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THE CONSEQUENCES OF BREXIT ON ECONOMY AND TRADE IN AFRICAN POLICIES AND DIPLOMACY FOR SUSTAINABLE DEVELOPMENT

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ABSTRACT

This paper looks at the available empirical evidence on Brexit. It carries out a computable general equilibrium simulation focusing on the consequences of brexit on economy and trade in African countries, policy and diplomacy for sustainable development in Africa. It consider this through the following heading consequences of brexit on economy and trade for Africa, UK economy and trade link with African, the negative impact of brexit on the global economy etc. The

Introduction

The decision to withdraw its membership from European Union does not come as a surprise to many. Britain as a country has colonised many countries in Africa and it is one of the great countries in Europe. United Kingdom controlled many countries under her group the common wealth of nations. These are countries colonised by United Kingdom they still have economic ties with them.

On the 23rd June, 2016, the British electorate delivered a largely unanticipated vote to leave the EU. There has been a lot of speculation about its consequences on the UK economy, in Europe and the rest of the world. African as one of the continents in the world is not left out. It is a fact that United Kingdom and EU maintain import and investment and trading link with Africa and are major donors to African countries. According to Tan (2016), he declared that "African economies may be severed affected by Britiains exist from European Union". Most of the subsequent academic literature discussing the implication of brexit for Africa has focused on the terms of post-brexit trading arrangement with both UK and EU. As one of the most ambitious regional economies the continent of Africa aspire towards deep integration". This means going far

paper concluded by stating that there will be challenges due to brexit but not necessarily in the way that it is commonly thought. There will be some positive gain. There will be some additional trading and investment opportunities that will open up. The paper proffers some suggestion on the way forward.

Keywords: Brexit, Economy, Trade, Policies, Diplomacy, Sustainable Development

beyond the simple elimination of tariffs and quotas and acknowledging the fact that effective integration requires measures to reduce all barriers to the free flow of goods, services, capital and labour.

This paper takes a different approach by providing quantitative assessment of the potential consequence of brexit on trading with the African continent. The analysis focuses particularly on consequences of Brexit on Africa as a continent with long-standing historical and economic ties with United Kingdom and European Union. Schiff and Winter (2003) establish that both the United kingdom and European Union has strong economic ties with East African and other African countries, UK is a major bilateral donor in the region which in the recent past has been highly dependent on aid. Because of these points African especially East Africa might feel the negative impact of Brexit as a region.

The paper is focus on the consequences of brexit on African economists, it generally try to measure such macroeconomic shocks through evaluating both direct impact (e.g. through trade investment and remittance and also considering indirect ones (e.g. through broader impact on the global economy). Among these indirect channel there could be a negative impact through a kind of "demonstration effect" on the prospect for other projects of deep integration like the east Africa. It is argued that the short to mid-term consequencies, through the direct impact are likely to be relatively minor, but for the longer-term, it warns that the indirect impact could be more consequential, particularly with regard to how it could undermine confidence in processes of deep integration in Africa. UK and EU may revert to the standard tariffs imposed on imports from the rest of the world "most favoured nation" tariffs under the WTO. Brexit may affect African through its indirect inks particularly with regard to how it could undermine regional integration efforts.

UK Economy and Trade Links with Africa

As mentioned earlier UK has colonized many countries in the world. This has given rise to common wealth of nation which is an association of countries colonized by Britain. After colonization UK maintain economic and political links with these countries. In Africa the

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key concern was centered around the way Brexit could impact on the global economic environment. Kenyan central bank governor, Patrick Njoroge has warned that the emerging market would experience significant uncertainty to the extent that "the vitality in 2013 surrounding changing US monetary policy would be like a child's play (Aglionby, 2016). The rising narrative in Africa was reflected by an acceleration of the continental growth rate since the beginning of the millennium and consequently leading to an increase in share of Africa global GDP from 4.4% in 2000 to 5.1% in 2015. These optimistic narrative took a dent in 2016 as commodity prices tumbled and the growth of Nigeria and South Africa the largest economies in Africa was stagnated. It should be noted that beyond the major oil and mineral exporter, African economic growth has still been quite resilent (IMF, 2017).

