

Expanding Arab African Trade

Opportunities for export growth



About the report

The potential for growth of Arab-African trade is over \$37.6 billion by 2027, a 31% increase over the 2021 value. By tackling trade barriers and channelling investments into sectors with growth potential, such as plastics, machinery & electronic equipment, or chemicals, by 2027 the Arab states could increase their annual exports to Africa by \$26.4 billion and Africa by \$11.5 billion to the Arab states.

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Julia Spies, Cecilia Heuser and Arushi Vaishnav are the main authors of the report. Abdellatif Benzakri and Yan Quin assisted with data regarding non-tariff measures. The authors thank Lucas Ouriques Poffo for his valuable research assistance. The team worked under the leadership and supervision of Mondher Mimouni (Chief, Trade and Market Intelligence, ITC).

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Acronyms

Unless otherwise specified, all references to dollars (\$) are to United States dollars, and all references to tons are to metric tons.

AfCFTA	African Continental Free Trade Area
COMESA	Common Market for Eastern and Southern Africa
FAO	Food and Agricultural Organization of the United Nations
FTA	Free Trade Agreement
GAFTA	Greater Arab Free Trade Area Agreement
GCC	Gulf Cooperation Council
IMF	International Monetary Fund
ITC	International Trade Centre
LDC	Least Developed Countries
MAST	Multi-Agency Support Team
MFN	Most Favoured Nation
NTM	non-tariff measure
OECD	Organization for Economic Cooperation and Development
IOC	Indian Ocean Commission
PO	procedural obstacle
SME	Small and Medium Sized Enterprise
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organization
WTO	World Trade Organization

Executive summary

Recent global emergencies, such as the COVID-19 pandemic and the conflict in Ukraine have reemphasized the need to nearshore, diversify trade partners and move away from relying solely on commodity exports, as part of an effort towards greater economic resilience. While African exports to Arab states have been on a strong growth path over the past decades, exports of Arab states to Africa have not increased in recent years.

This study estimates that Arab-African trade could grow by \$38 billion by 2027—a 31% increase over 2021 levels—if partners address trade barriers and channel investments into sectors with growth potential. The study identifies these sectors using an export potential framework and discusses frictions that should be addressed to unlock the opportunities at both the product and market level.

Arab states' exports to Africa are driven by non-energy sectors...

Arab states hold \$26.4 billion in unrealized export potential to Africa. Exploring this potential could help reduce the Arab region's reliance on energy and minerals that comes along with challenges of fluctuating prices, limited employment generation and adverse environmental effects, paralleled by the depletion of these resources and global trends of energy transition. While energy and mineral products drive 56% of Arab states' global exports, they are less significant in exports to Africa, where they only account for 30% of total exports. The unique patterns of exports to the African continent present an opportunity for strategically increasing the importance of non-energy exports, thereby accelerating the diversification of Arab economies overall.

...but Africa's exports to Arab states focus on minerals and metals

African exports to Arab states have performed well over the past decade, lifting the share of Arab states in African exports to almost 11% in 2021. Yet, currently, exports to Arab states are more concentrated and more resource-dominated than African exports to the rest of the world. Efforts to tap into the remaining \$11.5 billion potential and to stay on the successful export growth path of the past two decades should therefore look beyond minerals and metals and strengthen sectors that enable the transition to a more value-added and diversified African export basket.

Four sectors hold nearly half of the Arab-African trade growth potential

Many opportunities for increasing exports from Arab states to Africa and from Africa to Arab states lie within the same sectors: (i) wood, paper, rubber, and plastics, (ii) minerals, metals and products thereof, (iii) chemicals, and (iv) vehicles together account for 49% of the bilateral trade growth potential. For exports from the Arab states to Africa, the machinery and electronic equipment sector completes the top five. For exports from Africa to the Arab states, horticulture does.

The opportunities in these sectors are on the one hand linked to both regions' abundance in natural resources but reflect on the other hand also rising standards of living and striving manufacturing, transport and construction sectors.

For Arab states, production advantages in energy and mineral products give rise, for example, to \$2.6 billion in unrealized potential for the export of polyethylene and polypropylene products to Africa as well as to \$0.8 billion in unrealized potential for urea and anhydrous ammonia, two fertilizers based on natural gas. Africa in turn could grow its exports of copper-based products by \$0.7 billion and of semi-manufactured gold by \$0.3 billion to Arab markets.

Non-traditional sectors also offer export growth opportunities in a variety of products that promise to diversify Arab and African export baskets. Often, these opportunities are driven by specific demand patterns in partner markets. For Arab states, potential for additional exports to Africa exists amongst others in cement clinkers, iron or steel scraps, sinking machinery parts, starter batteries and electronic conductors—serving Africa's striving manufacturing, transport and construction sectors. The unrealized potential in cane or beet sugar & chemically pure sucrose is driven by the increasing urbanization, population and incomes of the African

continent and shifting dietary patterns. For Africa, exports of sanitary articles, PET packaging and different chemicals used in the beauty or beverage industry are examples of products expected to grow because of lifestyle changes in the Arab world. Finally, there is a two-way trade potential in vehicles that is dominated by Africa's leading car manufacturers, Morocco on the Arab African side and South Africa on the sub-Saharan African side and that benefits from large and growing markets in the United Arab Emirates, Egypt and Saudi Arabia.

Boosting Arab-African trade requires improving market access and targeted investments

To leverage the identified opportunities and strengthen Arab-African trade, policymakers should look into three areas:

1) Trade agreements

While there is a 'spaghetti bowl' of agreements among Arab states on the one hand—for example the Greater Arab Free Trade Area Agreement (GAFTA)—and among African states on the other hand—for example, the African Continental Free Trade Area (AfCFTA)—no free trade agreement links all Arab states with all African countries. The absence of comprehensive trade agreements weighs on the competitiveness in partner markets. Tariff disadvantages concern some of the sectors in which Arab and African countries have clear production advantages, such as chemicals and plastics for Arab states or horticulture and animal products for Africa. Improving market access would strengthen the diversification of Arab and African economies in line with supply capacities and the growing market demand for these products.

2) Trade facilitation

About half of the Arab-African trade growth potential is currently hindered by frictions, some of which are 'home-made'. Increasing bilateral exports thus requires reviewing restrictive regulation and addressing procedural obstacles domestically, as well as in collaboration with the partner countries. Before-the-border issues can be addressed by increasing transparency, removing unnecessary administrative layers, and addressing informal or high charges. Behind-the-border issues can be addressed by harmonizing regulations, rules of origin and labelling requirements between trade partners.

3) Targeted investments

Fully exploring the bilateral export potential without reducing export efforts elsewhere will require investments into production capacity. For Arab states, this concerns in particular the paper, rubber and plastics sector, where \$3 billion of the unrealized export potential links to growth expectations and where Africa's import demand is expected to increase by 58% by 2027. For Africa in turn, investment in horticulture seems crucial—a sector threatened by climate change that nevertheless holds a \$1.9 billion untapped export potential in Arab states, of which \$1.3 billion are largely driven by the expected import demand growth of over 80% in Arab states by 2027.

SECTION 1: INTRODUCTION

Historically, the Arab states and Africa have not had close-knit ties, despite the geographic, cultural and policy proximity between some of their subregions. Africa has not played a large role as a market for the exports of Arab states, and Arab states have only recently started to gain importance as a market for African exports.¹ However, recent crises and related economic dynamics have highlighted the importance of economic collaboration between both regions to explore new opportunities for export growth.

Over the past decade, the high volatility of global energy and commodity prices has made it imperative for Arab states and African countries to diversify their exports. Their heavy reliance on energy and minerals exposes them to various risks, such as fluctuations in income, often limited job creation or low domestic value added, and the eventual depletion of finite resources.

Africa presents a viable market for Arab states looking to diversify, as the current export profile to the continent is markedly different from that to other regions, with a lower concentration on energy. This shift in focus can help Arab states broaden their export base, reducing their vulnerability to external shocks and promoting economic stability. The African Continental Free Trade Area (AfCFTA) promises to enable this shift. With the establishment of this agreement, Africa is projected to become a unified emerging market, characterized by a growing demand. As the continent continues to integrate its regional markets and streamline trade, it offers a unique opportunity for Arab states to expand their exports to African markets.

On the other hand, while current African exports to Arab states rely heavily on minerals and metal products, Arab states offer room for diversification of African exports with promising export potential in other key sectors, for example horticulture and vegetal products. Since Arab states depend on food imports, increasing African exports to Arab states can also play a role in food security for Arab states. The associated increase in non-mineral exports from Africa could enhance the continent's economic growth. In this way, closer ties between both regions could be leveraged for mutual benefit.

Lastly, Arab states are also looking to diversify their investments. For the growth promises of the AfCFTA to materialize, investment and financing is necessary that could be supplied by Arab investors aiming to channel their resources into sectors with potential for growth.

By reinforcing their economic ties, the Arab states and Africa can seize these opportunities and diversify their export bases. In this way, both regions can reduce their reliance on a limited number of products, markets, and suppliers and enhance their resilience to external shocks.

Against this backdrop, this report explores the current trade landscape between the Arab states and Africa and implements the export potential methodology developed by the International Trade Centre (ITC) to shed light on the untapped trade potential that lies between the regions, suggesting specific opportunities for export growth by product and market.

Section 2 presents the trends and patterns of Arab-African trade, as well as the conditions both regions face to access each other's markets. Section 3 identifies opportunities for trade growth by region and sector and discusses elements hindering and driving that potential. Section 4 zooms in on specific exporters, markets and products with unrealized export potential. Section 5 concludes and outlines recommendations on how to tap into and expand the potential for Arab-Africa trade.

¹ *Arab states* are Algeria, Bahrain, Comoros, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, State of Palestine, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, United Arab Emirates and Yemen. *Africa* comprises Algeria, Angola, Benin, Botswana, Burkina Faso, Burundi, Cabo Verde, Cameroon, Central African Republic, Chad, Comoros, Republic of the Congo, Côte d'Ivoire, Democratic Republic of the Congo, Djibouti, Egypt, Equatorial Guinea, Guinea-Bissau, Eswatini, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Kenya, Lesotho, Liberia, Libya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, South Sudan, Sudan, Togo, Tunisia, Uganda, United Republic of Tanzania, Western Sahara, Zambia and Zimbabwe.

SECTION 2: CURRENT TRADE LANDSCAPE

This section explores the current landscape of trade between the Arab states and Africa by reviewing the trade trends and patterns between the regions, the existing trade agreements, and the tariffs both regions face when trading with each other.

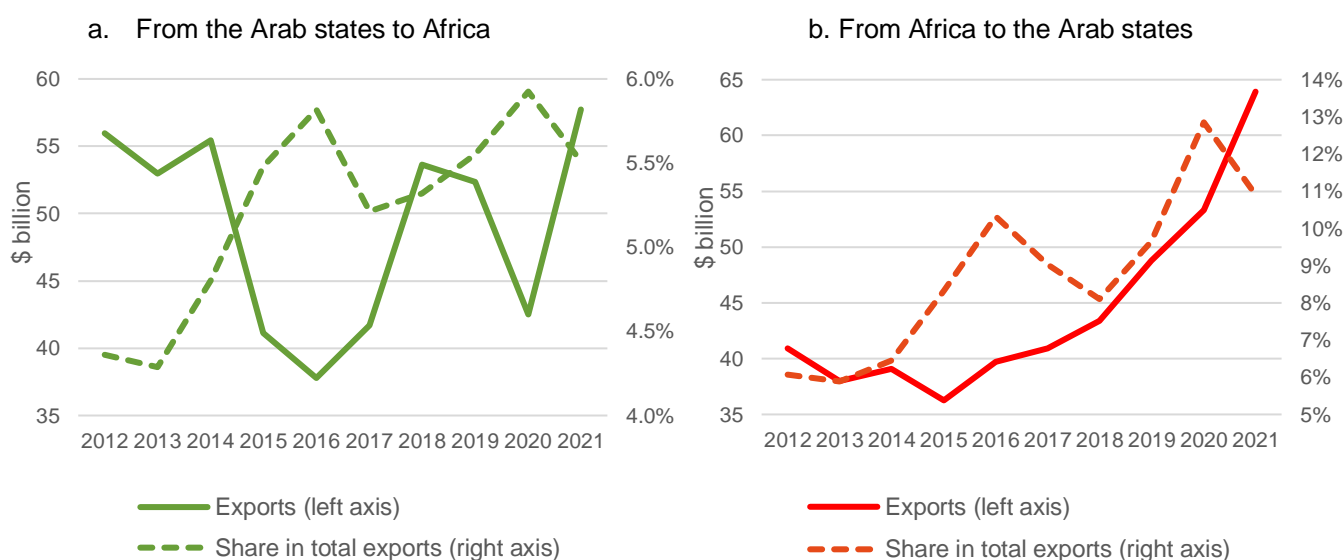
Trade trends between the Arab states and Africa

Between 2001 and 2011, exports from the Arab states to Africa increased six-fold, and flows moving in the opposite direction, eight-fold. Over the decade, trade between the regions grew at an average 21% per year, and only faltered in 2009. Throughout the decade, the Arab states consistently generated a trade surplus in their exchange with Africa. This dynamism was not to persist in the decade that followed.

Arab exports to Africa: fluctuating values in the past decade, and a stagnating 5.5% share of Arab exports

Throughout the 2012-2021 decade, exports from Arab states to Africa encountered phases of growth and decline, reflecting global events (Figure 1a). The post-financial crisis recovery of trade persisted into 2012 but lost momentum during 2013-14, culminating in a pronounced downturn in 2015 and 2016. Globally, this decline was precipitated by falling commodity prices and the appreciation of the US dollar.² Growth resumed in 2017, gaining strength in 2018. However, a -2% slowdown occurred in 2019, connected to trade wars between major economic players, followed by the COVID-19 pandemic, which further reduced exports by -19%. Although there was a robust rebound of 36% in 2021, the decade overall did not show a clear positive trend.

Figure 1: Trade between the Arab states and Africa



Source: ITC Trade Map (2023).

Arab exports to Africa performed better than Arab exports to other destinations from 2012 to 2016, increasing their share in total Arab exports from 4.4% to 5.8%. However, this share has since then stagnated around 5.5%.

² UNCTAD (2016).

African exports to the Arab states: continuous growth, increasing importance for Africa in the past decade

African exports to the Arab states increased by 56% in the last decade (Figure 1b). After setbacks in 2013 and 2015, they grew consistently throughout the decade, showing a clear positive trend despite global events that affected trade through those years.

African exports to the Arab states also outperformed the region's exports to other partners, taking the share of Arab states in African exports from 6.1% in 2012 to 10.9% in 2021.

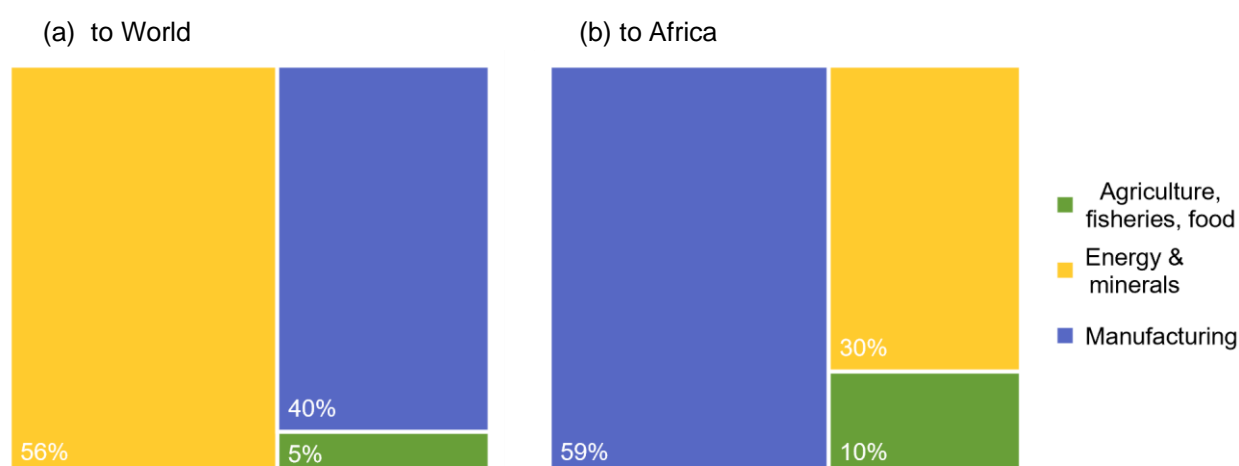
With exports from Arab states to Africa fluctuating and exports in the opposite direction consistently increasing, the bilateral trade surplus that Arab states experienced between 2001 and 2011 was diminished and eventually dissipated, turning into a bilateral surplus for Africa since 2018.

Trade patterns between the Arab states and Africa

Arab exports to Africa are less concentrated in energy and minerals

The global export basket of Arab states is dominated by energy and mineral products, which account for 56% of total Arab exports (Figure 2a). This heavy reliance on energy and minerals has long been a concern for Arab nations due to the various risks associated with such dependence.

Figure 2: Exports of the Arab states, by destination and industry



Source: ITC Trade Map (2023).

Firstly, energy does not provide a stable source of income, as prices are subject to considerable fluctuations. In the absence of alternative non-energy income sources, countries reliant on energy revenues face heightened challenges during global emergencies, such as the COVID-19 pandemic or the conflict in Ukraine.³

Secondly, the production process for energy and oil is capital-intensive, failing to generate a sufficient number of jobs for the hundreds of thousands of individuals entering the labour market each year. Arab states are grappling with high levels of youth unemployment, and broadening the value chain beyond mere energy and oil production could create additional employment opportunities in more labour-intensive sectors. As explored in the next section, this could include the production of complex petrochemicals and other manufactured goods, which can successfully attract private sector investment.

Lastly, in the long term, oil and gas reserves will inevitably become depleted, underscoring the urgency for Arab states to diversify away from the energy and minerals sector. Moreover, the global transition towards

³ For an assessment of the impact on OIC countries, see ITC (2023).

net-zero emissions poses a significant threat to the economic model of energy-exporting Arab nations, further emphasizing the need for diversification.⁴

Interestingly, exports of energy and mineral products comprise only one-third of Arab exports to Africa (Figure 2b). Furthermore, in recent years, Arab exports to Africa have gradually shifted away from the energy and minerals sector, with the industry's share decreasing by 12 percentage points between 2017 and 2021. This trend was not observed in exports to the rest of the world, where the share of energy exports has remained stable at over 50% over the past five years.

