
Policy options for the future of UK-Africa trade

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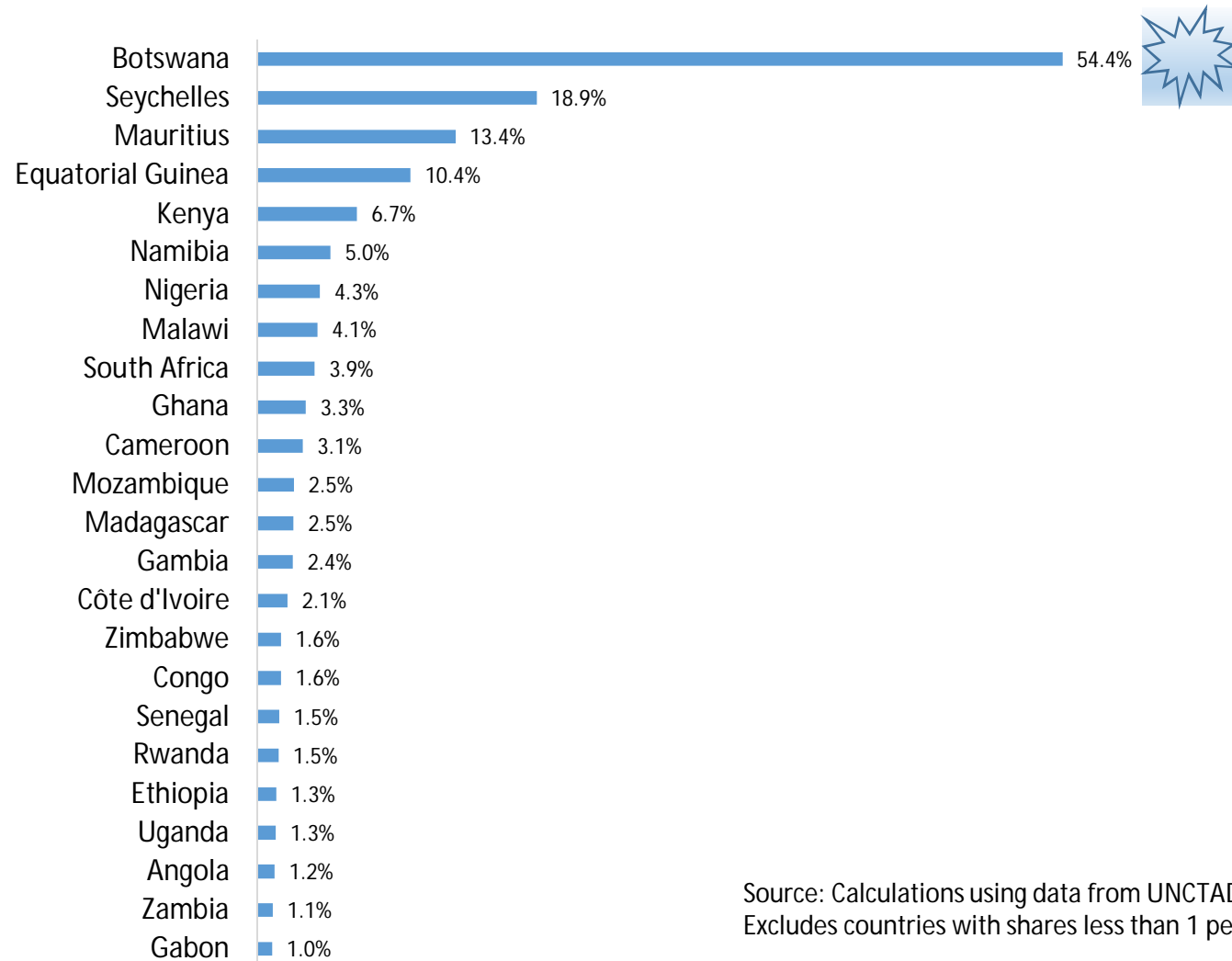
Brexit in brief

- 23 June 2016: referendum returns 52% result in favour of 'Leave'.
- 29 March 2017: UK triggers Article 50 of the Lisbon Treaty, starting a two-year period of withdrawal negotiations.
- 8 June 2017: UK General Election, after which formal negotiations will soon commence.
- Upon formal exit from the EU, all rights and obligations will cease to apply and the UK will devise its own trade policy:
 - Brexit White Paper directs the UK to leave the Single Market and seek a new strategic partnership with the EU, including an "ambitious and comprehensive FTA" and a "new customs agreement".
 - Challenging, hence EU-UK transitional trade provisions.
 - Global Britain committed to championing free trade and promoting trade-led development.
 - What's in it for Africa?

