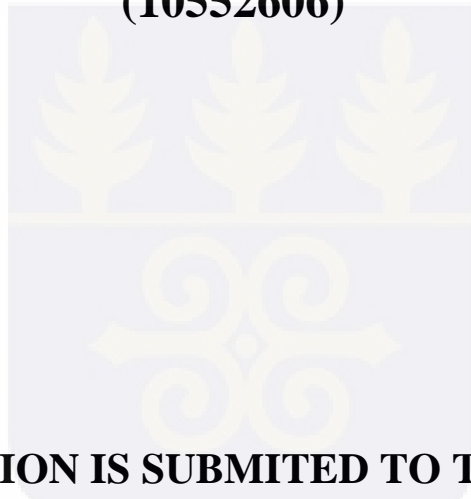


THE EFFECTS OF BREXIT ON AFRICA: A CASE STUDY ON GHANA

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**THIS DISSERTATION IS SUBMITTED TO THE UNIVERSITY
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LEGON

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DECLARATION

I, Emmanuel Andrew Kobina Cathline-Abraham, hereby declare that this dissertation is the result of an original research conducted by me under the supervision of Dr. Philip Attuquayefio, and that no part of it has been submitted elsewhere for any other purposes.

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Date:

Date:

DEDICATION

This is dedicated to my mother, whose guidance will forever remain with me.



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I wish to express a profound gratitude to all the members of the faculty of the Legon Centre for International Affairs and Diplomacy, University of Ghana. I also thank my colleagues of the LECIAD class of 2015/2017 for making our class a very interesting one. I further thank my family and friends for their support. And to my very good friends Hairiya, Florence and Erica I say thank you.



LIST OF ABBREVIATIONS

ACP	African, Caribbean and Pacific Countries
ADF	Alternative Für Deutschland
AU	African Union
BREXIT	Britain Exit
CAP	Common Agricultural Policy
CETA	Comprehensive Economic and Trade Agreement
CFP	Common Fisheries Policy
CFSP	Common Foreign and Security Policy
EAEC	European Atomic Energy Community,
EC	European Commission.
ECB	European Central Bank
ECI	Economic Complexity Index
ECOWAS	Economic Community of West African States
ECSC	European Coal and Steel Community
EEA	European Economic Area
EEAS	Europe External Action Service
EEC	European Economic Community
EMCDDA	European Monitoring Centre for Drugs and Drug Addiction
EMU	Economic and Monetary Union
EPA	Economic Partnership Agreement
EU	European Union
FLEGT	Forest Law Enforcement and Governance, Trade
FTA	Free Trade Area
GDP	Gross Domestic Product
GSP	Generalized Scheme of Preferences
HIV	Human Immunodeficiency Virus
IGAD	Intergovernmental Authority on Development
ISIS	Islamic State of Iraq and Syria

MFN	Most - Favoured Nation
NATO	North Atlantic Treaty Organization
NCCE	National Commission on Civic Education
NMC	National Media Commission
NTB	Non-Tariff Barrier
TEU	Treaty of European Union
TSCG	Treaty on Stability, Coordination and Governance
UK	United Kingdom
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFCCC	United Nations Framework Convention on Climate Change
US	United States
VAT	Value Added Tax
VPA	Voluntary Partnership Agreements
WTO	World Trade Organization



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ABSTRACT

Britain's initial consideration to become a member of the European Community began on 1 August 1961, but officially became a member of the EU on June 7, 1975. The UK in contemporary times has been the second greatest contributor after Germany, to financing the budget of the EU. However, the decision by the UK on June 23, 2016, to leave the European Union (which has been termed 'Brexit') has generated much global concerns on both the short-term and long-term implications this move is going to have in the international system. The repercussions of the decision by the UK to leave the EU will also be felt in other parts of the world such as Africa, particularly Ghana. Therefore, this study focuses on analyzing the effects of Brexit on Africa, with special focus on Ghana. The study utilizes Neo-Functionalism as the main theory for its analysis. The study is purely qualitative and relies primarily on literature review and interviews for data collection and analyses. Findings from the study reveals that Brexit will alter the global political economy in the short-term and these effects will not only be limited to the UK and the EU but will also be felt in other parts of the world such as Africa, particularly Ghana. Findings also reveal that the effects of Brexit on Ghana may be felt economically, politically, socially or diplomatically, environmentally and security wise. Following from the findings, the study concludes that the decision by the UK to leave EU (Brexit) will have significant short-term effects on Africa, especially Ghana. Towards this end, the study recommends that though Brexit may come with several negative implications, Ghana should take advantage of the situations to establish fairer and favourable bilateral trade relations with European countries including the UK, which she had stronger ties with since colonial times. It is recommended that Ghana should take full advantage of Brexit to play a lead role towards encouraging, promoting and strengthening the integration process in the West African sub-region and the African continent at large. This will help to better withstand sudden shocks and setbacks that characterize or accompany circumstances which alter the global political economy as witnessed during the 2008 Global Economic Crisis which had significant impacts on African states including Ghana.



CHAPTER ONE

INTRODUCTION

1.0 Background to Research Problem

The complex nature of the international system coupled with increasing globalization has made it imperative for states to form partnerships towards the realization of political and economic development. This is what has called for regional integration in most parts of the world, especially, among developed countries. Integration refers to the transfer of exclusive expectations of benefits from the nation state to some larger entity. Integration is defined as the process of industrial, political, legal, economic, social and cultural merging of states wholly or partially.¹ It is also defined as the process through which national states voluntarily mingle, merge and mix with their neighbors so as to lose the factual attributes of sovereignty whilst acquiring new techniques for resolving conflicts and promoting development among them.²

Regional integration blocs are usually formed by virtue of geographical proximity or shared interests. Thus, they serve different purposes for their member-states. There are several levels of regional integration; Economic integration, Single market, Political integration and Total integration. Van Gink, however, examines 4 main types of regional integration. These include Economic Integration (European Union - EU), Security Integration (NATO), Political Integration (AU) and Social and Cultural Integration (UNESCO).³ There are several benefits that accrue to states for belonging to a regional integration bloc. Some of these benefits of regional integration include conflict resolution, better economic performance and productivity, specialization due to limited resources of countries; this makes it imperative for members to concentrate on products and services that they have comparative advantage over for eventual export into the wider regional/bloc market across their frontiers, increased infrastructural lay-

out becomes an advantage when common transportation and communication networks are laid across the region to bring the peoples in the block together and facilitate the exchange of goods and services.⁴ Custom duties and trade rules are harmonized to bring certainty in trade matters across the integration bloc.