The reduced concentration of energy and mineral exports to Africa makes this market particularly attractive for Arab states. By increasing exports to Africa, Arab nations can diversify their export portfolios, mitigating the risks associated with energy dependence and export volatility. At the same time, they can capitalize on the export opportunities that the African continent offers.

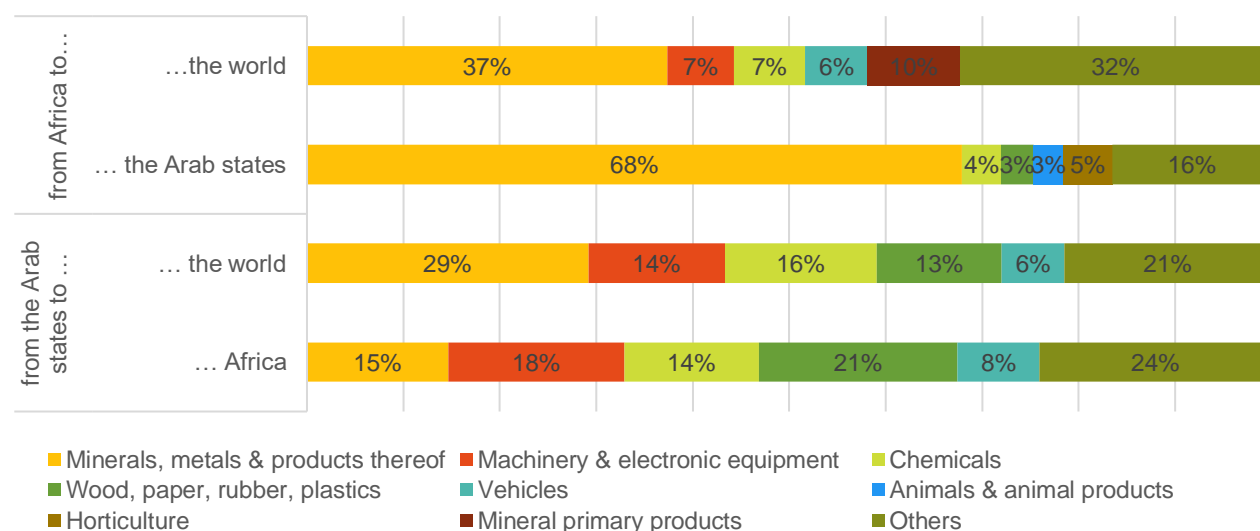
African exports to the Arab states rely heavily on mineral and metal products

To a lesser extent, African exports are also afflicted by a heavy reliance on energy and minerals exports, which represent 41% of the total. Reproducing Figure 2 for exports from Africa to the world and to the Arab states would render, at first sight, similar conclusions, with African exports of energy and mineral products to the Arab states only accounting for one-tenth of the exports to the region.

However, Figure 3 illustrates that when going beyond broad industry classifications, considering flows by sector, African exports to the Arab states are dominated by mineral and metal products (68%). They are also more concentrated than African exports to the world, with the top 5 exporting sectors representing 84% the total.

The concentration of exports in mineral and metal products, characterised by volatile prices, affects export revenues and can have a negative effect on long-term growth—providing a strong motivation for African countries to prioritize the diversification of their exports to the Arab states.

Figure 3: Top 5 exporting sectors, by origin and destination



Source: ITC Trade Map (2023).

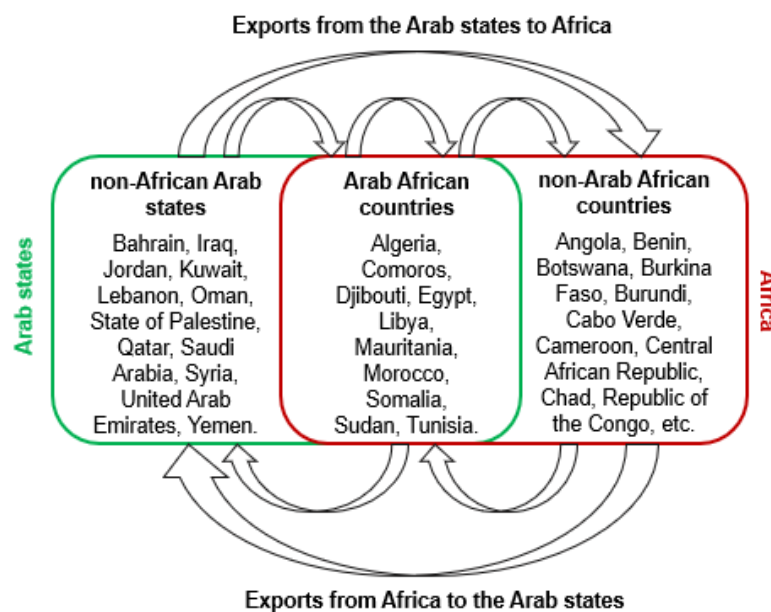
⁴ A more comprehensive analysis of these risks can be found in the work of Fattouh and Sen (2021).

Note also, in the bottom part of Figure 3, that the pattern observed for Arab states in Figure 2 persists at a more granular level: Arab exports to Africa are less concentrated in mineral and metal products than Arab exports to the world.

Almost half of the Arab African trade is intra-regional

When analysing the trade between the Arab states and Africa, it is important to consider the overlapping regions (Figure 4). Exports from the Arab states to Africa come both from non-African Arab exporters (e.g., Bahrain, Iraq, etc.) and Arab African exporters (e.g., Algeria, Comoros, etc.). Exports from Africa to the Arab states include non-Arab African exporters (e.g., Angola, Benin, etc.) and Arab African exporters (e.g., Algeria, Comoros, etc.). It is worth noting that exports from Arab African countries to other Arab African countries, can be considered both Arab exports to Africa and vice versa. To avoid double counting, the remainder of the report only considers them as exports from Arab states to Africa.

Figure 4: Subregions of Arab-African trade



Note: To avoid any duplication of data, exports from Arab African countries to other Arab African countries are only considered exports from Arab states to Africa, and not vice versa.

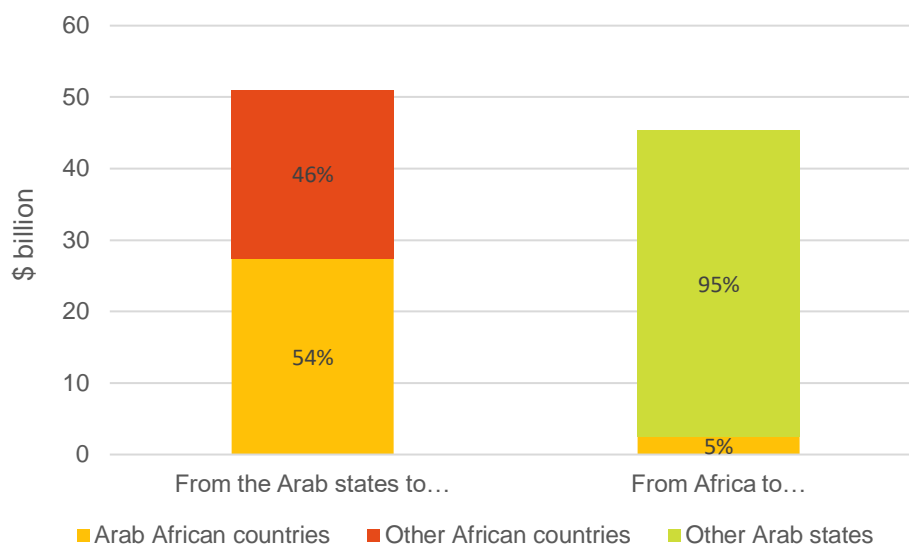
Between 2017 and 2021, the average annual value of exports from the Arab states to Africa was \$51.1 billion (Figure 5). The long-standing cultural and commercial ties between African and non-African Arab countries led to a large part of these exports being intra-Arab. While the ten Arab African countries represented only 31% of Africa's GDP at the time, more than half (54%) of Arab exports to Africa were destined to Arab African countries, with the remaining 45 African nations receiving the other 46%.

On the other hand, exports from African countries to the Arab states amounted to \$45.4 billion per year in 2017-2021. The intra-regional links between Arab African countries and the rest of Africa did not play much of a role in this case: 95% of African exports to Arab states were directed towards Arab countries outside of Africa, with only 5% going to Arab African importers.⁵

Overall, intra-regional trade represented 49% of all Arab-African trade. While non-African Arab states and non-Arab Africa comprise the largest markets, with 83% of the joint GDP of Africa and the Arab states, they amount to only 51% of Arab-African trade.

⁵ Non-African Arab states represent over 71% of the GDP of Arab states.

Figure 5: Trade between the Arab states and Africa, by exporting and importing sub-region



Note: Average values between 2017 and 2021.

Source: ITC Trade Map (2023).

Market access conditions for Arab-African trade

Differentiated market access conditions may lay behind the patterns discussed earlier for Arab-African trade. To explore this possibility, this section examines the current trade agreements between Arab states and Africa, as well as the average tariffs and tariff (dis)advantages both regions face when trading with each other.

Multiple existing trade agreements do not fully cover Arab-African trade

As illustrated in Figure 6, trade between Arab states and Africa is partially covered by a complex network of regional and bilateral agreements, resulting in a 'spaghetti bowl' that fails to fully encompass both regions.

The main agreements that mediate some of the trade between the Arab states and Africa are the Greater Arab Free Trade Area Agreement (GAFTA), which covers trade between non-African Arab states and African Arab countries, and the African Continental Free Trade Area (AfCFTA), which, once fully implemented, will cover trade between Arab African countries and the rest of Africa.⁶

In addition, there are several agreements that facilitate trade between some Arab states and select African countries. Jordan, for instance, is part of AGADIR, a trade agreement between Egypt, Jordan, Morocco, and Tunisia. Comoros enjoys preferential trade status when exporting to Mauritius, Madagascar, and Seychelles under the Indian Ocean Commission (IOC) regime. Comoros, Djibouti, Egypt, Libya, and Sudan are part of the Common Market for Eastern and Southern Africa (COMESA), which includes 14 non-Arab African countries.

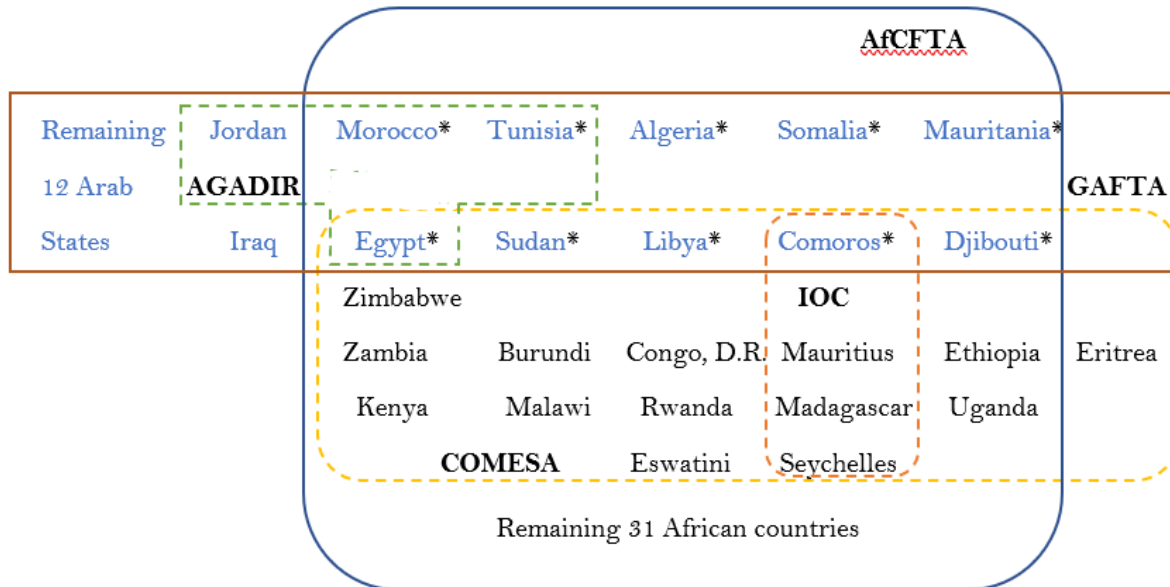
Moreover, there are several bilateral and non-reciprocal trade agreements in place that facilitate exports from some Arab states to Arab African countries. These include Free Trade Agreements (FTAs) between Jordan and Morocco, Egypt and Iraq, Egypt and Morocco, Egypt and Sudan, Egypt and Tunisia, Iraq and Morocco, Morocco and Tunisia, and Morocco and the United Arab Emirates.⁷ Additionally, Comoros,

⁶ As of January 2023, the AfCFTA Agreement has been signed by 54 out of 55 African Union Member States. 45 countries have deposited their instrument of ratification, but only four have ratified the Protocol on the movement of people.

⁷ Some Arab states also benefit from bilateral partial scope agreements when exporting to Africa, such as Algeria-Jordan, Algeria-Morocco, Algeria-Tunisia, Egypt-Jordan, Egypt- the State of Palestine, Ethiopia-Sudan, Egypt-Syria Jordan-Tunisia, Mauritania-

Djibouti, Mauritania, Somalia, and Sudan benefit from preferential tariffs when exporting to Morocco under the 'Morocco for African LDCs' non-reciprocal agreement.

Figure 6: Existing trade agreements between Arab states and Africa



Note: Arab states are shown in blue, and * marks the 10 African Arab countries.

Source: Market Access Map (2023).

However, there are no bilateral or regional free trade agreements between non-African Arab states and non-Arab African countries. The lack of preferential market access does not necessarily prevent trade. For example, the lead exporters to Africa among Arab states, the United Arab Emirates and Saudi Arabia, do not benefit from any regional trade agreements with non-Arab African countries. Nevertheless, the absence of such agreements makes it less likely for these regions to trade with each other, in contrast to countries that have signed such agreements.

Intra-Arab trade enjoys tariff advantages, but Arab trade with the rest of Africa faces tariff disadvantages

Figure 7 shows the average tariff rates that Arab and African exporters encounter in each other's markets across the main exporting sectors. It also indicates whether these tariffs provide advantages or disadvantages compared to competitors.

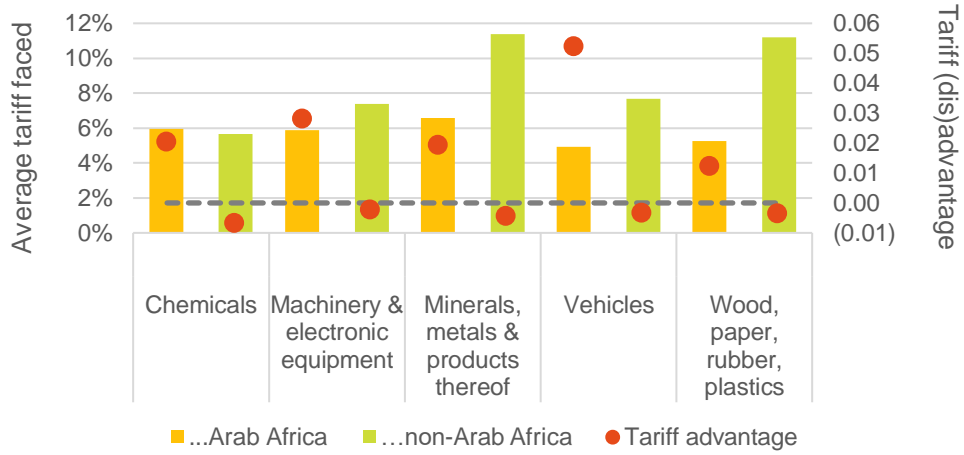
The presence of a tariff advantage or disadvantage in a destination market depends on the effective tariffs applied to (i) the specific exporter and (ii) their main competitors in that market. In Figure 7 (right axis), the tariff advantage is represented as the difference between the average tariff imposed on all exporters and the tariff imposed on the exporter under consideration. If the tariff faced by the exporter of interest is lower than the tariff imposed on other exporters, the former enjoys a tariff advantage, and the value displayed in Figure 7 is positive. The larger the value, the greater the tariff advantage. Conversely, if an exporter faces higher tariffs than others, the value observed is negative, signifying a tariff disadvantage.

Building on the mapping of existing trade agreements connecting Arab states and Africa discussed earlier, Figure 7 differentiates between tariffs faced and imposed by (a) Arab states outside of Africa (b) Arab states in Africa, and (c) non-Arab African countries.

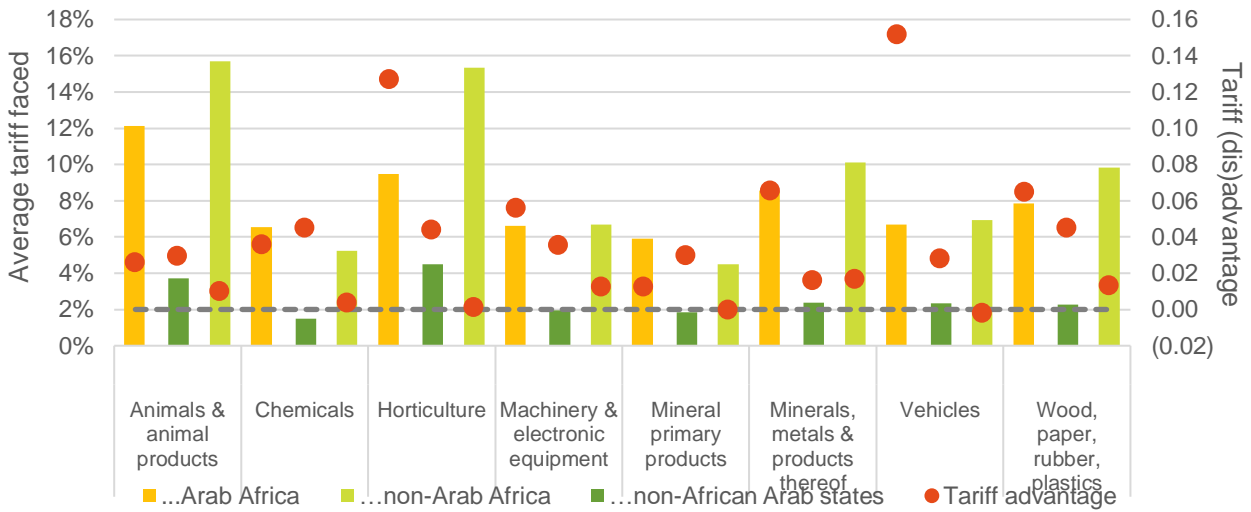
Morocco, and Morocco-Saudi Arabia. Algeria, Iraq, Libya, Morocco, Sudan, and Tunisia also benefit from the Global System of Trade Preferences (GSTP), a partial scope agreement, when exporting to Egypt.

