



All-Party Parliamentary Group on Trade Out of Poverty

A new initiative to enhance UK-Africa economic relations

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January 2020

Introduction

In its October 2016 inquiry report¹ on the UK-Africa Free Trade Initiative, the All Party Parliamentary Group) (APPG) for Trade Out of Poverty (ToP) highlighted the fact that unlike other major economies such as the US, China, Japan, Germany, India France and Turkey, the UK currently does not have a coherent, over-arching medium-term economic partnership framework with Africa.² But this laissez-faire approach has not been successful - the value of UK-Africa trade (both exports and imports) is largely the same in 2018 as it was a decade before. With the UK's departure from the EU now in sight, this is the right time to consider the next steps and future directions in the economic partnership between the UK and African countries covering the three inter-linked dimensions of trade, investment, and technology.³

The year 2020 will be a uniquely important year for Africa and the UK. Prime Minister Boris Johnson will host the first ever UK-Africa Investment Summit in London on 20th January 2020. This will bring together around twenty African Heads of State, and UK, African and other business leaders, with the aim of enhancing the UK's economic relationships with African countries. Six months later, the UK will pass on the Commonwealth Chair in Office to Rwanda at the Kigali CHOGM Summit in June 2020, where the Prime Minister will gather with Heads of State of the 19 Commonwealth African countries. The House of Lords International Relations and Defence committee is also expected to publish the final report of its inquiry on the theme of *UK & Sub Saharan Africa: prosperity, peace and development co-operation* before the end of 2020.⁴

To lay the foundations for a new medium term economic partnership framework between the UK and Africa, we suggest the right way forward is for the UK and Africa

¹ The Inquiry Report can be downloaded here: <http://tradeoutofpoverty.org/inquiries-overview/inquiry-into-the-uks-africa-free-trade-initiative-afti/>

² The All Party Parliamentary Group for Africa has also been taking an active interest in the UK-Africa trade relationship post Brexit. See for example its 2017 report here: https://royalafricansociety.org/wp-content/uploads/2019/10/APPG-for-Africa_Future-of-Africa-UK-Relations-Post-Brexit.pdf

³ Some experts have suggested this remit could be expanded to include migration and climate change.

⁴ See <https://www.parliament.uk/business/committees/committees-a-z/lords-select/international-relations-committee/inquiries/parliament-2017/sub-saharan-africa/>

to form a joint high-level **Prosperity Commission** in 2020 to assess the current status of their economic relationships, take stock of current and planned initiatives, identify the priority opportunities and chart innovative ways forward.

Taking a medium term perspective, the **UK-Africa Prosperity Commission** could examine how the UK and Africa can engage in mutual trade partnerships, enhance the UK's bilateral investment footprint, boost technology transfer, and consider aid for trade in the new context for aid. The UK-Africa Prosperity Commission could work through 2020 collecting evidence and holding hearings in Africa and the UK, and then present its report to a special meeting on the sidelines of the African Union's Summit attended by Prime Minister Johnson in Ethiopia in January 2021.

New ambitions in the UK and Africa relationship

The UK currently has (at least) four ambitions that affect its relationships with Africa, centring on Brexit, trade, investment and aid. Some of these are captured in the UK-African Union Joint Communiqué signed in February 2019.

First, the UK will leave the EU and will need to re-engage globally to restore trust and make the case it is still an open and reliable partner, after the internal debates over the past three years.

Second, the UK will be looking to agree new trading relationships with Africa, building on the (bilateral) continuity agreements already agreed. It also has the ability to introduce new provisions in trade agreements and modernise these. As the UK establishes an independent trade policy, it will need to consider how imports from African countries maybe affected by UK food safety, standards and technical regulations and other barriers to accessing the UK market such as Rules of Origin for products to qualify for preferential import arrangements. The UK also wants to ensure access to low cost, quality and timely imported inputs. Equally, UK exporters to Africa – and intra-African traders – also need to consider ways of reducing high transport costs and other non-tariff barriers and border frictions in accessing markets on the African continent. The data Appendix shows that exports and imports of goods and services between the UK and Africa did not increase in value between 2008 and 2018.