A key question is what will happen to these trade flows after Brexit implementation. Bilateral trade that flow between the UK and the rest of the world will not suddenly grind to a halt because of Brexit. But it will lead to a shift in terms of trade between UK and European Union on one hand and Africa and the rest of the world on the other hand. If and when tariff are reinstated on UK-UK trade. This will lead to in both the magnitudes and geographic patterns of trade flow due to change in relationship between UK and EU. Countries outside Europe will benefit through trade division with less trade between the EU and UK other trading partners potentially stand to gain.

In terms of investment, UK is an important source of foreign direct investment (FDI) for Africa, with an investment stock that double over the decade since 2006, rising to 59billion USD by 2015 (office for National Statistics, 2016). The FDI stock of Africa is estimated to stand at 740.5billion USD (UNCTAD, 2016). These imply that UK is responsible for 8% of the total. UK investment in Africa shows predominance in the mining and financial services sectors. In 2015 mining represent more than 54% of investment stock and financial services, approximately a third (33%). With such a large share being motivated by natural resource endowments. It would be a reasonable assumption that such investment in Africa are unlikely to be affected by Brexit.

It should be noted that brexit will lead to a serious deterioration of the british economy. It could constrain the ability of UK companies to raise finance for foreign investment abroad. There is no reason, however, to suppose that these factors would specifically impact on Africa.

Consequences of Brexit on Economy and trade for Africa

It has been stated that Brexit will lead to some consequences for Africa this can be both economic and political consequences. The imposition of tariff would inevitably have a significant impact on existing patterns of imports and exports both within Europe and for other trading partners not to mention the rise of associated non-tariff barriers. For service

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sectors estimate of the tariff equivalents are utilized in line with the result from Egger et al., (2015).

The study also reflects on the wages high level of under-employment that characterize African labour markets by fixing wages for the rest of Africa regions. Logically, the UK and are the economies most adversely affected by brexit with TOT loss of 12.8 and 2.3billions USD respectfully. However, there are some region that would benefit from the new export opportunities opened up by the decline intra UK – EU trade. the United State and China would be the largest beneficiaries with TOT gains equivalent to more than 4.8 and 3.1 billion USD. It is interesting to note that the largest gain in TOT is the East Africa and the rest of African region with equivalent to 0.19% of GPD. With regard to welfare changes Brexit translate into 22.0billon of losses for the United Kingdom and 6.8billion for the EU but 156million of benefit and 899million USD for the rest of Africa.

What is driving these changes is the division away from European market and towards other trading partners outside Europe particularly in the sectors more heavily protected by the re-imposition of MFN tariff on EU – UK trade. For Africa it means that the greatest opportunities would reside in Agricultural products. Where existing MFN tariffs are highest. These increase is principally in the area of grains and crop sector. The pattern of post Brexit trade with EU and UK more diverse for the rest of Africa as a block this is due to the greater heterogeneity of economic structure across African continent. It should be noted that net gain in trade is largest in the extractive sector, processed food, grains and crops. Post brexit will see the rest of Africa with an increase in export of nearly 1.5billion USD to both UK and EU while export of both the UK and Eu to African continent would increase by 3.8billion USD, more than double the expansion of African trade towards Europe.

These changes in trading pattern are also reflected in the output changes estimated by the simulations for the rest of African countries while grain and crops, meat and livestock would experience the largest increase in output there will be small declines in textiles and heavy manufacturing. These are not desirable consequences from the perspective of diversifying the economies of African continent but the gain is small.

Net food imports for the whole of the continent reached 24.4billon USD in 2017. However, countries like Kenya have successfully expanded their horticultural export in recent decades this suggest that there is still scope for expanding export agricultural production in the region (Minot and Ngigi, 2010).

Under the common agricultural policy (CAP) British farmers have been receiving very large subsidies from the EU. In the UK, this amount to approximately half the income that British farmer currently receive. This is the bone of contention for African countries since CAP enter into the European union market. It has been difficult for African agricultural produce. President of African development bank Akinwumi Adesina has claimed that "African countries had to deal with the entire European Union on the CAP subsidies that

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European Union farmers enjoy brexit gives scope and opportunity for this matter to be renegotiated (Adesina, 2017). Brexit might represent the first crack in the set of policies that may have impeded African Agricultural export from entering European markets.

The Consequences of Brexit on Economy and Policies in Africa

Under the former prime minister David Cameron the British conservative government continued his previous labour government policies to raise oversees development assistance. In 2013, the UK's and programme reached 0.7% of GNI target set out by United Nations for the first time. Although, it is difficult to measure (because there are north bilateral and multilateral component to the aid flows). It has been observed that half of that assistance is destined to Africa. The UK is one of the biggest contributors to the European development fund, currently contributing 409million (&585million). Making up 14.8% of contribution to the fund.