Figure 7: Tariffs and tariff advantages, by key sectors

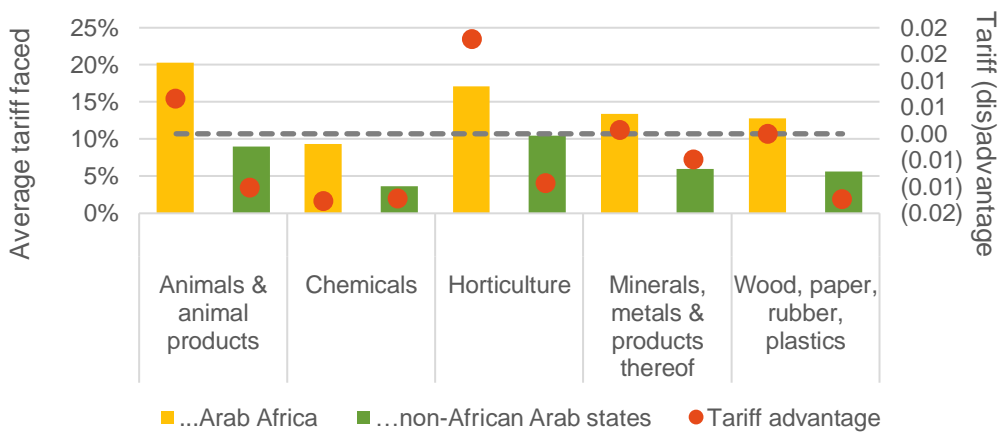
(a) Tariffs faced by non-African Arab exporters in...



(b) Tariffs faced by Arab African exporters in...



(c) Tariffs faced by non-Arab African exporters in...



Note: Dots above the dashed line represent a tariff advantage, those below, a tariff disadvantage.

Source: ITC Trade Map (2023).

For Arab exporters outside of Africa, the tariffs faced when exporting to Africa in the main sectors range between 4.9% and 11.4% (Figure 7a). Because of GAFTA and other agreements among Arab states, they encounter lower tariffs in Arab Africa than in non-Arab Africa, with the difference reaching almost 6 percentage points in wood, paper, rubber, and plastics, and close to 5 percentage points in mineral and metal products. These preferential tariffs translate into a tariff advantage in Arab Africa across all main sectors, in particular for vehicles. In contrast, in non-Arab Africa, Arab exporters outside Africa face a tariff disadvantage across all sectors.

For Arab African firms exporting to the rest of Africa or to other Arab countries, tariffs range between 1.5% and 15.7% in the main sectors (Figure 7b). They face the lowest tariffs in non-African Arab states, but they still encounter significant tariffs among other Arab African countries and even larger ones in non-Arab Africa, with exceptions for chemicals and mineral primary products. Despite facing significant tariffs in some markets, Arab African exporters are not at a tariff disadvantage in any market, and they enjoy large tariff advantages when exporting horticultural goods and vehicles to other Arab African countries. Their tariff advantage is smallest when exporting to non-Arab African countries.

Lastly, non-Arab African exports destined for Arab states face tariffs that vary between 3.7% and 20.3% in the main sectors (Figure 7c). In the absence of a complete AfCFTA implementation, the tariffs faced in non-African Arab states are lower than the ones faced in African counterparts. However, non-Arab African exporters are at a tariff disadvantage across sectors when exporting to non-African Arab states.

The patterns observed in Figure 7a, b and c are consistent with the landscape of trade agreements discussed earlier. The absence of an agreement that covers the trade between non-African Arab states and non-Arab African countries is reflected in the tariff disadvantages faced across sectors by both regions when trading with each other, shown in Figure 7a and c. In contrast, the existence of agreements between Arab states translates into the tariff advantages observed in Figure 7a and b. The fact that these agreements could be improved is apparent by the still significant tariffs imposed. Lastly, trade between Arab and non-Arab countries in Africa is governed in parts by some agreements, with average tariffs faced still higher than in other regions, but low enough to not lead to a tariff disadvantage in most cases (Figure 7b and c).

SECTION 3: TRADE POTENTIAL BETWEEN THE ARAB STATES AND AFRICA

As discussed in the previous section, the exports from Arab states to the world are driven by energy while their exports to Africa contain larger shares of manufactured, and generally processed goods and are more diversified. Exploring additional export opportunities in Africa can therefore generate additional revenues and help Arab states diversify away from exports of energy and minerals.

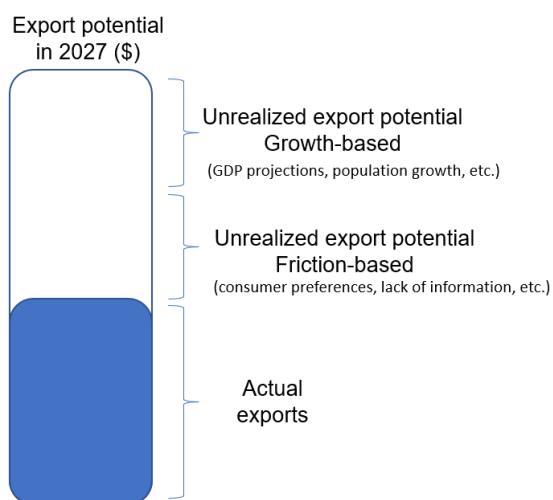
Conversely, African exports to Arab states, while comprising more manufactured goods, are on average less processed and more concentrated in mineral products than African exports to the world. It is important then to uncover avenues for growth for exports from Africa to the Arab states that focus on a more diversified basket of products.

This section draws on the ITC export potential methodology to identify unrealized export opportunities for trade between the Arab states and Africa, highlighting sectors with strong potential for export growth.

Key concepts

ITC's export potential methodology quantifies the export potential of a country across products and markets through an assessment of detailed information on trade and tariffs. The export potential indicator computes potential values of trade for each exporter-importer-product combination based on supply capacities in the exporting country, demand conditions in the target market and the ease of trade between the two trading partners. Results are computed on a time horizon of three to four years to account for future developments and provide space for governments and companies to take action and realize existing opportunities. The findings presented in this chapter are therefore estimates of export potential by 2027.⁸

Figure 8: Components of the export potential



The difference between the export potential of a country and its current exports is interpreted as an opportunity for export growth, referred to as 'unrealized export potential' (Figure 8). Unrealized or untapped export potential can derive from changes expected for the next few years, in particular GDP growth of exporters and importers, population growth, or tariff changes. It can also stem from existing trade frictions such as lack of market research, difficulties in complying with exporter or market regulations, lack of business networks, or unawareness about consumer preferences. We refer to unrealized potential associated to expected changes as dynamic or growth-based, and to unrealized potential associated to existing frictions as static or friction-based.

Not all products are considered in the export potential methodology. The export potential can only be computed for products a country already exports. Additionally, the export potential methodology excludes certain products that are hazardous or irrelevant for export promotion such as pollutants or waste, dangerous to human life or health, or sectors deemed not to be appealing for export promotion, such as antiques, and

⁸ For a details on the methodology, see Decreux and Spies (2016).

extractive resources. This excludes, for example, unprocessed diamonds and gold among African exports, and oil and gas in the case of exports from Arab states.

Note that the exclusion of these products, dominant in Arab and African exports, allows for focus on opportunities in other sectors that would help diversify the economies, some of which are likely to involve more small- and medium-sized enterprises (SMEs) and therefore may require more trade support.

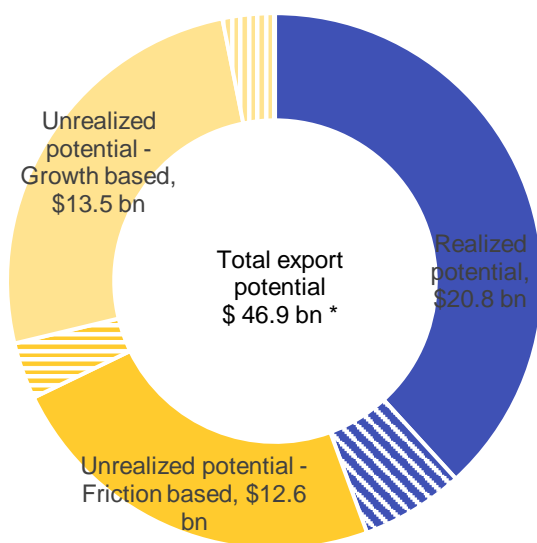
Realizing the trade potential between the Arab states and Africa: up to \$38 billion additional trade

Arab states have the potential to export merchandise worth \$46.9 billion to Africa in 2027 (Figure 9a), with 56% (\$26.1 billion) of that potential currently being unused. African countries in turn have a potential to export merchandise worth \$22.3 billion to Arab states in 2027 (Figure 9b), of which approximately half remains unrealized (52% or \$11.5 billion). In both instances, slightly over half of the untapped potential is derived from expected growth and tariff changes in future years, meaning that it is dynamic or growth based. Accordingly, slightly under half of the untapped potential is associated to existing trade frictions.

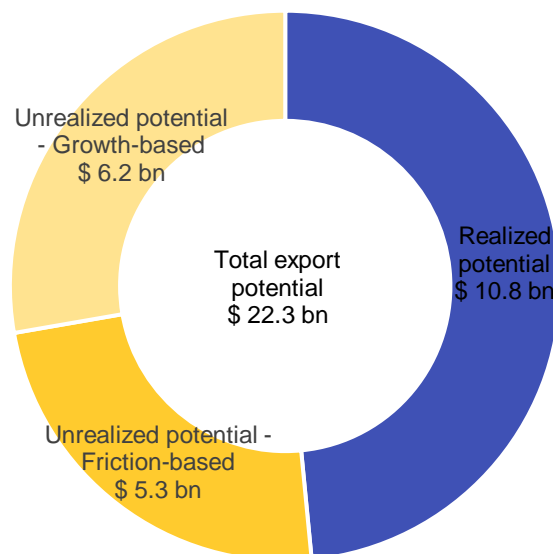
The distinction between the two types of untapped export potential is crucial when formulating strategies to materialize that potential. To unlock the potential that is hindered by frictions, it is necessary to identify and address them in each case. To tap into the potential associated to growth projections, it is necessary to monitor potentially evolving projections, and to channel investments to leverage that growth.

Figure 9: Trade potential between Arab states and Africa

a. Exports from the Arab states to Africa



b. Exports from Africa to the Arab states



Note: *To avoid any duplication of data, the export potential from Arab African countries to other Arab African countries (\$6 billion) is represented by a striped pattern and is included only in Figure 7a, not also in Figure 7b.

Source: Export Potential Map (2023).

One note of caution is in order when analysing the results presented in Figure 9, and the aggregate figures mentioned above. At first sight, readers might be tempted to conclude, for example, that Arab states have more than double the export potential to Africa than African countries have to Arab states. However, the overlap between both regions precludes such statements. Exports originating in Arab African countries and destined to other Arab African countries, such as exports from Egypt to Algeria for example, could correctly be considered exports from Arab states to Africa, or exports from Africa to Arab states. In order to avoid double counting the opportunities for export growth between regions, the results that follow only include exports from Arab African countries to other Arab African countries in exports from Arab states to Africa, as marked by a striped pattern in Figure 9a, and not in the opposite direction.

Opportunities to strengthen existing ties and to nurture promising new links

As noted in the previous section, Arab states in the Middle East have long had strong trade links with Arab states in Northern Africa, relative to their connection with the rest of the African continent. Intra-regional trade among Arab countries has nevertheless been found to be low when compared with intra-regional trade for other areas.⁹

At the same time, the notion that intra-African trade is in general low and could be increased has been extensively discussed in different contexts, most recently under the umbrella of the AfCFTA.¹⁰

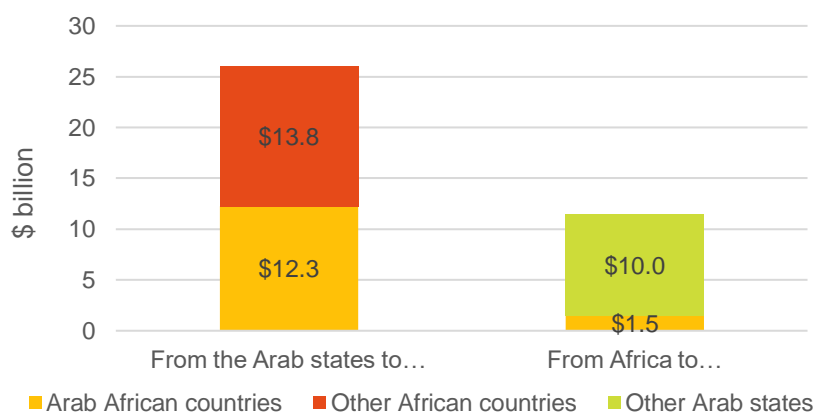
Interestingly, the opportunities for export growth identified in Figure 9 do not refer solely to these much-pondered connections, but they also reflect significant opportunities along the lesser explored linkages between Arab states and non-Arab African countries.

Figure 10 shows that 47% (\$12.3 billion) of the untapped export potential for Arab states identified in Figure 9a is destined to Arab African countries. If realized, this export potential would reinforce the existing Arab intra-regional trade. The remaining 53% (\$13.8 billion) reflects opportunities for Arab states to increase their exports to other regions in Africa.

For African countries, Figure 9b showed a \$11.5 billion untapped export potential to Arab states. The opportunities for export growth in that case are largely destined to Arab states outside of Africa (\$10 billion), rather than Arab African countries (\$1.5 billion).

By realizing the untapped export potential, existing trade links between Arab states and Africa would be strengthened, while also developing promising new connections.

Figure 10: Unrealized trade potential between the Arab states and Africa, by regions



Note: To avoid duplication of data, the export potential from African Arab countries to other African Arab countries is only considered under exports from Arab states to Africa and not in exports from Africa to Arab states.

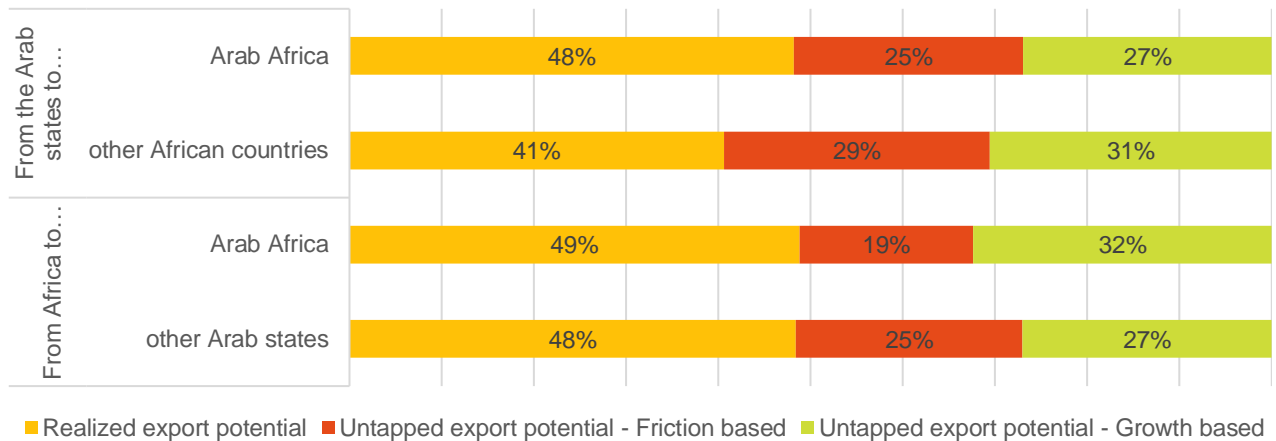
Source: Export Potential Map (2023).

To different extents, existing and emerging links between Arab states and Africa have space for export growth due to both current frictions and projected growth in coming years (Figure 11). Interestingly, the share of export potential that is already realized is lower for Arab states’ exports to non-Arab Africa than for other exporters and markets, implying that there is relatively more room for export growth. This export growth potential is as much linked to frictions as it is to growth dynamics (29% versus 31%). By contrast, the opportunities identified for exports from Africa to Arab states in Africa are significantly less related to frictions, and mostly associated to growth expectations (19% versus 32%).

⁹ See ITC (2018).

¹⁰ See ITC (2021).

Figure 11: Trade potential between the Arab states and Africa, by regions



Note: To avoid duplication of data, the export potential from African Arab countries to other African Arab countries is only considered under exports from Arab states to Africa and not in exports from Africa to Arab states.

Source: Export Potential Map (2023).