Third, the UK is interested in raising its investor footprint in Africa for the mutual benefit. This should also cover better leveraging the potential of the City of London as a facilitator for greater flows of foreign investment and trade finance into Africa. And fourthly, the UK will be looking towards designing a new aid strategy and engage in a new spending review, building on the Africa strategy, DFID's economic development strategy, and the FCO's global prosperity fund, amongst others. In addition, the DIT has plans to become an aid spending department.

Africa also has clear ambitions enshrined in the AU2063 agenda and shown in the dynamism around the Africa Continental Free Trade Area. In a period of weak global growth, Africa is looking to increase trade and investment, which can help to transform its economy, create jobs and reduce poverty. The UK is already a major investor and trader with African countries, but a number of factors ranging from improving business environment to building infrastructure and skills could improve economic relations. African countries have formulated ambitious visions but moving to practical steps often

remains a challenge. There are huge opportunities in bridging the technology divide between the UK and Africa which are not being properly targeted and there are also real challenges and opportunities in industrialising in the new digital context.

Substantive issues

We first need to understand how African countries have experienced the relationship with the UK over the last few years and what their expectations are. We will put this in the context of other initiatives such as AGOA (US-Africa), FOCAC (China-Africa), CWA (Germany – Africa), TICAD (Japan-Africa) and others by Russia, France, Turkey, and India.

After Brexit, the UK will be looking to engage in new trade relationships with Africa. This will build on the trade continuity agreements, trade preference and MFN schemes that are likely to cover most African countries from 2021 onwards. A key question to consider is what are the ambitions for the future, what would be in the best interest of the UK and Africa, and what would this mean for Rules of Origin, Standards, Agreements on Services, Investment Facilitation, and other (pan-Africa) issues currently under discussion at the AU.

The Commission for Africa report of 2005 included a chapter on growth but only recently an Africa strategy is taking mutual *economic* relationships more seriously. Other countries such as the US, France and China have been more active in forging new investor relationships in recent years. The appendix shows that returns on UK investment in Africa are double those of UK FDI in the rest of the world. And more than three quarters of the UK FDI stock is concentrated in four countries. How can the UK's investor community build on the outcomes of the AIS? What would a UK investor-led Africa strategy look like (eg the Dutch employers federation recently published an Africa strategy). What would be the role of the UK's Trade Commissioner for Africa?

We also need to consider bridging the technology divide between UK and Africa to support economic development in African countries. Sectors include food production, transport, fintech, green tech with the channels maybe through science and R&D as well as regulatory modernisation and B2B initiatives.

Finally, the UK is considering a range of aid initiatives such as InvestAfrica (to attract investment into Africa), Trade Connect (to increase imports from Africa) and others. It also had a good track record of Aid for Trade initiatives such as Trade Mark East Africa, which is expanding to cover trade facilitation initiatives in Kenya, Uganda, Tanzania, Rwanda, Burundi, Ethiopia, DRC, Malawi, Zambia and Mozambique in its second 5 year strategy. The UK is a shareholder in / contributor to a range of relevant bilateral (CDC, AgDEVCO, LSE, infrastructure) and multilateral (AfDB, IFC, FSD, TCX) initiatives to stimulate investment. How can these trade and investment initiatives best support the new UK-Africa economic partnerships?

There are already discussions taking place between the UK and African countries and between the UK and the AU, and questions to enhance the envisaged partnership between the UK and African countries could be facilitated by regular and deeper dialogue for a number of larger (in market size) African countries such as Ghana, Kenya, Nigeria, and South Africa. These dialogues could also bring in the regional

economic communities like the EAC and private sector and civil society as well as just government officials and leaders: it has been suggested that there could be dedicated business leaders forum as with US AGOA. How can such institutional structures and processes maintain the relevance and increase pay-offs? Can they be organised efficiently in margins of other summits or have dedicated UK-Africa summits?

The task for 2020: developing a common vision for shared prosperity

To lay the foundations for a new medium term economic partnership framework between the UK and Africa, we suggest the right way forward is for the UK and Africa to form a joint high-level **Prosperity Commission** in 2020 to assess the current status of their economic relationships, take stock of current and planned initiatives, identify the priority opportunities and chart innovative ways forward.