Regional integration has long been in Europe as a means of achieving socio-economic development through intra-European trade in securing economies of scale and market access. The goal has been achieved particularly through the European Union (EU), which is arguably perceived as the best Economic Integration bloc in the world, of which the United Kingdom (UK) is a major stakeholder. The European Union is an economic-political partnership comprising of 28 European countries. However, the current decision by the UK to leave the EU, which has been termed ‘Brexit,’ is expected to create short term negative impacts on the EU and other regions of the world due to the UK’s contributions and influence in the EU and the international community at large. Brexit is an abbreviated form of saying the United Kingdom leaving the European Union merging the letter “Br” for Britain and Exit to arrive at Brexit.

Britain's initial consideration to become a member of the European community began on 1 August 1961, when Mr. Harold Macmillan, the then Prime Minister announced that Britain is making formal application to join the European Economic Community. However, on 15 January 1963, Charles De Gaulle, the French President of the EEC laid down impossible conditions for British entry to the EEC. Finally, on the 1 January 1973, Britain joined the EEC.

On 7 June 1975, the then British Prime Minister, Harold Wilson had a referendum on Britain's membership of the EU, which had 66% voting yes to stay in the European Community. In 1987 The Single European Act was signed, which was to create an internal market; “an area without

frontiers in which the free movement of goods and persons, services and capital is ensured.”⁵ In 1991, The Maastricht Treaty (also known as the Treaty of European Union /TEU) was signed.⁶ It was supposed to foster improved integration among the EU members and as such, created the three pillar structure of the European Union and led to the creation of the single European currency, the euro. It also contained titles that led to the amendment of pre-existing treaties of the EU such as Treaties which led to the establishment of the European Economic Community, the European Atomic Energy Community, Common Foreign and Security Policy, Cooperation in the Fields of Justice and Home Affairs and the European Political Cooperation on EU.⁷ The Single European Act, and the 1991 Maastricht Treaty (also known as the Treaty of European Union /TEU), therefore, defined the mandates and contributions of the UK toward achieving a formidable European Union to date.

The sudden decision by the UK to leave the European Union has generated much interest and concerns among scholars of International Relations, other integration blocs and states such as Ghana, due to the short and long term impacts this decision and move is expected to create throughout the international system. This has informed this particular study to analyze the effect of Brexit on Africa, with specific reference to Ghana (a former colony of the British and also member of the Commonwealth nation) which has established relations with UN since colonial times to date. This is because the contributions and influence of the UK in the EU has made it possible for EU to extend support and help to other parts of the world including Africa, of which Ghana is inclusive.

1.1 Statement of the Research Problem

On 23 January 2013 David Cameron, former British Prime Minister assures an EU referendum: deciding on staying in the EU or leave the EU by end of 2017.⁸ A referendum, which everyone

(or nearly everyone) of voting age participated was held on Thursday 23 June 2016, to decide whether the UK should leave or remain in the European Union. The voters for Leave won by 52% to 48%. The referendum turnout was 71.8%, with more than 30 million people voting.⁹ Brexiteers (those who voted in favour of Brexit) argue that the UK spend much more as contributions to the EU than they receive as benefits from being part of the EU. The full UK's membership fee in 2015 was £17.8 billion.¹⁰ This fee was not paid in full since Margaret Thatcher in 1984 pushed an agenda for Britain to gain a 'rebate,' a reduction in annual contribution to the EU. Consequently, the reduction contribution fee to be paid as annual contribution to the EU by the UK stood at £12.9 billion.¹¹

This has been argued by Brexiteers to be more than the home budget for Britain which stood at £9 billion per year and is ten times the National Health Scheme budget in England, as well as enough to reduce the basic rate of income tax by 3p in the pound.¹² It is also assumed and estimated that £12.9 billion is enough to train over 379,400 more soldiers; over 184,285 extra nurses; 161,250 more police officers; 25,800 more doctors. It can also build 26 Olympic Stadia, freeze fuel duty for 29 years; double spending on culture or the environment; build HS3, with £5 billion left in change, build four new aircraft carriers and abolish capital gains and inheritance tax, and have over £1bn left, if the UK was not to be a member of the EU.¹³ This reinforced the decision by most Brexiteers to vote in favour of Brexit.

The UK is the second greatest or significant contributor to financing the budget of the EU behind Germany. It is established that "almost £1 billion of British money given to the EU is spent on international aid."¹⁴ This means the decision of the UK to leave the EU is significantly going to affect budget financing of the EU, which will ultimately have great repercussions on international aid and other support and help to other parts of the world including Africa,

especially Ghana, where the EU has been a major contributor to development and security agenda. It is in this vein that this study seeks to examine the short-term effects of Brexit on Africa, with focus on Ghana.

1.2 Research Questions

- What are the main arguments for Brexit?
- What are the prospects and challenges of Brexit?
- What are the short-term effects of Brexit on Africa, with special focus to Ghana?
- What plausible recommendations or postulations could help deal with the short-term effects of Brexit on Africa, with focus on Ghana?

1.3 Objectives

- To investigate the main arguments for Brexit.
- To examine the prospects and challenges of Brexit.
- To analyze the short-term effects of Brexit on Africa, with special focus on Ghana.
- To make plausible recommendations or postulations which could help deal with the short-term effects of Brexit on Africa, with focus on Ghana.

1.4 Scope

The study explores the fact that there is a lot of psychology surrounding Brexit. There are views that assert that UK's exit from the EU will be much beneficial for Britain than if the UK continues to stay in the EU. On the flipside, there are also views that UK's exit from the EU will affect budget financing of the EU which will ultimately affect international aid and other supports to other parts of the world including Africa, particularly Ghana, where the EU has

contributed significantly to development and security agenda. The scope of the study therefore, covers examining the short-term effects Brexit will have on Africa, especially on Ghana.

