

THE BREXIT: IMPLICATIONS AND LESSONS FOR AFRICAN UNION

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Abstract

The Brexit can be said to be the most negating factor against the concept of political and economic integration in modern times. Even though it is among the phenomena that make big headlines around the world today, many are yet to have a full grasp of the meaning and implications of the Brexit especially on the partners of the European Union and the United Kingdom. Worse still, many Africans seem oblivious of the impact of Brexit on the umbrella body of African countries, the African Union and also on individual African economies. It is against the backdrop of these stated problems that this paper set out to attempt a clarification of the implications of the Brexit on AU. Adopting the thematic method of qualitative analysis, the paper sets out to interpret available data and therein observes that the implications of Brexit on AU are multi-faceted. The Brexit has implications on financial and trade relations among the AU, EU and UK. It may possibly hit African big economies the worst, which will definitely reverberate on the foundations of the AU. This further justifies the postulations of the Dependency Theorists. Therefore, structuring an African regional organisation based on innate models less dependent on the western models will go a long way to make Africa a less victim of shake-ups in the western political and economic milieu.

Introduction

The increased need for nations to come together under the umbrella of international organisations in order to address their mutual interests led to greater emphasis on formation of sub-regional, regional and inter-continental or global organisations in the post World War II era. Many of the organisations have the objective of achieving socio-political and economic integration of member actors, which is hoped to foster mutual growth and development among them. A foundational work to ensure collective economic growth and development among nations in the immediate post-World War II period was laid

with the formation of the General Agreement on Tariffs and Trade (GATT). GATT was to achieve its mandate through effectively encouraging trade liberalisation. Subsequently, GATT was replaced by the World Trade Organisation (WTO) and it played a very significant role in the massive expansion of world trade in the 20th century.

Under the watch of GATT, the European Economic Community (EEC), which is now a part of European Union (EU), was established. The EEC emphasises on Free Trade Agreements (FTAs), trade liberalisation and effective economic integration among European member states or actors. It became a powerful foundation upon which the EU was built.

On November 1, 1993, the EU was created following the Maastricht Treaty. According to M.J. Gabel (2010), the treaty was designed to enhance European political and economic integration by creating a single currency (the euro), a unified foreign and security policy, common citizenship rights, and by advancing cooperation in the areas of immigration, asylum, and judicial affairs. Close observation of the activities of the EU today shows that the provisions of the treaty actually lay the foundations for the major objectives of the organisation. The prospective benefits of the political and economic integration which was expected to emanate from a sophisticated organisation as the EU led to the expansion of its membership. Originally confined to western Europe, the EU expanded to include several central and eastern European countries. Prior to the Brexit, the members of the EU comprised of Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, The Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom (UK). The exit of the UK from the EU may prove to be a loss of a major donor country of the union.

On the other hand, a replica of the EU is the African Union (AU), which was hitherto known as the Organisation of African Unity (OAU). The OAU was restructured and repositioned as its initial major objective of African liberation from colonialism seemed to have been met. The core objective of the organisation thus became collective efforts towards socio-economic development. As regards the transformation of OAU to AU, E.H. Moshi (2013) posits;

Following various summits which discussed the challenges facing the continent in promoting cooperation among its

member countries that would expedite the process of social and economic development, at the Durban Heads of State Summit in 2002, the OAU decided to transform itself into the African Union (AU) as a way forward in continuing to fulfill the objectives of the OAU Charter.

With the liberalisation of African colonies, bi-lateral and multi-lateral social and economic relations between African international actors and their European counterparts improved. The activities of the AU continue to replicate that of the EU and the AU countries increasingly depend on the EU for aids and other packages. Nonetheless, the implication of this is a possible shakeup in the AU in an event of a drastic change in the EU such as the Brexit. This paper examines the possible implications of the Brexit from the EU on the integration and sustainability of the AU.

Conceptual Clarification

It is pertinent to attempt the clarification of the cobwebs surrounding some of the basic terms which are inevitably adopted in this paper. Some of the concepts have multiple meanings and the clarification is done to suit the present discourse. Such concepts include; Brexit, union, and integration.

