



Implications of the US-China trade wars for Africa

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(joint work with David Laborde and Antoine Bouet,
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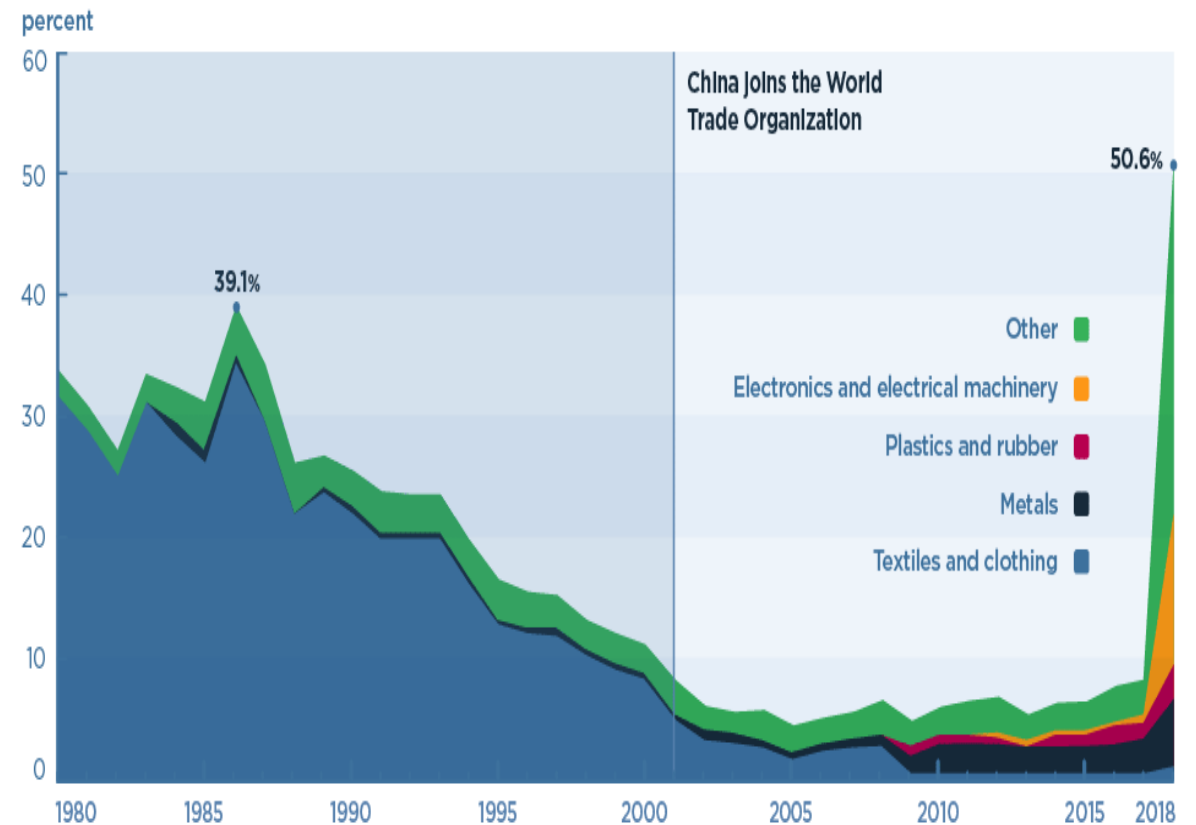
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Setting the scene

- Exacerbated trade tensions between US and partners over the past 2 years (NAFTA, China, EU)
- Focus on China
- US targets: cf Fig 1
- China retaliation: 86% of US ag exports and 37% of industrial exports in the list of targeted products

Figure 1: US imports from China covered by special protection, by sector, 1980-2018