1.5 Rationale of Study

There have been several heightened global concerns about UK's decision to leave the EU. Most of these concerns are focused mainly on the impacts this decision will have on both the EU and UK. However, little attention has been given to how this move could have implications or repercussions on other parts of the world, including Africa, particularly Ghana, where the EU plays significant roles in security and development agenda. Generally, the investigation from this study will provide insight into the implications or repercussions Brexit could have on Africa, particularly Ghana. This will inform the decision of policy makers, governments of African states, particularly Ghana, the AU, Regional bodies in Africa and the international community as a whole; including the UN, regarding measures and mechanism to put in place to cope with the negative effects that will characterize Brexit if it finally happens. The study is also a modest contribution to the body of knowledge and literature on issues concerning Regional Integration and International Relations.

1.6 Hypothesis

The decision by the UK to leave EU (Brexit) will have significant short-term effects on Africa, especially Ghana.

1.7 Theoretical Framework

The main theoretical foundation upon which this study is grounded is Neo-functionalism. Since the emergence of integration, especially in Europe, various theoretical approaches have been applied in studying the process. This is in view of the fact that academic research of this sort

requires empirical framework that provides concepts and notions that help in effective explanation and analysis of issues. This notwithstanding, theories may not necessarily explain events and phenomena comprehensively and perhaps perfectly.

The theory of Neo-Functionalism is of immense relevance to the process of integration which initially included specific functional tasks with the potential of extending into other areas. At the beginning states integrated in limited economic spheres and thereafter, the partially integrated states experience increasing momentum for further integration in related areas. This school of thought led by Ernst Haas, an American political scientist, is based on the major assumption that no state is capable of single handedly sustaining its economic growth or development and existing economic structures and be capable of satisfying the economic needs of its people, if it does not cooperate with others.¹⁵ It may be deduced that the formation of the EU and the anticipated cooperation between member states based on the notion of enhancing developments, strengthening peaceful cooperation, good neighbourliness and more specifically mutually beneficial economic cooperation among member states may have been drawn from this assumption.

The 'spill over' notion or concept was also formulated by Haas. In his view, spill over occurs in new functional areas involving more and more people, more bureaucratic consultations, the resolution of newer problems, thereby building integration process out of earlier compromises towards achievements of collective gains at the supra-national level. This simply implies that deepening integration in one economic sector would automatically create trends for further economic integration in another sector. The European Community (EC) started with the Coal and Steel sectors as the European Coal and Steel Community (ECSC) in 1952. However, in the same year a wider economic integration process started with the European Economic Community (EEC). Haas saw the EEC as a spillover from the ECSC.

Since the inception of the EU several steps and actions have been undertaken towards the attainment of the objectives of the organization. These have come in the form of periodic reviews to the protocol, stakeholder consultation workshops, development and enactment of some provisions, incorporations of articles with far reaching mechanisms and building of the capacity of border management agencies. These are geared towards the realization of the original goals and objectives of the EU. S.K.B. Asante states it was the European Union experience which prompted the signing of the treaty establishing some integration blocs in Africa such as the ECOWAS.¹⁶ This is because the European Union consists of close neighbours with identical problems of poverty and its attendant socio-economic underdevelopment and therefore tend to strive to maintain some degree of economic cooperation.

Schemitter, in defining the Neo-functionalist theory, mentions the role of non-state actors and other related associations and social movements that provide the impetus for further integration.¹⁷ It could, therefore, be inferred that though EU member states remain the dominant and important actors in the scheme of affairs of the organization, they do not exclusively determine the direction and extent of subsequent changes.

Joseph Nye mentions ideological-identitive appeal and elite complementarity as some of the factors that influence the integration process. These are identified in the mindset of the founding fathers of EU who had same ideology and saw the integration process as something very desirable and capable of producing peace, security and economic welfare gains for EU member states. These and host of factors motivated their actions and collaborative efforts towards the progress and establishment of EU bearing in mind the common benefits from a bigger institutional framework.

The theory of Neo-Functionalism just like any other theory in International Relation is not without criticisms. Theorists of Neo-Functionalism argue that integration through cooperation ensures peaceful co-existence among member states. Critics of Neo-Functionalism argued that peaceful conditions among member states creates the conditions for functional cooperation among states, rather than functional cooperation creating the peace. Also, Critics of Neo-Functionalism argue that a Free Trade Area hardly allows integration to flourish, since no barriers are removed. In such setting, customs inspectors still police the borders between member states to tax and prohibit illegal trade. More so, Critics of Neo-Functionalism argue that a Full Economic Union (Community) is the stage where member countries unify all their economic policies, including monetary, fiscal and welfare to harmonize trade and factor migration. However, these are not evident in the European Union's perspective since there still pertain some economic and immigration challenges encountered by member states due to unwillingness or lack of political -will by some member states to unify their economic, monetary, fiscal and security policies with that of the Union's.

Notwithstanding the above criticisms, the theory of Neo-Functionalism perfectly fit into the topic under study. Thus, the principles found in the Neo-functional theory are very applicable and relevant for the success of EU integration process. This is because through the integration process of the EU, its members have initiated policies and processes geared towards achieving a Free Trade Area (FTA), where member states remove trade barriers among themselves, but keep their separate national barriers against trade with non-members.; a Customs Union, where member states remove all barriers to trade among themselves and adopt a common set of external barriers. This process eliminates internal border custom inspections; a Common Market where member states allow full freedom of factor flows (migration of labour and capital) among

themselves in addition to having a common market; and finally, a Full Economic Union (Community) where member countries unify all their economic policies, including monetary, fiscal and welfare to harmonize trade and factor migration. Consequently, the theory of Neo-Functionalism helps to better analyze, understand and appreciate the prospects and challenges of Brexit, as well as the effects of Brexit on other parts of the world, including Africa, of which Ghana is inclusive.