Brexit: With the recent popular referendum conducted in Britain, the term *Brexit* becomes a new lexicon of the political and economic dictionaries. The concept of Brexit came to reality following the vote for the exit of Britain from the EU on the historic Thursday June 23, 2016. This means that Great Britain ceases to be a member of EU, which it unenthusiastically joined in January 1973. The Brexit may have some implications on the sustainability of the integration of AU considering how major countries of the EU like South Africa and Nigeria view the development.

Union: The word, union, in the context of this paper is defined in the *Oxford Dictionaries, Language Matters* online as “the action of joining together or the fact of being joined together, especially in a political context”. (“Union,” Oxford Dictionaries, Language Matters, Accessed on August 4, 2016, <http://www.oxforddictionaries.com>) The EU and the AU depict an apt picture of political cum economic union.

Integration: To integrate, in the context of this paper, means to combine two or more things in order to become more effective. (“Integrate,” Cambridge

Dictionary, Accessed on August 4, 2016, <http://dictionary.cambridge.org/dictionary/english/integrate>). In line with the above definition, integration means “incorporation as equals into society or an organization of individuals of different groups.” (Merriam Webster, 2010). In order to achieve mutual political cum economic effectiveness of member actors, the regional integration organisations of EU and AU were established.

Theoretical Framework

Considering the horizontal nature of the relations between EU member countries and the AU member countries; and also the rather involuntary dependency of the AU on the EU in their relationships and for integration models, the study finds it suitable to adopt the Dependency Theory as the theoretical guide for a better understanding of the thesis of the paper.

Dependency theory, in its extreme form, is based on a Marxist view of the world, which sees globalisation in terms of the spread of market capitalism, and the exploitation of cheap labour and resources in return for obsolete technologies of the West.

A rather clear depiction of what dependency is all about was proffered by Theotonio Dos Santos (Eisenberg, 2014). According to him:

Dependency is an historical condition which shapes a certain structure of the world economy such that it favors some countries to the detriment of others and limits the development possibilities of the subordinate economies...a situation in which the economy of a group of countries is conditioned by the development and expansion of another economy, to which their own is subjected. (Eisenberg, 2014)

The theory developed in the late 1950s under the guidance of the Director of the United Nations Economic Commission for Latin America, Raul Prebisch observed that, unlike assumption of the Neo-Classical Counter Revolution and Market Fundamentalists, growth in the advanced industrialised countries did not necessarily lead to growth in the poorer countries. Their studies suggested that economic activity in the richer countries often led to serious economic problems in the poorer countries. This is antithetical to the neo-classical theory, which assumes that economic growth in a free trade zone is beneficial to all even if the benefits were not always equally shared.

Because of the unequal distribution of the means of production between the countries of the North and South, the dependency theorists contend that economic relations between the two zones will only be detrimental to the disadvantaged South.

Furthermore, colonialism strengthened the postulations of dependency theory; specifically the dependence of the South on the North in international trade and integration models which intensified within the 20th century. The bulk of the exports of African countries go to their former colonising powers and their Western allies, even when they belong to post-independence sub-regional and regional African organisations that seek to promote free trade amongst the members.

African and other developing economies are heavily dependent financially on their former colonising powers and western capital in general. Such dependency has made it very difficult for these economies of the global South to untangle itself from trade liberalisation championed by the global North, even when they have established free trade zones for themselves. Therefore, when a major change hits the economy of the North, the dependent South suffers it most. This theory advocates economic protectionism for the countries of the South, which involves less dependency on the North for integration and developmental models.

Nonetheless, the dependency theory has also exhibited some fallibility which attracts criticisms. This is depicted in the nature of the global economic recession of the recent times. While the global recession of 2008 was severely felt mostly in the developed economies, Africa and other developing economies only felt it partially. Thus, this negates some of the purview put forward by the dependency theorists. In this instance, the capitalist North seems to have imploded while some developing economies, which they were supposedly impoverishing, flourished.

The dependency theory, as adopted by this paper, examines the problem of the influence of the EU on the AU based on economic effects, but of course, sub-regional and regional organisations are principally formed for economic reasons. This aptly justifies the application of the dependency theory in examining the implications of the exit of Britain from the EU on the sustainability of the AU.

