of small
and vulnerable businesses. Policymakers should enforce social policies that unite countries within the
continents in bad times to reduce social anxiety and hardship.

**Originality/value** – Although the effects of COVID-19 outbreak on global and regional trade have received
enormous attention recently, facts in the form of data have been thin particularly on African trade. This paper,
to the best of the authors’ knowledge, is one of the first set of studies that provides preliminary assessment of
COVID-19’s effects on trade in Africa using scenarios-building approach based on the available data and
information on regional trade, complemented by those from the WTO, WB and departments of trade and
statistics from various African countries such as the Nigeria Nation Bureau of Statistic and Kenyan National
Bureau of Statistics.

**Keywords** Intra-regional trade, International trade, COVID-19 lockdown, COVID-19 border closure,
Global economic recession, COVID trade policies, Market opportunities

**Paper type** Research paper

**Introduction**
Coronavirus disease (COVID-19) pandemic is a global disease that is affecting the entire
world economy (*Sikder et al.,* 2020) and that of Africa which is causing exceptional effects
not only to human health but on trade. The pandemic has simultaneously triggered a supply
side shock propagated along value chains because of the disruption of business activities
and rising frictions in international trade as well as a demand shock, whereby growing
unemployment and heightened uncertainty reduce consumption and investment
expenditure (*Baldwin and Mauro, 2020*). Demand for goods and services has been severely
curtailed, while at the same time supply has fallen sharply, as the number of people working
has declined and the cost of doing business has risen. The shock has caused unprecedented
disruptions to global trade, travel and tourism, stress in global financial markets and sharp
declines in commodity prices (*Global Economic Perspectives, 2020*). There is a broad
consensus among leading economists that the pandemic will create a major recession bigger
than the one caused by the global financial crisis in 2008 if no relief policy intervention are
not undertaken to keep the economy running (*Vaitinligam, 2020*). International trade and
investments are pivotal component in future economic and financial recovery plans of any
nation (*Jackson et al., 2020*). African countries are dependent on international trade to either
make up for the short fall in their demand or in what they are unable to produce. Trade
could be intra-regional or at the international level. African trade has followed an interesting
pattern over the years with most African countries electing to engage in international trade
compared to intraregional trade because of the fact that transaction costs within the region is
almost two times higher than outside the region. The region is heavily dependent on
extractive products (such as natural gas, gold and petroleum), with little product diversity
and a few agricultural commodities in the likes of rubber, cocoa and cotton (*Torres and van
Seters, 2016*).

The region trading partners are highly industrialized countries such as USA, China
(being the largest trading partner of most African countries), Brazil, India and the European
Union (EU) countries, which buy from the region raw materials and then sell back
industrialized products, processed and high value-added products. The African economies
are well hit by the effect of COVID-19 outbreak because the continent is exceedingly
dependent on single export-orientated industry (such as oil and gas). Crude oil prices have
fallen with a lowered global demand for African non-oil products because of borders closure.
Trade finance is a critical factor in the functioning of supply chains and in the creation of
employment opportunities. However, majority of African countries have put in place
containment measures ranging from land borders closure to complete country lockdowns
similar to those implemented by the Organisation for Economic Co-operation and
Development (OECD) countries against COVID-19 pandemic that has created an unparalleled disruption to the global economy and world trade (WTO, 2020a).

Economists have responded quickly to the effects of COVID-19 pandemic and investigated the economic impacts of COVID-19. For example, an e-book entitled Economics in the Time of COVID-19, was released by Baldwin and Mauro (2020). It includes simulation results and conceptual frameworks for the economic impacts of COVID-19. Also, the Centre for Economic Policy Research launched a new online review on COVID-19 studies called “COVID-19 Economics: Vetted and Real-Time Papers” (CEPR, 2020). It includes formal investigations on various impacts of COVID-19, including those on finance, people’s mobility and gender equality. However, to the best of our knowledge, no African study has empirically investigated COVID-19’s effects on trade, policy responses and opportunities of COVID-19 outbreak.

