Africa and the New World Order: Implications of a Brexit Trumpian World Order

On 24th June 2016, the world woke up to the UK referendum decision to leave the European Union (EU). A little over four months passed and another seismic shift occurred. U.S. voters appear to have awarded control of all three branches of government to a republican party in flux[1] – the presidency, congress and the judiciary (since the new president will appoint the 9th supreme court justice).

In both instances, there is now a path to political decisions of a weight to impact international partners including those of us in Sub-Saharan Africa. However, there is much less clarity on the precise direction of change (policy and relationships alike) from the U.S., the U.K. and the EU. Add to this second order effects from the multiplicity of global actors e.g. China, Iran, Turkey, together with political and economic trends at regional/country levels within Africa.

Only six months after the Brexit vote and barely four weeks after Donald Trump's election, the conversation will tend toward outlook over and above appraisal. Nevertheless, in so uncertain a setting, a regular glance upwards to find our bearings seems a prudent strategy.

Ceteris paribus – A tale of (at least) two continents

Notwithstanding positive medium to long term economic potential, this is a volatile moment for the region e.g. GDP growth for Sub-Saharan Africa down from highs of over 6.5% per annum to less than 2% per annum last year.

Behind this trend and the weak forecast for 2017 are gluts in global supply/waning demand for key commodities, drought in some regions, debt overhang and reduced fiscal buffers. However, this is a tale of two continents due to the sharp differences between those with a narrow commodity specialisation and/or acute productivity problems on the one hand, and those with diversified economies and/or rising productivity on the other.

Nigeria, for example, falls into that bracket of countries with a narrow commodity specialisation. In this instance, oil and gas. The outlook for 2017 rests on international oil prices and the extent to which Nigeria can raise hydrocarbons output while diversifying the economy. In addition to this, Nigeria must address weaknesses in power supply and confidence in policy making. By contrast, countries such as Senegal, which is expected to grow above 6% per annum this year, have benefited from falling oil prices as well as diversification of the economy.

Moreover, running alongside the above economic dynamics will be a busy political calendar. Of the 48 Sub-Saharan African countries, twenty-one including regional hegemons like Kenya and Angola, and fragile states like Liberia will hold elections this year.

Investigating Brexit and the new US administration in terms of how it will impact demand for exports from the region, support political stability and buffers for those in difficulty looks a useful starting point for analysis.

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[1] Predicting the Republican policy mix is made more difficult by differences between the president's campaign platform and traditional Republican positions.

The United States

President Donald Trump was elected with a signature promise of USD1 trillion in infrastructure spending. Abstracting away from how these moneys will be raised, it is possible that revamping and expanding American power, communication and transport networks will translate into demand for commodities produced in Sub-Saharan Africa. A welcome development for the region given Chinese *faiblesse*. However, expectations here should be balanced against the president's explicit commitment "away from the Obama-Clinton globalization agenda" – this would seem to imply some scepticism around trade and a political premium on sourcing inputs at home. Or at the very least, concerns regarding current trade and aid arrangements impacting Sub-Saharan Africa. Certain questions posed at the State Department by the Trump team during the transition add to this impression:

"Most of AGOA (African Growth and Opportunity Act) imports are petroleum products with the benefits going to national oil companies. Why do we support that massive benefit to corrupt regimes?"

If the scepticism translates into a new AGOA focused on the non-oil sector this would be supportive of the region's long-term need for diversification. However, this may require that 1) the administration does not view manufactures or other non-oil African production as competition, 2) that non-oil production in those countries will not benefit "corrupt regimes".

On foreign aid, at this stage there is no clear view. Statements made by Donald Trump during the campaign could be interpreted in various ways. Tentatively, it might be said that the president is in favour of emergency assistance e.g. disaster relief, but more ambiguous on long-term programmes. Changes are already in effect. In January 2017 for example, the president introduced an expansive restriction on discussion of abortion by any health organisation receiving aid from the US. Historically, Congress has crafted aid policy in a bipartisan fashion; however, these are more partisan times and Republican party will likely take its cue from the president.

We will learn the precise distribution of authority between the president and his Secretary of State Rex Tillerson going forward. But the latter, as the former CEO of Exxon Mobil, does have substantial experience and networks in Sub-Saharan Africa, some of which may earn controversy. During his vetting by the Senate, Tillerson expressed support for present staples of US-Africa relations including aid programmes such as the Millennium Challenge Corporate and the President's Emergency Plan for AIDS Relief (PEPFAR). However, he has also promised "a complete and comprehensive review" of USAID spending.

Europe

Four-month head start or no; on the E.U too, the balance of analysis rests on outlook. Despite the referendum, Brexit has not yet happened. The U.K parliament has awarded Prime Minister Theresa May's government the right to trigger negotiations for the U.K's exit – expected in March and lasting up to two years. France and Germany will both hold elections this year.

