POLICY BRIEF

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Expanding G20 Support for Africa's Trade and Industrial Growth

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Trade and Investment

Abstract

Africa's participation in the global trading system remains limited, accounting for only 3% of global trade. Despite the establishment of the African Continental Free Trade Area (AfCFTA), African economies continue to face structural barriers, weak industrial capacity, and trade frameworks that favour advanced economies. These challenges hinder the continent's ability to integrate into global value chains, attract investment, and transition from a commodity-exporting region to a competitive manufacturing and trade hub. Addressing these issues is essential not only for Africa's economic growth but also for global supply chain resilience, diversified production networks, and sustainable trade expansion.

This policy brief examines how the G20 can build upon its existing initiatives, including the Compact with Africa, the Initiative on Supporting Industrialisation in Africa, and the Trade and Investment Working Group, to enhance Africa's trade competitiveness. While these initiatives have laid important groundwork, they must be expanded and institutionalised to produce lasting economic transformation.

This policy brief outlines three key policy recommendations. First, the G20 can play an active role in advancing Africa's industrial development by urging its members and regional blocs to expand preferential trade frameworks, forge voluntary technology partnerships, and invest in industrial hubs and special economic zones. These efforts will help reduce the continent's reliance on raw material exports and support its shift towards value-added production. Second, improving trade-related infrastructure through multilateral development banks and blended finance mechanisms is essential to lowering transport costs and modernising ports, trade corridors, and customs processes. Third, to further integrate African enterprises into global value chains, the G20 should support trade facilitation reforms by simplifying customs procedures, expanding trade finance accessibility, and aligning G20 trade policies with Africa's economic priorities. A stronger, more competitive Africa will enhance global trade resilience, open new investment markets, and reduce economic asymmetries in the multilateral trading system. The African Union's permanent G20 membership must move beyond symbolism to drive meaningful reforms supporting Africa's economic transformation. As the world seeks more sustainable, diversified, and inclusive growth, ensuring Africa's full participation in a reformed global trading system is not just an African priority – it is a global opportunity.

Keywords: Africa, Global Trade, G20, Industrial Development, Trade Facilitation, AfCFTA

Introduction

As geopolitical fractures deepen and the liberal international order continues to erode, the lines between what is just and what is strategically necessary are becoming increasingly blurred. Africa's call for meaningful inclusion in global economic governance is both urgent and justified – yet the political momentum to realise it is fading. In current debates over the future of institutions like the G20, inclusivity must be recognised not only as a moral imperative, but as a strategic necessity. A global system that reflects broader participation is not just fairer, it is more resilient, more effective, and better positioned to navigate shared challenges.

This imperative emerges amid tightening fiscal space, rising protectionism, and growing geopolitical uncertainty. In that context, building a stronger, more integrated African trade system is not merely a development priority, but rather a strategic global investment. Africa's role in diversifying supply chains, expanding consumer markets, and anchoring sustainable growth is critical to shaping a more stable and equitable world economy. With a rapidly growing population and abundant critical raw materials, the continent is an indispensable partner in securing a more inclusive and future-ready global order.[1] Failure to invest in Africa's trade capacity risks entrenching systemic inequality, suppressing global demand, and stalling progress on the Sustainable Development Goals.[2]

[1] Mamo, Hana Girma. "The Continent That Can't Be Ignored: Africa's Growing Importance in World Affairs". IR Scholars. (2025). https://irscholars.com/2025/01/09/the-continent-that-cant-be-ignored-africas-growing-importance-in-world-affairs/.

[2] Morsy, Hanan. "Despite economic challenges, Africa's strengths can drive change". Economic Commission for Africa. (2024). https://www.uneca.org/stories/despite-economic-challenges%2C-africa%E2%80%99s-strengths-can-drive-change-%E2%80%93-eca%E2%80%99s-hanan-morsy.

Diagnosis

Unlocking Africa's trade potential

Africa accounts for only 3% of global trade, a figure that reflects deep-rooted structural constraints on its ability to participate in and benefit from global value chains.[3] As the global economy evolves around advanced production systems and digital trade, much of Africa remains locked into low-value export structures. The G20 has both the strategic interest and influence to help shift this trajectory by aligning global policy, finance, and partnerships behind Africa's own development ambitions and building on the 2024 Brazil presidency's Principles of Trade and Sustainable Development.[4]

A core challenge lies in the continent's continued dependence on unprocessed commodity exports. Only 14% of Africa's exports consist of value-added goods, while 45 African countries are classified as commodity-dependent.[5] This makes economies highly vulnerable to price shocks, limits value capture, and suppresses employment. While countries such as Ethiopia[6] and Rwanda[7] have made progress in industrial parks and high-value agriculture, most economies struggle to scale productive sectors.