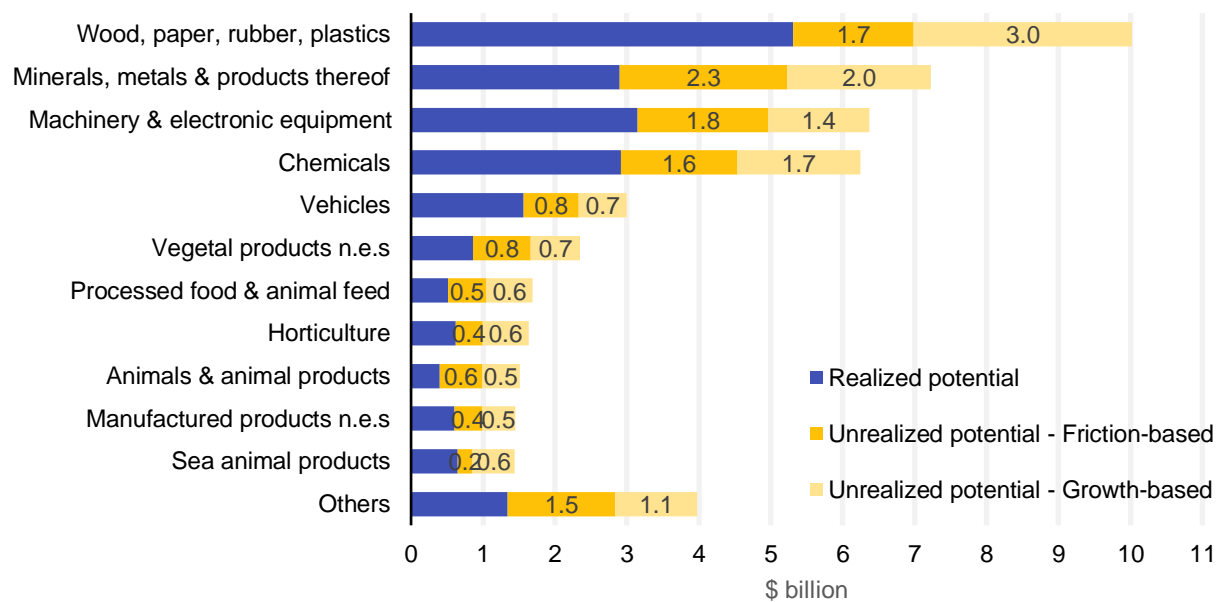
Key sectors with untapped export potential

The findings presented in Figure 11 highlight the sectors where there is significant unrealized trade potential between Arab states and Africa. Interestingly, the results indicate a considerable overlap between the two regions in terms of the sectors that offer the most untapped export potential. For example, among the top five sectors in either direction we find: (i) wood, paper, rubber, and plastics, (ii) minerals, metals and products thereof; (iii) chemicals; and (iv) vehicles. For exports from the Arab states to Africa, the machinery and electronic equipment sector completes the top five. For exports from Africa to the Arab states, horticulture does. The opportunities for export growth in these main sectors and beyond are analysed in further detail in the next section to reveal untapped potential in specific products, exporters and markets.

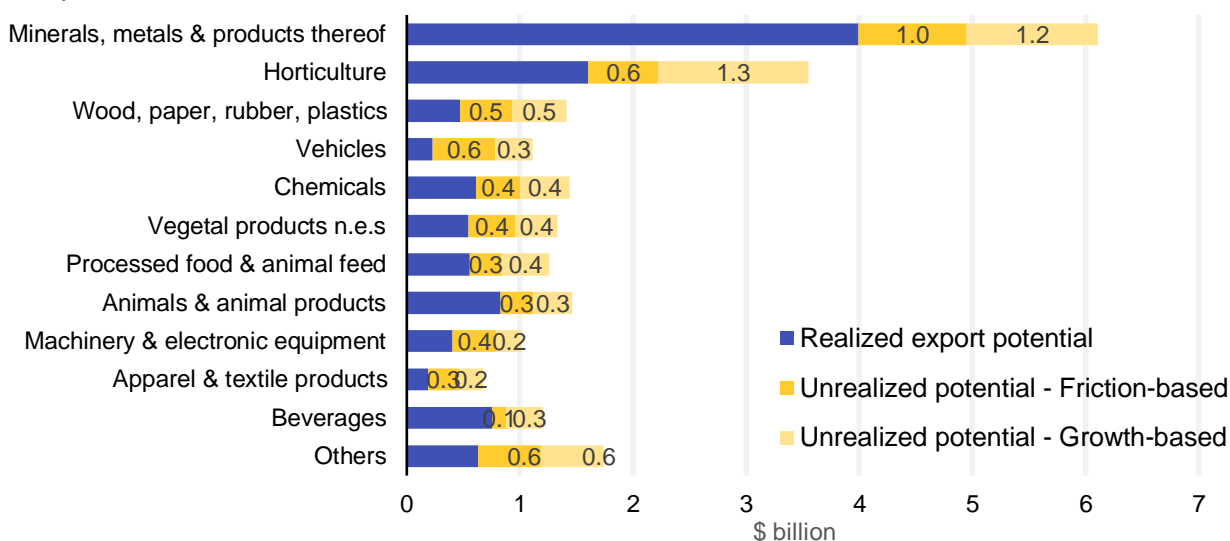
It is important to keep in mind however, that the potential for growth in the remaining sectors, marked as 'Others', is nevertheless large—together reflecting trade opportunities worth \$3.7 billion.

Figure 12: Trade potential between the Arab states and Africa, by sector

a. Exports from the Arab states to Africa



b. Exports from Africa to the Arab states



Note: To avoid any duplication of data, the export potential from Arab African countries to other Arab African countries is included only in Figure 12a, not also in Figure 12b. 'Others' includes the remaining sectors, that have less than 10% of the total unrealized export potential.

Source: Export Potential Map (2023).

Note that for some sectors, existing frictions generate a larger part of the untapped potential than growth expectations do. That is the case for instance for machinery and electronic equipment, where rules and certificates of origin often prove to be an important barrier to trade. For other sectors, in particular wood, paper, rubber and plastics and horticulture, the opposite holds—their unrealized export potential is driven by expectations of growth rather than existing frictions.

As discussed earlier, this distinction is critical as different sources of untapped potential call for different actions to realize it. To unleash static untapped potential, it is crucial to identify and address frictions, which generally requires sector expertise and dialogue with exporters. Opportunities arising from the growth-based unrealized export potential can be captured by increasing investments or production targeted to match the expected growth trends.

Regulations and trade procedures pose significant challenges for Arab and African exporters

Frictions that hinder trade and are ultimately the cause of static (*friction-based*) untapped export potential can take a number of shapes and forms, from difficulties in finding buyers, to mismatches between product features and consumer tastes and insufficient information on markets and opportunities, among others. Many of these hurdles relate to non-tariff measures (NTMs), and the procedures associated with complying with them.

NTMs refer to policies, other than customs tariffs, that can have an impact on international trade—possibly affecting the price of traded products, the quantity traded, or both.

Given the complex and wide-ranging nature of NTMs, it is crucial to have a comprehensive and global classification system that catalogues the various trade regulations. ITC uses an NTM Survey classification system, based on the International Classification of NTMs, with some adaptations to suit a business survey approach. The International Classification of NTMs includes technical measures, such as sanitary or environmental protection measures, and others used as commercial policy instruments, like quotas, price controls, export restrictions, or contingent trade protective measures. It also covers behind-the-border measures, including competition, trade-related investment measures, government procurement, and

distribution restrictions. The classification system does not evaluate the legitimacy, adequacy, or necessity of the measures; rather, it aims to enhance information on potential trade frictions.¹¹

Evidence from the ITC Business Surveys on NTMs collected in nine Arab states and 17 countries in Africa suggests that regulatory and procedural obstacles can hinder trade between the Arab states and Africa.¹²

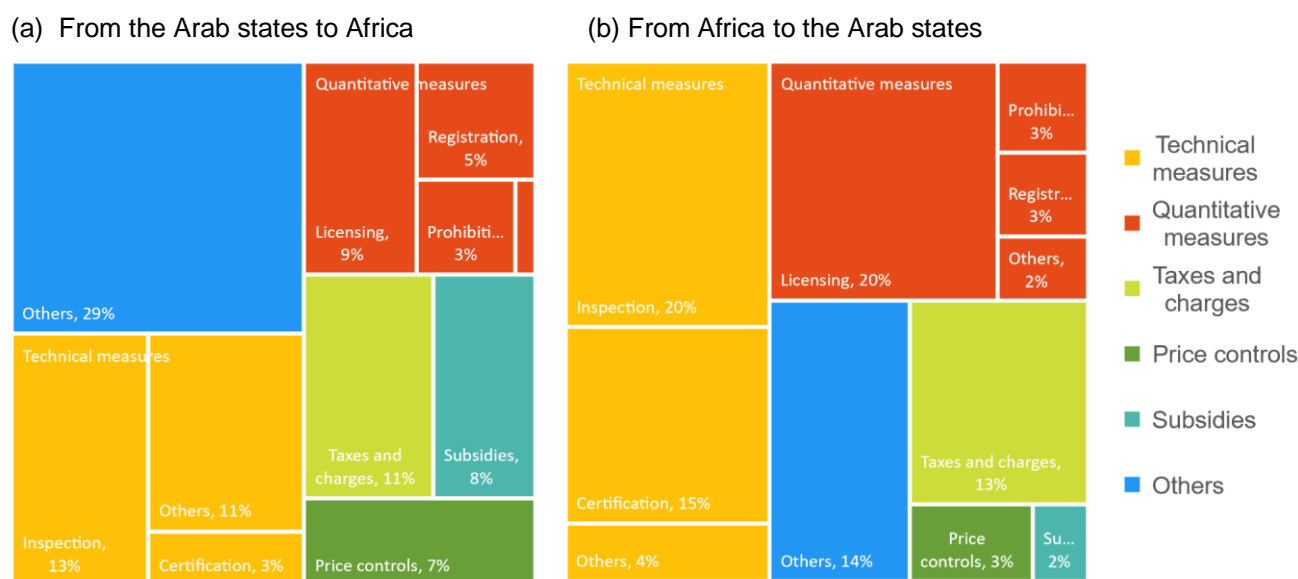
Over 95% of the exporting companies interviewed from Arab states reported experiencing restrictive regulations or procedural obstacles when exporting to Africa. The same is the case for almost 90% of interviewed African companies exporting to the Arab states.¹³

Restrictive regulations at home and abroad limit exports from Arab states to Africa

Exporters may face restrictive measures both domestically and in their partner country. In the case of Arab exports to Africa, the most frequent specific complaints around domestic regulations refer to technical measures, among them export inspections, but also quantitative measures, such as licensing and registration, and export taxes and charges (Figure 13a). Testimonies also indicate other export-related measures that make the process tedious and complicated, such as difficulties in receiving clearance certificates, frequent changes to rules and regulations, and lack of information about customs procedures.

For African exports, technical measures represent close to 40% of the difficulties imposed domestically when exporting to the Arab states—most of which refers to obstacles related to inspection and certification (Figure 13b). Difficulties connected to licensing also play a large role, as do taxes and charges.

Figure 13: Domestic NTMs faced by Arab and African exporters



Source: ITC Business Surveys (2010-2022).

Regarding NTMs applied by partner countries, for both Arab exporters to Africa and African exporters to Arab states well over half of the restrictive measures imposed by the partner relate to the rules of origin, and the procedures to obtain the certificates of origin and conformity assessments (Figure 14 a and b). For Arab

¹¹ For more information about the NTM classifications followed in the ITC NTM Business Survey, please visit: <https://ntmsurvey.intracen.org>

¹² The countries surveyed in these regions are Bahrain, Benin, Burkina Faso, Comoros, Cote d'Ivoire, Egypt, Ethiopia, Ghana, Guinea, Jordan, Kenya, Madagascar, Malawi, Mali, Mauritius, Morocco, Niger, Oman, the State of Palestine, Rwanda, Senegal, Seychelles, Sudan, Tunisia, Uganda, Tanzania. The surveys took place between 2010 and 2022.

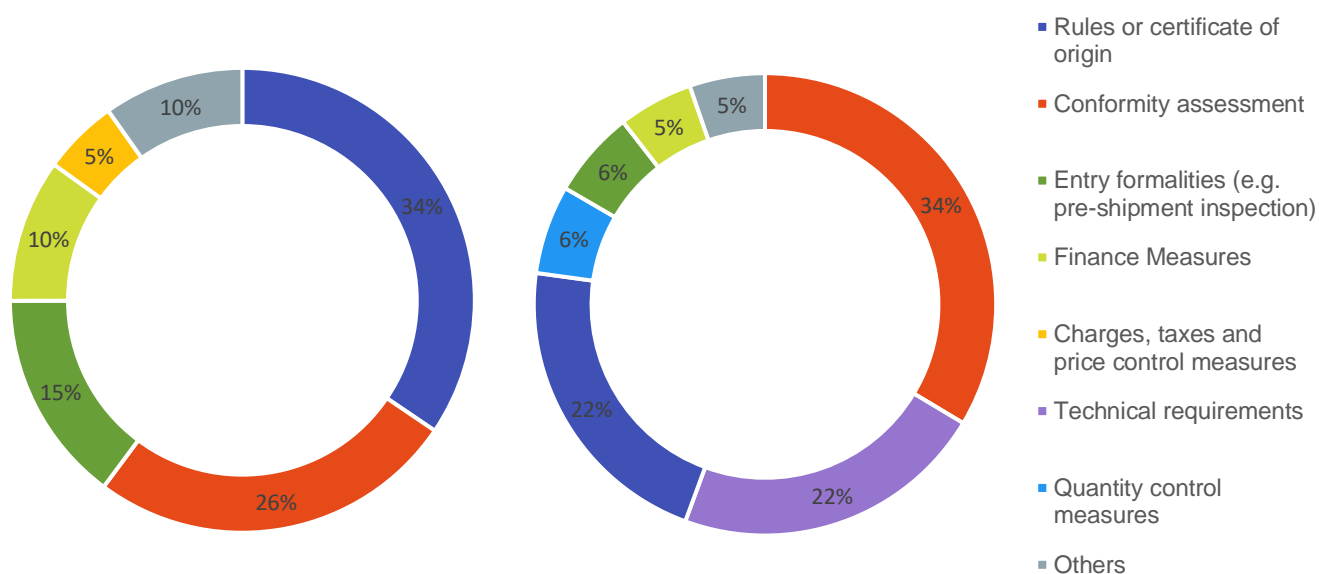
¹³ Results refer to difficulties faced when exporting in the key sectors: (i) wood, paper, rubber and plastics; (ii) minerals, metals, and products thereof; (iii) machinery and electronic equipment; (iv) chemicals; (v) vehicles; and (vi) vegetal products, (vi) horticulture and (vii) processed food and animal feed.

exports to Africa, entry formalities, in particular pre-shipment inspections, are also often considered burdensome. In turn, African exporters to Arab states struggle to meet technical requirements, such as quality and performance requirements and labelling regulation.

Figure 14: Partners NTMs faced by Arab and African exporters

(a) From the Arab states to Africa

(b) From Africa to the Arab states



Source: ITC Business Surveys (2010-2022).

Procedural obstacles also present difficulties for Arab exporters

To provide a richer picture of the problems companies face when exporting, the ITC NTM Business Surveys go beyond regulations and also consider procedural obstacles (PO), which are practical challenges directly related to the implementation of NTMs. For instance, POs include problems caused by the lack of adequate testing facilities to proof compliance with technical measures or excessive paperwork in the administration of licences.

For Arab exporters, the most frequently reported domestic POs are information or transparency issues and time constraints, with 22% and 25% of all reported POs, respectively. The information issues are caused by frequent changes to regulations or a lack of notice of such. The time constraints are mostly associated to delays related to regulations. These findings emphasize the need for effective notification systems that inform exporters of any changes in regulations.

Other significant POs Arab exporters encounter in the domestic market are discriminatory behaviour of officials with regards to regulation (16%), informal or high payments (16%), and administrative hurdles, such as excessive or redundant paperwork (14%).

For African firms exporting to Arab countries, the main POs are time constraints (35%), informal or high payments (22%) and administrative hurdles (18%). These difficulties stem from delays related to reported regulations, the multiple and sometimes redundant documents required, and the number of organizations involved.

Critically revising cumbersome regulation and procedures for export and import processes, coordinating with partners to harmonize them and providing exporters with support to comply with them is the key to overcome NTM-related trade frictions and realize the static part of the untapped export potential.

Expected changes in demand drive opportunities for trade between the Arab states and Africa

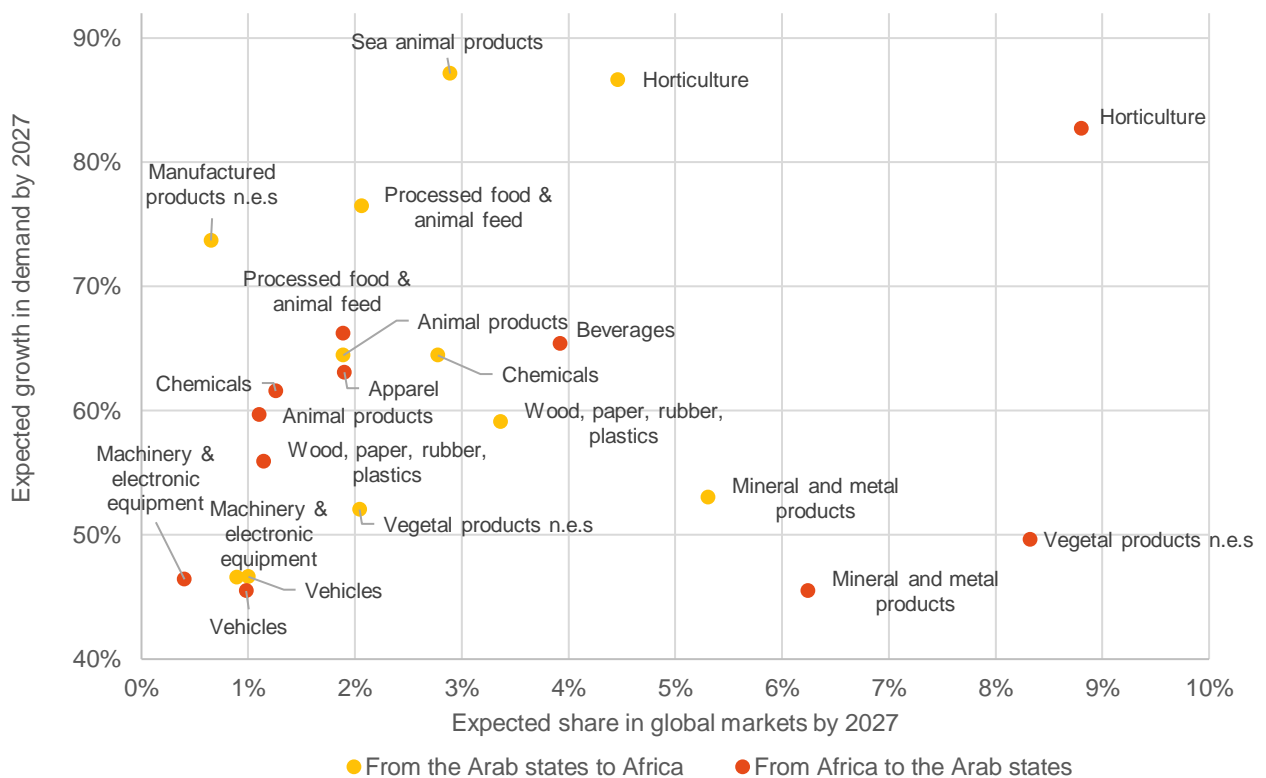
As discussed earlier, the export potential methodology takes stock not only of historical patterns of trade and existing tariff conditions, but also of market shares and growth prospects for exporters, their competitors and markets, with a three- to four-year horizon. The opportunities for additional exports that spur from expected growth in supply, demand and other projected changes are captured by the dynamic (*growth-based*) untapped export potential.