UK-Africa trading relations at a crossroads...

- UK-ACP trade has been governed through EU policies:
 - GSP, recently including country and product graduation
 - EBA for LDCs
 - EPAs
- Five regional EPAs in SSA at different stages of finalisation or implementation (e.g. SADC EPA implemented on 10 Oct 2016).
- Brexit unsettles EPAs for: 1) EU-27; 2) UK; 3) some SSA countries.
- EPAs-minus-UK could upset balance of liberalisation commitments.
- UK exporters face higher costs vs. EU-27 suppliers in SSA markets.
- Non-LDC SSA countries could face higher costs in the UK market, even under a new UK GSP/GSP+ scheme.
- Vital that UK reassures SSA and LDCs of the same existing preferential market access post-Brexit.

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.)

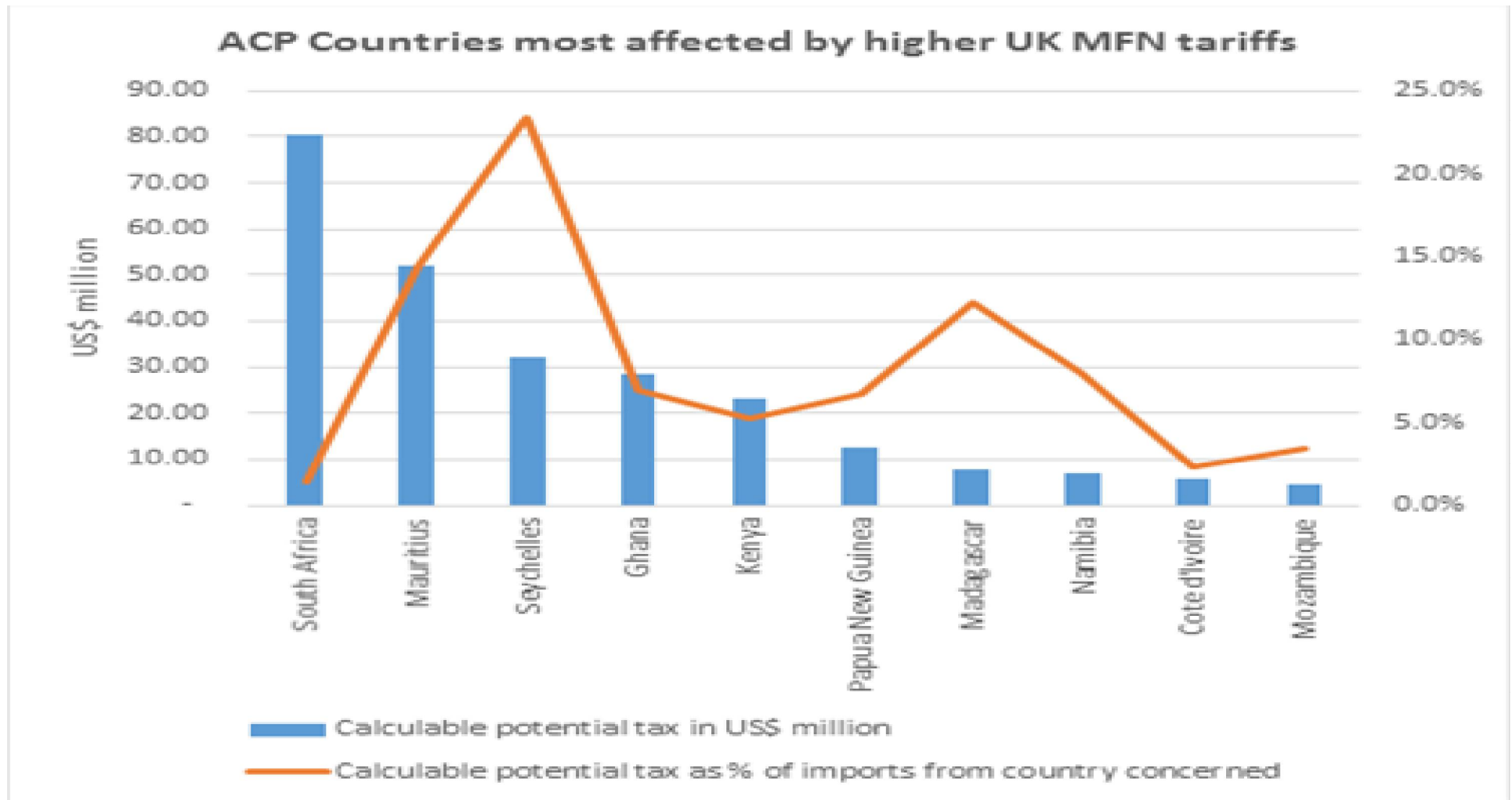
UK % of EU imports	SSA Country
More than 40%	Botswana, Seychelles
Between 30% and 40%	Equatorial Guinea, Gambia
Between 20% and 30%	Kenya, Mauritius, South Africa
Between 10% and 20%	Ghana, Malawi, Nigeria, Rwanda, South Sudan, Zambia
Up to 10%	Angola, Benin, Burkina Faso, Burundi, Cameroon, Cape Verde, 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