1.8 Literature Review

In Danny Dorling's work titled, *Brexit: the decision of a divided country*, he identifies factors which informed decisions of voters in favour or not for Brexit.¹⁸ He points out that the social service systems and health schemes in UK were not yielding much results as expected. Consequently, there was much anticipation that annual contributions of the UK to the EU could help better those sectors of the economy if the UK were not to be part of the EU. It is baffling to reveal that death tolls within the UK increased significantly on the same day that voting was underway for the decision to be made on Brexit. The deaths usually affected the aged who formed chunk of the population. Therefore, most youth below the ages of fifty plus (50⁺) voted against Brexit whilst the adults and the aged voted in favour for improved health and social service schemes and policies.

Dorling reveals that death tolls in England and Wales increased by 9% on the same day that the voting was done for a decision on Brexit.¹⁹ This influenced large number of people from these countries to vote in favour for Brexit. However, Dorling shows that outcomes of the voting was not fairly representative of the electorates. This is because "about 13 million registered voters did not vote, and a further seven million eligible adults were not registered. They were

disproportionately the young; flat-dwellers, especially renters; members of ethnic minorities; recent movers.”²⁰

Dorling’s work contributes significantly to the topic under study by revealing some insightful factors which influenced the voting decisions of ‘Brexiters’ to support the move. However, his work fails to analyze the challenges that will engulf the integration process of the EU and development and security agenda of other parts of the world, in evident of the exit of the UK from the EU. This gap is what this study seeks to fill by employing the theory of Neo-Functionalism to analyze the effects of Brexit on Africa, particularly Ghana.

In his work, *The Crisis Processes in the EU Development: Origins and Prospects*, Sidenko, Volodymyr asserts that the European Union between the 1990s and early 2000s witnessed significant success in its integration process both in depth and breath.²¹ This has been evident in the formation of the Economic and Monetary Union (EMU), which led to the adoption of the single currency, euro and an unpresented territorial expansion of the EU.²² These factors, according to Sidenko, culminates in the integration process which makes the EU stand out as the best integration model to be emulated anywhere in the world. In addition, the EU has been outstanding as a global economic and political power in contemporary international system due to its crucial role in ensuring democratization, global engagement, international development, resolution of global conflict situations among others.

However, Sidenko identifies that several crises have bedeviled the EU in its development of integration. He explains that these crises could either lead to strengthening the integration process of the EU or lead to a disintegration of the Union.²³ This is because the crises are militating against the effective completion of the EMU formation. This arises due to inability in

implementing policies towards the effective completion of the EMU, dissatisfaction of some member states about the benefits derived from the Union due to unequal actors' ability and the changing dynamics in the international system which has also affected European integration system. Notwithstanding these crises, Sidenko identifies that the EU have great prospects in contemporary international system if there could be political restructuring of the EU which will encourage reforms rather than exit for unsatisfied members, ²⁴ Consequently, there is the need for restructuring of the integration processes of the EU. Towards this end, Sidenko recommends strategies which are based on multi-variant scientific research, to provide the adoption of relevant future political decisions in tackling major crises currently bedeviling the EU such as the Ukraine crisis.²⁵

Sidenko's work contributes greatly to the study under study by revealing some prospects and challenges of the EU in contemporary international system. However, his work fails to analyze the challenges that will engulf the integration process of the EU and development and security agenda of other parts of the world, in evident of the exit of one of its major contributors as imminent in the Brexit campaign for the UK to leave the EU. This gap is what this study seeks to fill by employing the theory of Neo-Functionalism to analyze the effects of Brexit on Africa, particularly Ghana.

In his work, *The new challenges vs. old formulas: what would make the European Union a greater global player?* Barburska, Olga points out that the EU, since its inception, has been a major global player in global political economy. ²⁶ This is because the aggregated potential of the EU Member States' economies still generates the largest share of the total world GDP (i.e. 20% of the world's GDP). Notwithstanding this assertion, Barburska points out that the EU has had minimal international influence on security issues and issues of foreign affairs. This to him

considerably affect the influence and status of the EU as an effective global power.²⁷ This is because resolving contemporary security issues ranging from terrorism, pandemics and civil conflicts and wars makes an actor a significant player. Other problems identified by Barburska which bedevils the EU in asserting its status as a global player is its internal crises which have aggravated the displeasure of some member states to opt out from the Union.²⁸ Therefore, Barburska recommends that for the EU to become an effective global player, it should focus essentially on addressing its security issues in the international system as well as addressing effectively its internal crises to prevent member states from exiting from the Union.²⁹

The works of Barburska also contribute essentially to the topic under study by revealing the influence the EU exerts in the international system and areas where there are lapses in the Union's jurisdiction in asserting the status as an effective global player. His work fails to analyze how the exiting of one of the major contributors to the EU can affect its ability and influence in becoming an effective global player as imminent in the Brexit campaign for the UK to leave the EU. This gap is what this study seeks to fill by employing the theory of Neo-Functionalism to analyze the effects of Brexit on Africa, particularly Ghana.

In their work, The Consequences of Brexit for UK Trade and Living Standards, Dhingra, Swati, Gianmarco I.P. Ottaviano, Thomas Sampson, and John Van Reenen analyzes the effects of static trade consequences Brexit will have on UK's economy.³⁰ They posit that the UK benefits from trade deals with other EU members which automatically leads to improved productivity. However, Brexit will mean lower trade relations with other EU members which will affect productivity and standard of living of UK citizenry in the short term.³¹ This is because some consumer from other EU states will cease from entering the country, hence lower customer

goods than before. Also, with lower productivity, the income levels of citizens may fall hence, resulting in a fall in standards of living.