In this context, Figure 15 reflects some of the drivers of the growth-based unrealized export potential identified for key sectors in Figure 12. It maps the projected share in global markets held by the exporter (x-axis) and the projected change in the total demand of the importer (y-axis), both by 2027.

For example, the total import demand of African countries for chemicals is projected to increase by 64% by 2027, and the import demand of Arab states for horticulture by over 80%. In such cases, the expected improvements in demand drive the opportunities for export growth identified in these sectors.

In order materialize the dynamic untapped export potential, i.e., to cater to the increasing demand in the selected markets without reducing exports to other destinations, targeted investment in productive capacities in dynamic sectors is key.

Figure 15: Projected changes in the demand of the Arab states and Africa by 2027, by sector



Source: Export Potential Map (2023).

SECTION 4: ZOOMING IN ON OPPORTUNITIES FOR EXPORT GROWTH

This section examines in detail the export potential outcomes of key sectors that represent a large share of the untapped trade potential between the Arab states and Africa. For each of the selected sectors, the unrealized export potential is explored in terms of exporters, markets, and products, considering opportunities for Arab exports to Africa and vice versa.

The sectors are selected based on the untapped potential of each region, as presented in Figure 12a and b. For each region, the largest sectors that accumulate 70% of the untapped export potential are analysed. The sectors selected are (i) wood, paper, rubber and plastics, (ii) mineral and metal products, (iii) chemicals, (iv) vehicles, (v) vegetal products, (vi) only for exports from Arab states to Africa, machinery and electronic equipment, and only for exports from Africa to Arab states (vii) horticulture and (viii) processed food and animal feed.¹⁴

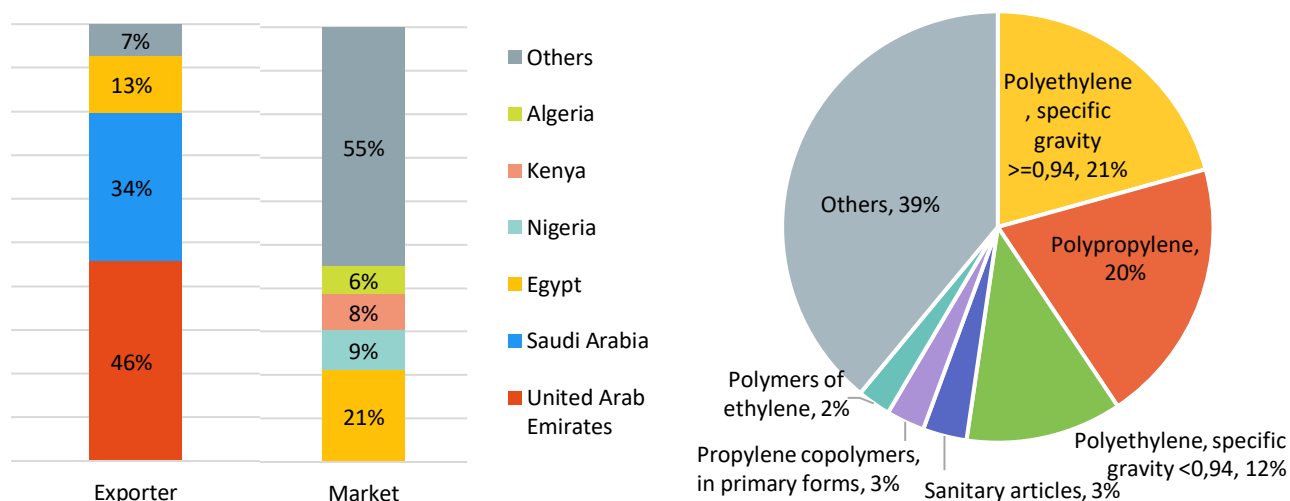
As noted in the previous section, to avoid the duplication of findings, any export potential originating in Arab African countries and destined to other Arab African countries, such as exports from Egypt to Algeria, is only counted as trade from Arab states to Africa and not in the opposite direction.

Wood, paper, rubber, and plastics

From Arab states to Africa

Arab states have a potential of \$10 billion for the export of products of the wood, paper, rubber, and plastics sector to Africa, of which \$4.7 billion remains unrealized (Figure 12).

Figure 16: Wood, paper, rubber & plastics: unrealized export potential to Africa, by exporter, market & product



Note: 'Others' comprises all exporters or markets with less than a 5% share in the total unrealized export potential in the respective markets.

Source: ITC Export Potential Map (2023).

¹⁴ For most individual countries in each region, the sectors selected comprise more than 50% of their untapped potential. The exceptions, with more than 50% of unrealized export potential in the sectors not selected, include Burundi (92%), Comoros (81%), Djibouti (63%), Guinea (51%), Lesotho (100%), Mauritania (100%), Mauritius (72%), Namibia (68%), the State of Palestine (78%), Rwanda (59%), Seychelles (98%), Sierra Leone (91%), Somalia (96%), Sudan (72%), and the Syrian Arab Republic (86%).

The leading Arab states' exporters with the largest unrealized export potential to Africa are the United Arab Emirates (46%) and Saudi Arabia (34%), which are also the top producers of rubber and plastics amongst Arab states. Egypt holds large opportunities both as an exporter (13%) and as a market (21%). Other markets with significant unrealized export potential include Nigeria (9%), Kenya (8%), and Algeria (6%).

Polyethylene and polypropylene exports to Africa remain largely untapped

More than half of the sector's export opportunities to Africa are concentrated in the petrochemical products polyethylene and polypropylene (Figure 16). The results are not surprising, as the manufacturing process of these products relies heavily on natural gas, for which Arab states have a production advantage due to the abundant reserves of this resource.

Identifying and addressing frictions could capture almost one-third of the unrealized export potential (\$1.7 billion), whereas the other two-thirds are driven by the expected growth in demand (\$3 billion). The global demand for polyethylene and polypropylene products has been on the rise, driven by the growth of the electronics and automotive industries and the need for effective and lightweight plastic packaging solutions, particularly in the healthcare and food sectors.¹⁵

Increasing investments in the production of petrochemicals to cater to the expected growing demand and identifying and addressing existing market frictions are crucial to tapping into export opportunities in Africa. Saudi Arabia, one of the leading exporters in the sector, has already recognized petrochemicals as a priority sector in its national development plan—the Vision 2030 strategy. This strategy aims to diversify the economy, diminish dependence on hydrocarbon revenue, and boost the production of value-added products.

Investing in research and development of the sector and discussing with sector experts more sustainable ways to produce, use, and dispose the petrochemical products would be advisable. Notably, polypropylene products are a more sustainable choice than polyethylene products due to their relatively lower carbon footprint during production and a considerably faster degradation process—which typically takes around 20 to 30 years for polypropylene and over 500 years for polyethylene products.¹⁶

Since petrochemicals is a capital-intensive sector, some countries of the Gulf Cooperation Council (GCC) countries have recently emphasized the need to extend the value chain to more complex petrochemical products and the manufacturing of finished products in industrial parks—to create jobs and attract private sector and foreign direct investments.¹⁷

From Africa to Arab states

Africa has a potential of \$1.4 billion for the exports of products of the wood, paper, rubber, and plastics sector to Arab states, of which \$943 million remains unrealized (Figure 12).

The leading African exporters with the largest unrealized export potential to Arab states are Egypt and South Africa—holding 68% and 10% of the total unrealized export potential. Among the Arab states, the United Arab Emirates (38% of the unrealized export potential), Saudi Arabia (17%), Yemen (8%), Iraq (8%), Jordan (6%), and Kuwait (6%) are promising markets.

Sanitary articles and several other products offer export opportunities in Arab markets

In the wood, rubber, paper and plastics sector, Africa's export growth potential to the Arab states is distributed across a wider range of products than the Arab states' potential to Africa. led by sanitary articles (16%), preparations and charges for fire extinguishers (7%), polyethylene terephthalate (7%), sawn or chipped wood (5%), paper for household or sanitary purposes (5%), and non-cellular ethylene polymers (4%).

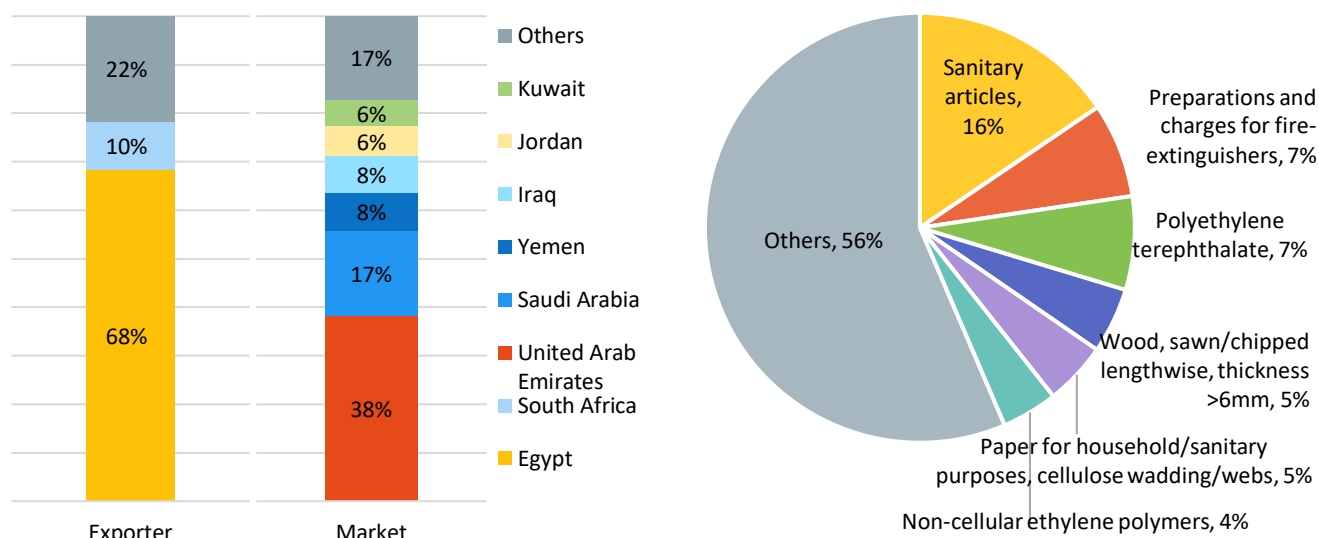
¹⁵ While the polyethylene products with a higher specific gravity (≥ 0.94) is used in applications requiring strength and resistance to impact and chemicals, such as water, gas, and sewage system pipes, the polyethylene with a lower specific gravity (< 0.94) is used in packaging films, plastic bags, and squeeze bottles, among others.

¹⁶ Sophie Comminos (2021).

¹⁷ Fattouh and Sen (2021).

Identifying and addressing frictions could capture export opportunities corresponding to almost half of the unrealized export potential (\$458 million). The other half, equivalent to \$484 million, is driven by the expected growth in demand. Growing health and hygiene awareness among consumers and increasing government hygiene and sanitation programmes boost the demand for sanitary articles—the product with the most unrealized export potential to Arab states. Rising standards of living in the Arab states have also made these products more affordable.

Figure 17: Wood, paper, rubber & plastics: unrealized export potential to Arab states, by exporter, market & product



Note: 'Others' comprises all exporters or markets with less than a 5% share in the total unrealized export potential in the respective markets.

Source: ITC Export Potential Map (2023).

Further, polyethylene terephthalate (PET) is used for packaging carbonated soft drinks, fruit juices, dilutable drinks and bottled water. PET has given access to safe drinking water to billions of people. The light, durable and safe material is the most recyclable plastic in the world, thereby reducing waste. It also has a lower carbon footprint than alternatives as it uses less energy during manufacturing.¹⁸

Additional to the shift in consumer preferences towards sustainable packaging materials, the growing demand for PET in Arab states can be attributed to increasing urbanization (which led to an increase in demand for packaged food and beverages) and economic growth (which increased the purchasing power).

Egypt, the African exporter with the largest unrealized export potential to Arab states, benefits from the resource abundance of crude oil and natural gas, which produce the starting products of PET—ethylene glycol and terephthalate compounds. Additional to this production advantage, manufacturing in Egypt incurs low logistics costs and provides easy access to the fast-growing Middle Eastern markets.¹⁹ The government of Egypt commits to supporting the growth of the PET industry by investing in infrastructure and technology and is actively working to create a favourable business environment for PET producers. Some initiatives include the establishment of the Egyptian Petrochemicals Holding Company (ECHEM), which targets optimal utilization of natural gas in value-added products, the establishment of the Egyptian Ethylene and Derivatives Company (ETHYDCO) which is a joint venture between the Egyptian government and private investors, and support by the Egyptian Industrial Development Authority.

¹⁸ Recycletheone (2023).

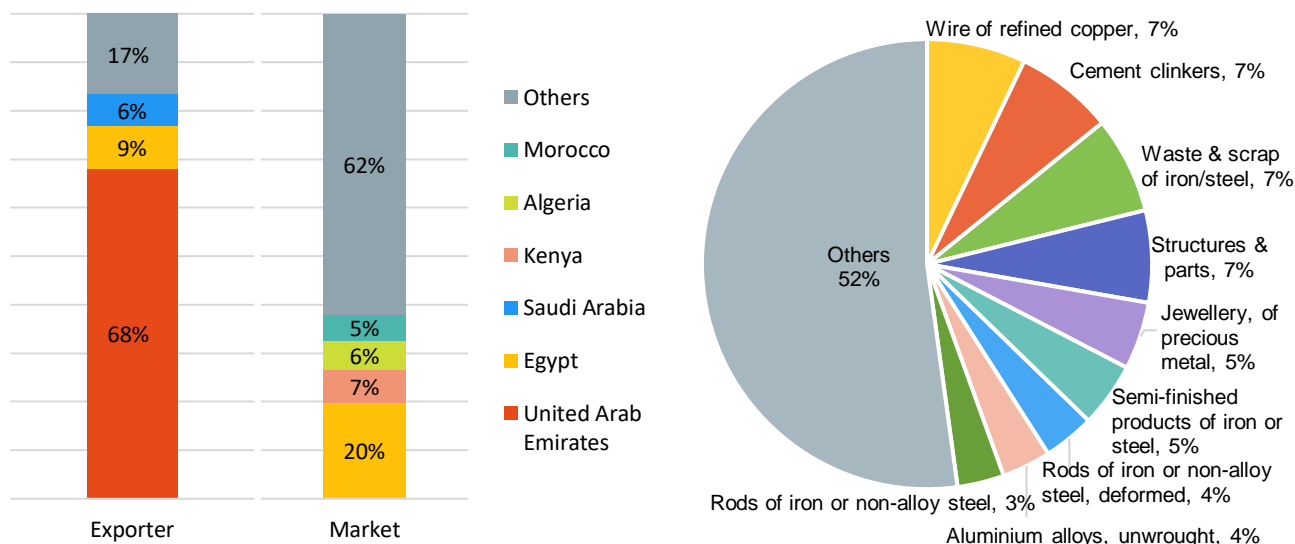
¹⁹ IFC (2023).

Minerals, metals, and products thereof

From Arab states to Africa

Arab states have a potential of \$7.2 billion to export minerals, metals, and products thereof to Africa, of which \$4.3 billion or roughly 60% remains unrealized (Figure 12).

Figure 18: Mineral and metal products: unrealized export potential to Africa, by exporter, market, & product



Note: 'Others' comprises all exporters or markets with less than a 5% share in the total unrealized export potential in the respective markets.

Source: ITC Export Potential Map (2023).

The United Arab Emirates accounts for more than two-thirds of Arab states' unrealized export potential to Africa (Figure 18). This is not surprising given that the United Arab Emirates is a leading global exporter of several products in this sector, such as wires of refined copper, cement clinkers, and unwrought aluminium alloys. Egypt (9%) and Saudi Arabia (6%) also hold significant shares in unrealized export potential.

In terms of African markets for minerals and metals, Egypt offers the most unrealized export potential (20% of the total), followed by Kenya (7%), Algeria (6%), Morocco (5%), and several others.

Several mineral and metal products offer exporting opportunities in Africa

The unrealized export potential is distributed across several products—led by wire of refined copper, cement clinkers, iron or steel scraps, and structures & parts (7% of the total unrealized export potential, each). Other important products are precious metals' jewellery and semi-finished iron or steel products (5% each), deformed iron or non-alloy steel rods and unwrought aluminium alloys (4% each), and iron or non-alloy steel rods (3%).

The mineral and metal products in which an Arab state holds unrealized opportunities vary—for instance, half of Egypt's unrealized export potential lies in monumental or building stone, flat-rolled products of iron or non-alloy steel, and wire of refined copper, whereas half of Saudi Arabia's unrealized export potential corresponds to seven products: oil or gas casting & tubing, cement clinkers, structures & parts, aluminium casks, semi-finished products of iron or steel, oil or gas line pipe, and plates of aluminium alloys.

In general, identifying and addressing frictions could capture more than half of the unrealized export potential (\$2.3 billion), whereas the remainder is driven by the expected growth in demand (\$2 billion). Africa's expanding construction sector gives rise to additional demand for cement clinkers and the striving transport sector boosts the for unwrought aluminium alloys, used in the automotive industry.