There are three main knowledge gaps in the studies on the impact of COVID-19 which this paper aims to fill. Firstly, almost all empirical research on the pandemic’s macroeconomic impact (such as trade) has focused on developed economies, in particular the USA and Europe. But the magnitude of COVID-19’s effect on African economies might vary from that of developed economies, given for instance the available policy instruments in African countries. Secondly, this study is also distinct from other studies because of the fact that while most recent studies are devoted to the short-term implications of COVID-19, it reviews the different predictions of the long-term effects of the pandemic on African trade by some reputable organization responsible for international trade regulations and analysis. Finally, to the best of our knowledge, most of the existing studies analyse the micro (household) effect of COVID-19 which presents an incomplete picture of the effects of COVID-19 crisis on very important aggregate economy-wide variables such as trade.

This paper fills the above gaps by answering the following questions:

Q1. How has COVID-19 outbreak affected African trade?
Q2. How have African countries navigated the challenges posed by COVID-19 outbreak on trade?
Q3. What are the consequences of COVID-19 containment policies such as border closure and restriction of movement on African trade?

The objectives of the study are to: examine the immediate and future effects of COVID-19 outbreak on African trade within the limitations imposed by data and the information that are currently available; investigate the various strategies African Governments have used to combat COVID-19 effects on African trade; and assess the consequence of trade policies response by African countries. The results of the findings will contribute to a rapidly growing literature on trade (domestic and international) effects of the pandemic and help in stating the implications of the policy responses to mitigate them.

**Literature review**

Globally, trading provides the opportunity for countries to be exposed to goods and services that are not available domestically or produced in sufficient quantity. It allows for the expansion of countries markets for goods and services that are otherwise not produced domestically. In many developing countries, the emergence of COVID-19 has been compounded by adverse terms of trade shocks, reductions in remittances and foreign direct investment (FDI) flows, heightened debt vulnerability and capital flight (Baldwin and Mauro, 2020; UNCTAD, 2020a, 2020b, 2020c). The immediate effect of the ongoing COVID-19 pandemic can be seen on poverty (Laborde et al., 2020; Vos et al., 2020;
McKibbin and Fernando, 2020; Gerszon Mahler et al., 2020), employment (ILO, 2020a, 2020b), service-based businesses (O’Dea, 2020; The Economist, 2020) and informal economy (Chandrasekhar and Ghosh, 2020; Oluwase and Ademola, 2020). Manufacturers and retailers are receiving fewer orders and are subsequently forced to opt for production cuts and the banking sector is facing stressed loans (Buehler et al., 2020). The oil industry is also greatly affected because of reduced demand in the global markets (Dunn and Sherman, 2020). However, certain sectors such as tourism, restaurants and aviation are suffering the most because of lockdowns in different countries and reduced public movement (Krader and Vines, 2020; Suneson, 2020; World Tourism Organisation, 2020). This section provides an overview of literature on trade during pandemic and analytical tool that have been explored to analyse the effect of pandemic on trade in cases where data are available.

The African economies are extroverted, informal and very vulnerable to external shock and according to OECD (2020) and AUC/OECD (2019), vulnerabilities will make African societies and economies highly exposed to the pandemic and its consequences. Poor quality of health-care coverage and access, availability of medical personnel, especially in remote areas, high dependency on imports in areas such as food, drugs, machinery and equipment, weak local production systems, limited quality and coverage of digital connectivity and prevalence of informality and micro firms, among others, are some of the weaknesses of African countries during pandemic. These persistent structural weaknesses of the continent overexpose African countries to the economic consequences of COVID-19.

There have been very few studies exploring trade consequences of the COVID-19 pandemic to date. While some of these studies had shown that COVID-19 pandemic could have devastating effects on trade in developing countries, some have argued that trade and trade policy are part of the solution or part of the problem (Baldwin and Tomiura, 2020; Bown, 2020; Gonzalez, 2020; Evenett, 2020; Mattoo and Ruta, 2020; Posen, 2020; CECE, 2020). According to the World Trade Organization (WTO) (WTO, 2020b), in April 2020, 80 countries had introduced export prohibitions or restrictions as a result of the pandemic and these measures mostly concern health-related products, but some of them are also concerned with food products. Export restrictions are expected to have an impact on world prices as an effective trading during post-lockdown period will require a complete debt restructuring package to ensure that all the businesses can sustain the downward hit and restart healthy again. This requires measures to stimulate spending (Moitra, 2020).

