African Trade and Integration in a Post-Brexit World

Brendan Vickers
Trade Division

Presentation to the launch of the Centre for Trade and Regional Integration
Pretoria, South Africa
30 March 2017

The Commonwealth
Why important?

• UK and EU27 are important trade partners (EU is Africa’s single #1 trading partner)

• UK and EU are important investment partners

• UK and EU are key development cooperation partners, especially supporting regional integration:
  
  • UK meets 0.7% ODA target, largest G7 multilateral donor of AfT to Africa, Regional Infrastructure Programme, bilateral programmes;
  
  • UK DFID’s Economic Development Strategy (2017) prioritises trade and seeks more coherent AfT;
  
  • EU’s EDF, EU-Africa Infrastructure Trust Fund, EPA implementation programmes, where applicable.

• But GBP depreciation (10-20% since June 2016 referendum) impacting on exports/aid/remittances received from UK
UK-Africa trading relations at a crossroads...

- For more than 4 decades now UK-ACP trade has been governed through EU policies, most recently: GSP, EBA for LDCs, post-Cotonou EPAs (e.g. CARIFORUM EPA)

- Brexit appears to unsettle a part of EPAs involving EU and SSA countries

- Five regional EPAs in SSA at different stages of finalisation or implementation (e.g. SADC EPA implemented on 10 Oct 2016).

- Upon formal exit from the EU, all rights and obligations will cease to apply and the UK will devise its own trade policy

- UK White Paper seeks new strategic partnership with EU, including comprehensive FTA and new customs agreement with EU

- With Article 50 triggered, vital that UK reassures SSA and LDCs of same favourable market access (i.e. EBA and EPAs) post Brexit.

- Reassurances of trade continuity are imperative for investment decisions and future planning.
SSA’s Merchandise Exports to the EU (2000-15)

Source: Calculations using data from UNCTADStat
SSA’s Total Trade with the UK (US$ billion), 2000-15

Source: Calculations using data from UNCTADStat
UK Share of SSA’s Goods Exports to World (%)

Source: Calculations using data from UNCTADStat
Excludes countries with shares less than 1 per cent
## UK Share of EU Imports from SSA (2013-2015 avg.)

<table>
<thead>
<tr>
<th>UK % of EU imports</th>
<th>SSA Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than 40%</td>
<td>Botswana, Seychelles</td>
</tr>
<tr>
<td>Between 30% and 40%</td>
<td>Equatorial Guinea, Gambia</td>
</tr>
<tr>
<td>Between 20% and 30%</td>
<td>Kenya, Mauritius, South Africa</td>
</tr>
<tr>
<td>Between 10% and 20%</td>
<td>Ghana, Malawi, Nigeria, Rwanda, South Sudan, Zambia</td>
</tr>
<tr>
<td>Up to 10%</td>
<td>Angola, Benin, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo, Congo DR, Cote d'Ivoire, Djibouti, Eritrea, Ethiopia, Gabon, Guinea, Guinea-Bissau, Lesotho, Liberia, Madagascar, Mali, Mauritania, Mozambique, Namibia, Niger, Sao Tome and Principe, Senegal, Sierra Leone, Somalia, Sudan, Swaziland, Tanzania, Togo, Uganda, Zimbabwe</td>
</tr>
</tbody>
</table>

Note: Share of EU market may be influenced by exports of just a few high-value products over this period

Source: Eurostat COMEXT
Product-specific significance of the UK market for SSA

- **2607** - no. of SSA products at CN-8 digit level exported only to the UK in the EU

- **US$192** million earned

- **167** SSA products, each generating export revenues of at least **US$100,000** exported to the UK market alone

- The UK is a niche market for specific products in certain countries, e.g. fresh vegetables, beef, fish products, tea, coffee, citrus, floriculture, gold and precious metals, etc.

Source: Calculated using Eurostat COMEXT
Post-Brexit arrangements with the UK

- Most SSA exports to UK benefit from duty and quota-free access under the EBA scheme for LDCs or EPAs, where signed (except SA in the EU-SADC EPA)

- If no equivalent treatment post-Brexit, products entering the UK market would face higher MFN duties

- US$734 million - potential ‘calculable’ import duties that could be applied on ACP states

- Arguably ‘small’ overall effect, but significant and disproportionate consequences for certain sectors are likely

- MFN playing field will impact on SSA’s export competitiveness
Worst Affected ACP Countries Affected by Potential MFN

Source: Calculated using Eurostat COMEXT
Post-Brexit options for UK-SSA trade

• For LDCs: the UK’s own GSP regime similar to EBAs
  • But UK can make certain improvements – Rules of Origin
  • Inclusion of preferences in services

• Can the UK install EPA-replicas for non-LDCs?
  • EPAs have no provisions for accession by new European members
  • Some – like SADC EPA – could provide ready template to ‘lock in’ market access and negotiate remaining issues for goods trade (quotas, SPS, etc.)
  • But is this desirable given EPA experience?

• Any lessons to learn from EPA processes?
  • Question of reciprocal market access for LDCs – EAC EPA, etc.
  • Compromised regional integration processes in SSA
  • EPAs-minus-UK may upset balance of commitments

• Transitional arrangements?
  • UK could offer unilateral preferences - WTO compatibility (e.g. AGOA)
  • EPA signatories could temporarily extend status quo to UK post-Brexit
  • Medium to long-term trade relationship
Top 10 Markets for SADC EPA Exports (US$), 2015

United Kingdom
Germany
Belgium
Netherlands
Spain
Italy
France
Portugal
Sweden
Poland

Source: Calculations using data from UNCTADStat
SADC EPA Export Composition to UK and EU27 (2015)

Source: Calculations using data from UNCTADStat
Strengthening UK’s Development Role Post-Brexit

• DFID’s Economic Development Strategy - trade is core; need to match up trade and development priorities

• The UK’s strong commitment to trade and development support for ACP countries: provided 0.7% of GNI as ODA

• Strong advocate and leading donor of AfT > US$1 billion a year to assist ACP countries

• But GBP depreciation...

• Highest level of multilateral AfT disbursement

• Bilateral AfT to Africa up to US$790 million (2014)

• Projects - TradeMark Southern/Eastern Africa, West Africa Regional Integration Programme, Regional Infrastructure Programme for Africa, Trade Advocacy Fund,

• UK’s Africa Free Trade Initiative
UK Bilateral AfT: Top African Recipients (2011-14 avg.)

- Nigeria
- South Africa
- Kenya
- Tanzania
- Cameroon
- Uganda
- DRC
- Mozambique
- Somalia
- Zimbabwe
- Rwanda
- Liberia
- Algeria

Top 3 = 45% UK's exports to SSA

Source: APPG (2016) Inquiry into the UK’s Free Trade Initiative in Africa
Thank you

Dr. Brendan Vickers
Economic Adviser, International Trade Policy
Commonwealth Secretariat
London

b.vickers@commonwealth.int