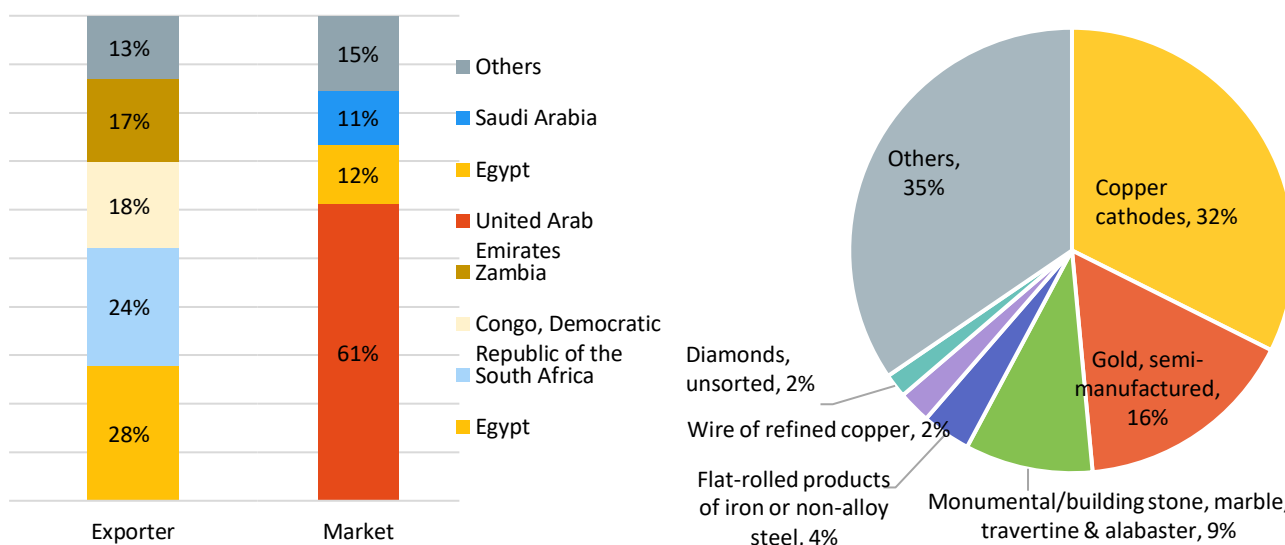
With the world shifting towards digitalization, renewable resources and decarbonization, demand for copper is also on the rise. Copper wires are used for example for technological infrastructure, such as computers,

mobile phones, networks, and other components.²⁰ Renewable energy sources are more metal-intensive than fossil fuels. For instance, solar energy requires double the amount of copper per megawatt compared to electricity generated via natural gas or coal, and offshore wind requires five times as much. The transition to renewable energy also requires expanding electricity networks, doubling the copper used in grid lines by 2040. Finally, electric vehicles rely heavily on copper wire. Additional to its advantages as an electrical conductor, copper is widely used in medical devices due to its antibacterial properties.²¹

From Africa to Arab states

Africa has a potential of \$6.1 billion for the export of minerals, metals, and products thereof to Arab states—the largest of Africa’s sectors for trade with Arab states—of which \$2.1 billion remains unrealized (Figure 12).

Figure 19: Mineral and metal products: unrealized export potential to Arab states, by exporter and market



Note: ‘Others’ comprises all exporters or markets with less than a 5% share in the total unrealized export potential in the respective markets.

Source: ITC Export Potential Map (2023).

Many African countries have unrealized export potential to the Arab states, including Egypt (28%), South Africa (24%), the Democratic Republic of the Congo (18%), and Zambia (17%). The United Arab Emirates is the most important market, comprising 61% of the unrealized export potential, followed by Egypt (12%) and Saudi Arabia (11%).

Copper cathodes and gold for non-monetary purposes remain largely untapped

Identifying and addressing frictions could capture almost half of the unrealized export potential (\$954 million), whereas the remainder is driven by the expected growth in demand (\$1.2 billion). Copper cathodes account for 32% of the unrealized export potential from Africa to Arab states, followed by gold for non-monetary purposes (16%) and monumental or building stone (9%).

The mineral and metal products in which an African country holds unrealized opportunities vary significantly—for instance, half of Egypt’s unrealized export potential lies in monumental or building stone, flat-rolled products of iron or non-alloy steel, and wire of refined copper, whereas 70% of the unrealized export potential of South Africa corresponds to gold for non-monetary purposes and jewellery of precious

²⁰ Acuity Knowledge Partners (2022).

²¹ Ross (2022).

metals. For the Democratic Republic of Congo and Zambia, 95% and 81% of the unrealized export potential respectively, is in copper cathodes.

As noted, the global demand for copper is expected to rise, and copper plays an essential role in sustainable development. Copper cathodes are the primary input for the production of copper rods for the cable and wire industry—hence important for the copper value chain.

Invest Saudi (2018) estimates the demand for downstream copper products in the GCC countries to cross 900 kilotonnes per annum by 2027.²² As the United Arab Emirates—the Arab state with the largest unrealized export potential as a market—continues to diversify its economy, the demand for copper cathodes is on the rise induced by rapid industrialization, construction, and infrastructure development. Accordingly, the United Arab Emirates' copper cathode imports from large African suppliers, such as the Democratic Republic of Congo, Zambia, and South Africa have increased in recent years (Trade Map, 2023).

Machinery and electronics equipment

From Arab states to Africa

Arab states have a potential of \$6.4 billion for the export of products of the machinery and electronic equipment sector to Africa, of which \$3.2 billion remains unrealized (Figure 12).

The United Arab Emirates, as the Arab world's lead manufacturing exporter, absorbs almost three-quarters of the region's unrealized export potential to Africa.

Tunisia and Egypt also hold substantial potential for exporting machinery and electronic equipment to Africa (8% and 6%, respectively). The labour-intensive sector plays a vital role in job creation, as noticeable in Tunisia, where machinery and electronics production employed over 95 thousand people in 2018—representing almost one-fifth of all industrial jobs. In 2018 alone, the sector created over 15 thousand jobs and was the second largest employer after the clothes and textiles' sector.²³

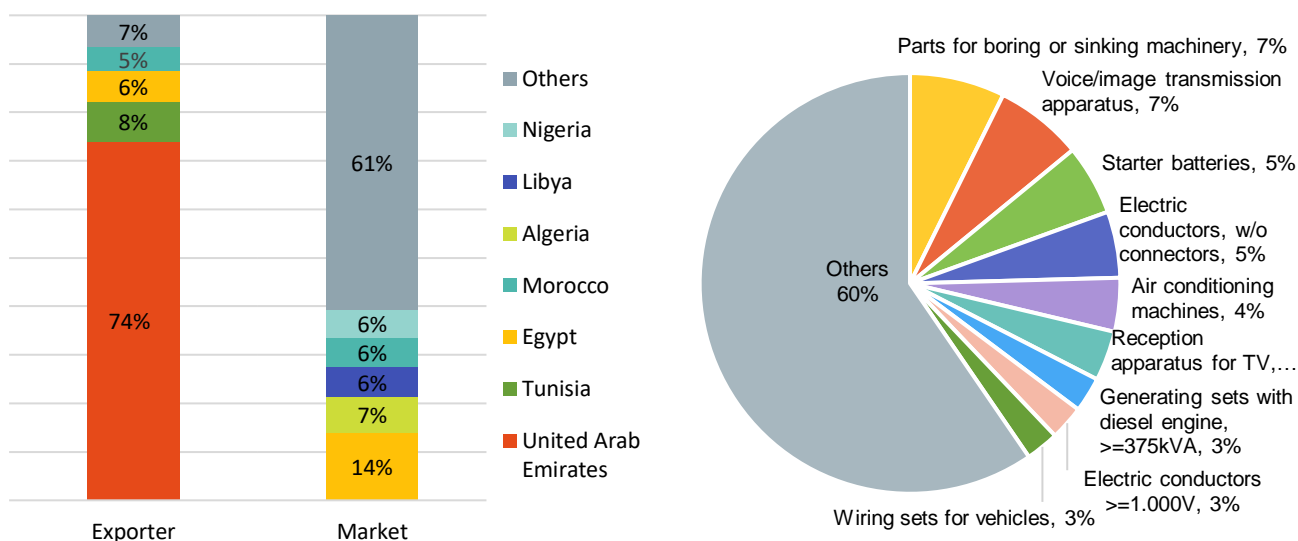
The sector has already been identified as an export priority in the national development plans of some Arab states such as Egypt. Egypt prioritizes developing electronics and electronic equipment, marked by the launch of the 'Egypt Makes Electronics' initiative in 2015, aiming to provide jobs for researchers, engineers, skilled technicians, and workers. More specifically, the initiative focuses on adding high value to the design and production of electronic circuits and systems, backed with high-tech support, and creating a labour-intensive electronics manufacturing sector. However, the industry faces several hurdles, such as material shortages and red tape—which are crucial to address in order to fully tap into the export potential. For instance, new rules imposed in early 2022 requiring importers to use letters of credit to pay for imported production goods led to a shortage of inputs.²⁴

²² Invest Saudi.

²³ Oxford Business Group (2019).

²⁴ Enterprise (2022).

Figure 20: Machinery and electronic equipment: unrealized export potential to Africa, by exporter, market, & product



Note: 'Others' comprises all exporters or markets with less than a 5% share in the total unrealized export potential in the respective markets.

Source: ITC Export Potential Map (2023).

Lastly, Morocco also has unrealized export potential to the Africa (5%)—reflected in the remarkable rise of electronic equipment production in the country.²⁵

Among the markets with the largest unrealized export potential, Egypt (14%), Algeria (7%), and Libya, Morocco, and Nigeria (5% each) offer most opportunities in Africa.

Several machinery and electronic products offer exporting opportunities in Africa

Identifying and addressing frictions could capture more than half of the unrealized export potential (\$1.8 billion), whereas the remainder is driven by expected growth in demand (\$1.4 billion).

The unrealized export potential is well-distributed across several products: sinking machinery parts and voice or image transmission apparatus (7%), starter batteries and electronic conductors without connectors (5% each), and air conditioning machines and TV reception apparatus (4% each). Many of these products are key inputs to African industries, for example wiring sets for vehicles, and starter batteries. Others reflect the rising living standards and associated consumption of durable goods in African markets (TV, air conditioning, etc.).

From Africa to Arab states

Africa has a potential of \$1 billion for exports of machinery and electronic equipment sector to Arab states, of which \$614 million remains unrealized (Figure 12). Identifying and addressing frictions could capture more than half of the unrealized export potential (\$395 million), whereas the rest is derived from expected growth in demand (\$218 billion). As explained above, results are discussed in detail only for the largest sectors.

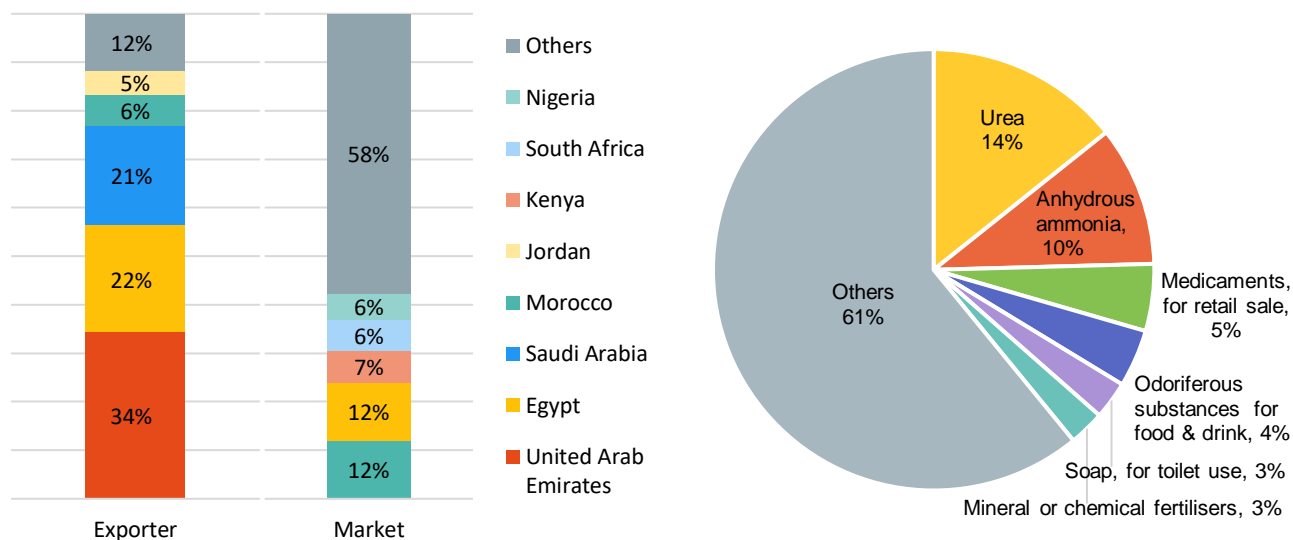
²⁵ Morocco World News (2017).

Chemicals

From Arab states to Africa

Arab states have a potential of \$6.2 billion to export chemicals to Africa, of which \$3.3 billion remains unrealized (Figure 12).

Figure 21: Chemicals: unrealized export potential to Africa, by exporter, market, & product



Note: 'Others' comprises all exporters or markets with less than a 5% share in the total unrealized export potential in the respective markets.

Source: ITC Export Potential Map (2023).

The unrealized export potential is spread across several Arab states, including the United Arab Emirates (34%), Egypt (22%), Saudi Arabia (21%), Morocco (6%), and Jordan (5%). Morocco and Egypt hold significant opportunities as markets (12% each%). Other markets with significant unrealized export potential include Kenya (7%), South Africa (6%), and Nigeria (6%).

Overall, Arab states are performing well in terms of the production of chemicals, which is expected to double for several states by 2040 due to cost advantages related to the competitively priced petroleum feedstock and investments in efficient production facilities.²⁶ While Saudi Arabia has already identified chemicals as a priority sector in its Vision 2030 national development plan and aims to double the production and exports, Egypt targets an export value of at least \$10 billion for chemicals by 2025 (with an annual growth rate up to 20%).^{27,28} On the way forward, investments in infrastructure and technology would be key.

Urea and anhydrous ammonia exports to Africa remain largely untapped

Identifying and addressing frictions could capture almost half of the unrealized export potential (\$1.6 billion), whereas the other half is driven by the expected growth in demand (\$1.7 billion).

Export opportunities to Africa are concentrated in the fertilizers urea and anhydrous ammonia, accounting for 14% and 10% of the unrealized export potential, respectively (Figure 21). The results are not surprising, as the manufacturing process of these products relies heavily on natural gas, for which Arab states have a production advantage due to the abundant reserves of this resource. Other key products include

²⁶ Fattouh and Sen (2021).

²⁷ Arab News (2022).

²⁸ Maersk (2023).

medicaments for retail sale (5%), odoriferous substances for food and drink (4%), soap (3%), and mineral or chemical fertilisers (3%).

Urea is a nitrogen-rich fertilizer used in agriculture to improve crop yield, and its global demand is expected to rise as organic fertilizers gain popularity. Reports suggest that it is the most commonly used fertilizer in Sub-Saharan Africa, with an annual consumption of 3 million tonnes—accounting for more than 40 percent of the total fertilizer consumption.²⁹

Notably, the African continent is currently witnessing severe food insecurity and malnourishment, with crop production severely below average levels. Urgently scaling up agricultural productivity is on the governments' agenda, and fertilizers play a key role in achieving that objective as an essential component for enriching the soil with the necessary nutrients for healthy crops.³⁰

Unlocking the export potential of urea in the African continent would simultaneously address the issue of food security. Access to fertilizers is a major obstacle in the African context, as in many developing countries—worsening the issue of food security. Moreover, concerns around fertilizer affordability and availability have been amplified by the conflict in Ukraine—with fertilizer prices rising by nearly 30% in the first five months of 2022. Soaring prices are driven by surging input costs and supply chain disruptions caused by sanctions on Belarus and Russia (key global exporters of urea and other fertilizers). Urea prices remained at historically high levels, induced by the spike in prices of natural gas and coal.³¹ Making matters worse, the cost of transportation in Africa adds to the high fertilizer prices.³²

It is important to note that the production process of urea could be more sustainable as it contributes to a large amount of greenhouse gas emissions. Thus, the need to develop an eco-friendly synthesis for urea has been recognised worldwide, requiring research and development investment.

From Africa to Arab states

Africa has a potential of \$1.4 billion for the exports of chemicals to Arab states, of which \$826 million remains unrealized (Figure 12). Identifying and addressing frictions could capture almost half of the unrealized export potential (\$394 million), whereas the other half is driven by the expected growth in demand (\$433 million).

Among the African exporters, Egypt—which is a promising chemical hub, as previously discussed—comprises the largest unrealized export potential to the Arab states (52%), followed by South Africa (19%), Guinea (7%), and Kenya (6%). The abundance of coal in South Africa has fostered the petrochemicals sector, built on coal gasification. The growth of the industry in South Africa is expected to stem from innovation and operational efficiency improvements and the demand by end-user industries such as paints and coatings, automotive, mining, and construction.³³ However, sustainably expanding the chemicals industry comes with the challenge of modernising the chemical waste management systems.

On the demand side, the United Arab Emirates (42%) and Saudi Arabia (21%) are key markets for several chemicals, followed by Jordan and Iraq (6% each).

²⁹ Gro Intelligence (2016).

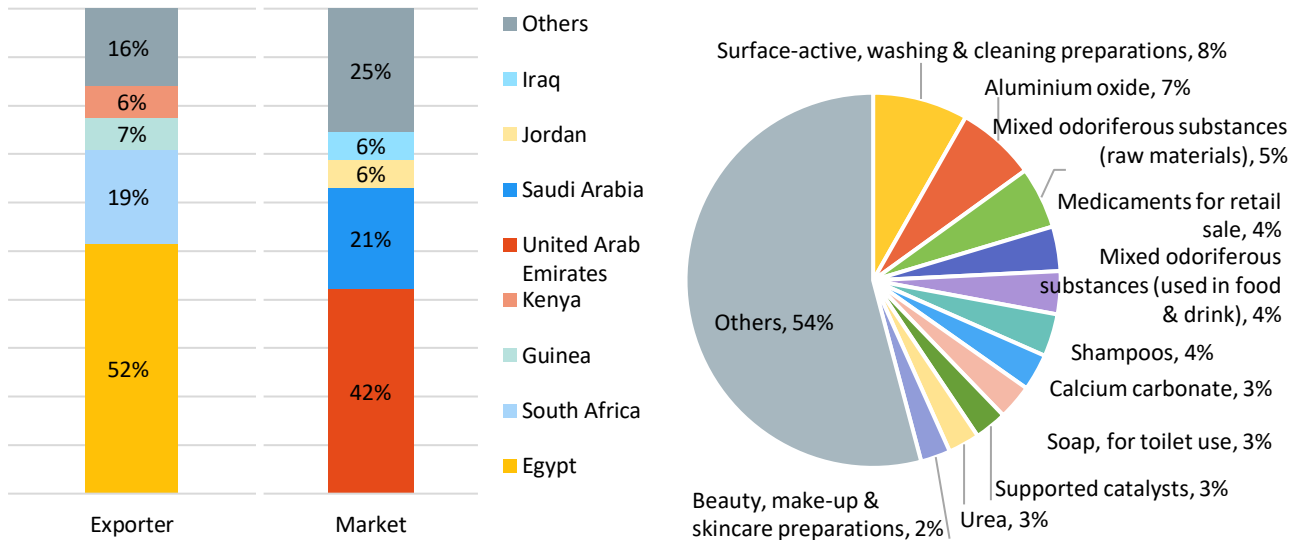
³⁰ Farmers Review Africa (2022).

