



GLOBAL INSIGHT

INSTITUTE FOR GLOBAL DIALOGUE

Issue 128/May 2016

a focus on current issues

The strategic future of the ACP Group in the aftermath of the Brexit vote

Mr. Wayne Jumat and Sikhumbuzo Zondi are both Research Assistants at Institute for Global Dialogue associated with Unisa

Wayne Jumat and Sikhumbuzo Zondi

Introduction

Global Insight aims to provide members of the policy community with concise but trenchant analyses of topical issues. Comments and suggestions are invited.

Despite an awareness about the campaign to leave the European Union (EU) by the United Kingdom (UK), the global markets showed their vulnerability in the wake of the referendum results on the Brexit of which 51.9% of British voters elected to leave the EU. Worryingly, the economic shocks that were experienced in the EU and the UK have also had repercussion across the world, especially in member states of the Africa-Caribbean-Pacific (ACP) Group. Furthermore, the potential of less European investments in and trade with the ACP looms large as difficult negotiations and restructuring lies ahead for both the EU and the UK. Noticeably, the Commonwealth has received some attention in the run-up to and in the wake of the Brexit referendum, as it has been presented as a supplement and alternative to the forecasted shocks (political, economic and social) that are expected to strike the UK once its exit from the EU has been finalised and formalise¹.

The aim of this policy brief is to discuss what these developments in Europe mean for the objectives set out by the ACP secretariat. It does this by outlining four key objectives of the ACP secretariat and assessing to what extent these will be affected by the UK's imminent exit from the EU. It will thus be important to understand the strategic outlook of the ACP in the aftermath of the Brexit vote, especially given the reality that much of the groupings trade into the EU is actually destined for the UK.

The objectives outlined by the ACP secretariat will be used as a framework for the policy brief to highlight the potential impact of the UK's imminent exit from the EU are as follows:

- sustainable development of its member-states and their gradual integration into the global economy, which entails making poverty reduction a matter of priority and establishing a new, fairer, and more equitable world order;
- the coordination of the activities of the ACP Group in the framework of the implementation of ACP- EU Partnership Agreements;
- the consolidation of unity and solidarity among ACP States, as well as understanding among their peoples; and
- the establishment and consolidation of peace and stability in a free and democratic society.

2. Sustainable Development, Global Economic Integration and a more equitable world order

EU donor aid has contributed towards development across the ACP states, and as states and the global markets prepare to adjust to new political and economic contours of Europe, the achievement of sustainable development and global economic integration among ACP states is expected to be harder to come by in the coming years².

The sustainability of the development trajectories of the ACP member states, particularly those who have close relations with the UK,

are expected to be affected in a variety of ways as the UK prepares to negotiate its exit from the EU³. For example, investments and trade with these regions may be reduced by both the UK and the EU depending on what serves their interests best and depending on their financial conditions and ability to assist with matters of development assistance⁴. The UK's support for reforms of the Common Agricultural Policy of the EU (which is beneficial for the ACP) is also expected to wane as its voice diminishes in the EU⁵. The short term implications for the ACP are therefore changes in the levels and rates of trade with the EU and the UK, challenges of overcoming domestic and regional trade and labour regulations, and the creation of two European markets for ACP products and services⁶.

The Brexit also has fundamental implications in terms of the prevailing world order, its longevity, and the global agency of the UK in the post-Brexit period. For example, the UK's continued relevance to Africa and the ACP will increasingly be questioned⁷ particularly in light of a foreseeable loss of influence by the EU and UK over some ACP member states, and the shifting of power and authority in Europe. Furthermore, the relevance of the Commonwealth and discussions of a Commonwealth Free Trade Agreement will also figure, if the UK is intent on securing its position as an influential actor at the global and multilateral levels⁸. These factors all contribute to the shifting tectonics in international relations and opportunities of ACP states to address marginalization and inequalities that they experience.

3. Coordination and Implementation of ACP-EU partnership activities

In terms of managing the coordination and application of ACP-EU partnership activities, Brexit will have a minor effect on ACP states because the two blocs enjoy Comprehensive Partnership Agreements, through which the EU provides the ACP with a large market vis-à-vis trade and investment through their institutionalized Economic Partnership Agreements (EPAs).

However, uncertainty within ACP states would arise from the knowledge that the EU is the bloc's major trading partner and instability within the EU is likely to result in reduced donor aid and investment for ACP states.

