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The key to better trade with Africa after Brexit

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Following its withdrawal from the European Union in 2020, the UK can make its own trade policy and enter into trade agreements. While it has already used these new powers in some regions, in Africa the UK's trade policy remains underdeveloped and perhaps uninspired. ***David Luke*** *discusses how UK-Africa trading relations can be renewed.*

This article is part of our series on policymaking in the UK after Brexit. For more analysis, visit the focus page.

The high-income countries of the Asia-Pacific region were the UK's primary target since trade deals with the US and China, the world's largest and second largest economies, are not immediately possible. For the US, the Biden Administration is not making new trade deals as it manages the tricky politics of trade pessimism. For China, current geopolitics are not conducive. By the spring of 2023, the UK had concluded bilateral deals with Australia and New Zealand and acceded to the regional Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), a free trade area of 11 Pacific rim countries that includes Japan, the world's third largest economy.

Other trade deals in the pipeline are with India, South Korea, Canada, Mexico, Israel, Ukraine and the Gulf Cooperation Council (GCC), made up of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates. The UK is yet to pursue tailored trade deals with key Latin American countries such as Brazil and Argentina but trade deals with Chile and other Andean countries, Ecuador, Peru and Colombia are in place.

For trade with some 70 developing countries mainly in Africa, the Caribbean and the Pacific, the UK replicated pre-existing EU trading arrangements. In Africa, specifically, UK versions of the EU's Economic Partnership Agreements, which are in essence free trade deals, were concluded with 29 African countries. In 2021, the UK announced a framework for concessional trade similar to the EU's Generalised System of Preferences in the form of the UK's Developing Country Trading Scheme. This embodies measures for partial or full removal of customs duties on the UK's imports from developing countries and contain important improvements over the EU's scheme.

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The reason the UK opted to roll-over pre-existing EU regimes, rather than attempt anything more ambitious, was to avoid the risk of a "cliff edge" end to EU regimes in which the UK was a party. With that risk now averted, there is an opportunity for the UK to improve the structure of its trade engagement with developing countries. Seven policy imperatives can help the UK boost its trade with Africa and respond to the continent's development aspirations.

Seven priorities

First, the goal of trade with Africa should in the short-to-medium term be entirely developmental. The African continent is now where 60 per cent of the world's extreme poor live (up from 21 per cent in 2001) owing mostly to falling poverty rates in Asia, and the deleterious effects of the COVID-19 pandemic and of Russia's invasion of Ukraine on food security in Africa.

While trade was at the heart of recent successful development trajectories in East Asia, it has underperformed in Africa and needs a reboot. Though relatively small as a share of the UK's exports (just 2.2 per cent of UK exports are destined for Africa), the continent's prospects cannot be ignored. In just 40 years, it will be home to more people than India and China combined. It has strong foundations for UK engagement: 24 African countries are anglophone and around 16 have common law legal systems. Most watch the English premier league!

Second, the UK should pursue more trade with Africa. Africa's integration into world trade flows is too low. Despite the continent accounting for 17 per cent of the world's population, it represents just 2.3 per cent of world trade. Africa's share of world trade has stagnated for over three-and-a-half decades, leaving Africa behind as a "late developer".

On both exports and imports, the UK should reverse its decoupling with Africa. The UK's trade with Africa has fallen in absolute terms. At its height, UK exports to the continent were $18 billion in 2012 but now amount to about half as much (in constant 2020 US$). Remarkably, this is despite the GDP of the African continent growing by more than 20 per cent over this time. In share terms, the UK accounted for 7 per cent of all of Africa's imports in 1997, before falling to 3.2 per cent in 2012 and now accounts for just 2.1 per cent of the continent's imports. The UK has also become less important as a destination for Africa's own exports, with the UK now accounting for just 2.6 per cent of Africa's exports, down from 4.4 per cent in 2013, and 5.9 per cent in 2001.

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Third, the UK should pursue more diversified trade with Africa. Africa's exports have remained stubbornly concentrated in fuels, ores and metals. African countries must become producers that contribute to their structural transformation, including for the range of consumer goods and services required to meet the demand in its own growing market and for export. With critical minerals for emerging digital and green technologies available in some parts of the continent, value-addition at source rather than mere extraction is required.

Fourth, diversified trade must be paired with investment. Underpinning Africa's poor trade performance is investment flows into the continent, which perpetuate its concentration in raw and unprocessed exports. 47 per cent of EU FDI to Africa is in mining (compared to just 7 per cent of all EU FDI to all destinations). For the UK, 45 per cent of its FDI stock in Africa is in mining and 51 per cent is in financial services. The UK's investment in Africa is also highly concentrated in a few countries, principally South Africa, Kenya and Nigeria. It is commendable that the UK has put a specific – and welcome – emphasis on investment. Four UK-Africa Investment Summits were held annually since January 2020. However, business visas for visits to the UK by African business persons are hampered by cumbersome processes. Remittances by the African diaspora in the UK is estimated at an annual $6.5 billion with scope for scale-up if transfer costs can be contained. An institutional framework for policy dialogue with the African diaspora in the UK such as the US's Advisory Council on African Diaspora Engagement is required.

Fifth, Africa's home-grown trade reforms and regional integration must be supported. Lower intra-African tariffs reduced non-tariff barriers, improved trade facilitation, and integrated country markets can create a large, prosperous, peaceful, and more dynamic environment for trade and investment opportunities for Africa's partners as well as for Africa's own enterprises to grow. This is the vision behind the African Continental Free Trade Area. However, the UK's trade arrangements with Africa – like the EU's – provide concessional market access in a way that divides the continent, by splitting the region into a range of different applicable and not entirely interoperable regions. The effect is to perpetuate a fragmentation of African markets, undermine regional value chains, and create hard borders for trade between African countries. In imitating the EU's trade arrangements, the UK lost an opportunity to overcome the divisive implications of multiple trade regimes for Africa.

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Sixth, the UK should align development assistance support with overcoming supply-side bottlenecks. The folding up of the Department for International Development (DFID) into the Foreign and Commonwealth Office (to become the Foreign, Commonwealth and Development Office) resulted in a significant attrition of development expertise. A reversal in the UK commitment to contribute 0.7 per cent of GNI to development assistance commitment to 0.5 per cent eroded the financial heft behind UK development policy and weakened the UK's preeminent role in the OECD as a leader in trade facilitation support. Since fiscal consolidation in the UK may be unavoidable during the coming years, tax incentives for investment in Africa and for diversified imports from Africa are policy measures that could be applied.

Finally, seventh, take a pro-development position at the World Trade Organisation (WTO). Formerly represented by the EU, the UK now has its own seat at the WTO. However, UK positioning at the WTO has not been development friendly on the matter of overriding intellectual property rights obligations in a public health emergency. The UK joined the EU and a handful of rich countries to oppose the Trade-Related Intellectual Property Rights (TRIPS) waiver decision on COVID-19 vaccines in the run up to the 12th WTO Ministerial Conference (MC12) in June 2022. The US Biden Administration on the other hand remained neutral on this matter and helped to broker the Decision that was adopted at MC 12. The UK needs to be principled on development matters at the WTO.

These seven priorities will go a long way to help the UK boost its trade with Africa and support African aspirations for structural economic change.

This post draws on research contained in a new book *How Africa Trades*, published in 2023 by LSE Press.

About the author

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David Luke is professor in practice and strategic director at LSE's Firoz Lalji Institute for Africa. He has decades of experience in African trade policy and trade negotiations.

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