³¹ World Bank Blogs (2022a).

³² World Bank Blogs (2022b).

³³ Aiche (2015).

Figure 22: Chemicals: unrealized export potential to Arab States, by exporter, market, & product



Note: 'Others' comprises all exporters or markets with less than a 5% share in the total unrealized export potential in the respective markets.

Source: ITC Export Potential Map (2023).

Several chemical products offer exporting opportunities to Arab states

The unrealized export potential is distributed across several chemical products: surface-active, washing, & cleaning preparations (8%), aluminium oxide (7%), mixtures of odoriferous substances used as raw materials (7%) and in food and drinks (5%), medicaments for retail sale (4%), and other beauty products such as shampoos, soaps, make-up and skincare products.

The chemicals products in which an African country holds unrealized opportunities vary significantly—for instance, Egypt in urea, mixtures of odoriferous substances used in food & drink, and surface-active, washing, auxiliary washing & cleaning preparations (almost 50%), South Africa in supported catalysts with precious metals as active substances, hydrocarbons, soaps in flakes, medicaments for retail sale, and diagnostic or laboratory reagents & certified reference materials (almost 40% of the total unrealized export potential), Guinea in aluminium oxide entirely, and Kenya in medicaments for retail sale, disodium carbonate, and soap & organic surface-active products (more than 50%).

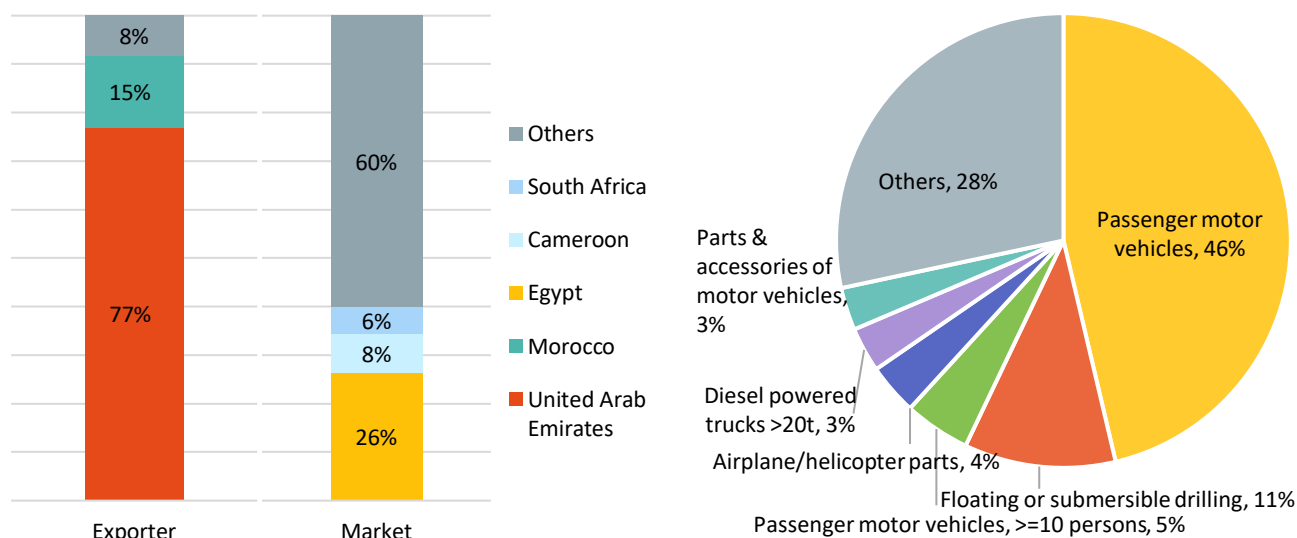
Vehicles

From Arab states to Africa

Arab states have a potential of \$3 billion for the exports of vehicles to Africa, of which \$1.4 billion remains unrealized (Figure 12).

The leading Arab exporters with the largest unrealized export potential to Africa are the United Arab Emirates (77%) and Morocco (15%). Egypt (26%), Cameroon (8%), and South Africa (6%) are key African markets (Figure 17). According to the Financial Times, Morocco has the world's fastest-growing automotive industry due to its proximity to Europe, one of the world's largest consumer markets. The country also tops the charts in Africa for passenger car manufacturing—a product with promising export potential, as discussed below.

Figure 23: Vehicles: unrealized export potential to Africa, by exporter, market, & product



Note: 'Others' comprises all exporters or markets with less than a 5% share in the total unrealized export potential in the respective markets.

Source: ITC Export Potential Map (2023).

Passenger motor vehicle exports remain largely untapped in African market

Identifying and addressing frictions could capture more than half of the unrealized export potential (\$769 million) with the remainder being driven by the expected growth in demand (\$664 million).

Passenger motor vehicles have the largest unrealized export potential to Africa (46% of the total unrealized export potential), followed by floating or submersible drilling products (11%), passenger motor vehicles with more than ten persons (5%), airplane or helicopter parts (4%), diesel-powered trucks and turbojets (3%), and parts of motor vehicles (3%).³⁴

The demand is expected to rise for floating or submersible drilling products, which are increasingly used in several African countries for offshore oil and gas exploration. While South Africa has started new drilling operations³⁵, reports indicate a strong demand for offshore drilling in Tanzania and Eastern African countries to cater to the increasing demand for energy in these emerging economies with rising populations.³⁶

From Arab states to Africa

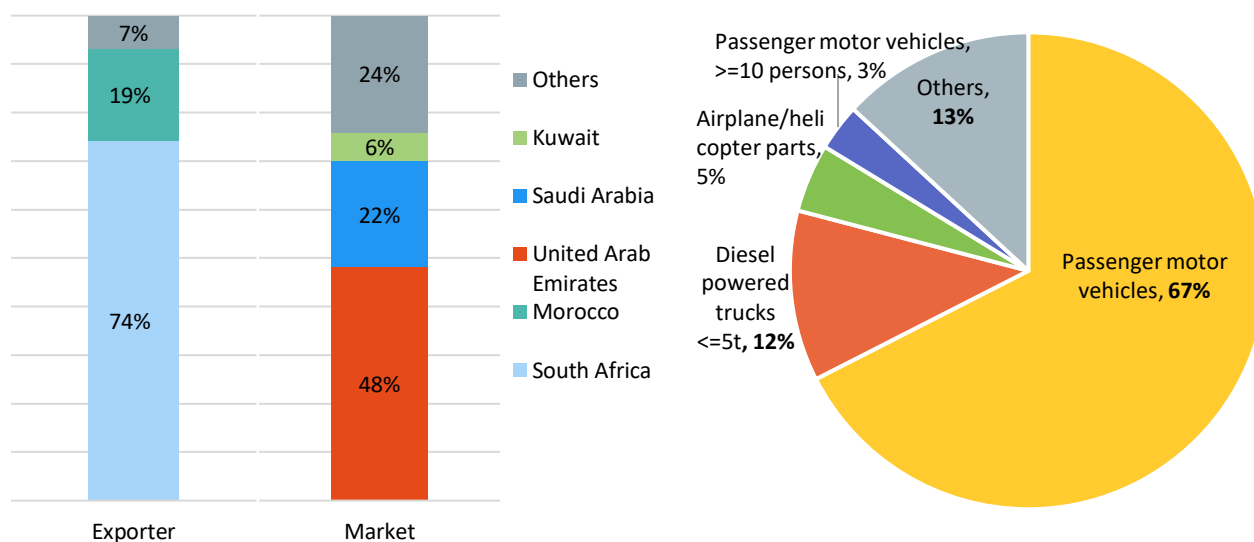
Africa has a potential of \$1.1 billion for the exports of vehicles to Arab states, of which \$882 million remains unrealized (Figure 12).

³⁴ Most of the unrealized export potential to Morocco to Africa is in passenger motor vehicles, followed by airplane or helicopter parts and parts & accessories of motor vehicles.

³⁵ Offshore Energy (2022).

³⁶ Tanzania Petroleum (2022).

Figure 24: Vehicles: unrealized export potential to Arab states, by exporter, market, & product



Note: 'Others' comprises all exporters or markets with less than a 5% share in the total unrealized export potential in the respective markets.

Source: ITC Export Potential Map (2023).

South Africa holds nearly three-quarters of Africa's unrealized export potential to Arab markets in the vehicles sector, followed by Morocco (19%). The United Arab Emirates (48%), Saudi Arabia (22%), and Kuwait (6%) are the most promising markets.

The governments of the two leading producers and exporters of automotive in Africa—South Africa and Morocco—have already recognized the sector as a priority in the respective country's policy spheres. The South African Automotive Masterplan (SAAM) 2021-2035 aims to increase the global production share of South Africa to 1%, from 0.58% in 2021. The sector plays an increasingly important strategic and catalytic role in the country's economic growth—contributing to GDP, employment, skills development, economic linkages, technology, and innovation.³⁷ Similarly, Morocco has put in place many measures to attract foreign investors and drive automotive output, such as high-quality infrastructure, human capital training, and tax benefits. In particular, two industrial platforms in Morocco—the Cite de l'Automobile in Tangier and the Cite de l'Automobile in Kenitra—have been granted free zone status, which exempts the companies from corporate tax for five years, followed by a cap of 8.75% for the next twenty years.³⁸

Identifying and addressing frictions could capture almost two-thirds of the unrealized export potential (\$552 million), whereas the other one-third is driven by the expected growth in demand (\$329 million). South Africa and Morocco can benefit from their production capabilities to unlock the opportunities in the rising markets of the United Arab Emirates, Saudi Arabia, and Kuwait.

Passenger motor vehicle exports remain largely untapped in Arab states

The sector's potential for export growth is driven by passenger motor vehicles (67% of the total unrealized export potential), followed by diesel powered trucks (12%), airplane or helicopter parts (5%), and passenger motor vehicles with more than ten persons (3%).³⁹

³⁷ International Trade Administration (2021).

³⁸ LMC Automotive (2023).

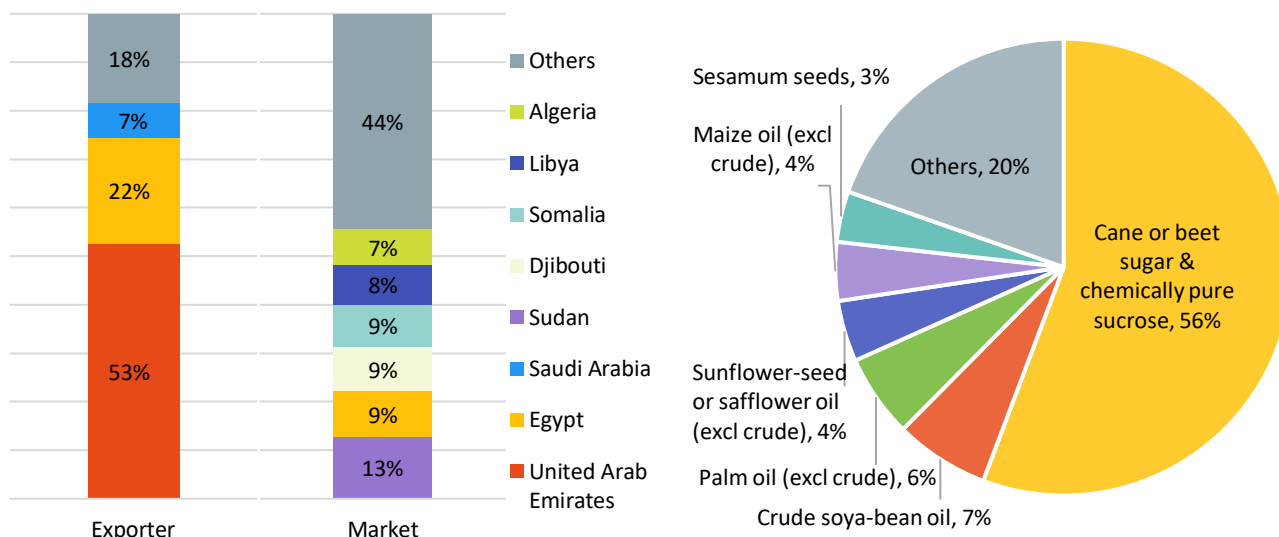
³⁹ Most of the unrealized export potential of Morocco to Arab states (excluding African Arab states) is in passenger motor vehicles, followed by airplane or helicopter parts and parts & accessories of motor vehicles.

Vegetal products

From Arab states to Africa

Arab states have a potential of \$2.4 billion for the exports of vegetal products to Africa, of which \$1.5 billion remains unrealized (Figure 12).

Figure 25: Vegetal products: unrealized export potential to Africa, by exporter, market, & product



Note: 'Others' comprises all exporters or markets with less than a 5% share in the total unrealized export potential in the respective markets.

Source: ITC Export Potential Map (2023).

The leading Arab exporters with the largest unrealized export potential to Africa are the United Arab Emirates (53%), Egypt (22%), and Saudi Arabia (7%). Simultaneously, Sudan (13%), Egypt (9%), Djibouti (9%), Somalia (9%), Libya (8%), and Algeria (7%) offer promising opportunities as a market.

The United Arab Emirates ranks sixth globally as an exporter of cane or beet sugar—the product with the most export growth potential to Africa. This can be attributed to the large-scale production of sugar in the DP World Jebel Ali sugar refinery in Dubai, manufacturing and logistics facilities which have played a prominent role in well-placing the country in the global sugar value chain.⁴⁰ Egypt is aiming to build the world's largest beet sugar factory, Canal Sugar.⁴¹

Exports of cane or beet sugar & chemically pure sucrose to Africa remain largely untapped

Identifying and addressing frictions could capture almost half of the unrealized export potential (\$804 million), the remainder being driven by the expected growth in demand (\$686 million).

Cane or beet sugar & chemically pure sucrose has the largest unrealized export potential in Africa—56%. Urbanisation and the increased demand for sugar in bakeries, confectioneries, the dairy industry, and beverages are the major forces driving the demand for cane or beet sugar. Cane sugar is obtained from the juice of the sugar cane stalk, while beet sugar is derived from the juice of the sugar beet root. Although both types of sugar are in demand, the low popularity of beet sugar in emerging markets restricts its market growth. Promising production patterns of the sugar beet crop in Egypt and its neighbouring countries could be an advantage to fully tap into the export potential.⁴²

⁴⁰ Media Office, Government of Dubai (2022).

⁴¹ BMA - Braunschweigische Maschinenbauanstalt AG (2020).

⁴² Market Data Forecast (2023).

Other key products are vegetable oils and oil seeds: crude soya-bean oil (7%), palm oil (6%), sunflower or safflower oil (4%), maize oil (4%), and sesamum seeds (3%). Many oil seeds actually grow across Africa, while they are not a staple of Arab states. The export potential identified for these products, in particular in their crude form, is most likely associated to the trading hub nature of Arab states.

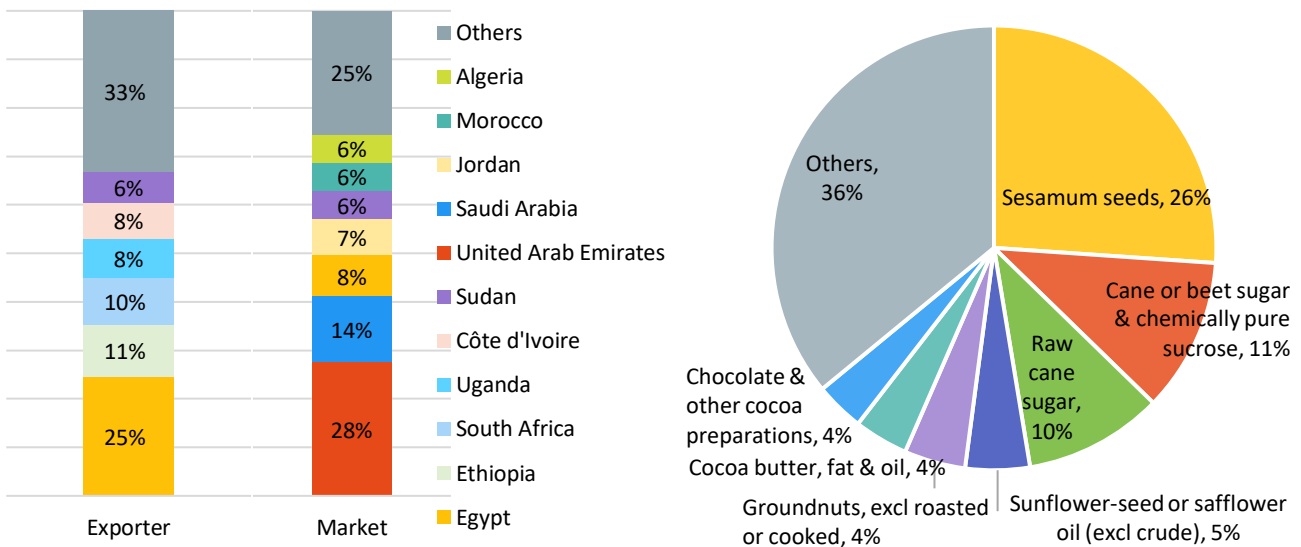
Edible oils are gaining popularity as consumers become more aware of healthier food choices. For instance, soya bean oil is commonly used for cooking as it is a good option for high-heat cooking methods and offers several health benefits such as promoting skin health, reducing cholesterol levels, preventing bone loss, and providing essential omega-3 fatty acids.⁴³ Similarly, palm oil is rich in antioxidants such as vitamin E and can improve brain and heart health as well as help increase the absorption of vitamin A.

