How Brexit could harm African economies that trade with the UK and disrupt regional integration

*The UK must pay urgent attention to the complexities of African trade in order to avoid Brexit having damaging effects, explains **Peg Murray-Evans**. Failure to do so could mean new barriers to trade from vulnerable African economies and disruption to regional integration.*

In a previous blog I outlined my concern that despite the UK government's commitment to reinvigorating the Commonwealth, African countries would be sidelined in favour of larger and more important markets in the UK's post-Brexit 'Global Britain' trade strategy. It has been almost exactly a year since that post and the recent visit to South Africa and Namibia by Lord Price marks the first trip to Africa by a Department for International Trade minister since the department was created. Lord Price met with representatives of the five members of the Southern African Customs Union (SACU) – Botswana, Lesotho, Namibia, South Africa and Swaziland – plus Mozambique.

The southern African region encapsulates a number of the complexities and dilemmas that the UK faces in designing a trade policy that will support the development needs of its African partners, as well as developing countries elsewhere. So what is at stake in trade talks with the region?

Like most African countries, the five members of SACU plus Mozambique currently enjoy preferential access to the EU market for their exports. These countries are members of an Economic Partnership Agreement (EPA), which gives them duty and quota free access to the EU (except in the case of South Africa, which faces some tariffs and quotas). When the UK exits the EU it will cease to be party to this agreement and the southern African countries will lose their preferential access to the UK market unless alternative arrangements are put in place.

The UK government has already guaranteed that it will secure existing duty-free access to its market for 48 Least Developed Countries (LDCs) by replicating the EU's 'Everything but Arms' scheme. This means that market access for southern African LDCs – Lesotho and Mozambique – is secure. Since the other countries in the region are not LDCs, their position is more uncertain. These countries would face a tariff increase on key exports like beef (from Botswana) and grapes, citrus fruits and wine (from South Africa) if current market access were not replicated.

One way to preserve current levels of access to the UK market for all southern African countries is to negotiate a free trade agreement that replicates the existing EPA. However the dynamics of the southern African region mean that this is not a straightforward option. Because SACU is a customs union with a common external tariff it can only negotiate with the UK as a bloc. Levels of export dependence on the UK market vary significantly within the group – the UK's share of Botswana's global exports was 13.5 per cent between 2013 and 2016, whereas this figure was only 0.1 per cent for Lesotho. This means that some members of the group may feel a more urgent need to secure access to the UK market than others. Furthermore, different approaches to trade policy within the region have caused political tensions in previous negotiations.

The region is further complicated by the presence of South Africa, which is considered a developed country by the World Trade Organisation. As a result, South African exports to the EU including wine and fruit are subject to quotas under the existing EPA. These were a controversial part of the original negotiations and would have to be renegotiated in order to replicate the deal with the UK. Furthermore, if the UK wants to negotiate a more ambitious trade agreement with SACU – for example by including issues such as services and investment – it is likely to meet resistance from South Africa, whose government wishes to consolidate regional rules on these issues before discussing them with third parties.

African regional trade is made more complex still by the overlap between regional organizations with competing agendas. The membership of SACU overlaps with the larger Southern African Development Community (SADC) and Common Market for Eastern and Southern Africa (COMESA), both of which exist within ongoing efforts to conclude a Continental Free Trade Agreement that would include all 54 members of the African Union. Former Minister for Africa, James Duddridge MP, suggested at this month's Department for International Trade questions that the UK could aim to use trade relations with Africa to help strengthen intra-continental African trade. An examination of the EU's experiences negotiating the EPAs, however, suggests that using free trade negotiations to attempt to consolidate incomplete African regional projects is an extremely difficult task. On the other hand if the UK chooses not to take a continental approach and instead replicates the existing patchwork of EPAs and other EU trade arrangements across Africa, this is likely to add to existing barriers to intra-continental free trade.

An alternative to the current EU patchwork of arrangements has been mooted by a group of British international development NGOs. They argue that the UK should adopt a scheme similar to Everything but Arms, but expand its eligibility beyond LDCs to all 'economically vulnerable countries'. The problem with this is that if such an arrangement included small middle-income African economies like Botswana, it could be open to legal challenge under WTO rules by larger economies at similar levels of development like India and Brazil. Meanwhile if the UK chose to extend unilateral preferences to all middle-income countries including agricultural market leaders like Brazil, then beef producers in Botswana and Namibia would lose their preferential margin and it is unlikely they would be able to compete in the UK market.

There are also more straightforward ways that the UK could improve market access for countries in southern Africa. Simplifying the rules of origin – criteria that govern the designated origin of a product – for manufactured goods like garments could help exporters from countries like Lesotho to access the UK market. The UK could also eliminate non-tariff barriers to trade in products like citrus fruits from South Africa by removing the EU's strict controls in relation to the fungal infection citrus black spot, which have been seen as a controversial protectionist measure by South African citrus exporters. Changes to the UK food safety regime would, however, create new trade barriers with the EU.

A number of the complexities and dilemmas facing UK trade with southern Africa – varying levels of dependence on the UK market, uneven eligibility for unilateral preference schemes, complex regional configurations, vulnerability to competition from larger middle-income economies – exist across the African continent. These issues require urgent attention if the UK government is to ensure that Brexit does not adversely affect developing economies in Africa and elsewhere.

In particular, following on from the ministerial trip to southern Africa this week the UK government should urgently:

1. engage with all developing countries that currently have preferential access to the EU market well in advance of the end of the Article 50 negotiating period;
2. explore the legal options for alternatives to the current patchwork of EPAs and other preferential trade schemes as well as ways of addressing non-tariff barriers to trade with developing countries;
3. acknowledge the complexities of African regional integration and investigate ways to minimize disruption caused by post-Brexit trade arrangements;
4. carefully assess the impact of new trade arrangements with other developing countries on those that benefit from existing trade agreements and preferences.

If the UK now moves swiftly to take these four steps and acknowledges the complexities of African trade then they could avoid Brexit having damaging effects. Failure to do so could mean new barriers to trade from vulnerable African economies and disruption to African regional integration.

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