On 29th March 2019 the UK will finally leave the European Union. Currently the noises emanating from the British Government and Westminster are that there will be no exit deal. Inevitably such a result will lead to dire economic consequences for UK businesses and citizens alike.

On the 24 June 2016, less than 12 hours after a successful referendum on Brexit shock waves through the global markets, including those in Africa. Investors in African markets panicked because many economies (such as Nigeria, South Africa, and among them Tanzania ,Kenya and Uganda) were already reeling from low commodity prices exacerbated by a sluggish global demand. In these countries, Brexit added salt to the wounds of injured economies.

Embattled Prime Minister Theresa May is struggling to overcome deep opposition to her proposed Brexit plan, opening up a range of possibilities from Brexit without a trade deal to the whole process being scrapped altogether.

The EU, formerly known as the EEC (European Economic Community), was established by the Treaty of Rome in 1957 as an "economic" community, but was renamed the European Union, in 1993, its initial object having evolved from an economic entity into socio-political, economic, quasi European government over the decades through the wishes of its now 28 members. It will be reduced to 27 upon Britain's exit next year. It is important to note that the UK was not part of its foundation members. She applied to become a member in 1961, but the then French President, Charles de Gaulle, applied the French veto on the UK's membership, suspicious of her ulterior motive. The "special relationship" between Britain and the USA was thought to pose a threat to the "European project" of an independent, counter influence on world's affairs envisioned by the founding members. It was feared then that the UK would be in the club as a stooge for the Americans, therefore wielding a negative influence on the organisation. But, after prolonged political manoeuvrings and changes in world's affairs, the UK was finally admitted in 1974, following a bitterly divisive referendum. Why was it such a big deal?

Well, opposition to the EU membership in the UK cuts across the 'Left' and 'Right' divide. Politicians on the Left of the political spectrum were deeply suspicious of the EU becoming a club for the rich and business elite across Europe, while politicians on the Right of the political spectrum feared that the EU was a fundamental threat to Britain's Parliamentary democracy, as more and more powers were being ceded to the EU, whose decisions were becoming increasingly binding and non-negotiable. It has been left to politicians in the middle, the so-called "moderates", in the UK's main political parties, to steer the debate along a consensus. The 'consensus' was that the EU is more of a force for good than bad. Opposition to the EU grew increasingly vociferous amongst the politicians on the political

Right in the 1980s because of two things: The rise and influence of Germany as the dominant economic force in Europe, and the increasingly "social" or "socialistic" dimension of the Union in terms of employment and social services provisions. What is more galling for "Right-wing" politicians in the UK was the relics of history, which had witnessed how the UK under Winston Churchill stood up to and defeated "Nazi" Germany in World War II. Germany had indeed been defeated and its economy in ruins. It was rebuilt through help from America and the UK, which had banished Germany from ever rising to the status of military power again. It worked.

What then happened, though, was that Germany's focus on economics and technology saw it rise to the status of global economic power, surpassing the UK and all other European countries. The Right-wing now feared the prospect of Germany achieving in peace time, what it had failed to achieve through war, that is, European domination. The campaign to take Britain out of the EU had taken almost three decades to achieve, it was dominated by nationalist fervour on the Right, and on the Left, it was welcomed as a relief from the "shackles of Brussels". Politics, rather than economics, had won the day. The UK may well rue the day they left the EU, and to forestall a calamitous outcome to Brexit, Africa has now become the new darling to be wooed and embraced as the UK's newest trading partners. How ironic for a country that colonised much of the land in Africa, then, neglected it in pursuit of European influence, then, saw China become Africa's biggest foreign investors and trading partner. The UK is now rushing back to Africa to recover lost grounds.

It is in this context that the UK Prime Minister, Theresa May's recent whirlwind tour of three African states (Kenya, South Africa and Nigeria) must be understood. The trip last August, 2018, was billed by the Prime Minister (who had never been to sub-Saharan Africa before), as a "unique opportunity at a unique time for the UK". The UK wants "to deepen and strengthen its global partnerships as it leaves the EU in 2019" she says.It was the first time a British Prime Minister would visit Africa since 2013.