Dhingra et al, explains, that the extent to which UK's trade relations and living standards of citizens will be affected after Brexit is largely dependent on the economic policies and bilateral relations the EU adopts after Brexit. However, they assert that in the short term, lower trade relations with other EU members should Brexit be finalized, will cost the UK much than its annual contributions it makes to the EU's budget as being a member of the Union.³² They also point out that in the long term, productivity will reduce significantly due to reduced trade relations with other members of the EU which will provide larger and readily available market for UK's goods. They, therefore, conclude that the "UK could weaken social, employment and environmental regulation to some degree."³³

Their work also corroborates the above topic by revealing some negative short-term and long-term repercussions Brexit will have on UK's economy especially on UK's trade and living standards of citizens. However, little is revealed on how Brexit will have effects on the EU and other parts of the world such as Africa, particularly Ghana. This gap is what this study seeks to fill by employing the theory of Neo-Functionalism to analyze the effects of Brexit on Africa, particularly Ghana.

In their work, *The Economic Consequences of Brexit*, Kierzenkowski, Rafal, Nigel Pain, Elena Rusticelli, and Sanne Zwart explain that the United Kingdom has benefitted greatly in term of economic prosperity as being a member of the EU.³⁴ Therefore, the decision by the UK to leave the EU will result in economic shocks for the UK, as well as economic fallouts for most European countries. For the UK, the decision will result in weak confidence in the UK's financial

institutions in other countries, as well as tighter financial conditions. This will drastically affect the financial industry of the UK including the banking, investment and insurance sectors. In addition, Kierzenkowski et al, identify that Brexit will result in higher trade barriers between the UK and European countries and restrictions on labour mobility from the UK to other European countries.³⁵ This can impede productivity which ultimately affect income levels of citizens, their savings, investments and of course their living standards. The scholars also identify that Brexit will lead to a drop in foreign direct investment in the UK and also a smaller pool of skills which could significantly affect employment levels, hence posing threats to the human security of the citizenry.³⁶ This is because with drops in income levels and reduced employment avenues if Brexit is to be finalized, citizens may resort to other illegal ways such as armed robbery and prostitution as means for survival. For these reasons, Kierzenkowski et al concludes that it will be best for the UK to continue to stay in the EU and ensure reforms of the Single Market than to opt out totally from the European Union, which is likely imminent to happen.³⁷

Their work also corroborates the above topic by revealing some negative short-term impacts Brexit will have on UK's economy and living standards of its citizens. However, little is revealed on how Brexit will have negative effects on other parts of the world such as Africa, particularly Ghana. This gap is what this study seeks to fill by employing the theory of Neo-Functionalism to analyze the effects of Brexit on Africa, particularly Ghana.

In their work, Europe after Brexit: A proposal for a continental partnership, Pisani-Ferry, Jean, Norbert Röttgen, André Sapir, Paul Tucker, and Guntram B. Wolff explained following nearly sixty years of successful integration among European countries, the decision by the UK on 23 June, 2016 to leave the EU will bring about enormous rapture for the EU, as well as a

constitutional change for the UK.³⁸ Therefore, there are great choices to be taken both by the UK and the EU in order to continue remaining relevant in geopolitical economy in the international system. In this vein, they propose that the UK engage in some new form of inter-governmental decision making that will protect the homogeneity of the EU, participate in accelerated production of goods and services, ensure capital and labour mobility and also encourage diversification of investments to other parts of the world. On the part of the EU, they propose measures should not totally discard the UK in policies and political decisions, i.e. should let the UK have a say in EU's policies but finally authority to implement policies should rest in the hands of the EU. This to them will help in the restructuring of the EU which could help address the Turkey and Ukraine crises effectively.

This work also contributes extensively to the topic under study by revealing some key coping strategies to the effects or impact of Brexit on both the EU and the UK. However, the study has a gap by failing to identify coping strategies that could be adopted by other regions or parts of the world such as Africa, which could also be affected if Brexit is finalized. This gap is what this study seeks to fill by providing plausible coping strategies for Africa, particularly Ghana should in case Brexit is finalized.

1.9 Sources of Data and Research Methodology

The study relied solely on secondary data. Secondary sources of data are other sources of obtaining data aside first-hand information or the original source. Therefore, this study relied on secondary sources including books, articles, journals, magazines and published works which were critically reviewed and analyzed to contribute to the better understanding of the topic.

The methodology used in this study was qualitative in nature. The research made use of qualitative research design which is primarily an exploratory research method. This was used to

gain an understanding of underlying reasons, opinions and motivations which helped to develop ideas for formulating suitable statement of problem and hypothesis for the study. Exploratory design will be employed due to the non-rigid nature and flexibility in exploring other avenues of obtaining data without any strict restrictions and applications as usually done in quantitative research method. Exploratory design most often “relies on secondary research such as reviewing available literature or data and also conducting in-depth interviews, case studies, pilot studies among others.”³⁹ This design helps in developing a good hypothesis and formulating a more precise problem statement.⁴⁰ The exploratory design also helps in examining a research problem without prejudices and explicit expectations.⁴¹ This is because, the design enabled the investigation of the topic under study in a holistic manner without any pre-informed notions, personal idiosyncrasies or prejudices. In addition, the study also employed the descriptive research method in describing the status quo of the prospects and challenges of Brexit on both the EU and the UK. The descriptive design will be used to establish facts and relationships among Brexit, the EU, the UK and other parts of the world such as Africa. Finally, data obtained through the earlier secondary sources indicated were analyzed through the lens of Neo-functionalism as a theoretical framework to give the study a more scholarly touch rather than mere narrations or speculations.

1.10 Limitations of the Study

Due to the exigency of time, there was an inability to travel to Britain to collect field data and verify some claims of what actually led to the outburst of British to vote in favour for Brexit. Therefore, assessment and analysis of data were based predominantly on secondary sources synchronized with very little information obtained through public pronouncements of top diplomats or government official of Britain during the period under consideration. Consequently, findings from this study might not fully be the accurate picture on the ground but could give an

insight for useful measures to be taken by policy makers and government officials in Africa, particularly Ghana, as well as international organizations such as the UN, the African Union and Intergovernmental Authority on Development (IGAD).