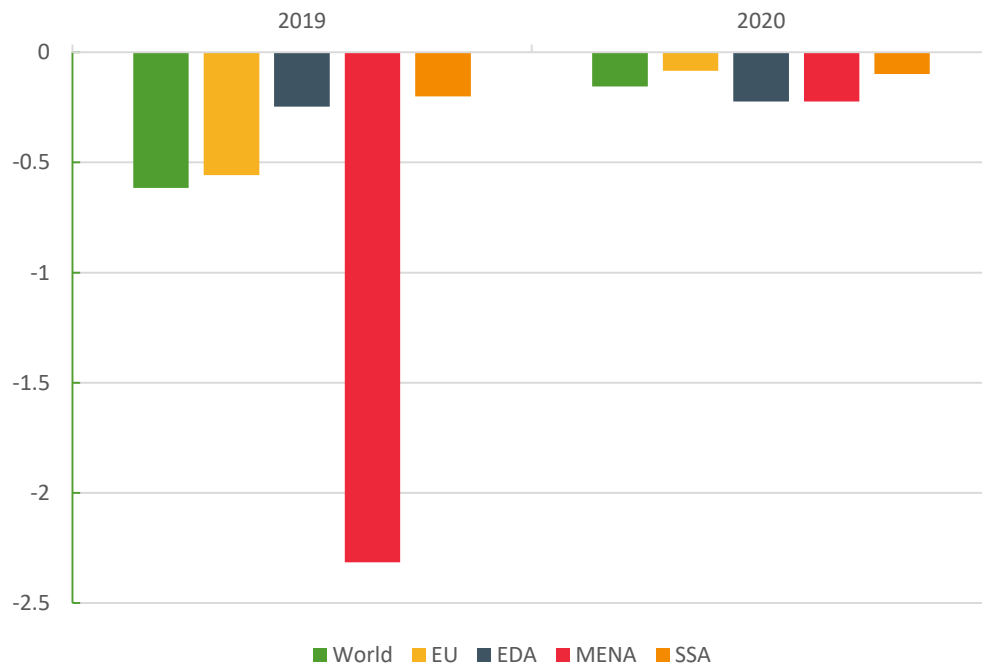


Source: Bown, 2019

How will Africa be impacted?

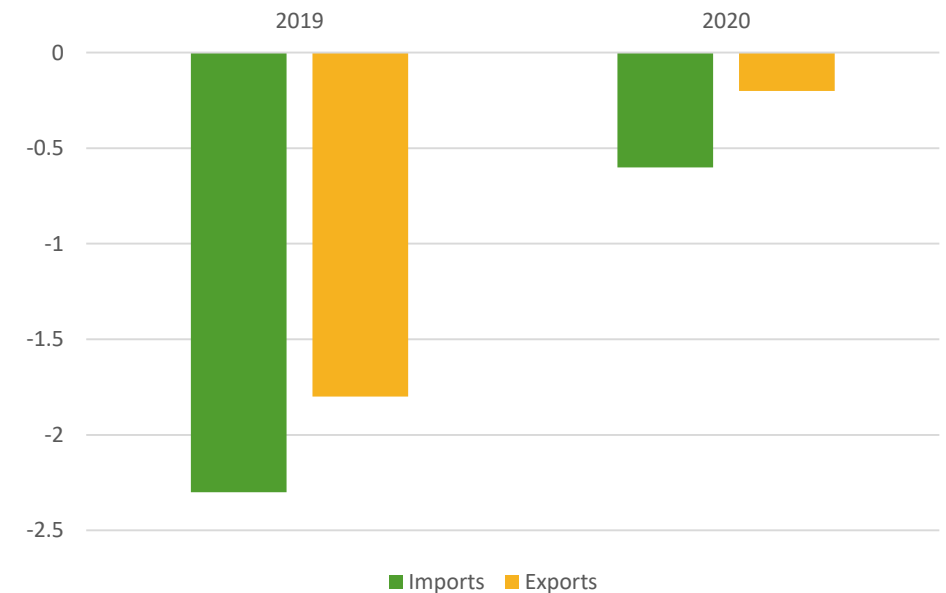
- Global macro effects: two largest players in the world economy involved
- Negative (demand) spillovers -> third countries

Figure 2: difference between March 2018 and March 2019 GDP growth projections in %



Source: IMF (2019)

Figure 3: Growth in the volume of China's trade, changes from March 2018 projections in %

