

Benefits for all? How the UK can shape trade relations to promote African development and economic transformation

Elsa Makouezi and Tom Brady discuss how Brexit can be an opportunity for the UK to expand trade relations with African countries.

The question of how UK trade can promote African development and transformation is an important one. So far, much of the rhetoric from DFID under its relatively new leadership has been centred on the use of British trade and influence to promote its own interests. In encouraging African development through trade, the UK can do just that. Reshaping trade relations with Africa could allow the UK to benefit from greater diversification of imports and exports. In the long run this diversity could open up more opportunities for business partnerships between the UK and African economies.



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More effective trade relations with Africa would have significant long and short-term benefits for both parties. More broadly, engaging with African economies should be a central tenet of the UK's post-Brexit strategy. Given that one of the key arguments for leaving the EU was that Britain could become an independent, outward-facing trading partner to the world, a more productive trading relationship with Africa would be a positive step towards making this promise a reality.

To help the UK pursue its national interest and to foment a conducive relationship that will help to promote African development and economic transformation, we recommend a post-Brexit three-point plan to:

1. Promote regionalisation
2. Harmonise standards
3. Build on strengths of existing trade agreements

Regionalisation

The first policy approach should be to promote African regional integration. While encouraging the benefits of integration is by no means a straightforward process, and is often politically volatile, regionalisation represents a significant opportunity to advance African interests. ^

The first reason for this is that strong regional trade links between African countries can enhance the positive effects brought about by foreign investment. **DFID's pledge to inject £400m into Kenyan industries** with the aim of creating jobs and economic growth is laudable, but the extent to which Kenya and neighbouring countries are economically integrated with one another could have a substantial bearing on the direct and indirect benefits of that investment.

A further advantage to regionalisation is that it is likely to lead to greater trade between African countries. Given that shaping trade relations in a way which promotes British interests as well as African ones is central to DFID's current approach, it is worth noting that a process of regionalisation in which deepening integration and greater intra-African trade feed off one another could be highly beneficial to the UK. This is because, in trading with a more harmonised bloc as opposed to individual countries with diverse regulations, the UK will be better-placed to strike mutually beneficial deals.

Finally, and perhaps most importantly, intra-regional trade stemming from integration represents a significant step towards building the kinds of skills and capacities that will benefit the long-term competitiveness of African industries. Developing these attributes in a gradual way is likely to be more useful than the kinds of rapid liberalisation through structural adjustment seen during the 1980s and 1990s, as it will give infant industries time to develop before being introduced to the sphere of global competition.

Harmonising standards

In leaving the EU, the UK will have the opportunity and scope to set its own hygiene, food and country of origin standards for goods. Rather than creating new standards that could be at odds with EU and the US trade agreements, the UK should align country of origin standards with the US and work with African countries to develop food and hygiene standards.

The UK should align its country of origin standards with the US at 35 per cent. Current EU trade laws which require LDCs to add at least 65 per cent of value to products in order to be eligible for preferential tariffs, limits the goods that LDCs can trade. By lowering the barriers to entry, the UK can strengthen UK-African trade by enabling African countries to conform to standards and increase their exports to the UK. In addition, such a move could incentivise greater intra-African trade between LDC African countries and middle income African countries.

To build mutually beneficial relationships with African states, the UK should also seek to work with African countries to define food and hygiene standards. This will create an opportunity and the policy space for African countries to work with their own industries to determine appropriate standards while still enabling them to meet UK expectations.

Building on existing strengths

Rather than re-inventing the wheel, the UK should take advantage of aspects of trade agreements that are currently working well for African countries and their partners. The Generalized System of Preferences (GSP) for LDCs is an element of the EU trade laws that the UK should keep as it enables African products to compete with UK and EU goods.

In addition to keeping the GSP, the UK should also build on the "sensitive product" section under the EPAs. It should increase the percentage of goods that African states can protect through tariffs from 20 to 50 per cent. Such an increase will be a great incentive for African countries to diversify their products and economic base, allowing them to build more stable economies. The extra capital received from the diversification of exports will allow African countries to generate larger tax bases, lessening the need for and reliance on aid for domestic projects.

Finally, as stated, we welcome DFID's commitment to bolstering the African manufacturing sector. However, we would encourage the Department to go further by investing in research and development (R&D) in addition to production. Doing so will allow African countries to move from

the lower ends of Global Value Chains (GVC) such as production to more innovative and rewarding sectors.

Implementing the recommendations will strengthen African development and economic transformation in a number of sectors. As an outward-looking country in the post-Brexit landscape, it is in the UK's interest to help develop strong African economies, which can become useful trading partners.

This blog post is part of a series composed by Masters students on the [African Development course](#) at the London School of Economics and Political Science. They represent the views of an emerging body of critical young scholars interested in structural transformation and growth in African economies. The series will be featured over the [ROAPE.net](#), [Africa@LSE](#) and [ID@LSE](#) blogs in the coming months.

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