We also need to acknowledge that within the ACP bloc, Brexit might create uncertainty for CARICOM⁹ states on the basis that when the UK entered the then European Economic Community EEC in 1973, it transferred all authority¹⁰ of its trade agreements including those it had with the CARICOM to the now EU. Hence, CARICOM states might find themselves in a situation where they would need to renegotiate new Partnership Agreements (PA's) with the UK. As CARICOM states have a partnership with the EU as CARIFORUM¹¹, it will mean that regional tensions could be agitated as member states try to find consensus on the form of arrangement the CARICOM should have with the UK.

4. Consolidation of unity, solidarity and understanding among ACP States and people

As the exit process of the UK from the EU is expected to take two years¹², this may also extend the current negotiation deadlines between the EU and the ACP for a Post-Cotonou EPA that was set to be concluded by 2020-2021¹³. The various regions and states of the ACP may also encounter some challenges to the unity and solidarity of the ACP, as the EU undergoes structural, resource, and relational changes, particularly in negotiations on a Post-2020 agreement and political relations. Therefore when considering the unity and solidarity within the ACP, the discussion should not be divorced from the international relations of states, foreign policy interests, economic or development dependencies, and the perceptions and needs of people from ACP states (who are both actors or acted upon).

There is much evidence that issues of immigration had considerable impact on the UK's exit from the EU,

and the immediate aftermath of the vote saw an increase of incidences of xenophobia, Islamophobia¹⁴, and racism.

Other driving factors behind the vote were growing inequality¹⁵ and disillusionment at the political establishment and this should add further impetus to the desire of consolidating the unity, solidarity and understanding among ACP states and people, if the grouping wants to navigate the uncertainty caused by the Brexit vote in a united fashion.

5. Establishment and consolidation of peace and stability in a free and democratic society

There is a wide consensus that Brexit would affect many societies given the contemporary globalised nature of the world where events in one part of the globe carry implications for other regions. Nevertheless, the quick exit of the UK from the EU as championed by some European leaders would possibly bring about calm and stability to the global economy as the reality of the Brexit and its implications begins to sink in. One may need to highlight the fact that Brexit is a game changer for the global economy because London is a major financial center and the downgrading of the UK financial sector by major credit rating agencies may perhaps trigger global financial panic¹⁶.

In order to maintain peace and stability ACP states would need to renegotiate and strengthen ties with both the EU and the UK. Additionally, ACP states particularly those on the African continent need to learn from the turmoil taking place in the EU and work diligently towards strengthening their regional blocs and emphasize more on the South-South agenda. Smooth and stable relations with both the EU and the UK are essential for ACP states because they permit access to the larger European market, in which the EU has sole jurisdiction over the external trade of all its members¹⁷.

6. Recommendations

Moving on from the Brexit, the ACP group needs to consider the following strategically:

- The maintenance of the Partnership Agreements with the EU as well as the UK which will remain crucial for enhancing development and economic growth of ACP states.
- The regional organizations of the ACP such as CARICOM (as CARIFORUM), SADC, COMESA will have to renegotiate its agreements with the UK, as changes at the level of policy and funding will occur which will impact on their relations.
- ACP states need to factor in the issue of immigration and that the UK would be more restrictive on this topic in the short to medium term, especially in the wake of a rising far right and xenophobic sentiment in the UK and parts of Europe.
- Reshape the outlook of ACP states to strategically go beyond linkages of culture and history in their search for mutually beneficial and equal relations, for example the diversification of political and economic relations going beyond France and the UK to include states such as Germany, Norway, Sweden or Poland among others.
- Increase and diversify trade among ACP states
- Pursue more trilateral development cooperation in order to diversify the sources and resources of development, and bring about a more stable and reliable framework for cooperation where power interests and power relations can be minimized.

