



## **High-level discussion on trade in the Commonwealth**

**26th February 2018, 4:00-5:30PM in the CPA Room, House of Commons**

These minutes are from a high-level roundtable discussion hosted by the Africa APPG in partnership with the Commonwealth Enterprise and Investment Council (CWEIC) in preparation for the 11th Commonwealth Business Forum in April. This provided an opportunity to hear about the work of the Commonwealth Business Forum as part of CHOGM (Commonwealth Head of Government Meeting) and to engage in critical discussion regarding increasing trade and cooperation between commonwealth countries and what this might present for Africa's development and industrialisation.

### **Parliamentarians in attendance:**

Chi Onwurah MP (Chair)

Baroness Chalker

Baroness Hooper

Baroness Northover

Baroness Prashar

Lord Chidgey

Lord Luce

Lord Marland

Lord Popat

Lord Purvis

James Duddridge MP

Liz McInnes MP

Pauline Latham MP

### **Lord Marland (Chairman of CWEIC)**

Welcome attendees and gave some background on the Commonwealth Business Forum hosted by CWEIC from 5<sup>th</sup> April 2018. CBF will bring together heads of state, parliamentarians and private sector. Thematic focuses will be on digital economy, free trade and open economy and sustainable business activities among others focuses. There would also be an African leader's roundtable.

### **Chi Onwurah MP (Meeting and APPG Chair)**

- CO opened the meeting and welcomed the diverse mix of parliamentarians and private sector representatives to encourage a more diverse discussion.
- Explained that the Africa APPG exists to support mutually beneficial relationships between Africa and the UK, to better engage parliament with the African diaspora in the United Kingdom on African issues and to try and address the negative images/perceptions that we may see of Africa in the UK.

- Gave background on APPGs where MPs and Peers come together across party lines to champion, debate or support issues they are passionate about. The APPG Africa is the largest and one of the most active APPG's in parliament and the diversity of membership is testament to the UK's ongoing interest in Africa.
- Trade with and within Africa is one of the main priorities of the APPG following the APPG's delegation to Southern Africa in 2016 looking at trade and development cooperation post-Brexit and the subsequent report.
- Trade with commonwealth countries and trade outside of the EU is one of the major discussion areas of Brexit and is one of the critical areas to ensure that our prosperity and the prosperity of African and commonwealth countries continues after Brexit.
- CO said she hoped the meeting would look at overlap between increased commonwealth trade and Africa's continental regional integration and industrialisation.
- Chatham House rule.
- Discussion question: How the commonwealth free trade negotiations could positively proceed and how can we ensure that such agreements do not undermine African Caribbean and Pacific countries existing regional integration and trade efforts?

**Speaker: Emma Wade-Smith (UK's Trade and Investment Commissioner for Africa at Department for International Trade)**

- The UK's Africa trade team (ATT) launched in 2017, brings together 24 trade teams for the Department for International Trade across Africa. Covering 21 countries in 24 locations with 80+ people spread across Africa. Over the past year, the ATT has helped British companies get more than £6.5 billion of export wins back to the UK economy and so given the costs of the ATT- the rate of return has been good- generates more £2685 for every £1 spent on team in Africa.
- To help professionalize and create even better efficiencies, the ATT created a Trade Services Unit designed to support UK SMEs and to promote export opportunities that we see across Africa. The TSU provides a UK single point of enquiry for all trade and investment questions related to Africa.
- DIT (Department for International Trade) does more than trade promotion and also focuses on trade finance and trade policy.
- Trade promotion is focused on classic sectors of high UK expertise and performance- aerospace, agricultural technology, defence and security, oil and gas, renewable energy and infrastructure.
- Currently finalising a three year trade plan- expanding into more strategic sectors that are game-changers for Africa- technology, healthcare and education and skills. Where UK has industry expertise and sectors where African governments also want to see more British companies active and engaged. Enabling a move away from classic sectors and into trade finance and policy also. Transformation around long-term relationships, where the Commonwealth comes into its own.
- Former UKTI was seen as taking a shorter-term and transactional approach supporting individual projects with individual companies as required. Over the next three years- DIT wants to see shift towards a more strategic longer-term approach
- Building relationships is key to this- across UK Government i.e. better integration across DIT, DFID and FCO interests in the "prosperity space" and longer-term strategic partnerships with host governments at national and provincial level so UK understands what they want and they can understand what the UK can offer and so can work together over a longer period of time to support economic transformation in Africa. Strategic partnerships with industry to understand where interests align so Government and industry can have as much impact and influence as possible- including building UK consortia to promote UK expertise. Underpinned by trade envoys.

