





Britain's withdrawal from the European Union will alter its relationships with African countries in terms of trade, investment and diplomacy in the years ahead. Some of the consequences may be intangible, such as undermined confidence in regional integration

Brexit

Boris Johnson at the
Lewa Wildlife Conservancy
in northern Kenya

THOMAS MUKOTA/AP/ISA

By **DAVID WHITEHOUSE**

Brexit is unlikely to change the face of Britain's trade with Africa in the short term, but Britain's ability to negotiate new trade deals globally means African goods are likely to face increased competition in UK markets. With most polls showing the Conservative Party prime minister Boris Johnson set to win a general election majority, only large-scale tactical voting seemed to offer the possibility of preventing him from forming a government and delaying Brexit further as *The Africa Report* went to press.

The withdrawal deal Johnson agreed in October with the European Union (EU) means the risks of a no-deal Brexit and its disruptions have also considerably receded. Even in the event of no deal, the immediate impact of Brexit on African countries is likely to be limited. The government said in June that at least 48 least-developed countries (LDCs) will continue to have duty-free, quota-free market access post-Brexit.

An eye on energy

On 2 October, minister of state for international trade Conor Burns announced the government's plan to establish a transitional protection measure, which would come into effect in a no-deal scenario. This would temporarily maintain current duty-free market access for some lower-middle-income countries.

Burns says that the measure will ensure continuity of market access and expects Kenya, Ghana, Cameroon and Côte d'Ivoire to be eligible. The measure would end after 18 months, by which time the UK aims to have new duty-free trade agreements in place.

In the longer term, the UK aims to be the largest G7 investor in Africa by 2022. Energy is a major focus of British investment, with

companies like British Petroleum present in many of Africa's biggest oil-producing countries. Dutch-British firm Unilever is a big player in the consumer goods market. And Britain has a deep network of mid-size companies active on the continent. In terms of development finance, the UK's CDC Group is investing in renewable energy projects and infrastructure upgrades.

'Preference erosion'

Such a smooth investment scenario could face numerous obstacles, including the fact that London is likely to focus on trade deals with countries like the United States and China first. The UK may well have a lot of work to do to establish new trade relationships and will have many trade agreements to negotiate with countries around the world, says Gilles Chemla, professor of finance at Imperial College in London: "This is a lengthy process and may well slow down its investment in and trade with Africa."

Rolling over existing EU agreements with African countries does not mean that the status quo will be maintained. British trading relationships with the rest of the world are likely to have a significant impact on Africa. If the UK removed tariffs on countries that currently do not have preferential access, such as the US, Brazil and China, many African countries would lose due to "preference erosion", David Vanzetti, Paul Baker and Pablo Quiles of International Economics in Mauritius argued in a paper published after the Brexit referendum in 2016. "Lower tariffs for the rest of the world to the UK would be very negative for Africa," they said.

Contagion effects from trade wars, which were not modelled when the paper was published, are "a real threat now", Baker, who is chief executive of the consultancy,



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said in an interview in October. The private sector in Mauritius, he added, is currently concerned about its long-term trading relationship with the UK, as well as a possible drop in British demand for sugar and textiles products.

South Africa is positioned to be one of the potential economic casualties as it remains one of the UK's largest trading partners, with total trade of about \$11.6bn in 2018, says Lukman Otunuga, senior research analyst at ForexTime in London. At a time when the country faces persistent global trade uncertainty and the threat of inflation from a weak rand, "the ripple effects of Brexit are the last thing the nation needs".

Major British trading partners like Nigeria, Kenya and Egypt are still exposed in the event of a no-deal Brexit, Otunuga says. The UK was Nigeria's sixth-largest

trading partner last year with total trade of about \$5bn. Weakening oil prices will not only reduce Nigeria's government revenues but also the ability for the country to move forward with its 2020 budget. "Trade disruptions with Britain in the event of a no-deal Brexit will only rub salt into the wound," Otunuga adds.

Still, the fallout in any Brexit scenario is likely to be eclipsed by the direction of the Chinese economy. For sub-Saharan Africa, total trade with Britain only accounted for roughly \$23bn in 2018, compared with \$146.4bn with China, Otunuga says. That means that the impact of Brexit will pale in comparison with the "scorching heat" caused by a Chinese slowdown, argues Otunuga.

A role model for the EAC

For African countries, trade changes are of "second-order importance" in comparison with other factors that drive growth and incomes - namely, labour, capital and productivity, the International Economics paper argues. African countries should "implement



HENRY NICHOLLS/POOL/APP

Britain's former prime minister Theresa May with African leaders at Windsor Castle in April 2018; In Salah Gas, a British Petroleum joint-venture project in Algeria



ADAM BERRY/BLOOMBERG VIA GETTY

policies that upgrade the skills of the labour force, maintain an inflow of capital and ensure that labour and capital are used productively," the research said.

Security and political relationships between the UK and Africa won't change much after Brexit, says Harry Broadman, chair of the emerging markets practice at Berkeley Research Group in Washington DC. The UK may find

it easier to pursue its own interests through the Commonwealth without the "ball and chain" of 27 other countries, he says.

If there is a sense that the country has taken back control of its borders after Brexit, it is conceivable that British policy on immigration (see box) could become more liberal, Broadman says. Africans, he says, are not about to start competing with Poles and

Romanians in the British labour market. Still, there is a "cognitive dissonance" between the UK leaving the EU free trade zone and the African free trade agreement, Broadman says. "If Brexit means a recession, it will be a concern for Africa," with development aid likely to be less of a priority.

The most important consequence of Brexit may be intangible. Brexit could undermine confidence in regional integration processes like the East African Community (EAC), argues Andrew Mold of the United Nations Economic Commission for Africa in a 2018 paper: "Implicitly, if not explicitly, the European Union has been an important role model for the EAC". Africa's best response, he says, is to "redouble efforts to implement the African Continental Free Trade Area."

With the US having made major cutbacks to its aid budget, leveraging foreign assistance to achieve developmental goals is likely to become more challenging for EAC member states in the coming years, Mold says. He argues that a further "channel of contagion" from Brexit is through remittances. He estimates Kenya is the most exposed, followed by Uganda. ●

What immigration policy will work for 'Global Britain'?

The vision of post-Brexit Britain as a liberated global business centre is, at best, a work in progress. Britain's immigration system does not greatly help its relationships with many African citizens. The Royal African Society says that African applicants are more than twice as likely to be refused a UK visa than applicants from any other part of the world. According to an All-Party Parliamentary Group for Africa report in July, the current visa regime is

"manifestly unfit for purpose" and is hindering day-to-day business with Africa as well as the government's efforts to promote the UK as the best place in the world to do business after Brexit.

UK Visas and Immigration, the report found, lacks any meaningful customer feedback systems and displays "very limited accountability". If the situation were reversed, the report wonders whether British nationals would be prepared to visit Africa if

they had to first travel across the UK in person to provide biometric data and hand over to a private company their passport, birth and marriage certificates, plus a hefty batch of documentation from their employer. And how they would react to having to pay the equivalent of two to three months of the average national wage for someone to assess their application.

The whole UK visa process, says the report, suffers from a "fundamental lack of

dignity, respect, parity and self-awareness". The report gives wide-ranging recommendations to try to address those failings and argues that visitor visas will need to be part of a wider review of immigration policy. Many applications are rejected because the applicant has little money, even in cases where all costs have been guaranteed by a sponsor. This has often prevented churches, NGOs, charities and development agencies sending people to the UK. ●