1.11 Arrangements of Chapters

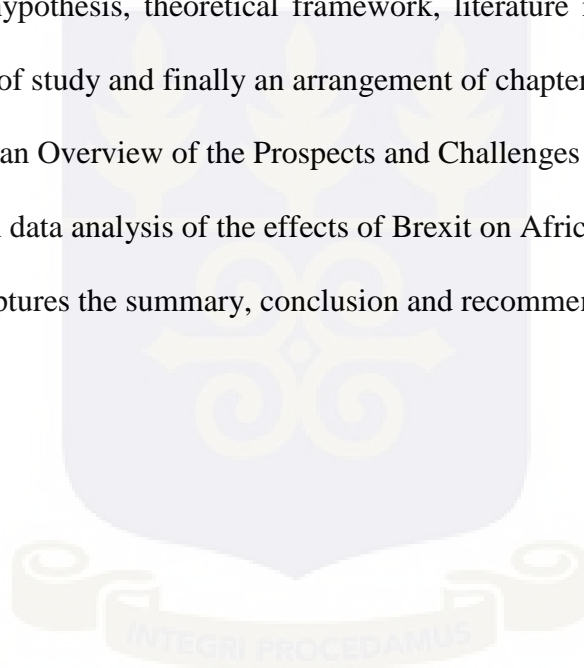
The study is organized into the ensuing chapters.

Chapter One consists of the introduction which includes the background to the problem, the statement of problem, research questions and the objectives of the research, scope of the study, rationale of the study, hypothesis, theoretical framework, literature review, sources of data, methodology, limitation of study and finally an arrangement of chapters.

Chapter Two focuses on an Overview of the Prospects and Challenges of Brexit.

Chapter Three deals with data analysis of the effects of Brexit on Africa, particularly Ghana.

Finally, Chapter Four captures the summary, conclusion and recommendations.



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CHAPTER TWO

A REVIEW OF THE PROSPECTS AND CHALLENGES OF BREXIT TO THE UNITED KINGDOM (UK)

2.0 Introduction

For almost sixty years, an apparently irreversible force towards integration within the system of the European Union has, for some, characterized the fate of the mainland. On 23 June 2016, the electorate of the United Kingdom settled on a sovereign decision to leave the EU. The results of the referendum were 52% votes in favour of Brexit and 48% against it. “An indication that the UK has decided to that to leave the EU is of the best interest. After the British choice to leave, Europe's direction, even its predetermination, has again turned into a matter of decision. Brexit marks both a noteworthy established change for the UK and a critical crack for the EU. On the off chance that exclusive consequently, the arrangement of the terms of Brexit must take a long-term view, beyond the conceivably drawn-out transactions that will start in the coming months”.¹ This chapter therefore reviews the prospects and challenges of the UK leaving the EU.

2.1 General Overview and Historical Context of the EU and the UK membership

At the centre of the EU are the Member States (i.e. the 28 states) which have a place with the Union and their nationals. The one of a kind component of the EU is that, in spite of the fact that these are largely sovereign, autonomous states, they have pooled some of their "power" with the aim to attain strength and the advantages of size.² Pooled sovereignty, indicates that the Member States assign some of their delegation to the mutual organizations they've made with the objective that decisions on exact points of joint interest can be made equitably at European stage. “The EU, therefore, sits among the absolutely federal system determined within

the United States and the loose, intergovernmental cooperation system visible in the United Nations.”³

The EU has fulfilled tons since it transformed into made in 1950. “It has built a single market for goods and offerings that span 28 Member States with over 500 million residents loose to transport and settle where they desire. It created the single forex — the euro — that is now a main global currency and which makes the unmarried market more efficient. It is likewise the biggest dealer of development and humanitarian aid programmes inside the global. These are only some of the achievements to date. Looking beforehand, the EU is working to get Europe out of the financial crisis.” It is at the front line of the battle against environmental change and its results; it permits neighbouring global areas and continues continuous arrangements on developments, and it is building a typical abroad approach in order to do a decent arrangement to expand European esteems round the world. The accomplishment of these objectives depends upon on the capacity to take compelling and very much coordinated decisions and to execute them legitimately.⁴

“The European Union is based totally on the rule of law, indicating that each action taken via the EU is founded on treaties which have been authorized voluntarily and democratically through all EU international locations. The treaties are negotiated and agreed upon by means of all of the EU Member States and then ratified through their parliaments or via referendum. The treaties lay down the targets of the European Union, the policies for EU establishments, how selections are made and the connection among the EU and its Member States.” The treat are revised when another Member joins, also been amended to change the European Union's establishments and to offer it new ranges of obligation.⁵

On 9 May 1950, French Foreign Minister Robert Schuman first openly proposed the thoughts that prompted the European Union. The work of the EU depends on the settlements concurred by all the part nations, the most recent one was marked in Lisbon in 2007.⁶ Decision-making at EU level involves numerous European establishments, in particular the European Parliament, which represents the EU's citizens and is at once elected by means of them; the European Council, which includes the Heads of State or Government of the EU Member States; the Council, which represents the governments of the EU Member States; the European Commission, which represents the interests of the EU as an entire entity.⁷ The Union best acts wherein the activity might be more effective at EU level than at countrywide stage. National parliaments, subsequently, uncover the correct utilisation of this statute in EU decision making.

The treaties listing the policy areas wherein the EU can take decisions. In some strategic regions, the EU has one of a kind competence, in light of this that decisions are taken at EU level by utilizing the Member States meeting in the Council and the European Parliament. These scope territories cover change, traditions, rivalry directions, money related arrangement for the euro region, and the preservation of fish.⁸

In various strategy areas, the decision-making abilities are shared between the Union and the Member States. In any case, if no rules are taken at EU level, then the individual Member States may also legislate on the national stage. Shared competence applies in lots of policy areas, such as the internal marketplace, agriculture, the surroundings, customer safety and transport.⁹ In all other coverage regions, the choices stay with the Member States. Thus, if a coverage area is not cited in a treaty, the Commission can't propose a regulation in that vicinity. "In a few fields, including the distance region, education, way of life and tourism, the Union can help Member

States' efforts. And in others, including overseas aid and scientific research, the EU can carry out parallel sports, which includes humanitarian aid programmes”.¹⁰