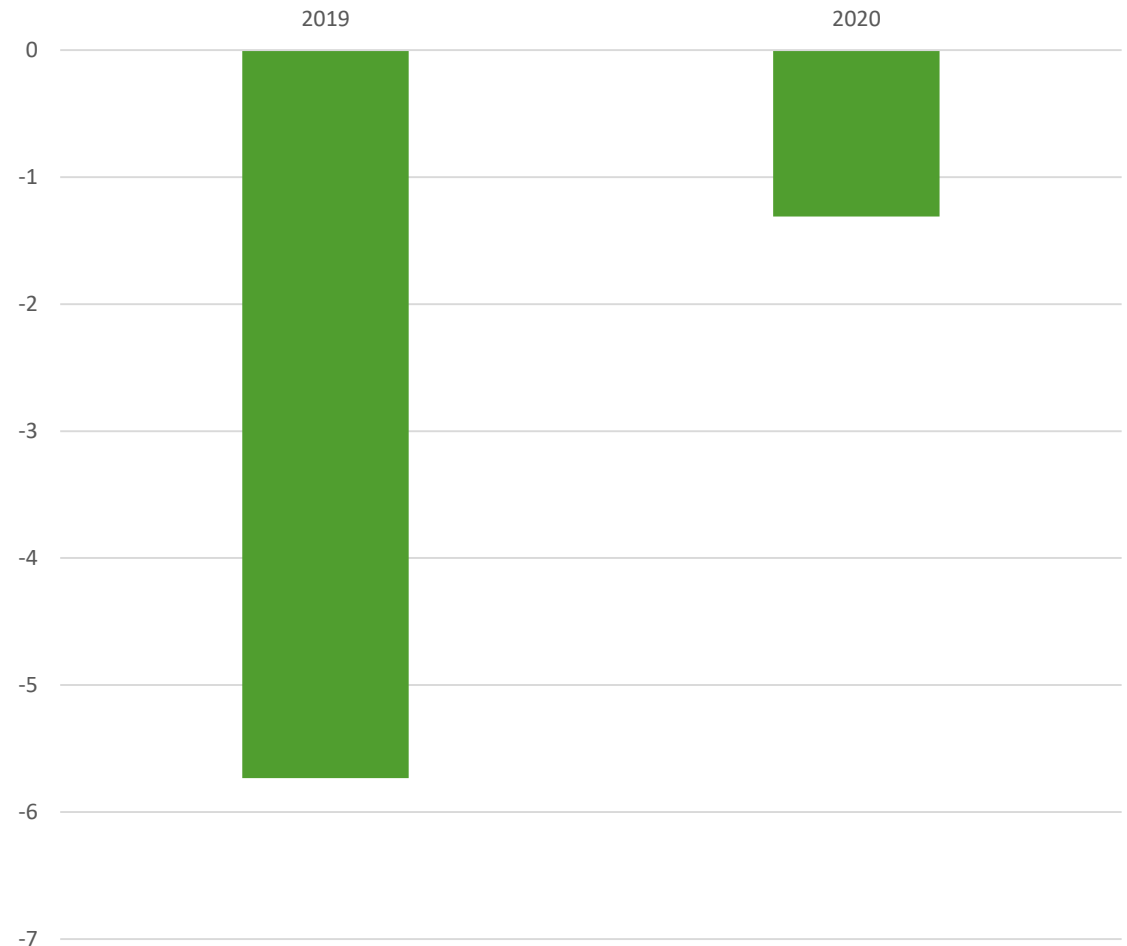


Source: IMF (2019)

Sectoral effects

- Global demand will contract for commodities
 - Lower quantities
 - Lower prices
- half of the growth slowdown forecasted in SSA in 2019 and 2020 could be attributed to these negative ToT effects (IMF, 2019c)
- Most affected countries: Main commodity exporters
- 70% of Africa exports to China are commodities (oil, minerals and metals): AGO, SSD, DRC, ZWE...

Figure 7: Commodity Price Index, 2005=100 changes from March 2018 projections



New opportunities for Africa?