Several analytical tools have been used to analyse the effects of pandemics (such as COVID-19) on trade. Several studies have applied the global computable general equilibrium (CGE) models to estimate losses of simulated pandemics (Lee and McKibbin, 2004; McKibbin and Fernando, 2020; McKibbin and Sidorenko, 2006; Verikios et al., 2011). These models offer rich sectoral disaggregation that allows the consideration of differential effects across industries, estimation of trade spillovers and endogenous policy responses. For instance, McKibbin and Fernando (2020) set up a multi-country, multi-sector dynamic stochastic general equilibrium (DSGE) model and observed among other aspects a negative impact on production networks and trade and a fall in gross domestic products (GDP) of roughly 9% in 2020 for Italy, USA and Germany.

Sforza and Steininger (2020) used a Caliendo and Parro (2015) model of trade in which COVID-19’s quarantine translates into an increase of the production costs that has a direct effect on the cost of each input as well as an indirect effect via the sectoral linkages. They find that in a scenario where countries with a share of COVID-19 cases to the employed population is above 0.05%, a policy is imposed where up to 60% of the labour force ends up been quarantined for one month. They discovered that there is an average welfare loss of...
about 13% for quarantined countries while global production linkages accounts for about one-fourth of such loss.

A simulation of the potential impact of COVID-19 on GDP and trade, using a standard global CGE model was conducted by Maliszewska et al. (2020). The study models the shock as underutilization of labour and capital, an increase in international trade costs, a drop in travel services and a redirection of demand away from activities that require proximity between people. Their findings show a biggest negative shock in the output of domestic services affected by the pandemic, as well as in traded tourist services. Baker et al. (2020) adopted a forward-looking approach to document and quantify the increase in economic uncertainty induced by the pandemic crisis and its macroeconomic impact on the US economy.

A study by the International Monetary Fund (IMF) (IMF, 2020) uses a semi-structural DSGE model to assess the economic consequences of COVID-19 by including disruptions to financial markets during the pandemic. The OECD (2020) released Global Economic Outlook on 10 June 2020, in which it explores two scenarios focusing on the recurrence of COVID-19 and presents its expectations about global economic repercussions.

**Materials and methods**

The study area is Africa because the continent is highly linked to the Chinese market where the pandemic is reported to have emanated and this makes her more economically vulnerable. Also, apart from China, majority of Africa’s trading partners were largely affected as a result of the pandemic and had to put in measures that negated globalization and the liberalized form of relationships among trade partners. COVID-19 outbreak has affected China’s economy as several consumers are forced to stay indoors and consumers’ spending on imported commodities from Africa have declined as more households’ income is expended on health care, which is having immediate impact on demand for African agricultural exports such as Namibian beef, Rwandan coffee, Kenyan tea and South African wine and citrus.

The study is a review that summarizes the current reports and discussions about the trade consequences of COVID-19 outbreak in Africa. To assess COVID-19’s effects on African trade, policy responses and opportunities, this study relied on data and information currently available from organizations such as WTO, World Bank (WB), OECD, IMF, EU, International Trade Statistics and various African countries’ trade and national statistics publications. The analysis contains two main scenarios. The first, an observed effects scenario (first quarter of year 2020), looks at the observed effect of COVID-19 outbreak on trade in Africa. The second, a potential effects scenario, analyses the potential trade effects if the COVID-19 outbreak lingers and spreads more intensively than is assumed in the baseline scenario. Based on paucity of trade data during the COVID-19 outbreak on Africa, information obtained was analysed using simple descriptive statistic such as tables and graphs.

**Results and findings**

**Observed effects scenario**

This scenario presents the observed effects of what happened from January 2020 when COVID-19 began to spread rapidly to most of the African countries till July, 2020. Trade is experiencing an unparalleled contraction during the COVID 19 outbreak and the prospects for a quick recovery of trade depend on the duration of the epidemic and effectiveness of policy responses. COVID-19 has disrupted the complex links that connect producers across multiple countries. Simple proxy indicators are air travel and shipping volumes, both of
which have collapsed in the face of shutdowns and imposed travel restrictions. The outflow of capital from the emerging world has been huge in recent months and has left deep holes in developing countries’ finances. Over 100 countries have applied to the IMF for emergency funding because of rising fiscal deficits. In addition, the G20 has called for a debt moratorium from bilateral sovereign creditors to provide payment relief to highly indebted African countries while private creditors, however, have been less forthcoming.