Outside of the European Council, the Heads of State or Government of those states whose forex is the euro additionally meet at least two times a year, collectively with the President of the European Commission. The President of the European Central Bank is likewise invited to these euro summit conferences. The President of the European Parliament may also be invited.¹¹ The conferences are possibilities to speak about the governance of the euro place, in addition to primary economic coverage reforms. The euro summit became officially hooked up by way of the Treaty on Stability, Coordination and Governance (TSCG) in the Economic and Monetary Union.”¹²

There are various specific European Union organizations that offer data or recommendation to the EU organisations, the Member States, and residents. Each of these offices has a specific specialized, clinical or administrative operations. EU organizations might be assembled into a few classes. Decentralized organizations Agencies are bodies governed by methods for European open law, however they might be astonishing from the EU organisations (Parliament, Council, Commission, and numerous others.) and highlight their own unlawful character. They have workplaces in unmistakable towns all through Europe, which is the reason they're often alluded” to as 'decentralized'. They may adapt to obligations of a lawful offense and restorative nature. Illustrations are the Plant Variety Office, in Anger in France, which builds up rights to new plant sorts, or the European Monitoring Centre for Drugs and Drug Addiction, in Lisbon in Portugal, which examinations and disperses records on tablets and medication reliance.¹³ Three supervisory our bodies help to put into impact rules for financial foundations and in this way keep the dependability of Europe's money system. “They are the European Banking

Authority, the European Insurance, and Occupational Pensions Authority and the European Securities and Markets Regulator”.¹⁴

Other agencies assist the EU Member States to cooperate in the combat against organised worldwide crime.” An instance is Europol, primarily based in The Hague within the Netherlands, which affords a platform for law enforcement officers from the EU nations to work together. They assist member states to become aware of and track criminal and terrorist networks in Europe.¹⁵ Three organizations perform very particular duties inside the framework of the European Union and its protection policy, for example, The European Union Satellite Centre, in Torrejón de Ardoz in Spain, is one of such organisations; it makes use of information from earth- commentary satellites in assist of EU decision-making in foreign and security topics.”¹⁶

The European Union (EU) is exceptional. It is not a government state like the United States of America because it's Member States remain autonomous sovereign nations. Nor is it an in essential terms intergovernmental boss like the United Nations because of the reality the Member States to pool some of their sovereignty and as a consequence advantage lots more collective electricity and have an effect on than they might have acted in my opinion. They pool their sovereignty through taking joint choices through shared institutions comprising of the European Parliament, which is chosen by methods for the EU citizens, and the European Council and the Council, which denotes to national governments. They choose or take decisions on the possibility of proposition from the European Commission, which constitute the whole interests of the EU.¹⁷

The EU and the European Central Bank (ECB) have struggled since the worldwide economic marketplace crumbles of 2008 to deal with very excessive sovereign debt and collapsing increase in Portugal, Ireland, Greece, and Spain. Greece and Ireland received financial bailouts from the network in 2009, which became followed via monetary austerity. Portugal followed in 2011, together with a second Greek bailout. Multiple rounds of interest rate cuts and fiscal stimulus didn't clear up the problem. Northern countries along with Germany, the United Kingdom, and the Netherlands an increasing number of recent the financial drain from the south. Repeated rumours that Greece might be forced to withdraw from the euro failed to materialize amid confrontation as to whether or not the circulate turned into legally possible as it turned into no longer included within the Maastricht Treaty.”¹⁸ As the situation moved to less productivity from the meltdown, the officials of the UK declared it would hold a submission on June 23, 2016, on regardless of whether to should remain inside the EU. The UK has held its own one of a kind remote cash. After the submission, the UK decided it transformed into in their top of the line pastime to quit the EU. ¹⁹

2.2 Issues Leading to Brexit

“The vote by the citizens of the United Kingdom to exit the EU sent shockwaves and uncertainties around the world. The European Union contrast has been hit by a chain of extremely damaging setbacks: the economic downturn of 2008; the self-imposed damage from inability to manage the feebleness of the euro following the downturn; Russian achievement in disrupting the post-cold war equilibrium of power in Europe; terrorist attacks from ISIS and a high level of migration into the Union. These incidence have given rise to groups against such institutions as the EU across the region, not only in the UK”.²⁰ The British political groups and media played an adversarial role to Anti-EU sentiments, where made up information on the torment and nuisance of the EU populated over the front pages of newspapers and online

sources. The dripping effect of 40 years of bad press coverage become hard to reverse in a 4-month referendum crusade.²¹

A recent distinct British act, which moreover had a massive part to play in the referendum outcome, was the 1 January 2004, free movement rights which was prolonged by the UK (Ireland included) to all of the 10 states part of the agreement, from Central and Eastern Europe, the Baltic States, Cyprus and Malta. United Kingdom, Ireland and Sweden agreed on free movement rights, which was considered for individuals from the Central and Eastern Europe and the Baltic States to work in the United Kingdom. Movement of persons from these regions to the UK increase after the agreement.

This inflow was backed by the economic downturn. The Eurozone was ineffective to meet the socio-economic developments throughout its 19 members and the number of states that were indebted increased and an influx of people migrated from other part of Europe to the UK. As the British economy positively adjusted itself after the depression and the UK was now controlling its own economy, and manage effective financial balances. However, London recognized that due to the Eurozone's dependency to financially unyielding economic strategies, the UK also became the employment cushion for Frankfurt.²²

The sheer extent of people relocating to the UK from the Central and Eastern Europe states, and from southern Europe seems to have been the main reason in compelling the Leave vote. It is evident, in some areas of the United Kingdom, for instance, London and other main cities, had for a long time been immigrants communities, the British were much more relaxed about immigration and voted heavily to stay in the Union. In parts of the country that had recently seen an increase in new foreign workers, they voted strongly to leave.²³ The Leave vote

additionally increased in parts of the UK that had a history of immigrants in those areas, and also areas where the voters feared that immigrants may soon be in their neighborhoods.²⁴