- China could import more oil from Africa to replace imports from US
- New African suppliers of ag products
 - Wine from South Africa
 - Citrus from Egypt
- New supply chain decisions in China
 - Increasing imports of soybeans from Rwanda, Ethiopia, DRC and Uganda
- A risk of increased competition (dumping) in African markets?
 - US soybeans targeted by China
 - Excess supply needs to go somewhere

Quantifying potential impacts

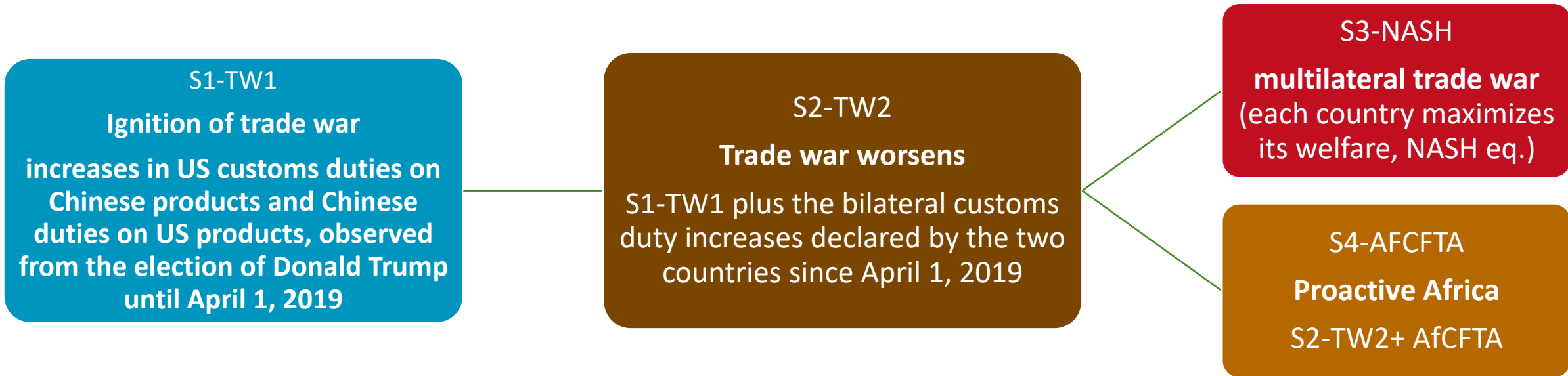


MIRAGRODEP

- Tool: A multi-country, multi-sector dynamic Computable General Equilibrium model (MIRAGRODEP)
- Calibrated with GTAP10 database
 - 141 countries/regions
 - 65 sectors
- Derived from MIRAGE (CEPII)
- Same class of model like GTAP

