

**BREXIT**

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# BREXIT

- Brexit is an abbreviation of two English words: 'Britain' and 'exit' and refers to the withdrawal process of the United Kingdom (UK) from the European Union (EU). Article 50 of the Treaty of the European Union regulates the withdrawal process of any Member State.

# BREXIT

- Brexit was the withdrawal of the United Kingdom from the European Union at 23:00 GMT on 31 January 2020. The UK is the only sovereign country to have left the EU.
- The UK had been a member state of the EU or its predecessor the European Communities, sometimes of both at the same time, since 1 January 1973.

# BREXIT

- March 14, 2017 The British Parliament passed a bill that will allow Prime Minister Theresa May to start talks to leave the European Union. March 28, 2017: The UK signed the letter that triggered Article 50 of the Lisbon Treaty which is the beginning of the 2-year legal process for Britain to leave The EU.
- Factors for BREXIT included sovereignty, control over immigration and its borders, the economy (wanted to take back control of their money and laws) and anti-establishment politics where voices of the voters and citizens is overlooked by the so called elite group, amongst various other influences.

# BREXIT, its impact on its businesses and foreign companies.

- Bonds between the EU and the UK run deep: The UK is among the EU 27's largest trading partners, accounting for about 13 percent of its trade in goods and services. Beside bilateral trade links, there are substantial supply chain trade links between the EU-27 and the UK that involve several countries.
- With United Kingdom leaving the European Union, higher barriers to trade, capital flows, and labor mobility have affected the output and jobs not only in the UK but also in the remaining 27 EU member states.
- Since Brexit means both parties will withdraw from a frictionless economic relationship, there have and will continue to be costs on both sides

# BREXIT, its impact on its businesses and foreign companies.

- Supply chain - Brexit brings a real risk of increased costs and delay to supply chains. Trade could flow freely with no additional paperwork. But since the UK's departure, these supply chains have ended, meaning British businesses have to fill in a lot more paperwork in order to move goods between the two trading blocs.
- Customs/border tariffs - It's crucial for importers and exporters to understand the potential customs implications for their businesses.
- **Brexit has erected trade barriers for UK businesses and foreign companies that used Britain as a European base.** It's weighing on imports and exports, sapping investment and contributing to labor shortages. All this has exacerbated Britain's inflation problem, hurting workers and the business community.

# BREXIT, its impact on its businesses and foreign companies.

- Rising inflation. Consumer prices, as measured by the Consumer Prices Index (CPI), were 10.1% higher in January 2023 than a year before. **Increases in the costs of consumer goods, underpinned by strong demand from consumers and supply chain bottlenecks,** have been factors causing rising inflation in UK.

# BREXIT IMPACT AND POLICY LESSONS

- The most visible 'Brexit' impact on the EAC was the fall in the value of the Pound Sterling. The Pound was massively sold off, which resulted in a rough 7 per cent decline relative to the Ugandan Shilling.

The positive effect of the decline in the value of the Pound was to reduce the cost of studying and travelling to the UK. However, it made imports in Britain from the EAC such as flower cuts, vegetables and coffee less profitable thus affecting the EAC balance of trade.

On the other hand, a weaker Pound meant British exports to the EAC would become cheaper.

- ✓ Lesson for African countries? -Regardless of the outcome of Brexit, African countries can no longer depend on external trading relations to help reach their developmental goals.



# BREXIT POLICY LESSONS

- It should be remembered that the British were not part of the six founding states of the European Economic Community (EEC) - the predecessor of the EU - when it came into existence in 1957.

This initial skepticism of the British people in the EEC and later on the EU seems to have been alive and strong for a long time, but was kept 'under cover' by a small section of politicians who were at the forefront of the 'remain in EU camp.

Lesson?- In economic relationships such as regional blocs, just like any other relationship, the trust of all parties involved is critical. Therefore mistrust and skepticism are not good for the economic union and may lead to shocking outcomes when important decisions such as 'leave or remain' come up.

# BREXIT POLICY LESSONS

- The all important lesson from BREXIT is to have a people-centred regional block. For instance, the people of East Africa need to 'own' the EAC integration and have a firm sense of belonging as one people, East Africans. All players especially the wanainchi need to engage in an important conversation of what they need from the EAC economic bloc.

# REGIONALISM

- Regionalism is **the development of political and economic systems based on loyalty to distinct geographic regions**. Regionalism often results in formal political or economic arrangements between groups of countries intended to achieve common goals.

# Future of regionalism and policy lessons for African integration

- Success in regionalism in contemporary Africa still exists if some of the core issues that pose as challenges are addressed;
- **Firstly, the traditional reluctance of African states to cede sovereignty to supranational organizations considerably obstructed political cooperation and integration.** This is because without some transfer of decision-making and intervening power to the regional level, member states (in effect their governing elites) could pursue their own national interests with few institutional constraints, often at the cost of obstructing the broader integration agenda.

# Future of regionalism and policy lessons for African integration

- **Secondly, the political and ideological differences among national leaders is problematic.** Disagreements among leaders due to political and ideological divergence often leads to failure to reach common position on further cooperation or integration
- For example, the collapse of the first East African Community (EAC) was to a large part due to the politico-ideological difference between the leaders of Kenya and Tanzania: Kenya's capitalist president Kenyatta and Tanzania's socialist president Nyerere were frequently at odds over socio-economic policies of the region, which created much difficulty for the EAC's progress and contributed to its eventual demise

# Future of regionalism and policy lessons for African integration

- **Thirdly, the weak economic and infrastructural base of most African countries and the perceived unequal gains from regional integration is another factor obstructing regionalism.** In particular, the limited intra-regional trade among African states, their similar thus competitive products, their export-oriented infrastructures and differential benefits from regional integration offers little economic incentives for sustained regionalism

# Future of regionalism and policy lessons for African integration

- **Finally, the overlapping memberships of many African states in multiple regional bodies leads to conflicts of loyalty and confusion of commitment, which again obstructs regionalism's development.** To illustrate, Tanzania's memberships in the Southern African Development Community (SADC), the Market for Eastern and Southern African States (COMESA) and the EAC, whilst Botswana belongs to both the SADC and the Southern African Customs Union (SACU), and both countries were also members of the African union. The political implication of such overlapping membership is the lack of concentrated effort or commitment to develop any single regionalist organization, which consequently leads to little progress in regionalism.

# Future of regionalism and policy lessons for African integration

- Limited Intra African trade
- Members states internal security, crime, illicit trading and smuggling across borders



# Future of regionalism and policy lessons for African integration

- In conclusion therefore, it is through genuine improvement in the above mentioned factors that regionalism in Africa can have increased chance of success
- African regionalism is not doomed to failure yet still limited in its scope of development because of the aforementioned challenges.