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

UK-SSA trade post-Brexit

- Most SSA exports to UK benefit from duty and quota-free access under EBA for LDCs or EPAs, where signed (except SA in SADC EPA).
- If no equivalent treatment post-Brexit, products entering the UK market would face higher MFN duties.
- US\$340 million – potential ‘calculable’ import duties that could be applied on SSA exports.
- MFN playing field will impact on SSA’s export competitiveness.
- 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.
- UK should consider: 1) transitional; and 2) medium to longer-term policy options to ensure SSA countries are not worse off post-Brexit.

Worst Affected ACP Countries Affected by Potential MFN



Source: Calculated using Eurostat COMEXT

Options for UK-SSA trade

- For **LDCs**: UK's own scheme similar to EBAs, but UK can make some important improvements (e.g. RoO, services preferences, etc.)
- **UK's short-term measures** for all SSA:
 - If agreed as part of transitional arrangements with EU, UK could adopt and apply provisionally implemented IEPA/EPAs
 - Offer unilateral trade preferences - 'costly' WTO waiver (e.g. AGOA)
 - Apply tariffs at existing rates on third country imports of products of export interest to ACP
- **Medium to long-term** UK-SSA relationship, but **avoid** EPA 2.0:
 - Negotiate single UK-Africa FTA building on CFTA
 - Negotiate 'modified' EPAs with customs unions (EAC, SACU) or regions where EPAs are 'settled' (e.g. SADC EPA for tariffs, questions over TRQs, permits, institutions, etc.)
 - Provide asymmetry, flexibility, non-reciprocal MFN clause, integration

SSA sector-specific interests

- **Sugar** policy options:
 - Producers: Malawi, Mauritius, Mozambique, SA, Swaziland, Zambia
 - UK could designate sugar as 'Sensitive Product' requiring SDT
 - 1) Retain duty free access for LDC/ACP raw and refined sugars
 - 2) Impose tariff on raw and refined sugars to create preferences
 - 3) Ring-fence sector in UK FTAs with third suppliers - Brazil, etc.
- **Fisheries** policy options:
 - UK is EU's most important market for canned tuna.
 - Processors: Ghana, Kenya, Mauritius, Seychelles
 - 1) Retain duty and quota-free access (EU MFN: 24%)
 - 2) Simplify and relax ROO for vulnerable non-LDCs

