BREXIT—What does it really mean for Africa? Author: Dr. Thomas W. Laryea

I feel like I have witnessed a one-hundred-year event. The so-called BREXIT vote in the UK referendum on June 24, 2016 is momentous. This vote of the UK to leave the 27 member state European Union has altered the post second world war course of European economic and institutional integration. Looking forward, the vote augurs a decline in the fortunes of the UK–and potentially other countries–for a generation to come.

The UK government is politically bound to invoke Article 50 of the Lisbon Treaty, which will trigger a process of negotiating terms with the EU for withdrawal of the UK within a two year presumptive deadline. It is expected that a full two years would be needed to disentangle the UK from the EU. Indeed, my hope is that the terms of withdrawal would be agreed in principle within 18 months, which would leave a good six months for the private sector and other countries (including in Africa) to adjust to the anticipated change before withdrawal is effective. On this basis, it would take 18 months before we can envision what a post-Brexit UK would look like.

In the short term, the sharp drop in the UK financial markets and contagion to other financial centers following the BREXIT vote does not seem to amount to a temporary market blip, notwithstanding some recent market recovery. Rather, the decline reflects the pending fundamental legal and institutional shift, and the substantial uncertainty as to where that shift would end up with respect to the UK's relations with the EU and other countries. As a lawyer, it strikes me that the fallout from BREXIT underscores the point that legal and institutional frameworks do matter to the functioning of economies. We cannot quantify the economic effect of BREXIT, in part because we do not know the specific terms of the UK's withdrawal from the EU. However, I find compelling the analysis that the efficiency and output of the UK economy would be negatively affected by BREXIT.

So what does any of this have to do with Africa? First, I would note that residents in the UK who were citizens of African countries that are members of the Commonwealth (such as Ghana, Kenya, Nigeria and South Africa) were eligible to vote in the referendum. However, I am not aware of any exit polls that specifically tracked the voting of this constituency. It would be interesting to know if this constituency expressed itself similarly to Scotland and Northern Ireland, which each voted by majority to remain in the EU.

Of course, countries within the continent of Africa are in varied economic and political situations with respect to the UK and other parts of the EU, and so the effects of BREXIT would not be uniform. However, one common effect of the lower value of the UK pound following the BREXIT vote is that the value of remittances to Africa by the estimated one million Africans living in the UK would be reduced. This reduction may not make any of the charts when the history of post BREXIT is written. And the numbers appear small compared to the headline grabbing $2 trillion lost in global stock markets on the day after the BREXIT vote. However, the reduction in the purchase power value of remittances between the UK and Africa, may be no less meaningful to the lives of the recipients.

Some commentators have projected a drop in development assistance to Africa on the basis that the UK may not sustain its progressive voice on this subject in international fora. However, such predictions on development assistance are unreliable.

The basic rule of the game of development assistance is that there are no rules. The judgement on the levels of such assistance–and on what the recipient countries give-up in return–are too multifaceted to predict in terms of the consequences of BREXIT.

Immigration policy is another murky area in which conclusions of the effect of BREXIT strike me as premature. The proponents of the Leave campaign are already beginning to "walk back" their rhetoric that BREXIT would give the UK flexibility to establish less discriminatory (but perhaps uniformly regressive) immigration policy in the future. With regard to the Africa-related effects, it seems that the contribution of the predominantly hard working Africans in the UK–let alone the contribution of Africans over the centuries to the economy and development of the UK–remains invisible to too many in the UK. In this context, attempts at rational debate on UK immigration policy or prediction of the outcome of such debate is futile.

We do know, however, that African countries will be faced with the prospect of entering into new trade agreements with the UK. The limited preferences in EU trade agreements in favor, inter alia, of African countries that were former UK colonies have been eroded over time. From the UK's perspective, post Brexit, it will have the daunting task of negotiating new trade agreements with over 100 countries. Given that Africa in aggregate accounts for less than 5 percent of the UK's international trade, I very much doubt that African countries will be high on the list of the UK trade agreement priorities. Conversely, for some African countries the negotiation of other trade agreements–such as the region-to-region agreement concluded in 2014 between the East African Community, and the EU–would be more pressing than trade deals with the UK.

This last point captures two important ideas. First, not all of the effects of BREXIT are exogenous to Africa. In other words, African countries have a role in determining their responses and where feasible, they should make choices that reflect their reassessment of priorities within a changing world. In particular, they should continue to diversify their economic and political relationships, including with the larger economies such as the USA, China and Japan. Second, regional integration in my view remains as critical as ever. The exit of the UK from the EU should not be viewed as a verdict against all forms of regional integration. Moreover, in Africa's context, regional integration mitigates the disadvantages of the relatively small size of the individual country economies, and it supports the building of institutional capacity across a shared base. In conclusion, the UK as the fifth largest economy in the world today may be able to afford–while still regret–the costs of standing on the sidelines of regional integration; Africa cannot afford to follow that course.