Africa’s major trading partners (such as China, EU, USA and India) are simultaneously undergoing the pandemic crisis and this has reduced their imports from Africa. COVID-19 has caused dramatic supply and demand shocks in the world economy, and these shocks are certainly causing major disruptions to trade. Falling prices and decreasing investment will cause major disruptions in supply chains and trading patterns with an adverse major implication for global value chains. The collapse of both supply and demand for many goods and services, decreasing investment and falling prices are leading to dramatically contracted trade flows and national incomes.

With the crucial role food plays in every economy, food export restrictions will create an upward spiral in the world prices that they are intended to prevent (Bouet and Debucquet, 2012). Cancellation of passenger flights linked to travel bans has limited the availability of air cargo while urgent shipping of essential goods has increased demand thus resulting in increases in the price of air cargo (compared to October 2019, air freight costs are up by about 30% between the People’s Republic of China [hereafter “China”] and North America and by over 60% on some important Europe-North America routes) (Curran, 2020) with an increase in the delivery times. This matters for some time-sensitive medical supplies, and also for some high-value food trade.

Important shipping ports reported year-on-year drops in cargo between 10 and 20% in February (Baschuk, 2020). Over 50 countries have changed port protocols, ranging from port closure and quarantine measures to additional documentation requirements and examination. That said, some countries have also set up “green lanes” at ports of entry and border crossings, to accelerate the processing of cargo shipments.

At the time the virus struck, large numbers of shipping containers were in Chinese ports, and restrictions on their movement have led to a shortage that has seen the price of containers rise (in some cases considerably), with flow-on effects for the price of cargo, including food products. More generally, all supply chains are being affected by the need to ensure additional health and safety measures for all participants in the supply chain (which affect costs and time).

Lockdowns are also impacting the availability of labour to unload ships at ports (notably in countries where this is less automated) or raised costs because of increased protective measures for workers. Limits on mobility of people and lockdowns are affecting a variety of trade processes, from physical inspections of goods for sanitary and phytosanitary, to testing and certification for technical barriers to trade, to changing how anti-dumping investigations are conducted.

The drop in oil prices during the COVID-19 pandemic has largely disrupted commodity-sensitive economies with the continent’s major oil producers (Angola, Nigeria, Ghana, Algeria, Gabon, Chad, Cameroon, Equatorial Guinea and Republic of Congo) being mostly affected (African Union, 2020). The fall in oil prices, have affected budget forecasts that were made from 2019 oil prices prior to the drop in oil prices during the pandemic.

Because of global shortages, many factories in Africa have shifted production and have retooled to produce basic protective equipment. In Ghana, one of the largest liquor manufacturing companies’ switched productions to making hand sanitizer, while in Kenya, a factory retooled to make 30,000 surgical masks a day, in a country that scarcely produced
any before the pandemic. Similarly, in Ethiopia, the Hawassa Industrial Park began the production of face masks to ease the growing demand because of the pandemic.

The African Continental Free Trade Area (AfCFTA) agreement which was expected to kick start on 1 July 2020 has been postponed to 1 January 2021 because of the impact of COVID-19 on the region. The AfCFTA is a landmark deal that aims to foster deeper integration by bringing together 54 African countries with a population of more than one billion people and a combined GDP of over US$3tn.

Potential effects scenario
Trade restrictions implemented in Africa and elsewhere in response to the pandemic are fuelling fears of a new food crisis on the continent. Economic prediction is extremely difficult under these circumstances, with many complexes and interrelated factors determining actual outcomes, including the questions of how long social distancing measures will stay in place and what an exit strategy might look like (Baldwin and Tomiura, 2020). Despite this pervasive uncertainty, the WTO developed a trade forecast to inform policymakers on the potential impact of the current COVID-19 crisis on trade and to provide a baseline against which progress can be measured.