In contrast with the Trump administration's 'America First' rhetoric, the U.K government has been at pains to present Brexit as the beginning of "a stronger, fairer, more Global Britain" to quote from the recently released white paper[2][3]. And among the policy document's 12 principles is "securing new trade agreements with other countries" apparently targeting: bilateral trade and investment agreements with developing countries and engagement in multi-national arrangements such as the World Trade Organisation, the G7, G20, the OECD and the United Nations with "enhanced vigour".

Strengthening multilateral trading arrangements, e.g. implementation of the WTO Trade Facilitation Agreement, could be a boon for our region. However, it should be noted that there is no mention of Africa in the UK white paper nor of any Sub-Saharan African country – though there is of China, India, Morocco and other "key emerging markets".

By contrast, there has been a fairly steady stream of E.U policy announcements on Sub-Saharan Africa – though not driven by Brexit. Instead, the major preoccupation is arresting the migration crisis. One

[2] Policy document

[3] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/589191/The_United_Kingdoms_exit_from_and_partnership_with_the_EU_Web.pdf

such policy is the E.U External Investment Plan[4] with its ambition to mobilise USD46 billion in investment in Africa supportive of job creation and backbone industries e.g. power, ICT, transport and social infrastructure.

Germany has released its "Marshall Plan for Africa" that seeks to boost aid and investment on the continent in a bid to reduce the need for migration to Europe, 2017 has been designated the Year of Africa in Germany as well as at the G20 of which it holds the presidency[5]. The plan highlights 10 thematic areas to strengthen economic performance on the continent with a focus on initiatives that require less direct aid and more on partnerships, institution/capacity building and private sector investments[6].

Elections in the EU's industrial giant take place in September with polls currently too close predict a winner. An alarming development has been the rise of the far-right Alterative fur Deutschland (AfD) that holds radical views on immigration[7]. With Germany normally requiring a coalition government, the AfD could soon be more influential than desired.

France recently concluded the 28th Africa-France Summit, President Hollande's last before elections to be held in April. Whilst the main event was dominated by security concerns, the side-line Africa-France Economic Forum saw 60 business leaders in attendance, led by the head of the French employment union Mouvement des Enterprises de France (MEDEF)[8]. Hollande has recently called for trade with the continent to be doubled[9] and France has invested at least USD13 billion over the past four years. With the two frontrunners in the upcoming elections (Marine le Pen of the Front National & Francois Fillon of Les Republicaines) both falling right of centre, we can expect a shift in the Francafrique relationship away from governmental and political support. However, the French troops will remain available as needed, particularly when it comes to protecting gas assets in the Maghreb.

There is also an ongoing drive for ratification of Economic Partnership Agreements (EPAs) between African regional economic communities (RECs) and the EU. Although countries like Kenya and Ghana are eager to implement and protect EU market access, efforts at the RECs have been slowed by the concerns of others such as Nigeria and Tanzania.

Outlook

It is too early to take stock of Brexit and the election of President Donald Trump in the United States. The former has not yet happened and the latter is only now getting underway.

Over the long term: whilst Europe concentrates on reducing illegal immigration to ease the burden on its state services, it continually ignores the elephant in the room. Low birth rates and higher life expectancies across the 28 member states are leading to ageing populations. This increases the strain on healthcare and welfare services as the (contributing) working population falls[10]. Similar dynamics are at work in the United States.

Sub-Saharan Africa is experiencing the converse; a population boom has seen a rise in the working age population whilst sufficient employment is not being created. A healthy medium of controlled migration from SSA to Europe could help address the challenges on both continents whilst also increasing remittances which already contribute 2.6% of the region's GDP[11].

The E.U and European states are seeking stronger trade ties with SSA to offset ODA in what is seen as an all-around winning situation, trade not aid – boosts for domestic industry, less need for governmental assistance in austere times, improvement in socio-economic conditions leading to falls in (illegal) migration and countering the influence of competitors such as China, India and Turkey.

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[4] https://eeas.europa.eu/sites/eeas/files/state_of_the_union_2016_external_investment_plan_factsheet.pdf
[5] http://www.atlanticcouncil.org/blogs/new-atlanticist/germany-s-marshall-plan-for-africa
[6] https://www.bmz.de/de/mediathek/publikationen/reihen/infobroschueren_flyer/infobroschueren/Materialie310_Afrika_Marshallplan.pdf
[7] https://www.theguardian.com/world/2016/oct/06/afd-leader-frauke-petry-criticised-comparing-migrants-compost-germany
[8] http://www.rfi.fr/emission/20170113-mali-le-4eme-forum-economique-afrique-france-bamako
[9] http://www.france24.com/en/20131204-france-must-double-trade-ties-africa-hollande-economy
[10] http://ec.europa.eu/eurostat/statistics-explained/index.php/Population_structure_and_ageing
[11] http://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS

For the immediate future, there is a considerable breadth of potential outcomes. Scenario building should take into account changes in the global order – multiple actors, tensions between blocks, and potential consequences, intended or otherwise. Any harm to global demand would pose a risk to the regional interests e.g. export markets, inward investment and aid flows.

For most African governments, the things that were true yesterday are even more true now. Fiscal consolidation, economic diversification, regionalisation and inclusive growth should be viewed as an immediate and long-term priority.

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