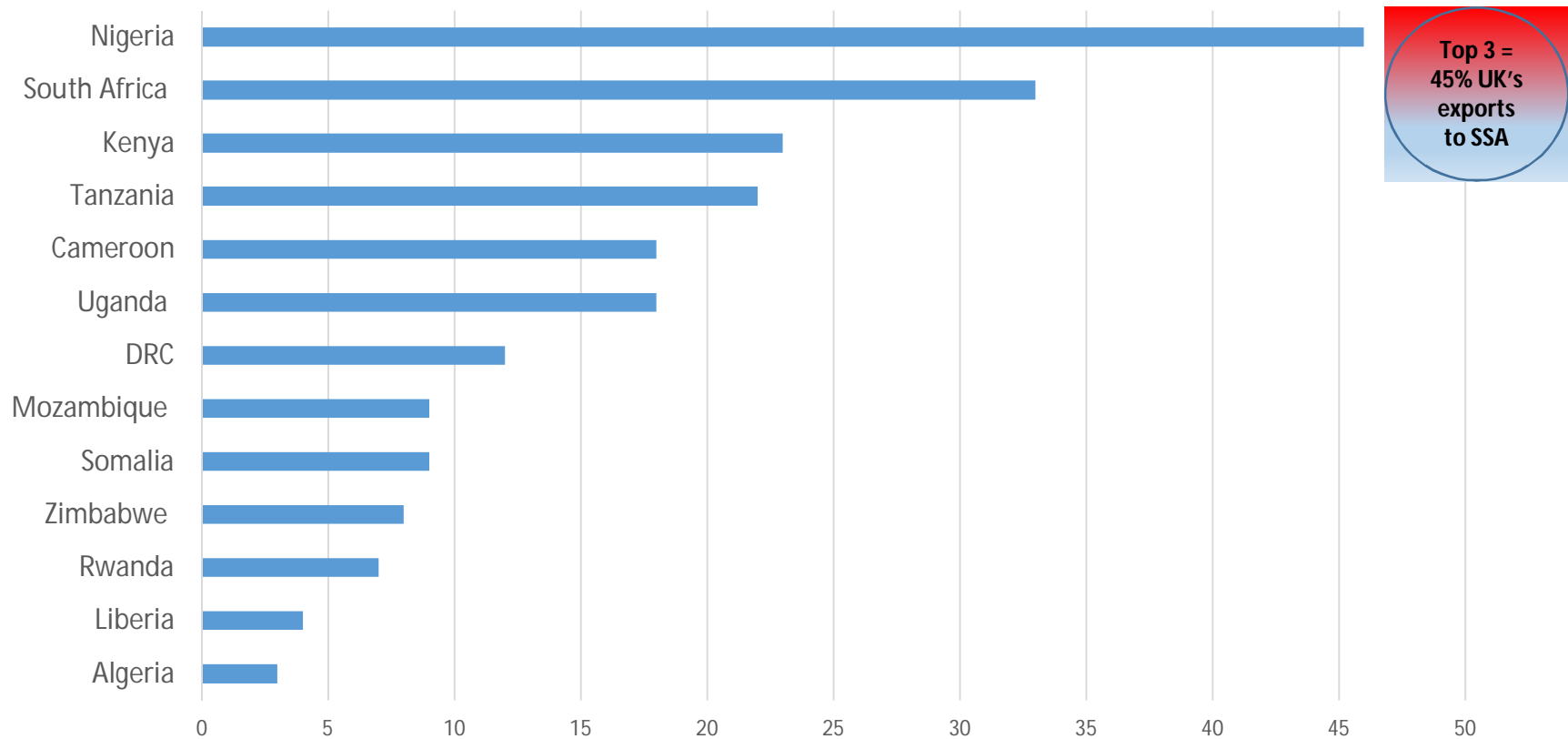
Addressing non-tariff barriers

- Compliance with product standards (ie. public and private, incl. voluntary sustainability standards) is a major challenge for SSA.
- Examples: tropical fruit, vegetables and meat.
- Two sets of product standards - UK and EU - raises trade costs.
- Rather than developing its own product standards, the UK could:
 - Harmonise standards with the EU (especially given existing value chains);
 - Negotiate mutual recognition of certification procedures.
- UK can revise unduly stringent standards - e.g. citrus black spot.
- Role for UK AfT in setting up conformity assessment infrastructure (e.g. testing laboratories) and training.

Strengthening UK's Development Role Post-Brexit

- Brexit will result in the loss to the EDF of its third largest contributor (€4.5 billion to 11th EDF).
- Important that UK maintains and strengthens its development role.
- DFID's Economic Development Strategy is good start - 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
- Highest level of multilateral AfT disbursement
- Bilateral AfT to Africa up to US\$790 million (2014)
- Projects - TradeMark East Africa, Regional Infrastructure Programme for Africa, Trade Advocacy Fund

UK Bilateral AfT: Top African Recipients (2011-14 avg.)



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

Thank you

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The Commonwealth