

## Brexit: Africa will lose a voice at the EU table but gain the best of both worlds

*Olu Fasan argues that while Brexit could have an initial negative impact for African countries, it also opens up new possibilities.*

The world has talked about little else since Britain voted in a referendum on June 23 to leave the European Union (EU). Everyone, it seems, is transfixed by the referendum result. So, why does Brexit have such a gripping effect? Well, I suggest two main reasons. First, Europe and Britain are jointly so pivotal to global prosperity that any rupture in their relationship is bound to unleash worldwide anxieties. Second, Britain is effectively the voice of many countries outside Europe in the opaque and labyrinthine world of Brussels politics and policy-making and, thus, for these countries, Brexit would mean the loss of a critical voice and key ally in Europe. The second reason, in the context of Africa, is the focus of this piece. But the piece starts with the first reason as it also has implications for Africa.

### **Brexit, economic prosperity and spillovers**

History teaches us that the economic prosperity of Europe is inextricably linked to political stability and peace in the continent, and that a prosperous Europe is a linchpin of the world economy. In the 19th century, Europe, led by Britain, dominated the global economy and spread prosperity across the world. It was responsible, for instance, for creating the “golden era” of free trade and global finance. But two devastating wars in the 20th century reduced the continent to an economic wasteland. Yet, barely two decades after the Second World War, Europe bounced back spectacularly, and, today, has a GDP almost equalling that of the United States<sup>[1]</sup>.

Of course, the US helped to kick-start Europe’s post-war economic recovery, with the Marshall Plan and the associated European Payments Union, which helped to facilitate trade and payments between the hitherto autarchic European nations. However, while America’s support was critical, Europe’s post-war economic progress was also due, in no small measure, to European unity, underpinned by political and economic cooperation between the previously warring or divided nations. This was the context in which the EU was awarded the Nobel Peace Prize in 2012.

Brexit is, in this respect, an epochal event because, **as President Obama said**, it “raises significant questions about the future of European integration”. This is partly because there is a causal link between stable political relations among nations and economic integration<sup>[2]</sup>. Nations that enjoy political cooperation tend to trade more, and vice versa. Given that Brexit is a political divorce from institutional Europe, it thus raises concerns about whether it could also lead to a weakening of economic cooperation between Britain and Europe. This is why the world’s political and economic leaders are united in urging the UK and the EU to transit to a post-Brexit relationship that is based on strong economic ties within the single market. Failure to make this transition or to do so speedily without prolonged or fractious negotiations would create huge uncertainty for businesses, and could have serious economic consequences for Britain, Europe and the world.

Of course, as the saying goes, when elephants fight, it is the grass that suffers. Economic recession in Europe or the West will have serious adverse effects on resource-based African economies. This is because monetary or fiscal spillovers from the developed economies transmit through trade and commodity price channels. Indeed, as an African Development Bank study shows, a percentage point decline in eurozone real GDP growth could lead to 0.6 percentage point decline in output growth in oil-dependent states<sup>[3]</sup>. Brexit anxiety about political and economic instability in Europe and spillovers to the wider world is, thus, the obvious reason everyone is fixated with the referendum result.

## ***Britain as the voice of Africa and other third-countries in Europe***

But Brexit is epochal for another important, albeit less obvious, reason: it would deny many countries an effective voice in Brussels. The US Secretary of State, **John Kerry, said recently that the US would “miss the UK’s voice within the context of the EU”**. The Times newspaper also reported that “The **Commonwealth was desperate for Britain to stay in Europe** to be its voice in Brussels”. The same is true for African countries. Britain’s presence at the EU table is valuable to most non-EU countries in two important respects. First, Britain is the greatest champion of free trade in the EU. Secondly, more than any other EU member state, the UK is strongly pro-development and particularly pro-Africa.



The UK Foreign Office Minister for Africa James Duddridge and the President of Madagascar signing a communiqué announcing that Madagascar will re-open its Embassy in London in 2015  
Photo Credit: FCO via Flickr (<http://bit.ly/29voWZf>)

Take the pro-market point first. EU countries are traditionally divided into two blocs. The first is the Northern liberals, and the second the Southern or “Club Med” protectionists. The first group, which is led by the UK, is, as its name implies, consistently pro-free markets. **As the Financial Times said recently:** “The UK has consistently been a voice for liberal economics within Europe”, adding: “Without Britain at the table, the EU is much more likely to move towards protectionism”. Brexit will strip the Northern liberals of their strongest intellectual and political force for economic openness, and probably tip the balance of power within the EU away from the pro-market group. This would deny third countries, such as African nations, which would benefit from a less protectionist EU, a key voice at the table.

