The effects of Brexit on trade in Africa

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Just over one month (at the time of writing) has passed since the UK voted to withdraw its membership from the European Union. There remains much to do ahead of the final withdrawal once Article 50 has been triggered, and a significant degree of uncertainty still exists. The impact of the announcement has been felt in sub-Saharan African, with many expecting that there will be noticeable consequences for trade into and out of Africa.

The immediate aftermath of the referendum saw great volatility in African markets, the South African Rand plummeted in value the day following the announcement of the result. This volatility is not unique but is reflective of the degree of uncertainty that surrounds the political and economic landscape in the UK at this time. It is also a testament to the close ties between the two nations. The UK’s ability to successfully steer the Brexit course will have reverberations in Anglophone countries in particular.

However, despite this short-term consequence, there may be reason to believe that the UK’s final withdrawal from the EU could be beneficial for many African nations. Indeed, ahead of the referendum result, the UK’s minister for Africa, James Duddridge, commented that Brexit would only serve to strengthen relations between the UK and Africa. Although we will need to wait and see whether this expectation is fully realised, the view is not entirely misguided. The UK defended African interests in trade, amongst other policy areas, during its membership of the EU. In particular, it has adopted an antiprotectionist position in respect of EU agricultural policy and James Cleverley, the UK conservative MP who was also a fervent supporter of the “Leave” campaign in the lead up to the referendum, indicated that such a policy favours European farmers to the detriment of those in developing nations. The existing tariffs imposed on goods such as processed coffee and cocoa are high, which commentators, especially those in favour of reform, have argued prevents African farmers from competing on a level playing field with their European counterparts. Brexit could mean that the UK becomes free to negotiate better trade deals with African nations, without the obligation to consider the interests of other EU member states. This could have the consequential effect of boosting investment in and opportunities for those working in the agriculture sector in Africa. Theresa May, the new Prime Minister of the UK, has not yet addressed this issue directly but has committed to retaining an “open mind” in respect of the UK’s trading relationships post-Brexit.
Although not the largest, the UK remains an important trading partner of Africa. For example, according to CNN, more than one third of cut flowers in the EU are imported from Kenya, with the UK being the second largest buyer of these flowers. In the short-term, the result of the referendum has caused panic in the markets, which has been most visible in the reluctance of some nations to sign new trading agreements. At the end of July, Tanzania and Uganda chose not to sign an Economic Partnership Agreement as part of the East African Community with the EU. In an official statement, the Tanzanian government cited Brexit as a reason for this decision. Similarly, Nigeria is yet to sign the trade agreement between the EU and the Economic Community of West African States. A post-Brexit Britain may be willing to negotiate new bilateral deals with African nations which align the interests of both regions much more closely. However, whilst uncertainty in the market persists, it is unlikely that any new trade agreements will be signed.

The unknowns surrounding Brexit may encourage African nations to secure closer ties with other trading partners such as those in Asia. The trading relationship between Africa and China, for instance, has evolved rapidly in recent years, bringing with it an increase in Chinese labour and businesses. However, it has been widely reported that trade efforts between China and Africa are gradually slowing down. Brexit may, therefore, incentivise African nations to strengthen this relationship to help mitigate any adverse effects of the referendum on its economies.

It will also be interesting to see the impact, if any, that Brexit has on the integration between states in Africa. Only two weeks before the referendum, the all-Africa passport was introduced, with a view to increasing trade and development between African countries, building on the sentiment that, in part, drove the creation of regional economic blocs such as ECOWAS, SADAC and the EAC. The all-Africa passport will certainly facilitate the movement of labour within Africa which, in turn, could position the continent to be a much more attractive trading partner. My hope is that Brexit does not discourage these regional economic communities from further integration but rather incentivises them to learn from the successes and mistakes that the EU may have made.

Ultimately, the true impact on trade will depend on the terms of the UK’s withdrawal. These are unlikely to be clarified until early 2017. What should be understood, however, is that the “crisis” that may be Brexit also presents a number of opportunities for African nations in the long term.

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Amma Boakye
Associate

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