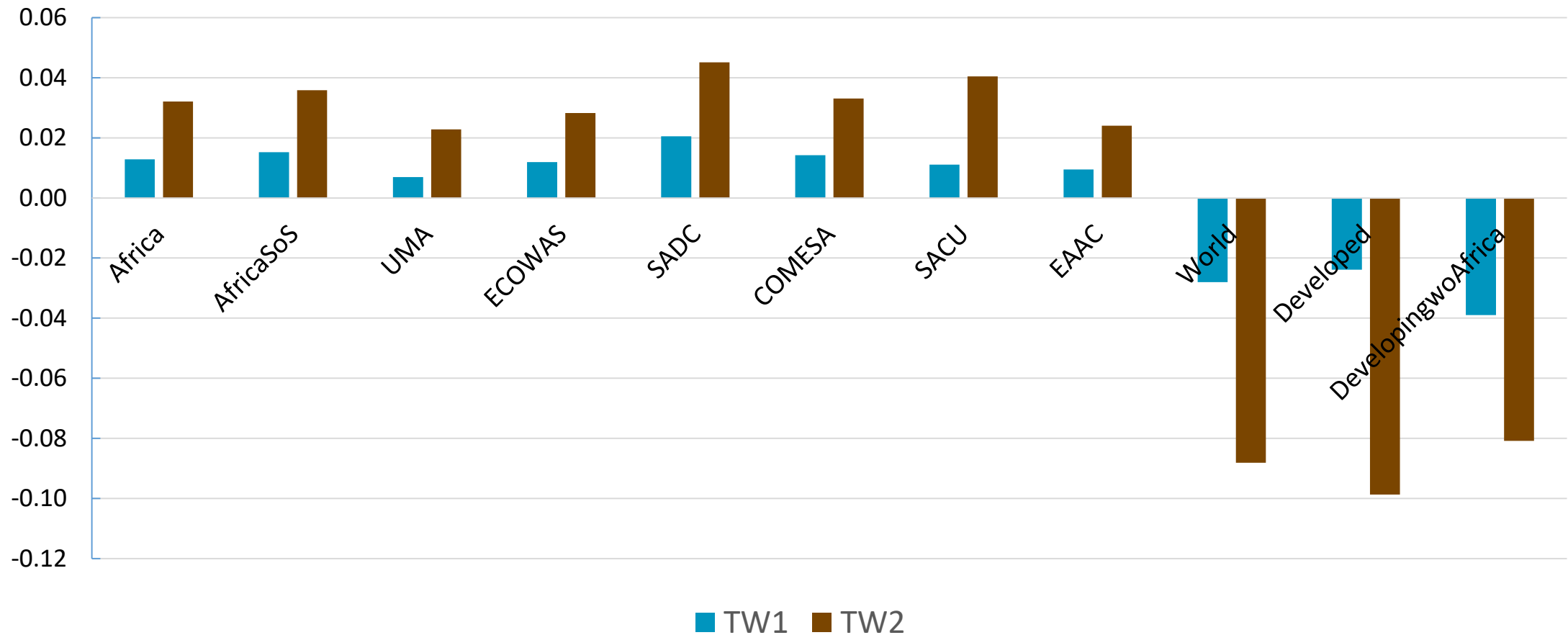


Scenarios



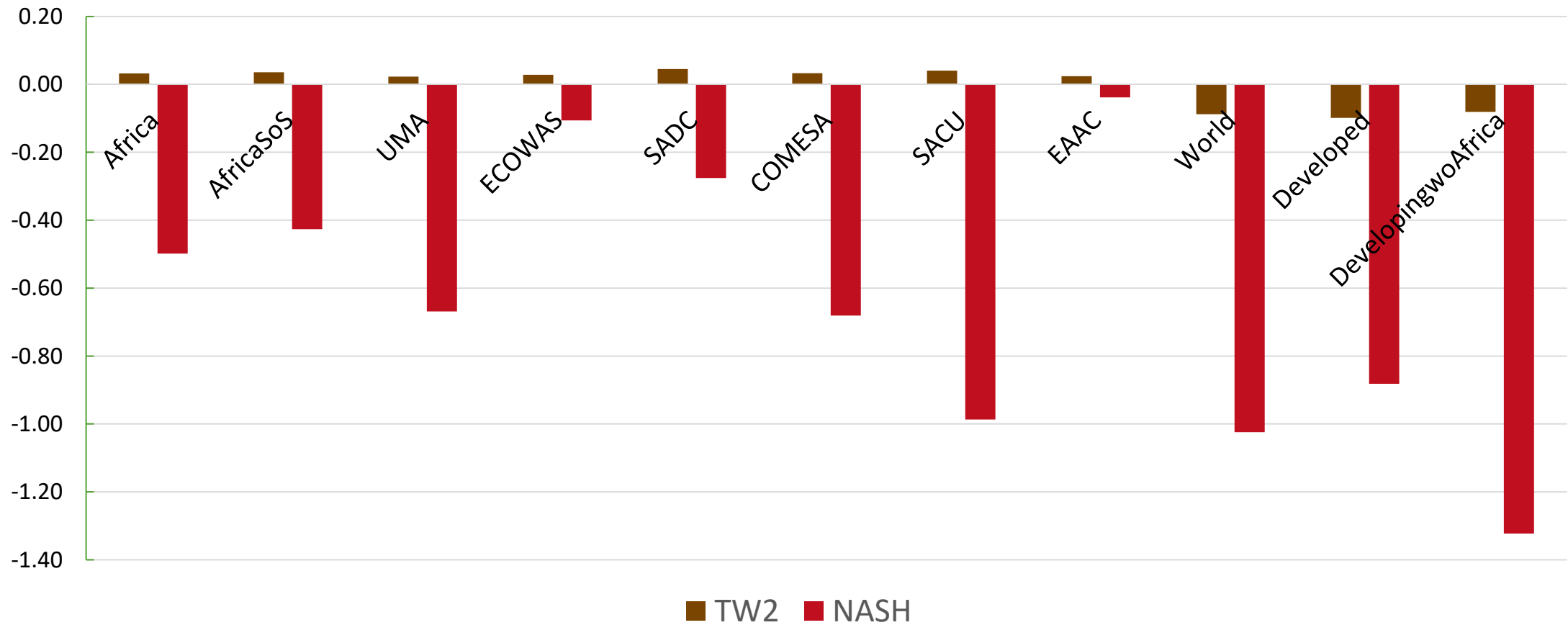
Impacts on GDP (1/3)