The downside scenario builds on the assumption that in each African country, the COVID-19 crisis would not be as serious as in the first quarter of 2020. Findings show that though the actual outcome of the impact of COVID-19 on the economic and trade is still uncertain, organizations such as the WTO (WTO, 2020c) are producing a range of forecasts. The downside scenario suggests that with uncertainties surrounding the duration and spread of the pandemic, the decline in foreign trade could be deeper and more widespread as outbreaks intensify and spread more widely across Africa. The risk of an explosion of COVID-19 cases is high, and the human and economic cost of the pandemic could rise significantly. The WTO forecasts the volume of global merchandize trade falling anywhere between 13 and 32% in 2020 depending on assumptions about the length and severity of the crisis, with a steeper fall in sectors with more complex value chains, particularly automotive and electronics. However, under its mid-range scenario of a U-shaped economic recovery, its region-specific forecasts predict a 10.6% decline in exports for Sub-Saharan Africa (Figure 1).

The IMF predicts a decline of global trade in goods and services by 11%, with advanced countries being more severely affected than emerging and developing countries.

![Figure 1. Predicted change in exports in 2020 caused by COVID-19 by WTO](source: Data from WTO (2020))
economies (IMF, 2020). The European Commission projects a 9.7% decrease in global trade in goods and services in 2020 (EC, 2020). For the EU27, the predicted COVID-19 related economic contraction results in a reduction of 9.2% in extra-EU27 exports of goods and services, and an 8.8% decrease in extra-EU27 imports. The WB released its Global Economic Prospects 2020 report in June, which forecasts an 11 and 7% decline in exports and imports respectively for the Sub-Saharan region for 2020. Also in June, UNCTAD (2020c) released forecasts for the second quarter of 2020. From this report, global merchandize trade declined by about 5% in the first quarter of 2020, but a much more dramatic fall of 27% is forecasted for the second quarter. The United Nations Conference on Trade and Development report has shown that total African imports declined by 21% and exports by 36% in April, forecasting worrying trends for trade for the rest of 2020. The Economist Intelligence Unit has been providing country-specific forecasts for Eastern Africa, suggesting that landlocked countries are going to be the hardest hit. It predicts that annual exports for Rwanda, Uganda and Burundi will decline by 37, 34 and 22%, respectively, but they will experience smaller but still large, declines in their imports (Figure 2).

Similarly, the Nigeria’s total foreign trade (import and export) that used to rise marginally by 0.8% annually, decreased from N8.23trn in the first quarter of 2019 to N8.3trn in the first quarter of 2020, reflecting the early effects of disruption caused by COVID-19 pandemic.

Trading opportunities of coronavirus disease outbreak in Africa
Maintaining cross-border trade and cooperation could potentially provide some financial resources to assist many high-risk African countries to fight the pandemic, although an overhaul of trade agreements to ensure equitable gains and ecological sustainability is more likely to be a post-pandemic undertaking.

COVID-19 is acting as an accelerant for the adoption of digital technologies, as companies seek to boost competitiveness by reducing established costs in their business. Embracing remote work could impact many economies that are ill-prepared for rapid change driven by technology. This shift could delay an economic recovery in many developing African states. But there are exceptions in some countries such as Rwanda that is seeking to set itself up as a tech-enabled services economy that is better able to leverage innovation in a post-COVID-19 economy.

![Figure 2. Predicted change in exports and imports of goods for East African Community countries, 2020 (%)](image)

Source: EIU (2020)
Factories in Morocco, Rwanda, South Africa and many others in the continent have been incentivized by their governments to produce protective equipment to prevent the virus. Many African countries have clearly stepped up to the plate. For instance, innovators in Senegal produced a test kit for COVID-19 that costs $1 per patient while Rwandan police use drones to enforce lockdown restrictions to protect their countries from the impact of COVID-19.