Taking a medium term perspective, the **UK-Africa Prosperity Commission** could examine how the UK and Africa can engage in mutual trade partnerships, enhance the UK's bilateral investment footprint, boost technology transfer, and consider aid for trade in the new context for aid. The UK-Africa Prosperity Commission could be based on the organisational model of the 2005 Commission for Africa and could present its report to a special meeting on the sidelines of the African Union's Summit attended by Prime Minister Johnson in Ethiopia in January 2021.

Principles for engagement

A number of key principles would guide the work of the UK-Africa Prosperity Commission:

- The initiative should be led by leaders and ministers across UK government (DFID, DIT and FCO), key African governments and regional institutions such as the AU and TMEA.
- The Commission should include business representatives and trade and investment experts from both the UK and African countries. It should work in a transparent and inclusive manner – inviting evidence contributions and publishing its findings and analysis.
- It should be supported by a small secretariat drawn from organisations like the APPG TOP, ODI, UNECA, TRALAC and others.
- It should engage actively and support broad based dialogue in a sample group of key African countries hosted by Presidents in-country, as well as considering cross-country thematic issues.
- It should take into account special needs and interests of least developed African countries, as well as small enterprises, young people and women's economic empowerment objectives.
- The Commission should make specific proposals and actionable recommendations towards a clear set of goals and targets up to 2030, linking into the Sustainable Development Goals framework and Africa's own agreed medium term economic development plans.

The Commission should collect evidence, organise hearings and aim to deliver its report at the end of 2020.

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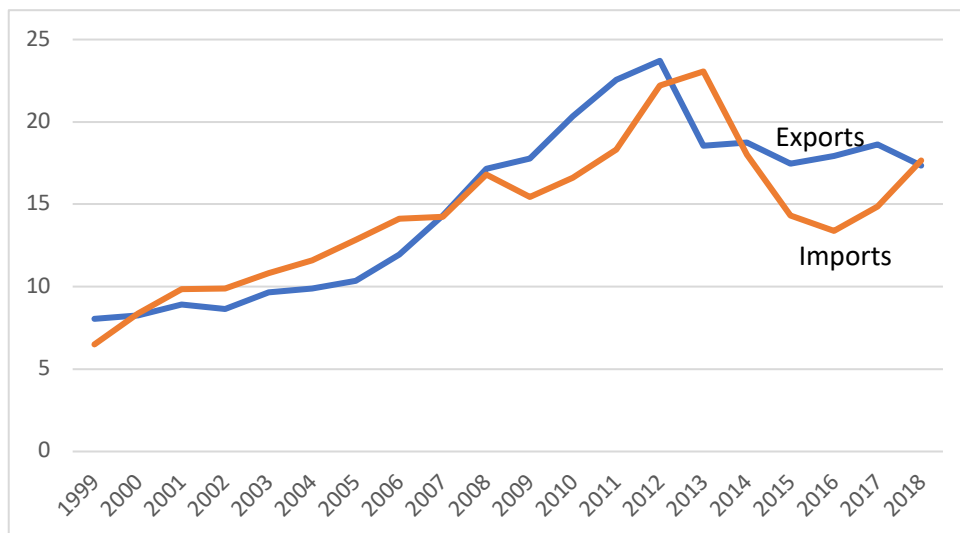
Email: tom@saana.com

Appendix: Data on UK-Africa trade and investment

UK exports and imports of goods and services to Africa have varied markedly between 2008 and 2018, but they did not increase in value when taking the entire period (Figure 1). Imports of goods and services have grown since 2016 (£17.7bn) and surpassed exports of goods and services (£17.4bn) in 2018. Underlying swings owe to sub-Saharan Africa (Figures 2 and 3).