Arguments for the Brexit

The Brexit has elicited enormous debate and mixed feelings among experts and keen observers of the trends in international political economy. Like the debate over free trade and protectionism, the Brexit may likely develop a scholarly trend of debate over economic integration and economic isolationism, especially if the Brexit turns out to significantly benefit Britain.

It was almost unanimously agreed, especially among economists, that integration is key to mutual sustainable growth and development. However, with the recent development of the Brexit, it becomes unclear who actually benefits from integration and who does not. Nonetheless, survey shows that economic reasons were not the only argument of the 'Leave' campaigners. There were evidently political, social and cultural considerations that strengthened the 'Leave' campaign and tilted votes to its side.

One of the economic reasons given by the 'Leave' campaigners is premised on the argument that the claims of the benefits accruable from integration are a farce as regards UK/EU relations. According to Lianna Brinded (2015), "Seeing how the markets and politicians have dealt with the eurozone sovereign debt crisis...I've become fully unstuck from the mud of pro-EU camp and will sit on the fence until we vote." The 2009 debt crisis that followed the economic recession which almost crippled many countries of the EU, notably Greece, actually strengthened the position of Eurosceptics, who formed the crux of the 'Leave' campaigners. Brinded further expressed her skepticism on the continued UK membership of the EU when she stated, "First and foremost, even though we are meant to be part of one big unit, we have no fiscal union to address underperforming areas." This raises the question of lack of implementation of single market policy which would have fostered fiscal union in the eurozone.

The political argument of the pro-Brexit campaigners is based on national sovereignty. It is on record that on the day of the referendum Lord Ashcroft's polling team questioned 12,369 people who had completed voting. According to the data from the poll (Wikipedia, 2016) "Nearly half (49%) of leave voters said the biggest single reason for wanting to leave the European Union was the principle that decisions about the UK should be taken in the UK." There is also the general dissatisfaction in the UK/EU politics among many Britons.

The social and cultural argument of the 'Leave' campaigners centres on the immigration question among other issues. James Dennison and Noah Carl (2016)

opined that, "Eurosceptic fraction of the population almost certainly increased as a consequence of the rapid rise in EU immigration, which began in the late 1990s..." A further observation of the Lord Ashcroft's Election Day poll data shows that one third or 33% of 'Leave' voters said the main reason was that leaving "offered the best chance for the UK to regain control over immigration and its own borders." There was generally increased migration of people on the eurozone to Britain, especially considering the economic stability the country portrays. Nonetheless, this trend has its attendant social menace, especially considering the growing spate of terrorism and insecurity across Europe. It is therefore, not surprising that the immigration factor formed a strong point for the pro-Brexit campaigners.

There are also other less appealing social and cultural factors which played some role in the Brexit and these include irrational xenophobia, simple racism, and obstinate protest vote, among others.

Arguments Against Brexit

Like we pointed out above, many anti-Brexit campaigners believe that most 'Leave' voters were simply racists or xenophobic. However, there are more objective reasons put forward by the eurozone believers and these reasons are also premised on economic, political and socio-cultural factors.

Economically, one of the strong points of 'Remain' campaigners is the benefits of single market of the eurozone. The argument is that Britain will not be able to negotiate free access to the European single market, without free movement of labour. Many economists are said to have actually warned that Britain leaving the EU would be an economic disaster. This is because the EU is the world's largest economic area. The 'Remain' campaigners therefore believe that Britain will be more successful economically as part of the EU, than outside it. They assert that if Britain leaves, the country will still have to take account of EU rules and regulations if it wants to trade with the EU; but it will no longer be able to influence them and help to shape them. The 'Remain' campaign also made it a strong point that Brexit would mean the loss of hundreds of thousands of jobs, as international firms that need a base in the EU relocate offices and plants to Ireland or to the continent. 57% of the UK car production is said to be exported to the EU countries. The Brexit will certainly hurt or have a negative impact on the exports.

Politically, the 'Stay' campaigners emphasises the point that Britain is stronger in Europe than out. Their position is that Europe is one of the four major powers in the world scene, as long as it stays united, and Britain is one of the three major nations in Europe. Therefore, Britain will likely lose this influential position with the Brexit. Much of the interference that the 'Leave' campaigners emphasise on is claimed by the 'Stay' campaigners to be legislation for the general betterment of the members of the EU.