Trade conditions further reinforce this imbalance. African producers face a dense web of non-tariff barriers, including restrictive rules of origin and technical

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[3] Economic Commission for Africa. "African countries trading more outside the continent than amongst themselves, ECA report". https://www.uneca.org/stories/african-countries-trading-more-outside-the-continent-than-amongst-themselves%2C-eca-report.

[4] G20. "G20 Principles on Trade and Sustainable Development". (2024). https://www.g20.utoronto.ca/2024/241024-G20_Principles_of_Trade_and_Sustainable_Development_2024.pdf.

[5] Afreximbank Research. "Regional Value Chains and Intra-African Trade Promotion". (2024). https://media.afreximbank.com/afrexim/Regional-Value-Chains-and-Intra-African-Trade.pdf.

[6] Ethiopian Investment Commission. "Integrated Agro-industrial Parks: Reducing time-to-market for investors in the agro-processing industry". https://investethiopia.gov.et/key-sectors/special-economic-zones/integrated-agro-industrial-parks/. (Accessed: March 30, 2025).

[7] Africa Press. "70% of industrial parks operational as gov't woos more investors". (25 November 2024) https://www.africa-press.net/rwanda/economy/70-of-industrial-parks-operational-as-govt-woos-more-investors.

standards that disproportionately burden smaller economies. These barriers are not only externally imposed but also stem from internal dynamics. Divergent national interests, driven by unequal economic development, create disharmony in regulatory frameworks.[8] Many governments, constrained by a limited tax base, impose protectionist measures to safeguard domestic industries and maintain revenue streams. This results in overlapping trade restrictions, inefficient border procedures, and regulatory misalignment, further complicating the implementation of the AfCFTA.[9] Addressing these internal drivers requires stronger institutional coordination and policy harmonisation to unlock Africa's full trade potential.

Weak transport, energy, and logistics systems inflate trade costs and undercut reliability. The African Development Bank estimates an annual financing gap of up to $108 billion.[10] G20 support could also help mobilise coordinated investment in transport corridors, energy access, and border infrastructure – critical enablers of regional trade.

Africa's marginalisation in global trade governance compounds these structural challenges. Many African countries lack the institutional capacity to shape rules in areas such as digital commerce, intellectual property, and climate-aligned trade. Without greater representation in these emerging domains, Africa risks being left behind in the next phase of global value chain restructuring.

While the G20 has launched initiatives with the potential to drive improvement, their reach and impact remain limited. The Compact with Africa, launched under

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[8] Sithole, Lethabo. "The Role of Trade Facilitation in Addressing Non-Tariff Barriers in the African Continental Free Trade Area". (28 March 2021). https://www.afronomicslaw.org/category/analysis/role-trade-facilitation-addressing-non-tariff-barriers-african-continental-free#:~:text=Non-tariff%20barriers%20%28NTBs%29%20are%20a%20major%20impediment%20to,than%20customs%20duties%2C%20and%20other%20duties%20and%20charges.

[9] UNCTAD. "Africa's vulnerability to global shocks highlights need for stronger regional trade". (10 February 2025). https://unctad.org/news/africas-vulnerability-global-shocks-highlights-need-stronger-regional-trade.

[10] Tayo, Teniola. "Trade infrastructure financing in Africa: an exploration of geopolitical funds for private sector participation". Africa Policy Research Institute. (6 November 2024). https://afripoli.org/trade-infrastructure-financing-in-africa-an-exploration-of-geopolitical-funds-for-private-sector-participation.

Germany's 2017 presidency, has helped improve investment conditions in countries like Ghana and Côte d'Ivoire, but it does not focus on trade or industrial upgrading.[11] Similarly, the G20's Trade and Investment Working Group has promoted inclusive trade and infrastructure development, but African economies have received little direct support to strengthen e-commerce, expand manufacturing, or improve trade logistics.

The G20 now has an opportunity to move from rhetoric to action. By aligning more closely with Africa's trade priorities, particularly around industrial capacity, infrastructure, and regulatory reform, it can support a meaningful shift in Africa's role in the global economy. Enabling Africa's transition from commodity supplier to value-added producer is not just a development priority, it is a strategic investment in global resilience and shared prosperity.