Coronavirus disease containment measures and the implications on African trade

To curtail the shock of the pandemic on macroeconomic balance of most economies, many governments have adopted temporary trade policy measures such as export prohibition, import ban/restriction, tariff reduction/increased quotas (on medical supplies such as personal protective equipment, masks and hand sanitizers) and borders closure (Figure 3) to discourage integrated trade. These measures have both liberalizing and restrictive effects on trade during this pandemic period (Market Access Map, 2020). African countries are highly dependent on global trade and any measure put in place that limits trade will negatively impact most countries. As at June 2020, a number of African Governments were maintaining travel and other restrictions to prevent the spread of COVID-19. These specific measures vary by country as indicated in Table 1.

The WB responded by issuing a Guidance Note on the “do’s and don’ts of trade policy” in response to COVID-19, noting that maintaining trade flows was crucial to economic recovery. The Bank noted that free trade was necessary to ensure access to essential supplies, food and agricultural products and that it was vital for continued economic activity and employment. Because of the COVID-19 containment policies, countries across Africa that are highly dependent on generating revenue from natural resource sales to international markets are already experiencing a downturn in their economy. This includes Democratic Republic of Congo, Nigeria, Ghana and Zambia, among others. China is the biggest receiver of exports from Africa and since the COVID-19 outbreak emerged, China’s demand for African commodities has decreased. Meanwhile as fewer goods are being imported, the price of basic commodities is increasing as well as the price of essential medical supplies such as face masks.

Figure 3. Policy instruments used by countries during the COVID-19 outbreak

Source: Market Access Map (2020)
Table 1 shows a selection of airport, border and port measures that some African countries have introduced (as at 5 June 2020) against the spread of COVID-19.

**Implications of findings in theory and practice**

From a theoretical perspective, COVID-19 is expected to substantially impact international trade in various ways. COVID-19 leads to “twin supply-demand shock”. Logically, a higher COVID-19 burden in an exporting country decreases the scale of production, which leads to a decrease in export supply. Exports will decrease particularly in industries and countries where remote work/operation is less feasible. The effect of the COVID-19 burden in an importing country is mainly because of decreased aggregate demand in that country. Decreased earnings and fewer visits to retail stores will lead to decreased demand. The international trade of one country is affected by the COVID-19 burden in its neighbouring countries. Demand for Africa’s raw materials and commodities in China has declined and Africa’s access to industrial components and manufactured goods from the region has been hampered. For instance, Nigeria and Angola export oil to China and South Africa exports
precious metals to China. But with lockdowns and other movement restrictions from COVID-19, many factories, restaurants and shops remain closed, thereby leading to a slowdown in the demand in China for manufacturing and consumer goods, and as a result, imports of such goods into China from Africa have been disrupted thus leading to production cuts and probably job losses in African countries.

On COVID-19 “supply-side” shock, many African (and other) countries import goods that are manufactured in China for use on infrastructure projects or for sales in shops. COVID-19 outbreak led China to shutting down of its manufacturing centre and slashing the quantity of manufacturing goods that can be exported from China to African countries with higher prices. Importers in China had to cancel orders because of port closures. This affected consumer demand in African countries because sellers of commodities in Africa were being forced to offload products elsewhere at a discounted rate.

Findings from this paper have practical implications for public and private sector policymakers. The pandemic has affected trade of goods through borders closure, import and export restrictions to protect domestic consumers. Such trade frictions affect global food prices. As domestic markets are related to the world market through trade, an increase in the price on the world market typically causes an increase in the domestic price as well (Elleby et al., 2020).

The pandemic is a reminder on how dependent the entire countries in the world are, and how relevance is the trade sector. This study contributes to the academic literature on the impact of COVID-19 on trade with a specific focus on African economy.

Conclusion and recommendations
Summary of the research aims and key findings
This study presents early evidence on COVID-19’s effects on trade in Africa. This study examined the immediate and future effects of COVID-19 outbreak on African trade, the various strategies and the consequences (theoretical and practical) of the responses of African countries to combat COVID-19 effects. The objectives of the study were achieved through a review of the current reports and discussion about trade consequences of COVID-19 outbreak in Africa. Our findings revealed that:

- Various governments adopted temporary trade policy measures such as export prohibition, import ban/restriction and tariff reduction/increased quotas, border closure as well as containment measures such as lockdown and travel restrictions.
- African export to major trading partners declined causing contractions in trade because of collapse in both supply and demand of good and services as the pandemic intensified; increase in the import of medical supplies (such as personal protective equipment, masks and hand sanitizers) in some countries and a change in the trading system because of a shift in production of medical supplies in other countries (Ethiopia, Ghana and Kenya); employment and labour availability negatively impacted because of labour cuts and restrictions on mobility of labour; also, transaction cost increased because of border closure and increased shipping costs which led to increase in commodity world price.