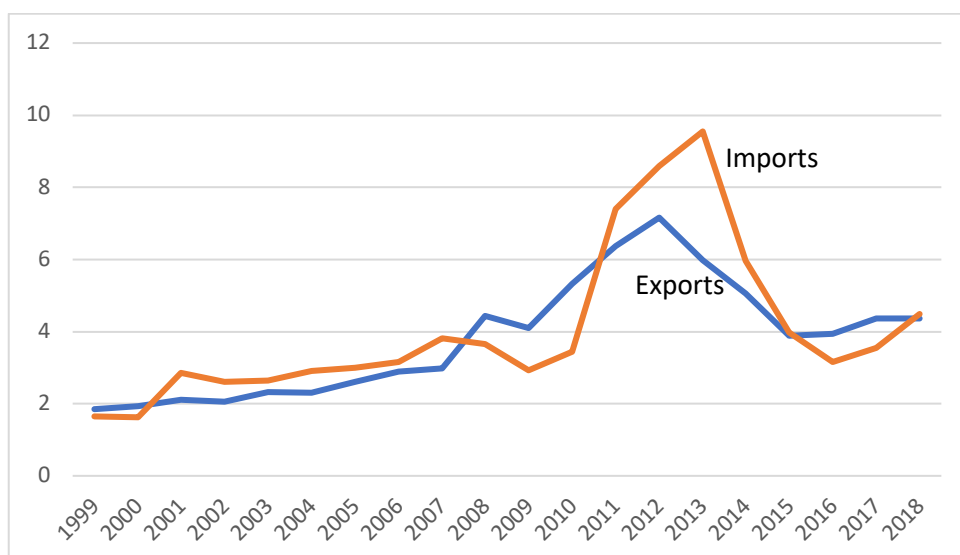
Figure 3 shows the UK has a consistent surplus on the services balance with sub-Saharan Africa. Figure 4 shows that earnings as % of UK FDI stock has consistently been higher in Africa than in the OECD (bar one year). Figure 5 shows that more than three quarters of the stock of UK FDI in 2017 (£34bn) was concentrated in just four countries (South Africa, Mauritius, Egypt, Nigeria). The UK FDI stock increased 14% to £38.7 bn in 2018.

Figure 1 UK exports and imports of goods and services with Africa (£bn)



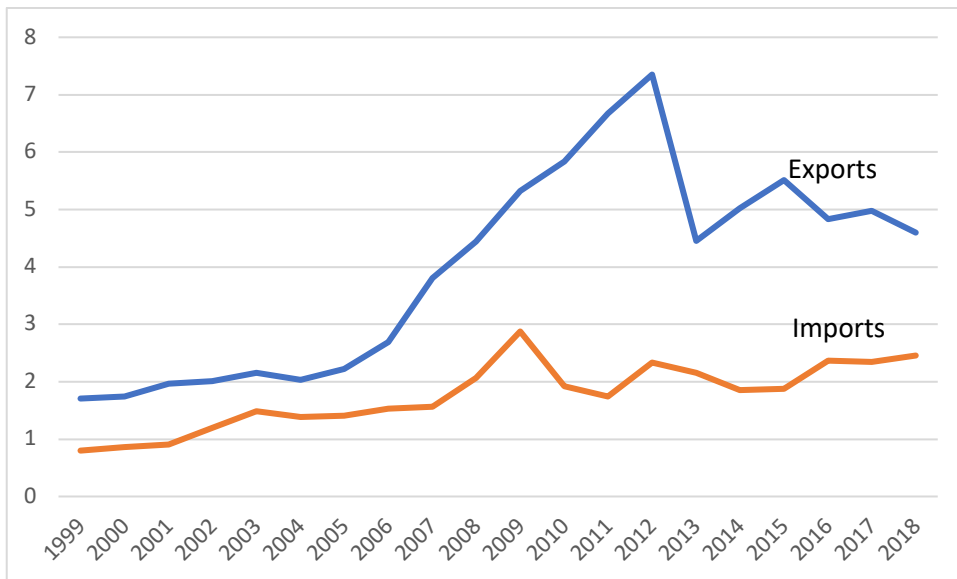
Source: Office of National Statistics, the Pink Book 2019

Figure 2 UK exports and imports of goods with sub Saharan Africa (£bn)