- Where does the commonwealth play come into this? There are 18 African commonwealth countries and the UK Department for International Trade has a presence in 11 of these countries and wider HMG activity across the board.
- Where the Commonwealth provides a boost is around shared history, tradition and values and longer-term relationships. The focus of the CBF are nicely aligned with DIT focusses- i.e. Support for SMEs and job creation, food security and agricultural production, energy innovation infrastructure etc and crucially finance at the centre. Commonwealth is important part of the strategic relationship the UK wants moving forward.
- Challenges include current low levels of intra-African trade which is a constraint on Africa's ability to grow. There are also capacity issues which also limits the ability for UK companies to engage and to create bankable and feasible projects. As such UK Government aims to work across departments to have a strong continuum between DFID's long-term economic development work, the FCO's medium term prosperity fund and economic diplomacy work and the DIT's short to medium term commercial focus.
- Want to move from 15% mutual trade in Africa to levels more akin to European or Asian trade flows- the African wide Continental Free Trade Area comes into own but suspect it will be some time in its realisation but think the aspiration is encouraging and crucial for African economies to realise their potential.
- Real need to jointly tackle the misperceptions about doing business in Africa: it's not easy but it is not impossible.
- Opportunities that exist in trilateral cooperation (within the commonwealth family). Need to explore ways in which we can do good business within the commonwealth in different geometrical structures.

**Speaker: David Luke (Coordinator of the African Trade Policy Centre (ATPC) at the UN Economic Commission for Africa (UNECA))**

- AU (African Union) agenda 2063- AU's long-term vision for achieving economic transformation recognises the importance of industrialisation. In order to tackle entrenched poverty at the same time as a rising young demographic it is clear that manufacturing has an important role.
- Africa needs to build its internal links in order to stop being an exporter of largely primary goods.
- Intra African trade is small (15-17%), however it is encouraging that 49.1% of that trade is for value added products compared with over 80% of Africa's exports to the rest of the world being commodities- so clearly a lot of potential for intra-African trade.
- What needs to be done to grow intra-African trade? History shows that everywhere you trade with your neighbours in order to grow. What the AU of African Governments is trying to achieve is African wide Free Trade Area with high ambitions and are currently negotiating the main elements of a continental free trade area.
- Much progress has been made to surprise of many- there has been 9 rounds of negotiations- agreed that 90% of tariff barriers would be liberalised over a 15 year period and Least Developed Countries (LDCs) amongst the AU member states would have 10 years to liberalise to this level, more advanced countries have 5 years and a group of seven countries requested 15 years and that was agreed. Agreement includes services liberalisation especially within a number of sectors close to the economic transformation agenda- energy, rail, transport, finance, infrastructure- key sectors for liberalisation. There will be a separate phase for negotiations that will focus on intellectual property, economic competition policy and possibly e-commerce.

- So in 9 rounds of negotiations much has been achieved, the 10<sup>th</sup> round to finalise the deal is currently taking place in Kigali, Rwanda.
- African leaders set to sign on the 1<sup>st</sup> March 2018. Agreement will enter into force when 15 countries have ratified it.
- Very significant as is the first major trade reform that will be taking place on the continent since its independence era. There has been attempts at trade liberalisation (for examples within ECOWAS which has a trade liberalisation scheme) but first attempt at continent wide free trade agreement. It is home grown by Africa and not from international financial institutions saying that these reforms must happen.
- The AU recognises that if we are prioritising industrial development, trade must be at the heart of it and Africa must create a dynamic environment with opportunities for businesses to invest, especially in infrastructure.
- Trade will drive the infrastructure development- Africa has already seen major improvements done to the roads, airports are getting rebuilt, ports are being expanded.
- Traditionally infrastructure has been put in place to move commodities from the middle to the coast and overseas. This is now changing to increase links between African countries to allow back and forth.
- The trade policy coherence that AfCFTA will bring to Africa will mean that when negotiating with third parties, Africa will want to see that any agreements put in place will support its own integration. As such, when the UK is looking to design an independent trade policy, the UK should deal with Africa as a whole.
- Regarding the commonwealth, we see greater possibility for leveraging the commonwealth diaspora but less so in the form of having an active trade policy and that agreements are not just made with African commonwealth countries and include others.

## **Q&A**

*How can you encourage countries to add to their further education of real managerial training and delivery of projects?*

Addressing skills deficit is essential DFIUD, British Council and FCO all doing things around skills development and capacity building but time and time again- just not the right people, with the right skills in the right places in government to understand what a financing offer might be or how to make a project feasible and to get terms of reference right and to put a tender out etc. in a way that UK companies would feel comfortable with. Through greater join up between DIT, DFID and FCO can better work- DFID has people embedded within certain African ministries to help build capacity.