Although edible oils are a healthier option, sustainability issues associated with the production of cooking oils revolve around land use, deforestation, chemical runoff, population displacement, and emissions, and each oil has its unique environmental trade-off. For instance, the production of palm oil is very efficient, but it results in major deforestation, negatively impacting the environment, wildlife, and communities, while sunflower oil has a low carbon footprint but has a water-intensive production process.⁴⁴ Nevertheless, not all oils are associated with high degrees of environmental risks and more investments in research and development could help choose a more sustainable option for production and export.

From Africa to Arab states

Africa has a potential of \$1.3 billion for the exports of vegetal products to Arab states, of which \$789 million remains unrealized (Figure 12).

Figure 26: Vegetal products: unrealized export potential to Arab states, by exporter, market, & product



Note: 'Others' comprises all exporters or markets with less than a 5% share in the total unrealized export potential in the respective markets.

Source: ITC Export Potential Map (2023).

Exporting opportunities in terms of unrealized export potential are more spread out across exporters and products in the case of African exports to Arab states than vice-versa in the vegetal sector. Egypt has the largest unrealized export potential whilst exporting to Arab states (25%), followed by Ethiopia (11%), South Africa (10%), Uganda (8%), Côte d'Ivoire (8%), and Sudan (8%). Among the Arab states, several markets

⁴³ US Soy (2019).

⁴⁴ Zero Acre (2022).

offer promising opportunities in terms of values of unrealized export potential: the United Arab Emirates (28%), Saudi Arabia (14%), Egypt (8%), Jordan (7%), and Sudan, Morocco, and Algeria (6% each).

Exports of sesamum seeds and cane sugar to Arab states remain largely untapped

Identifying and addressing frictions could capture almost half of the unrealized export potential (\$413 million), with the remainder being driven by the expected growth in demand (\$376 million).

One-fourth of the unrealized export potential in vegetal products concentrates in sesamum seeds, followed by cane or beet sugar & chemically produced sucrose (11%) and raw cane sugar (10%). Other key products include sunflower seed or safflower oil (5%), groundnuts (4%), cocoa butter (4%), and chocolate & other cocoa preparations (4%).

The sesame seed market is growing due to the trend towards healthy eating and increased awareness of its benefits as a superfood. Sesame seeds offer plant protein, and vitamins B and E, catering to vegan, gluten-free, and nut-free diets. Sesame seeds are recommended for people with high cholesterol and blood pressure as they contain calcium, magnesium, monounsaturated, and polyunsaturated fats. They are also popular among farmers as they are sustainable and require minimal water and chemicals to grow.⁴⁵

The increasing popularity of Middle Eastern cuisine globally has led to a rise in demand for sesame seeds in Arab states, as they are a vital ingredient in traditional dishes such as hummus, tahini, and falafel. In fact, Saudi Arabia is among the top 10 importers of sesamum seeds globally (Trade Map, 2023).

Africa, one of the fastest-growing suppliers of sesamum seeds, can cater to the growing demand in the Arab states by tapping into unrealized export opportunities. Sudan, one of the exporters with the largest untapped export potential, is the second-largest exporter of sesamum seeds globally (Trade Map, 2023). As a resilient crop that can thrive in hot and dry conditions with minimal rainfall with low use of fertilizers, sesame is highly suitable for production on the African continent.⁴⁶

Other products in the sector hold growth potential for Egypt, South Africa, and Uganda (sugar), Sudan (groundnuts) and Côte d'Ivoire (cocoa products).

Horticulture products

From Arab states to Africa

Arab states have a potential of \$1.6 billion for the exports of horticulture products to Africa, of which \$1 billion remains unrealized (Figure 12). Identifying and addressing frictions could capture almost one-third of the unrealized export potential (\$373 million), whereas the rest is linked to expected growth in demand (\$645 million). As explained above, results are discussed in detail only for the largest sectors.

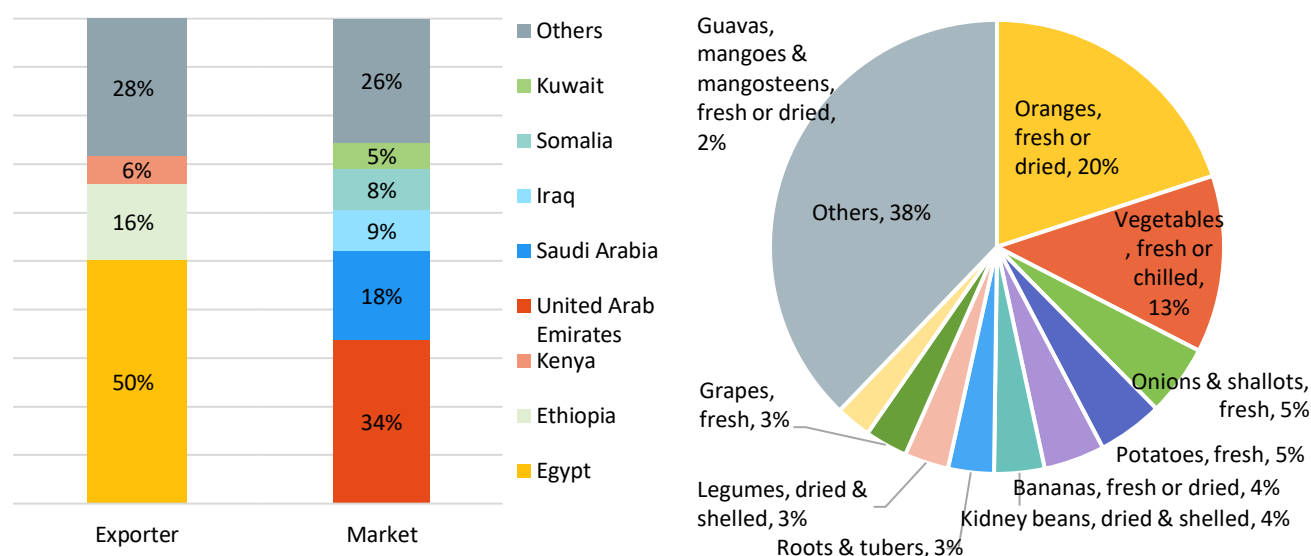
From Africa to Arab states

Africa has a potential of \$3.6 billion for the exports of horticultural products to Arab states, of which \$1.9 billion remains unrealized (Figure 12).

⁴⁵ Medical News Today (2021).

⁴⁶ Torq Commodities LinkedIn (2022)

Figure 27: Horticulture products: unrealized export potential to Arab states, by exporter, market, & product



Note: 'Others' comprises all exporters or markets with less than a 5% share in the total unrealized export potential in the respective markets.

Source: ITC Export Potential Map (2023).

Egypt holds half of Africa's unrealized export potential to Arab states in the sector, followed by Ethiopia (16%) and Kenya (6%). The most interesting Arab markets include the United Arab Emirates (34%), Saudi Arabia (18%), Iraq (9%), Somalia (8%), and Kuwait (5%).

The agriculture sector is an important pillar in the Egyptian economy, contributing 11.3% of the country's gross domestic product and accounting for 28% of all jobs. Moreover, women represent almost 45% of the workforce in the sector.⁴⁷ However, located in the world's most water-scarce regions, Egypt is highly vulnerable to the impacts of climate change, and hence, it is crucial to invest in research and development to accelerate climate solutions. Key barriers in tackling the issues related to climate change include limited and insufficient financial resources, lack of technology transfer, and limited availability and accuracy of data and institutional capacity to undertake enhanced climate planning through effective cross-sectoral coordination.⁴⁸

Export opportunities to Arab states are spread across several products, led by oranges and vegetables

Oranges (fresh or dried) and vegetables (fresh or chilled) comprise 20% and 13% of the unrealized export potential of Africa to Arab states, respectively, followed by fresh onions & shallots (5%), fresh potatoes (5%), fresh or dried bananas (4%), dried & shelled kidney beans (4%), roots & tubers (3%), dried & shelled legumes (3%), fresh grapes (3%), and fresh or dried guavas, mangoes, & mangosteens (2%).

However, the relative importance of the products with unrealized export potential can differ across the exporters. While Egypt holds the largest unrealized opportunities in fresh oranges, fresh or chilled vegetables are the most promising products for Ethiopia and Kenya. Catering to the increase in global demand for oranges, Egypt has become a global powerhouse in terms of production and exports—ranking third, according to Trade Map (2023). The government of Egypt has several initiatives in place to increase the production of oranges, including ongoing efforts to replace old orchards with newer trees in the Nile valley,

⁴⁷ USAID (2022).

⁴⁸ UNDRR (2022).

the area which accounts for almost a quarter of the total plated land in Egypt.⁴⁹ USDA (2022) forecasts both orange production and exports to continue increasing in the coming years.⁵⁰

Identifying and addressing frictions could capture almost one-third of the unrealized export potential (\$615 million), implying that the majority of the growth opportunities are linked to an expected growth in demand (\$1.3 billion) The GCC countries, including key markets with unrealized export potential such as Kuwait, Saudi Arabia, and the United Arab Emirates, are expected to see a rise in fruit and vegetable imports due to a growing population with changing preferences towards healthy living, driven by awareness about increasing obesity and cardiovascular disease patterns. Additionally, most countries in the region are not self-sufficient in fruit and vegetable production due to unsuitable climatic conditions.⁵¹ Investing into production capacity to cater to the expected growing demand will therefore be crucial for Africa to fully unlock the potential.

Processed food and animal feed products

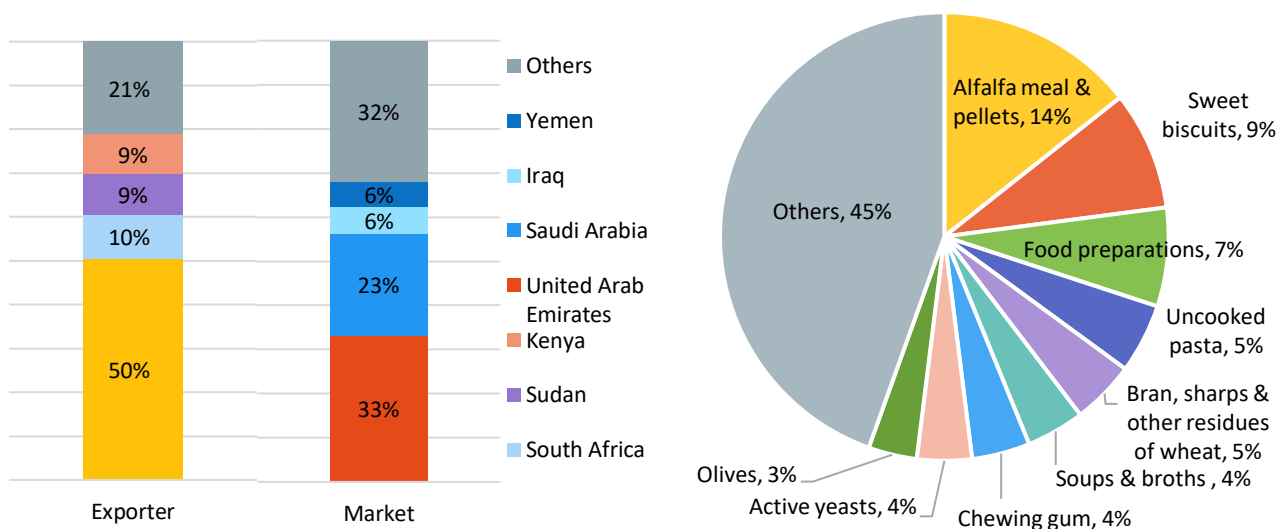
From Arab states to Africa

Arab states have a potential of \$1.7 billion for the exports of processed food and animal feed products to Africa, of which \$1.2 billion remains unrealized (Figure 12). Identifying and addressing frictions could capture almost half of the unrealized export potential (\$537 million), whereas the rest is derived from expected growth in demand (\$645 million). As explained above, results are discussed in detail only for the largest sectors.

From Africa to Arab states

Africa has a potential of \$1.3 billion for the exports of processed food and animal feed products to Arab states, of which \$703 million remains unrealized (Figure 12).

Figure 28: Processed food and animal feed: unrealized export potential to Arab states, by exporter, market, & product



Note: 'Others' comprises all exporters or markets with less than a 5% share in the total unrealized export potential in the respective markets.

Source: ITC Export Potential Map (2023).

⁴⁹ Citrus Industry Magazine (2023)

⁵⁰ Citrus Industry Magazine (2023).

⁵¹ Mordor Intelligence (2022).

Egypt dominates the processed food and animal feed sector, holding half of Africa's unrealized export potential to the Arab states, followed by South Africa (10%), Sudan (9%), and Kenya (9%). Arab markets offering growth opportunities include the United Arab Emirates (33%), Saudi Arabia (23%), Iraq (6%), and Yemen (6%).

Several processed food and animal feed products offer opportunities in Arab states

Alfalfa meal & pellets have the largest unrealized export potential in the sector (14%), followed by sweet biscuits (9%), food preparations (7%), uncooked pasta (5%), bran, sharps, & other residues of wheat (5%), soups & broths (4%), chewing gum (4%), active yeasts (4%), and olives (3%). However, the importance of the outlined products in terms of their unrealized export potential varies across the key exporters. For instance, across all products, alfalfa meal & pellets comprise 79% of the unrealized export potential of Sudan, 8% for South Africa and 7% for Egypt. Similarly, sweet biscuits represent 15% of Egypt's unrealized export potential to Arab states and 3% of South Africa's.

Identifying and addressing frictions could capture almost 40% of the unrealized export potential (\$286 million), whereas the other 60% are driven by the expected growth in demand (\$417 million).

SECTION 5: DISCUSSION

Arab-African trade is not yet at its full potential. Over the past decade, while African exports to Arab states performed strongly with an increase of 56%, Arab exports to Africa oscillated around \$49 billion at the rhythm of global trade booms and busts. At the same time, over half of the two-way trade potential remains unrealized, offering room to grow annual bilateral exports by an additional \$38 billion by 2027. Unlocking these potential promises to help Arab and African countries in efforts to diversify their economies.

While more than half of the Arab states' global exports relate to energy and mineral products, in trade with Africa these sectors only account for one third of export revenues. Moreover, Arab exports to Africa have clearly shifted away from energy and mineral sectors in recent years, a trend that was not observed in exports to the rest of the world. This trade profile makes African markets particularly appealing for Arab states, especially in times when uncertain global conditions and volatile energy prices call for the diversification of their economies and exports. The single African market that the AfCFTA promises to create could serve as a steppingstone in this endeavour.

African exports to Arab states in turn are more concentrated and more resource-dominated than African exports to the rest of the world. Yet, Arab markets are growing fast and lifestyle changes offer unique opportunities for Africa's exporters to cater to emerging needs and remain on the growth path of the past decade.

This report has identified export growth opportunities in sectors ranging from plastics to metal-based products, vehicles, chemicals, horticulture and electronics. Often these opportunities build upon and add value to Arab and African countries' abundant natural resources. Polyethylene and polypropylene, for instance, offer possibilities to increase Arab exports to Africa by \$2.6 billion. Natural gas-based fertilizer exports have space to grow by another \$828 million to the African market. And Africa, in turn, could use copper resources to export an additional \$686 million in cathodes to Arab states.

But the opportunities also cater to emerging needs brought on by trends of urbanization, changing lifestyles and rising living standards in the region. Starter batteries and electronic conductors are two examples of promising products within the machinery and electronics equipment sector that has the potential to increase Arab exports to Africa by \$3.2 billion. There, they can feed into Africa's automotive value chain, which holds an unrealized export potential in Arab states worth \$882 million.

To capitalize on the opportunities identified and increase Arab-African trade, policymakers may focus on three critical actions: trade policy, trade facilitation and targeted investment.

Trade policy should aim at improving market access in sectors where Arab and African countries have production advantages

While bilateral and regional free trade agreements exist that link Arab African countries to other Arab countries, and to the rest of Africa, there are no agreements that fully cover the trade between the Arab states and Africa. As a consequence, non-African Arab states and non-Arab African countries find themselves at a tariff disadvantage across key sectors when exporting to some markets of the region. Current export patterns reflect this: Arab exports to the ten Arab states in Africa surpass those directed to the remaining 45 African nations.

Negotiating better market access for these sectors, especially in non-Arab African markets, would enable economic diversification in line with Arab states' production advantages while meeting the African continent's growing demand.

Trade information and facilitation would help to overcome frictions that hinder \$17.9 billion in bilateral export potential

In addition to tariff conditions, Arab and African exporters face non-tariff measures and procedural obstacles when exporting to regional markets. Among the regulations that companies perceive as difficult, more than half are applied domestically, with common complaints related to export inspections, technical measures on exports, export taxes and charges, and export licenses. Besides the regulations themselves, the procedures

instated to implement them can become an additional obstacle to trade. Survey respondents often mention lack of information and transparency as well as time constraints as hindrances in their export journeys. Behind-the-border, complex rules of origin and conformity assessments are frequently reported obstacles to more trade.

Addressing these obstacles, for example, through an export helpdesk that provides relevant trade, market and procedural information and effectively links institutions to solve recurrent issues in export and import processes could help boost bilateral exports. This would especially benefit sectors, such as mineral and metal products or machinery and electronic equipment from Arab states to Africa and vehicles from Africa to Arab states, where a high share of the export potential is currently hindered by frictions.

Targeted investments to leverage economic growth forecasts could give rise to an additional \$19.7 billion exports

In other sectors, frictions are less prevalent, but economic growth prospects call for investments to meet the increasing demand. Africa's import demand for products of the paper, plastics and rubber sector and the Arab states' import demand for horticultural products is expected to rise significantly by 2027. Catering to this demand without reducing exports to other destinations will require building up additional capacities for production. This will, in turn, boost these sectors' competitiveness, and ultimately support the diversification of the Arab states' and Africa's export baskets in regional trade.

By focusing on these three areas, policymakers can leverage the potential opportunities and improve the Arab states' and Africa's export capabilities. The resulting diversification and economic growth will benefit both the Arab states and African countries, strengthening their trade relationships and contributing to the overall development of the region.

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