Then, there is the wider development agenda, of which Britain is arguably the strongest advocate in Brussels. For instance, the UK is the only large EU member state that has so far met the UN foreign aid target of 0.7 per cent of gross national income (GNI)<sup>[4]</sup>. Britain has also been pressuring other EU countries to meet the target; Brexit will ease that pressure. Furthermore, the UK was the chief demandeur for the reform of the Common Agricultural Policy (CAP), which distorts prices and disadvantages African farm exports. Of course, other EU member states care about Africa but protectionist instincts and domestic politics often stand in the way as can be seen, for instance, from some member states’ resistance to far-reaching CAP reform. By contrast, the UK sees a strong link between trade and Africa’s development, and was always concerned by EU measures that could limit African exports. For instance, Britain was keen that African countries which lost their trade preferences after concluding Economic Partnership Agreements (EPAs) were compensated by the EU. The UK was also the strongest advocate of the WTO Least Developed Country (LDC) services waiver, which allows preferential treatment for services and service suppliers from LDCs. Britain pushed hard to influence EU’s negotiating position and European Commission’s negotiating approach on the issue. And once the waiver was approved at

the 8th WTO Ministerial Conference in 2011, Britain led the drive in Brussels for its implementation amid nitpicking over detail by some member states.

### ***The best of both worlds***

The above suggests that Brexit would deny Africa a strong voice and ally in Brussels. Yet, Brexit should not be a disaster for Africa. Indeed, it could give the continent the best of both worlds: the opportunity to trade with the world's largest single market, the EU, and to increase trade separately with an open post-Brexit Britain. Undoubtedly, Africa must continue to engage actively with the EU and fill any void that Brexit may create. To this end, African countries should ratify the EPAs, which would cement their economic ties with the EU. However, Africa must also take advantage of the opportunity presented by Brexit to engage with a pro-free trade and pro-development Britain. African countries should seek trade and investment agreements with a post-Brexit global-facing Britain that is ready and eager to strike trade deals with as many countries as possible. A post-Brexit Britain that is no longer part of the CAP could, for instance, create new markets for Africa's agricultural exports.

There is, of course, the Commonwealth dimension. A **recent study** by the Commonwealth Secretariat suggests that there is a 'Commonwealth effect' that boosts bilateral trade and investment between Commonwealth countries. But the study also shows that Commonwealth African countries now trade less with the three Commonwealth countries in EU, namely the UK, Cyprus and Malta, than they did over a decade ago. For instance, in 2000, 40% of Commonwealth African countries' intra-Commonwealth exports went to the three countries, but dropped significantly to 18% in 2013<sup>[5]</sup>. One possible explanation for this decline is that EU trade rules reduced Commonwealth African exports to the three EU Commonwealth members. Arguably, with a post-Brexit Britain that is no longer subject to EU trade rules as regards third countries, the 'Commonwealth effect' or trade advantage will play a more significant role in influencing trade and investment between the UK and other Commonwealth countries, including the African ones.

Indeed, a deeper trade with Britain and a continuing and even stronger trade with the EU may be a consequence of Brexit for Africa. So, while Brexit will deny Africa a key voice in Brussels, it opens a new vista for the continent. Africa may, indeed, have the best of both worlds.

**Dr Olu Fasan, FRSA** is a lawyer and political economist as well as a Visiting Fellow at LSE and a member of LSE's International Trade Policy Unit.

**The views expressed in this post are those of the author and in no way reflect those of the Africa at LSE blog or the London School of Economics and Political Science.**

[1] The EU's GDP in 2015 was \$16,220,370 compared with US's \$17,947,000. See "Report for Selected Country Groups and Subject", World Economic Outlook, IMF, April 2016.

[2] Peace and political stability are often listed in the literature as one of the dynamic effects of economic integration. See, e.g., Fanny Coulomb (2004) *Economic Theories of Peace and War*, Routledge.

[3] Mthuli Ncube (2014), 'Global Economic Spillovers into Africa' in High-Level Roundtable available on Finance, Conference Report, Oxford University – available at: <http://www.globaleconomicgovernance.org/sites/geg/files/HighLevel%20Roundtable%20on%20Final>

[4] The only other EU countries that met the target are Sweden, Luxembourg and Denmark.

[5] Ibid at page 69.

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