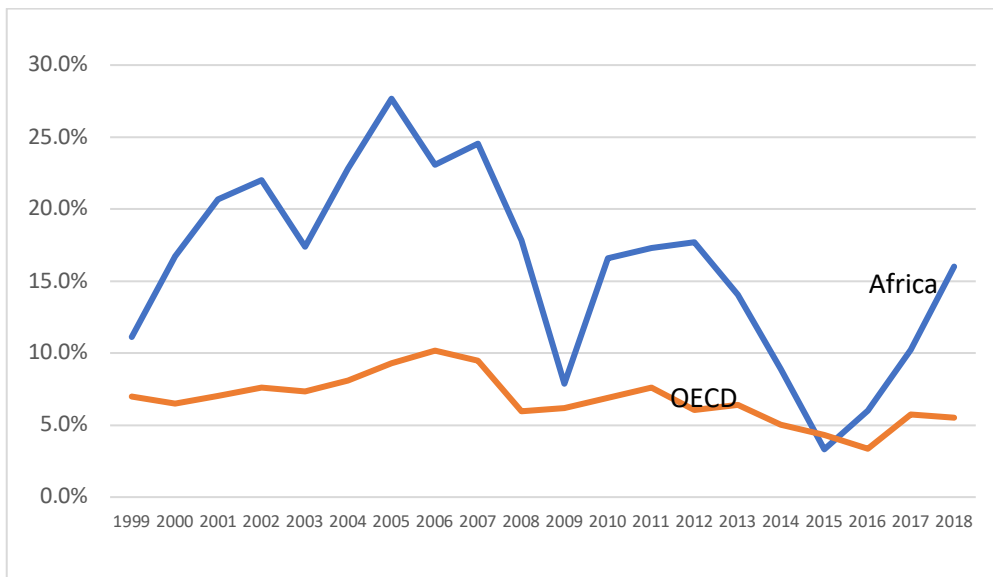
Source: Office of National Statistics, the Pink Book 2019

Figure 3 UK exports and imports of services with sub Saharan Africa (£bn)



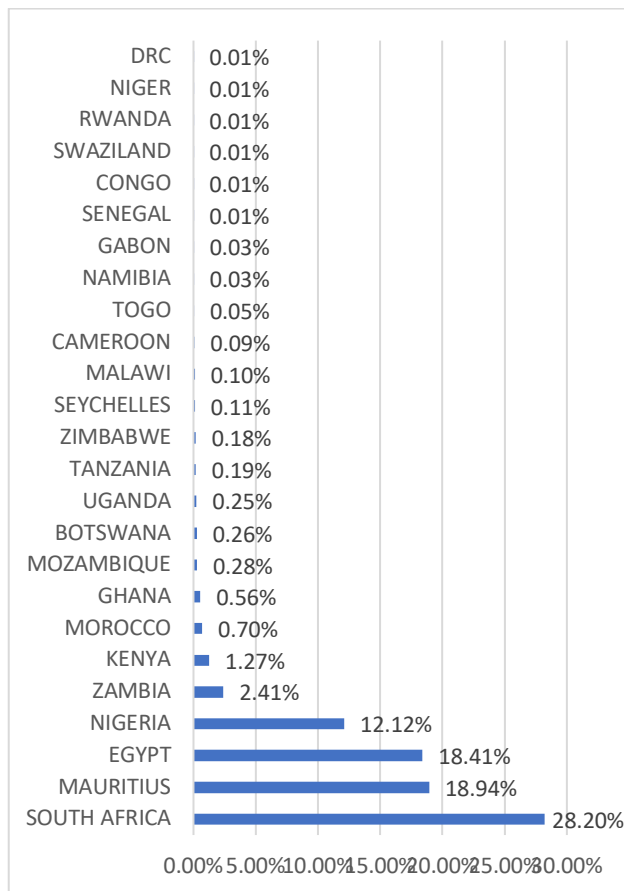
Source: Office of National Statistics, the Pink Book 2019

Figure 4 Net earnings from UK FDI as % of UK FDI stock, 1999-2018



Source: MA4 ONS

Figure 5 Stock of UK FDI (% of total UK FDI stock in Africa), 2017 (or nearest year available)



Source: ONS, shows countries with data and % > 0.01%