There are other socio-cultural and political points made by the 'Stay' campaigners but these failed to give them majority vote in the referendum as Brexit won the day with 51.9% of the votes.

Implications of the Brexit on the African Union

The Brexit may cause some changes in the AU in a number of ways. The principal change, which may be felt or is already being felt in the short term, has an economic dimension. The presence of the UK in the EU actually influenced some of the trade agreements between the EU and the AU or some of the AU member countries. Trade relations between the EU and Africa are defined by the Cotonou Agreement of 2000. Britain played important role in that agreement and it is now under contention if Britain will uphold its side of the agreement as an independent state outside the EU.

There are predictions that African largest economies will likely suffer as a result of the Brexit. The UK's minister for Africa and a 'Leave' advocate, James Duddridge (2016), though promised that relations with the continent would only improve without the burden of the EU, however admits that Africa's largest economies are still likely to suffer. The evidence of stain on the African large economies is also being felt in South Africa. According to Mathew Davies (2016), "The most internationally traded African currency, the South African rand, is already having a bumpy ride in the wake of the UK's decision to leave the European Union." It is on record that the South African rand has lost more than 8% against the U.S dollar at the wake of Brexit. Along with their peers on the London Stock Exchange, major South African companies dual-listed in London and Johannesburg are being hammered. For the fact that the UK is the fourth largest destination for South Africa's exports, the economy of the country is bound to suffer if the UK is to slide into technical recession as forecasted by some economists. Obviously, the AU will catch cold when South Africa sneezes. This would make the implications of the Brexit quite severe on the union.

Nigeria, which is undoubtedly another big economy of the AU and a close trade partner of the UK and EU, is also being affected by the Brexit. Bilateral trade between Nigeria and the UK, currently valued at £6 billion (about \$8.3 billion) and projected to reach £20 billion by 2020, will be disrupted if the trade agreements made under the auspices of the EU are to be renegotiated. Also, data from the National Bureau of Statistics shows that the UK was Nigeria's largest source of foreign investment in 2015. This nature of dependency will definitely plummet the Nigerian economy further at the event of recession in the UK as a result of the Brexit.

In terms of aid, the UK was one of the biggest supporters of EU aid programmes in Africa, both politically and financially. While the UK will most likely continue to honour its own aid commitments, a changing attitude to aid could evolve within a UK-less European Union. Many AU countries depend on the EU aid.

Socio-politically, Britain being a role model on the question of independence, the Brexit has sparked off and strengthened the call for self-determination in some AU countries, particularly Nigeria. Following the Brexit pattern, the pro-Biafra agitators aptly made a coinage "Biafraexit" and heightened the call for a referendum. A pro-Brexit government in London may actually lend support to this call.

Conclusion

The Brexit, no matter how beneficial in the long term it might be for the UK, has proved to be quite damning on the AU in the short term. It further exposes the dependency nature of Africa on the countries of the west and strengthens the position of dependency theorists. As could be deduced from the paper, big African economies are already catching from the glum forecast of the British economy, following the Brexit.

The Brexit might even go as far as shaking the foundations of the unity of the AU considering that the AU is dependent on the EU model of integration. The AU was formed in 2002 to follow the patterns of the EU methods of emphasising mutual economic growth and development. The implication of this is that if Britain proves better-off outside the eurozone, some big economies in the AU may want to review their AU membership, especially when they feel strained by their membership of the union.

Furthermore, as pointed out in the paper, the Brexit has already triggered off stiffer calls for referendum and self-determination, especially in Nigeria. A fragmented AU member states will only be inimical to the present status of the union.

Nonetheless, a collapsing EU/AU relationship as a result of the Brexit may prove the strengthening of the Commonwealth of Nations as Britain is predicted to look towards the Commonwealth and strengthen its ties with the members after leaving the eurozone. If the International Monetary Fund (IMF) prediction that by 2019 the Commonwealth will contribute more to world's economic output than the EU, is anything to go by, it means that Brexit may actually be a start to the process and African countries belonging to the Commonwealth may become better off more than they are with the AU.

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