Impact of scenarios S1-TW1 and S2-TW2 on real GDP (%) – 2020



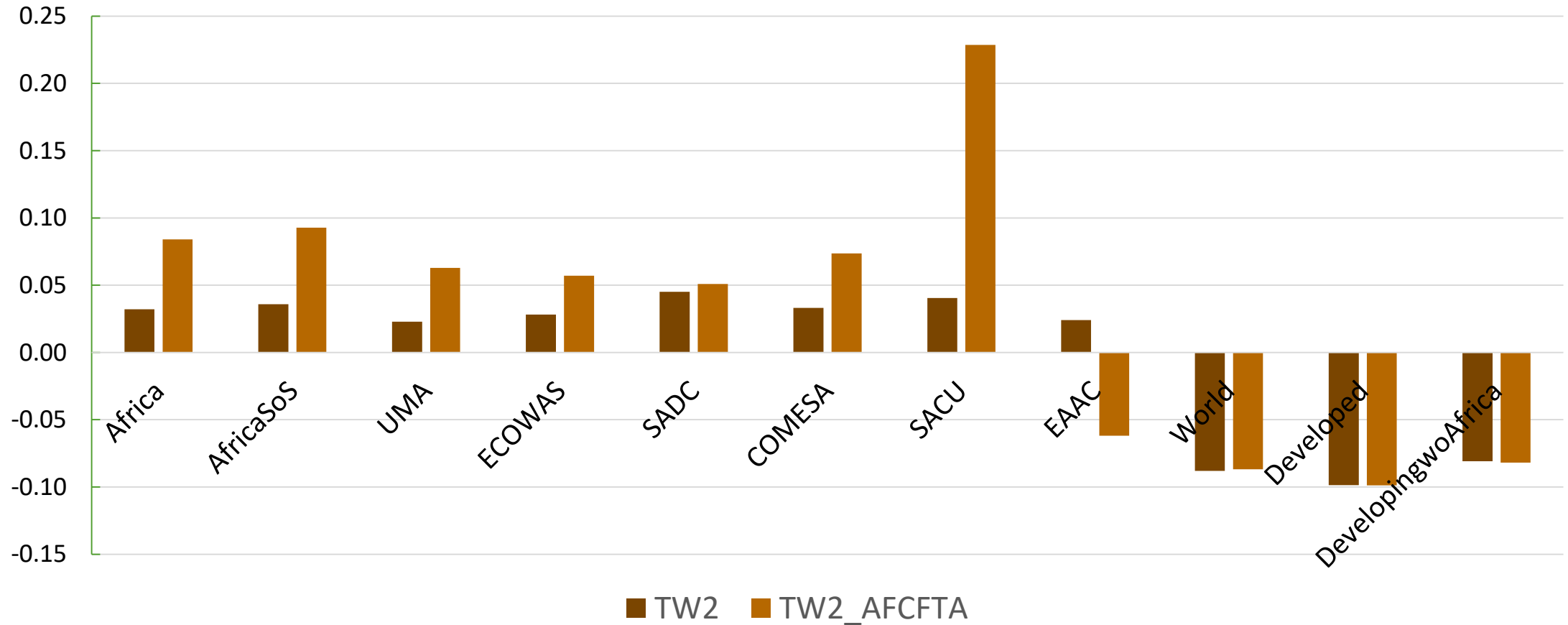
Impacts on GDP (2/3): US-China status quo