16. In 2015, the UK received 16.5 per cent of total EU imports from the five EAC members (US$2.6 billion) and about 28 per cent of all EU imports from Kenya. Kenya's most important exports to the EU are black tea (with about 80 per cent of its exports going to the UK), fresh or chilled beans (58 per cent), fresh cut roses and buds (16.5 per cent) and other fresh or chilled vegetables (80 per cent). Because the UK absorbs just under 30 per cent of Kenya's exports to the EU (and this includes the bulk of its major exports to Europe), Kenya's overall exports to the EU are bound to decline post-Brexit. This may upset the balance of liberalisation commitments in the EAC EPA if the UK is no longer a party to the agreement

African governments may need to redefine their trade and diplomatic relations with a post-

Brexit Britain and Europe.

Trade and investment will be affected most by Brexit. Most of the trade arrangements the UK has with African countries were negotiated through the EU. This means the agreements will cease to apply or will have to be renegotiated when the UK finally leaves the EU, a process that will take two years from the time it officially informs the EU of its intention to pull out.

It will be a difficult time for Africa, as the UK will no longer shape and lead some of the most important initiatives on the African continent that form the basis of co-operation between Europe and the continent. Trade agreements often take considerable time to hash out, and the uncertainty of the intervening period could complicate exports to the UK.

Kenya

Kenya, Britain's third largest market in Africa, could witness capital flight after Brexit, leading to falling exports. This would weaken the Kenyan shilling and make imports more expensive for a country that has already seen a 10% increase in import bills in the past five years.

Kenya's lucrative cut flower industry, for which Britain is the second-largest export market after the Netherlands, could suffer. A trade deal on flower exports between the East African country and the EU was in the works before Brexit.

If a trade deal between the East African Community and the EU is stalled by Brexit, Kenya stands to lose billions of shillings, which could lead to uncertainty for Kenyan exports.

Kenya will now have to negotiate separate deals with Britain and the EU—a potentially difficult task. Without such deals, Kenya may lose up to 4 billion Kenyan shillings ($39 million) a month, predicts the Kenya Flowers Association, which represents flower businesses in the country.

The direct impact on trade aside, Brexit is expected to affect British development aid to Africa. Britain contributed about £409 million ($543 million), or 14.8%, to the European Development Fund (EDF)'s 2014 budget, which the EU uses to support development in poor countries. Without Britain's contribution, the EDF will have less money, and this will affect EU-funded projects, including road construction projects in countries like Tanzania.

Britain can directly finance projects in Africa through its international aid programmes, such as the Department for International Development, but it can only support a small number of countries, says Kevin Watkins, a Brookings Institution non-resident senior fellow.

$56.5 bn

British FDI in Africa between 2005 to 2014.

A limping British economy with a potentially weakened currency may not continue the current level of assistance to countries such as Ethiopia and Sierra Leone that rely heavily on British aid. In 2014, for example, Britain provided £238 million ($416 million) in aid to Sierra Leone, which was 6.8 %
of the country’s economy, according to the World Bank. That same year, Ethiopia received £322 million ($425 million), 0.8 % of Ethiopia’s economy.

Besides exports and international aid, a sluggish British economy may slow remittances by the African diaspora in Britain. Remittances provide a much-needed cash injection into African economies. In 2014, for example, Nigerian immigrants in Britain remitted $3.7 billion, the most among African immigrants.

Prospects for change

Despite fears that Brexit could dislocate African economies, some experts see positive developments for countries like Libya and Zimbabwe, currently under EU sanctions championed by Britain, according to *The Herald*, a Zimbabwean daily. With Brexit, the EU might be encouraged to review these sanctions and possibly re-engage with these countries.

“Britain will be able to focus more on our bilateral relationships with Africa and with our traditional partners and to really look at Africa for its needs rather than looking at it through the prism of the EU, that is an outdated model that may have fit in the 1970s but is wholly inappropriate now for the UK or a wholly inappropriate way to define the UK-Africa relationship,” says James Duddridge, a former British minister for Africa and a Brexit supporter, in an interview with Radio France Internationale. Without the EU, he said, ties between Britain and Africa will get stronger.