- The implications of the uncertainties surrounding the duration and spread of the pandemic are immense. African countries that are heavily depended on oil export will be severely hit by oil price drop. The drop in oil prices will lead to a decline in the prospect of the economies of Africa’s oil exporters.

- The spread of COVID-19 causes both supply and demand shocks. With both supply and demand experiencing simultaneous shocks because of containment measures,
global production networks are also being disrupted. The pandemic had led to a shift in
the African trading system with all studies showing a substantial negative shock to the
African trade with an expected rebound in the years ahead. The outbreak acts as
threats which will stimulate changes in trade policies, cause a huge drop in consumer
spending and business investment through travel restrictions, custom restriction,
insufficient supply chain, volatility in oil prices, increase in unemployment, as well as
the emergence of new trade mechanisms such as increase in online shopping, more
digitalization and new supply chain mechanisms. In view of the unprecedented nature
of the COVID-19 crisis, future African trade prospects are partly contingent on the
policy responses adopted at national and continental levels.

A forward African country can navigate the challenges posed by COVID-19 on trade in the
following ways:

- Desist from the protectionist policies or the beggar-thy-neighbour policies used during
  the COVID-19 outbreak as they were observed not to be the best policies during
  COVID-19 crisis. Such policies deepen the crisis resulting from the outbreak and make
  recovery more difficult and costly. With unrestricted trade, goods can move from
  where there is a surplus to where there is deficit. This is necessary not only for
  medical equipment, medicines and personal protective equipment but also for all other
  goods such as food to meet the needs of the food insecure households in Africa.

- Tariff reductions as post-COVID lockdown will contribute to reduction in cost and
  improve availability of COVID-19 goods and services, reduction in tax and
  administrative burdens on importers and exporters, cost of food and other products
  heavily consumed by the poor and support economic recovery and building
  resilience.

- New strategies for diversifying African economies and limiting their dependence on
  external funding by promoting trade with a more regionalized (continental) focus.

- Although Africa needs additional international trade agreements with other major
  economies (such as India, Japan and China) to support its growing but still fragile
  export sectors, the key to mitigating African trade effect of COVID-19 pandemic is
  cooperation and planning at all levels of government. There is a need for the
  promotion and implementation of the AfCFTA, promotion of intraregional trade
  and building regional markets in energy, digital and financial inclusion are critical
  ways of overcoming the effects of COVID-19 pandemic on African trade.

- Access to digitally enabled services such as cross-border e-commerce, e-payments,
  e-signatures and e-contracts will help in facilitating trade without physical contact
  and totally remove delays in cross-border trade.

- African countries could unite in collectively reducing their tariffs on all medical
  supplies related to COVID-19 and regulating their domestic prices. Under African
  Union and/or the World Health Organization Regional Office for Africa auspices,
  member states could enter into cost-sharing agreements to ensure that larger
  African countries with deeper fiscal pockets (or borrowing capacities) do not outbid
  smaller, poorer nations.

Limitations and suggestions for further studies
With the limitation imposed by paucity of data, the study has been unable to economically
predict the extent of COVID-19’s effect on African trade and the questions of how long social
distancing measures will stay in place and the exit strategy. Also, future projections in this study have not been clearly able to determine if the prolonged effect of the pandemic will fuel a new food crisis.

Opportunities for progress are therefore abundant for anyone willing to think beyond this study based on research gaps in the literature and findings. We suggest the following for further research:

- COVID-19’s effect on intra-African trade and Africa’s economy;
- economic predictions of COVID-19’s effect on African trade and livelihood;
- comparative impact analysis of COVID-19 on trade routes in developing and industrial countries;
- COVID-19’s effects on FDI in developed and developing countries;
- Consequences of COVID-19 outbreak on regional and global value chains; and
- COVID-19 pandemic’s impact on the passage of green technology transfer from developed to developing countries.

References


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