

Presentation to the All Party Parliamentary Group

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Africa-UK trade & investment agreements after Brexit

Edwin Laurent¹ 20th July

The Hon Chi Onwurah MP and members of the Africa All-Party Parliamentary Group (APPG), members of the Royal African Society, fellow panellists, Liz May- Head of Policy at Traidcraft and Dr. Eka Ikpe of the African Leadership Centre at Kings College London, H.E. Dr. Kaire Mbuende Ambassador of Namibia to the EU, distinguished ladies and gentlemen.

The APPG's work on EPAs and their impact on Africa's industrialisation is of particular importance and fundamental to African countries' ability to move up from the bottom of global value chains where so many languish, producing and supplying raw-materials with minimal processing and transformation. Progressing up the chain is essential if they are to expand income and employment so as to reduce poverty and improve livelihoods. The EPA was intended as the vehicle for supporting that transition.

The EPA is not an investment agreement, but several African countries have investment agreements with European countries. These are bilateral rather than EU wide. Key elements in all are dispute settlement and definition of investor rights and obligations and the rights of establishment. Brexit is not therefore expected to have any discernable direct impact on these agreements. So what of trade?

The EPA provides duty-free quota free access to a major high income market and complementary financial, technical and policy support to help the partner countries develop and improve economic management and enhance their capacity to produce and export internationally competitive goods and services.

Whether or not these expectations are being realised in those countries that have already been operating the EPA, is not the issue for us to address now. The question is instead, where does Brexit leave the UK's trade engagement with Africa, which hitherto has been via collective EU wide arrangements including the EPA?

UK's imports from Africa are governed by the EPA, the Generalised System of Preferences (GSP), the Everything but Arms (EBA) and existing WTO rules and, in the case of the North African countries of Algeria, Morocco and Tunisia, by Association agreements under the Euro-Mediterranean partnership²

¹ Edwin Laurent is the Director of the Ramphal Institute (edwinlaurent@ramphalinstitute.org, tel 07917664595). However, the views expressed in this submission are his and are not to be construed as necessarily reflecting the positions of the Institute or its Trustees.

² The key objective of the trade partnership is the creation of a Euro-Mediterranean Free Trade Area, aimed at removing barriers to trade and investment between the EU and Southern Mediterranean countries of Israel, Jordan, Lebanon, Palestine and Turkey as well as Syria and Libya, but with whom Association Agreements have not been signed. Ref <http://euro-mediterranean-partnership>

What I will address today is how Brexit will impact directly and indirectly on these arrangements and the consequent development consequences for Africa. Given the focus of the APPG's work I will not deal with the Euro-Mediterranean Partnership.

The Economic Partnership Agreement (EPA) with the EU is a comprehensive reciprocal agreement that sets a framework for trade, investment and economic cooperation providing duty and quota free entry to the EU market for African signatories. This mechanism is, in many cases essential for African suppliers to be able to sell on a competitive basis in the UK and the rest of the EU.

The UK's withdrawal is causing concern in Africa. Even before the 23rd of June, the issue had been raised in a Parliamentary question to the Mauritius Prime Minister and the week after the vote the trade consequences were discussed by the Summit of Caribbean leaders; the only ACP region so far to have concluded a comprehensive EPA.

Whilst the UK is a signatory to the EPA, upon leaving the EU it would automatically cease to be a member of the Agreement. The consequence is that the trade that might have been facilitated or made possible by EPA preferences could be jeopardised unless adequate substitute arrangements are put in place. African countries would hope that this is what would happen as soon as possible.

GSP and EBA. The prospects here are much brighter. Both of these are in keeping with WTO rules/exhortations. It is my understanding that the UK is free to continue to provide eligible countries with preferential market access under these two arrangements.

WTO. African exports to the UK that do not qualify under a preferential arrangement are subject to standard WTO (MFN) tariffs³. Brexit will give the UK the ability to negotiate its rates (schedules) on its own rather than as part of the EU. The rates that it negotiates/settles on will be crucial, not just in terms of providing protection for its domestic production, but also a preferential margin for imports from Africa under the GSP, EBA or any UK successor to the EPA. To use some examples, permitting duty free entry of sugar from Swaziland or Mauritius, or bananas from Ghana or Cameroon would not do much to safeguard their export production aimed at the UK market if the MFN tariffs paid by Brazil or Ecuador are eliminated or overly reduced.

Consequences

UK withdrawal from EPA: There is no clarity over what if anything will replace the EPA and formal talks cannot even begin until after Article 50 has been triggered. The uncertainty can affect confidence and dampen the enthusiasm of investors in Africa, both local and foreign whose production is geared for the UK since they would have no assurance of ongoing satisfactory market access. This cutback in investment can itself impose a pre-Brexit cost on the African countries affected and even result in the long term loss of market presence.

³ The Most Favoured Nation (MFN) tariff which is the highest rate that may be charged on imports from a WTO member.

The EPA itself with the remaining 27 members can continue unchanged legally. However, since it will no longer provide the vehicle for access to the major and important UK market, particularly for countries with longstanding Commonwealth ties, the EPA's value from a commercial standpoint could be diminished. In this regard one might recall that last week after 14 years of negotiating an EPA as part of the East Africa Community (EAC), Tanzania announced that it would not be proceeding. The signing of the Agreement, which was to have taken place on Monday this week and has now been called off.

EBA and GSP preferences are in line with UK commitments made within the WTO framework so EBA and GSP imports should not be affected,

Development finance: The UK's voluntary contribution to the European Development Fund (EDF) has been considerable. Brexit will mean that it is no longer available and so the EDF that has benefited African countries would be expected to be cut back (unless, as is most unlikely, the remaining 27 agree to make up the shortfall). Given however the UK Government's commitment to the international development assistance target of 0.7 of GDP, it can decide to continue providing the same volume of aid resources; possibly channelling them through other intermediaries or providing them directly. Brexit can offer an opportunity for the UK to engage more directly and constructively with development partners in Africa and elsewhere to ensure that financial assistance makes a fuller contribution to sustainable development and transformation.

- *There will be the loss of the valuable, progressive and pro-development voice and perspective of the UK in framing EU development policy.*

How can the UK safeguard Africa's exports post Brexit?

1. Continue to provide EBA and GSP trade benefits
2. Conclude duty-free and quota free market access arrangements at least with the non-LDCs in particular those that have longstanding trading links.
3. Most importantly maintain MFN tariffs on sensitive products of particular importance to African countries and also exclude these products from preferential trading arrangements with other regions that are low cost competitors, for instance in South and Central America.

Conclusion

The UK will be stretched and under tremendous pressure to negotiate and conclude many complex trade deals in a very short time; and countries whose volume of trade is small might not be seen as priorities. But for small African exporters, this trade could be of vital economic importance. These countries would hope that their trade will not be a victim (albeit unintended) of Brexit, but will be able to flourish in the post-Brexit era.

I thank you Honourable Members for your kind attention.