*Looking at pathways to development and having a manufacturing stage. Does it make sense to create an industrialized future for Africa at the same time that AI are taking over the way we do manufacturing? Are we making the same mistakes in concentrating our focus on the core commodities as we did in the 1960's?*

The importance of manufacturing is that it provides jobs and impacts on skills and development. Not all sectors are equally susceptible to digitalisation. Would be a mistake for African countries not to promote sectors where they still have some comparative advantages through labour costs and other means. Need to embrace the agricultural-processing sector too.

Not all countries will be producing high-spec goods- but through value chains and linkages these products can be encouraged.

*Are the £2.5 million of UK exports to Africa backed by export credit guarantees?*

On UK export fiancé risk appetite across Africa is in excess of £25 billion. Need to promote the capability and products UK export finance has on offer for UK companies and work closely to convert more projects they start discussing into actual deals. E.g. Kigali airport. It's a competitive offer and needs to be mobilised.

*What support is there from DIT for SMEs trying to export to Africa?*

Increasing number of smaller UK companies coming out and using technology as a basis or communicating. Aqua Africa in Ghana, Which Energy, bringing electricity into rural areas in West Africa. Through Trade Services Unit looking to override more support for that.

UK-Africa Roadshow a few weeks ago – 10 cities in 10 days and trade teams talked about what it's like to do business in Africa. Saw over 500 business people across the UK and have 1-1 discussions. Clear SMEs don't have pockets to sustain engagement over a series of years and so DIT needs to work with them to speed it up and facilitate. Also, to improve access to the UK supply chains via larger companies. Africa Infrastructure Board which has been set up to look at that- a big UK construction companies on that board already active in Africa to better connect with supply chains.

*What do our experts really want to see emerge from our forum above all the summit where there are common interests between commonwealth, Africa and UK interests? What practical long-term decisions we would we most like to see emerge from CHOGM?*

Liam Fox has said he wants an Africa Trade event at CHOGM. Want African Governments and Business people to leave CHOGM believing that UK wants to bring UK companies to meet their demand for goods and services. Is there a series of things we can do to support a network of African High Commission and Embassies across the UK to promote their products better and to promote the flows of UK investment into Africa and promote African exports.

*How can persistent negative perceptions around Africa as an investment and export destination be counteracted?*

Already some positive marketing taking place. Use examples that exist to explain how to do good business in Africa. Which is part of DIT three year trade plan. Launched first DIT pan-African marketing campaign focused on infrastructure using social and digital media. Still a long-way to go and government pockets are deep enough to make the difference and so strategic partnerships are really important. Need existing UK companies along with host governments to promote the opportunities in a sensible and practical way.

Huge opportunity in Africa. Continental GDP is \$2.5 trillion (population is 1.5 billion). Over 400 million Africans are considered "middle-class" which creates a market. Old industries fade away- British Airways may be leaving but Ethiopian Airways is filling that gap.

Opportunities need to be expanded- for example in Universities, need private investment in Agricultural research and development and on green energy.

Beginning to see better coherence amongst departments from developing countries – including UK and India too.

*Many companies put off doing business in Africa because of perception of corruption. Opportunity within the commonwealth to address this by step change of introducing standards to get it all on a level playing field. Stopping it is about creating a competitive market and sustainability and step*

*standards can be introduced. The AU is discussing trade and also discussing corruption and prosperity fund can help with is.*

Corruption is major issue and the AU is looking into tackling it in 2018. Looking also at Illicit Financial Flows as unfortunately the corruption is two ways and involves external partners- to take a bribe you have to be offered one. Needs to be taken seriously.

### **Closing comments**

The Chair drew the meeting to a close commenting on the opportunities of trade in terms of property and economic development and being a driver for education and other public goods. She also reminded the meeting that whilst UK recognises the opportunity increased trade presents so do other actors including China, India and Turkey and so the UK's offering will need to be appealing and competitive.

She recognised the important role of the diaspora in supporting UK-African trade and links and added that UK SMEs need to be properly supported in investing in and trading with African countries. She implored the UK's food processing industry to not shy away from Africa and said she felt there was untapped potential for technology and skills exchange within the agro-processing sector.

The Chair praised the progress on the AfCFTA (African Continental Free Trade Area) but reflected on the UK's own recent experience regarding the Brexit vote which she said were born in part from feelings that the EU prosperity was not shared out across the UK population. The Chair concluded it is important that all sectors and actors recognise the importance of ensuring the AfCFTA brings inclusive growth across African countries and within populations and the UK should work with Africa to help achieve this.