End Notes

1. Fasan, O. 2016. Brexit: Africa will lose a voice at the EU table but gain the best of both worlds. The London School of Economics and Political Science. Available: <http://blogs.lse.ac.uk/africaatlse/2016/07/13/brexit-africa-will-lose-a-voice-at-the-eu-table-but-gain-the-best-of-both-worlds/>
2. Golding, B. 2016. How will Brexit affect us? The Jamaica Gleaner. Available: <http://jamaicagleaner.com/article/focus/20160626/bruce-golding-how-will-brexit-affect-us>
3. Sanders, R. 2016. Brexit creates EU-Britain nightmare for the Caribbean. Jamaica Observer. Available: http://m.jamaicaobserver.com/mobile/columns/Brexit-creates-EU-Britain-nightmare-for-the-Caribbean_65093
4. Davies, M. 2016. What does Brexit mean for Africa. June 24. BBC News. Available: <http://www.bbc.com/news/world-africa-36618843>
5. Fasan, O. 2016. Brexit: Africa will lose a voice at the EU table but gain the best of both worlds. The London School of Economics and Political Science. Available: <http://blogs.lse.ac.uk/africaatlse/2016/07/13/brexit-africa-will-lose-a-voice-at-the-eu-table-but-gain-the-best-of-both-worlds/>
6. Fasan, O. 2016. Brexit: Africa will lose a voice at the EU table but gain the best of both worlds. The London School of Economics and Political Science. Available: <http://blogs.lse.ac.uk/africaatlse/2016/07/13/brexit-africa-will-lose-a-voice-at-the-eu-table-but-gain-the-best-of-both-worlds/>
7. Sow, M. and Sy, A. 2016. The Brexit: What implications for Africa?. The Brookings Institution. Available: <http://www.brookings.edu/blogs/africa-in-focus/posts/2016/06/21-africa-brexit-trade-aid-economy-sow-sy>
8. Sanders, R. 2016. Brexit creates EU-Britain nightmare for the Caribbean. Jamaica Observer. Available: http://m.jamaicaobserver.com/mobile/columns/Brexit-creates-EU-Britain-nightmare-for-the-Caribbean_65093
9. The Caribbean Community is composed of 15 members (14 states and 1 overseas territory) - Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, St Lucia, St Vincent and the Grenadines, St Kitts and Nevis, Suriname, and Trinidad and Tobago + Monserrat.

10. Sanders, R. 2016. Brexit creates EU-Britain nightmare for the Caribbean. Jamaica Observer. Available: http://m.jamaicaobserver.com/mobile/columns/Brexit-creates-EU-Britain-nightmare-for-the-Caribbean_65093
11. The Caribbean Forum (CARIFORUM) is a subgroup of the ACP representing the Caribbean. CARIFORUM is composed of the Dominican Republic and 14 CARICOM member states: Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, St Lucia, St Vincent and the Grenadines, St Kitts and Nevis, Suriname, and Trinidad and Tobago.
12. Foster, A. 2016. Brexit: How long will we be shackled to the EU after we voted to leave? June 27. Daily Express. Available: <http://www.express.co.uk/news/politics/682376/Brexit-how-long-take-Britain-to-leave-EU-referendum-2016-vote-talks-negotiations>
13. Gasbarri, V. 2015. Why ACP countries matter for the EU Post-2015 Development Agenda. June 9. Inter Press Service News Agency. Available: <http://www.ipsnews.net/2015/06/why-acp-countries-matter-for-the-eu-post-2015-development-agenda/>
14. Sherwood, H., Dodd, V., Khomami, N. and Morris, S. 2016. Cameron condemns xenophobic and racist abuse after Brexit vote. June 27. The Guardian. Available: <https://www.theguardian.com/uk-news/2016/jun/27/sadiq-khan-muslim-council-britain-warning-of-post-brexit-racism>
15. Goodwin, M. 2016. Inequality not personalities drove Britain to Brexit. June 28. Politico. Available: <http://www.politico.eu/article/inequality-not-personalities-drove-britain-to-brexit/>
16. Cunningham, T., Davidson, L. and Graham, C. 2016. UK stripped of final 'AAA' rating and FTSE 350 surrenders £140bn in Brexit aftermath. The Telegraph, 28 June 2016. Available: <http://www.telegraph.co.uk/business/2016/06/27/george-osborne-to-speak-in-attempt-to-calm-markets-following-bre/>
17. Fabricius, P. 2016. What Brexit means for Africa. Daily Maverick, ISS Today, 23 June 2016. Available: <http://www.dailymaverick.co.za/article/2016-06-23-iss-today-what-brexit-means-for-africa/#.V3JTyNJ96Um>



The IGD is an independent foreign policy think tank dedicated to the analysis of and dialogue on the evolving international political and economic environment, and the role of Africa and South Africa. It advances a balanced, relevant and policy-oriented analysis, debate and documentation of South Africa's role in international relations and diplomacy.

The IGD strives for a prosperous and peaceful Africa in a progressive global order through cutting edge policy research and analysis, catalytic dialogue and stakeholder interface on global dynamics that have an impact on South Africa and Africa.

3rd Floor Robert Sobukwe Building
263 Nana Sita Street
Pretoria South Africa

PO Box 14349
The Tramshed,
0126
Pretoria South Africa

+27123376082
+27862129442
info@igd.org.za
www.igd.org.za

All rights reserved. The material in this publication may not be reproduced, stored or transmitted without the prior permission of the copyright holder. Short extracts may be quoted, provided the source is acknowledged.