Earlier this year, Mr. Duddridge criticised the EU’s decision to reduce funding for the African Union Mission in Somali (AMISOM), which is helping to bring peace to that country. The decision was against Britain’s wishes, he says, adding that Britain could in the future decide to deploy its own troops to Somalia.

Britain has been encouraging the view that African states could get better trade terms. Tobias Ellwood, the UK’s minister for the Middle East and Africa, tells The Africa Report:

“We should be able to build in mutually favourable terms that allow us to see some very favourable bilateral deals come into place. But it’s early stages, it really is.”

Ellwood, who initially opposed Brexit, now says that both Britain and its African trading partners could benefit: “The way these countries see it is they don’t have to [negotiate] through a prism of 27 countries looking for consensus through Brussels and all the bureaucracy that entails, but [instead] it can be expedited more by a bilateral basis.”

The good news is that Africa can actually seek assistance elsewhere. Africa’s trade with Europe, estimated at €106 billion (US$116.6 billion) in 2016, has been eclipsed by China’s. Worth an estimated $300 billion, China is Africa’s top trading partner currently.

The World Bank confirms that China became sub-Saharan Africa’s “most important export partner” by 2013, accounting for 27% of the region’s exports “compared with 23% for the EU and 21% for the US.” Although at 9%, sub-Saharan Africa’s exports to India are the fastest-growing globally.

With China, the US, Brazil, India and others strengthening their relations with Africa, the continent could look elsewhere if its ties with Britain or the EU get complicated in a post-Brexit era.

For Africa, therefore, it’s probably premature to press the panic button.

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.

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.

There has also been a dramatic shift in the terms of trade with the depreciation of the British pound by about 20% against major trading currencies. That means that British exports are cheaper than they were a year ago, but it also means that its aid programmes are worth less than they were before the Brexit vote. And for African nationals currently living in Britain and sending money home, remittances are worth 20% less.

For those African officials hoping for tougher action on corporate tax dodgers and the illicit financial flows heading for poorly regulated places such as the British Virgin Islands and the Cayman Islands, independent researcher Mark Curtis argues that Brexit will weaken European attempts at reform. Britain “will have those jurisdictions even more completely under its control. After Brexit, it may not need to bother what the EU laws are. In the past, it was required to go along with a few initiatives in the EU; after Brexit, it won’t be.” Britain’s support for a liberalised global economy means that tax evasion could get much worse, according to Curtis, despite efforts by the EU authorities to clamp down.

However, economists from the World Bank and International Monetary Fund reckon that Brexit will shave off at least 0.2% from global trade. For individual countries trading with Britain and Europe, the losses could be much higher in the short term.

Sir Jeffrey Donaldson, a Westminster Member of Parliament and the UK Trade Envoy to Egypt, he stated that if there was one country outside the EU that businesses should focus upon it was South Africa. Although the country has many well-documented problems nevertheless it is a region that has robust financial and legal regimes, English is widely spoken, travel to and from the UK and Northern Ireland is readily available and access to raw materials is plentiful.

A number of representatives of firms based in Northern Ireland are currently in South Africa endeavouring to arrange meetings and presentations with local agencies, the DTI and Chambers of Commerce to more fully understand how best companies can relocate to the region. Ambassador Sadick Jaffer, the Chief Director of the DTI, recently stated that he is planning visits to London, Scotland and Northern Ireland in the near future to actively promote South Africa as a preferred location for many UK businesses that are planning to relocate outside the EU. It is a strategy that should be aggressively pursued as companies in the UK are keen to understand just what South Africa can offer.

The Brexit debacle and the impasse at Westminster on trying to reach consensus over an exit deal provides a rare opportunity for South Africa to aggressively market its capabilities to UK-based companies. South Africa now has a small window of opportunity to reach out and grab a major slice of those UK and Northern Irish businesses that are looking for new manufacturing bases. This is an opportunity not to be missed.The UK is still the fifth largest economy in the world. We were the second fastest growing major economy in the world last year. We are ranked in the top six countries in the world as a place to do business. So we can be confident about the fundamental strengths of the UK economy and optimistic about the role we will forge for the UK beyond the EU – building on our strength as a great trading nation.