However, judging by various public pronouncement of UK government is gradually changing its policies on overseas development assistance since the Brexit referendum. Government ministers has been critical on the size of the UK's aid budget and have challenged how resources are spent. In July 2016, Prime Minister Theresa may included a number of policies of aid sceptics in her post Brexit cabinet. Do to this the former head of the British Agency are Department for International Development (DFID), pritipatel (resigned in Nov. 2017). The former foreign secretary Boris Johnson also declared that in the future aid funds will be "more sensibly distributed" to support foreign policy aims such as combating terrorist group in Africa (Vardy, 2017).

In case of trade, it is best to be consideration our judgments, we should not expect a catastrophic reduction. UK is an important donor, but its contribution for the regions are usually (with the exception of Kenya) between 10 and 15% of all aid in flows and the UK is highly unlikely to completely renege on its aid commitments to the region. However, against this backdrop where the US administration has also announced a major cutback to its aid budget. With this we can say that foreign assistance will face some challenges due to brexit in future in Africa.

The Negative Impact of Brexit on the Global Economy

Brexit is more difficult to quantify but no less important, it has been impacting negatively on the global economy by adding a layer of eocnmic uncertainty in an already turbulent landscape. It is true that more pessimistic forecast emitted prior to Brexit have been shown to be false and excessively alarmist to the extent that the bank of England's chief economist has recently apologized for inaccurate forecasts (Giles, 2017).

With growth forecast by IMF of nearly 4% for 2018, the world economy is currently very buoyant, but international organizations have been at pains to stress that there are a number of uncertainties that could negatively affect global growth (World Bank, 2017).

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Other factors that can affect growth is the fear of global trade war which currently weigh more heavily on market sentiment (lagarde, 2018). African countries do not perform well when the global environment is adverse. Brexit has only contributed to generate more uncertainty.

Africa is in fact a net commodity importer so it is not necesairly adversely affected by declines in commodity prices (UNECA, 2017). The best we can say therefore is that Brexit add to the uncertainty in global prospect and this could damage prospect for trade, investment and development finance.

The Discursive Dynamics of Brexit

The long-running neo-colonial and dependency critiques have emphasized on the material underpinning of development policy. This discourse is rooted deep in material interest represented in EU and Uk development policy in struggle to establish presence in areas that were commonly shared prior to Brexit and in assurance provided to domestic value of development cooperation.

The "globalist discourse" (Smith, 2019) states that Britain relies on a reformulation of development policy that closely aligns with the interest of the British state and business as represented in the value for money mantra. Importantly this is framed to ignores the relationship the UK maintained with the commonwealth thrugh EU membership.

The UK willingness to express its desire to secure material interest through the discourse of value for money in development policy has been matched by the EU. within the context of enduring effects of global financial crisis and subsequent sovereign debt crisis in Europe, large-scale migratory pressure, challenges of rising populism and pressure on multilaterialism, EU development policy has been shape by the need to assurance domestic constituencies that economic stability migration and security threat are being addressed.

Conclusion

This paper has shown that brexit will create challenges for the rest of Africa as a continent. But not necessarily in the way that it is commonly thought. It is not going to lead to a sharp reduction in trading or investment links. The results of report in this paper suggest that there is some reason to expect a more positive outcome. With some additional trading opportunities opening up in the continent. All the analysis in this paper is both on the final terms of Brexit and the subsequent trade investment and developmental policy adopted by the UK and the EU members.

Regardless of these positive outcome, this paper has argued that Brixit may still represent a serious challenge to onward March of regional integration process in Africa. It should be noted that European Union has been an important role model for East African and Africa in general; that role model is now wobbling. Another important message

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emanating from this paper is that regardless of the outcome of brexit, African countries can no longer depend on external trade relations to help reach their developmental goals and policy .

Suggestions

1. African countries should begin to look inward for economic development of their area.
2. Regional integration should be encouraged in term of trade and investment in Africa.
3. Efforts should be made for the effective implementation of African continental free trade area (AFCFTA).
4. The diversification of African economies is very necessary export of new product should be encouraged.
5. Good governance with robust policies should be encouraged among African leaders.

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