Recommendations

Aligning trade and investment with Africa's industrial goals

To support Africa's industrialisation agenda, the G20 can play a catalytic role in promoting more development-oriented trade and investment. While it does not negotiate trade agreements, the G20 can encourage its members and regional blocs to reform preferential frameworks, such as the US's African Growth and Opportunity Act and the EU's Economic Partnership Agreements, to better align with Africa's industrial objectives. This includes simplifying rules of origin, addressing non-tariff barriers, and ensuring that preferential access supports value-added production. These efforts should complement the AfCFTA by supporting its

[11] Fleuriet, Vincent and Vertier, Paul. "What impact does the Compact with Africa have on African economies?" Banque de France. (29 May 2024). https://www.banque-france.fr/en/publications-and-statistics/publications/what-impact-does-compact-africa-have-african-economies.

Protocols on Trade in Goods and Investment, reinforcing industrialisation and economic diversification.

These actions also align with the G20's broader commitment to reform the multilateral trading system, particularly through support for a more transparent, inclusive, and effective World Trade Organization. G20 working groups can foster coherence and policy dialogue on trade frameworks, helping ensure that G20 trade policy frameworks better support Africa's industrial development priorities.

Facilitating trade through connectivity and finance

Improving Africa's trade competitiveness requires greater investment in trade facilitation, including modernised customs systems, harmonised procedures, and digital infrastructure. These reforms, led by African institutions such as the African Union, the Regional Economic Communities, and the AfCFTA Secretariat, can be supported by the G20 through its Digital Economy and Infrastructure Working Groups, which can help mobilise technical assistance and investment in connectivity and logistics. Strengthening trade corridors would reduce border delays, lower transaction costs, and improve access to global markets.

In parallel, limited access to trade finance continues to constrain African small and medium-sized enterprises, particularly those led by women and youth. The G20 can encourage multilateral development banks and national development finance institutions to scale up tailored instruments such as credit guarantees and export finance. While the G20 does not finance projects directly, its Finance Track, including the Sustainable Finance Working Group, can promote alignment among multilateral development banks to expand blended finance and de-risking tools. These efforts complement G20-wide reforms to strengthen access to sustainable development finance for low- and middle-income countries.

Scaling industrial hubs and innovation ecosystems

Africa's industrial transformation also depends on productive infrastructure and investment in strategic sectors. Special economic zones and cross-border industrial corridors are key to enabling value-added manufacturing and regional value chain development. The G20 can also promote knowledge exchange on their implementation, drawing on global best practices to support effective governance, planning, and integration. The Compact with Africa provides a platform for investment partnerships in a subset of countries. However, broader support must extend beyond the Compact to reach more economies. The G20 can facilitate responsible, targeted foreign direct investment through public–private collaboration, ensuring investment aligns with inclusive, sustainable development. This complements G20 efforts to mobilise private capital and enhance supply chain resilience.

In conjunction with this, technology partnerships and workforce development are essential to supporting Africa's movement into higher-value sectors. The G20 can encourage voluntary technology collaboration through joint ventures, co-investment platforms, and research and development initiatives, particularly in clean manufacturing, digital innovation, and agri-processing. These should be backed by incentives aligned with environmental, social, and governance standards. Supporting technical and vocational training must be central, and G20 platforms such as the Digital Economy Working Group can play a role in advancing innovation and skill development.

Deepening G20–Africa engagement

To ensure coherence and continuity, the G20 should strengthen coordination across its working groups on Africa-focused initiatives. This could be formalised as a thematic priority under successive presidencies, supported by the G20 Troika. Engagement should involve key African stakeholders, such as the African Union, Afreximbank, and the AfCFTA Secretariat, to define shared priorities, identify barriers, and track implementation. Such coordination would help embed African perspectives within global policy discussions and support regional institutions in operationalising trade reform proposals.

Conclusion

In a changing global economy, Africa’s limited participation in trade reflects structural imbalances that continue to constrain both regional development and global progress. Addressing these barriers is not only a matter of fairness but a strategic necessity for a more balanced and resilient international economic system.

The G20 can play a catalytic role by fostering policy alignment through debate and supporting regional institutions to drive reforms that support Africa’s industrial growth, improve access to trade-enabling infrastructure, and strengthen regional integration. Its influence lies in convening power and its ability to align global actors across policy, finance, and investment spheres.

Africa’s economic future is not predetermined. The continent holds a growing share of global resources, talent, and demand. Whether it becomes a full partner in global value chains depends in part on how global institutions respond. For the G20, this is a moment to match intent with action and commit to a more inclusive global economy. Overall, the forum could support African regional organisations to operationalise these and other proposals stemming from the T20.

T20 South Africa Convenors

The Institute for Global Dialogue (IGD)

The South African Institute of International Affairs (SAIIA)

The Institute for Pan-African Thought and Conversation (IPATC)

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