Impact of scenarios S2-TW2 and S3-NASH on real GDP (%) – 2020



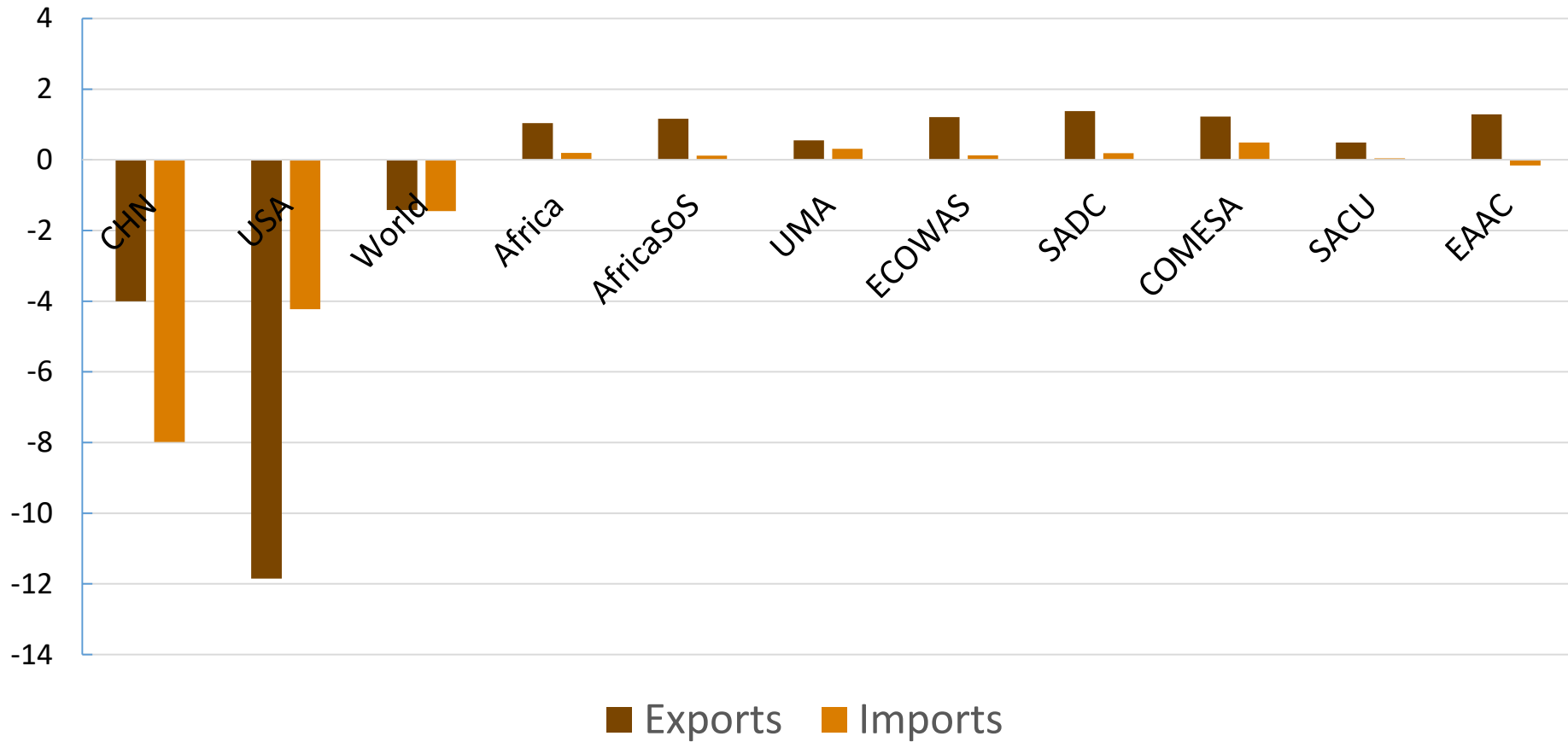
Impacts on GDP (3/3): proactive africa

Impact of scenarios S2-TW2 and S2-TW2_AFCFTA on real GDP (%) – 2020



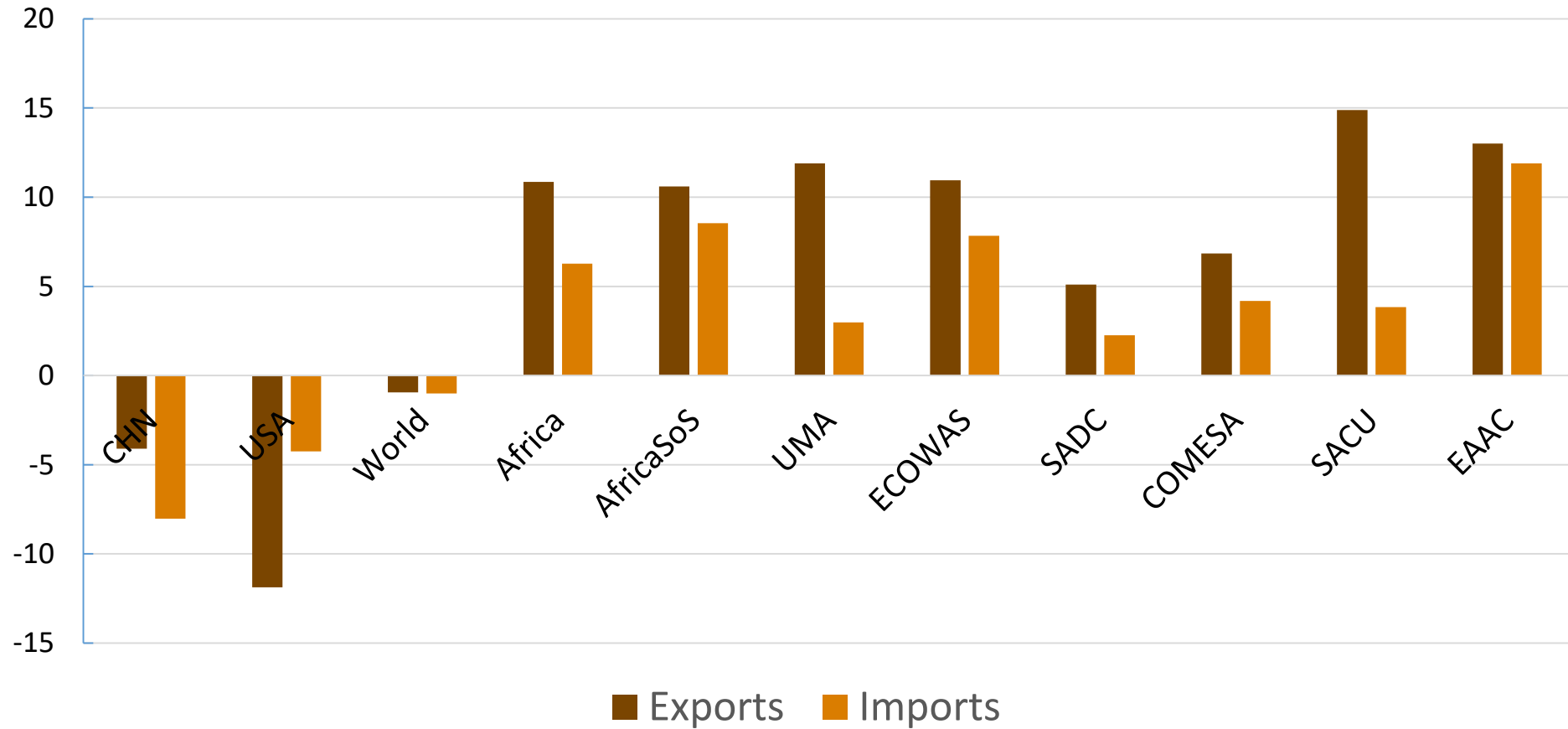
Impact on trade flows: status quo

Impact of scenario S2-TW2 on agri-food trade flows (%) – 2020



Impact on trade flows: status quo + AfCFTA

Impact of scenario S2-TW2_AfCFTA on agri-food trade flows (%) – 2020



Conclusion

- The US China trade war represents a threat to Africa as well as an opportunity (double-edged sword)
- Positive effects tend to offset negative ones
- New opportunities for Africa in the agricultural sector
- Establishing the AfCFTA amplify the gains and offsets the negative impact in case of multilateral trade war
- The negative externalities of the trade war (increased uncertainty in the business climate and diminished investors' confidence, FDIs ...) are not considered in this analysis