There are similarly a number of various shared fears, and outrage concerning the European Union over the region and which in the UK heightened the Leave vote. The most evident is the disappointments of the Eurozone to either restructure itself so it has the same capability as any other sovereign issuer of currency to pool debt, and provide the transfers and fiscal stabilisers to run a single currency zone. “Or organise a soft Euro exit strategy for the states with whom Germany principally is not prepared to pool debts and fiscal transfer policies. The “kicking the can down the road” meaning avoiding to deal with the important issues with member states and bank debt, combined with limitless fiscal tightening policies imposed by Frankfurt and Brussels have enormously undermined support for the EU, and not just in the UK.²⁵

Technically, the UK is not a member of the Eurozone and, therefore, it should be the least concerns to London, but however, extremely damaging fiscal policies in Frankfurt and Brussels, have a direct impact on the UK, flooding Britain with more people looking for work. Equally it reduces the value of the single market to the UK, as Eurozone fiscal rigidity crushes economic growth.²⁶

More broadly, the view of European nation states being subject to fiscal policies which crushed their economies and devastated a generation did not go down well in London. Seeing this economic mayhem unfold over the last decade, and its harmful economic effects has seriously damaged the legitimacy of the whole European project. A significant part of the British business and intellectual classes, who were naturally pro-EU, began to rethink their support for the Union. This same process of euro de-legitimisation of the EU is happening across the continent, from

nationalists from the French Front National, to the Italian Five Star Movement and German ADF generating ever increasing political support on the back of the Eurozone's failures to a draining of business and intellectual support for the Union.²⁷

Generally a wider factor is the unwillingness of the political elites and the Brussels institutions to recognise the downside of globalisation and particularly their leaders unable to act on China's trade piracy. In 2001, China joined the World Trade Organisation (WTO). Beijing was supposed to commit to opening up its markets, ensuring fair and non-discriminatory market access, establish a robust rule of law system and an open and commercial banking system. The Chinese market is in fact more difficult to access today than a decade ago.²⁸

Both the EU and the US have been reluctant to challenge China, and take effective trade defence measures to protect their own industries and people, although the US have been more robust in deploying anti-dumping duties than the EU. It is beyond belief that the EU even now is considering granting China market economy status, despite that country's unwillingness to comply with WTO standards and it's dumping on global markets.²⁹ The failure of the EU to recognise and deal with Chinese unwillingness to comply with WTO standards and apply robust trade defence measures in response has had a damaging effect on industrial employment across Europe. This also played a part in the willingness of working class communities across the UK to come out and vote to leave the EU.

An additional European generator of votes for the leave campaign was the perceived threat of greater migrant flows into the UK, moreover the UK is not in the Schengen area, and has its own borders.³⁰ Therefore, the German decision in the summer of 2015 to abandon the Dublin Regulation, which required asylum seekers to apply for asylum in the first EU state they arrive

in, and welcome in Middle Eastern migrants did not affect the UK. However, the unilateral nature of the German act to abandon the Regulation and the subsequent attempt to force Schengen members to accept migrants did not only generate greater hostility against the EU and Germany across the continent, but also further undermined British support for the EU. Perceived bullying by Germany of other EU states, and the fear that one way or another, EU bound migrants would end up in the UK played into the hands of the Leave campaign”.³¹

The major cause of the referendum participant to vote for the Leave option were strongly backed by European activities and development. It is anchored in the euro and the financial downturn, and includes the inability to manage the destructive side of globalisation and the incapability to nurture the development of a common and effective reaction to migrant movements.

2.3 The withdrawal process from the EU

England leaving the European Union is the greatest tragedy to happen to the union in its 59 years history and the directions ahead for the UK is unverifiable since no state has left the European Union previously. The guidelines for the exit of the European Union can be found in Article 50 of the Treaty of Lisbon.³²

“Article 50

1. Any Member State may decide to withdraw from the Union in accordance with its own constitutional requirements.

2. A Member State which decides to withdraw shall notify the European Council of its intention. In the light of the guidelines provided by the European Council, the Union shall negotiate and conclude an agreement with that State, setting out the arrangements for its withdrawal, taking account of the framework for its future relationship with the Union. That agreement shall be negotiated in accordance with Article 218 (3) of the Treaty on the Functioning of the European Union. It shall be concluded on behalf of the Union by the Council, acting by a qualified majority, after obtaining the consent of the European Parliament.

3. The Treaties shall cease to apply to the State in question from the date of entry into force of the withdrawal agreement or, failing that, two years after the notification referred to in paragraph 2, unless the European Council, in agreement with the

Member State concerned, unanimously decides to extend this period.

4. For the purposes of paragraphs 2 and 3, the member of the European Council or of the Council representing the withdrawing Member State shall not participate in the discussions of the European Council or Council or in decisions concerning it. A qualified majority shall be defined in accordance with Article 238(3)(b) of the Treaty on the Functioning of the Union.

5. If a State which has withdrawn from the Union asks to rejoin, its request shall be subject to the procedure referred to in Article 49.”

Britain's complicated negotiations to exit the EU can most effectively start when Article 50 of the Treaty of Lisbon is officially activated by the UK.

In Feb 2017, the European Union (Notification of Withdrawal) Bill was approved after hours of debate during which nine proposals to amend it were rejected by UK Members of Parliament. Having cleared the House of Commons without any alterations with 494 votes to 122, the bill to pave the way for the formal Brexit process to begin under Article 50 of the EU treaties now passes to the House of Lords. The UK Government wins backing to trigger Article 50 by 494 votes for the motion to 122 votes against it. In March 2017 Theresa May activated Article 50 of the Lisbon Treaty. Triggering Article 50, officially notifies the goal to withdraw from the EU and starts the clock counting for that process. From that point forward, the Treaties that represent membership will never again apply to Britain. The terms of leaving will be consulted between Britain's 27 partners, and each will have a veto over the conditions. It will also be subject to ratification in national parliaments, which means, for instance, that Belgian Members of Parliament could hinder the whole procedure or any of its partners.³³ Loosening Britain from the old membership is the simple part. The tougher will be conceding to another trade arrangement, setting up what duties and different barriers allowed, and concurring on assurances, such as free movement.

The UK's exit from the EU may take a shape that exists somewhere close to the extremes of supposed "hard" and "delicate" Brexit. Considering a hard Brexit there are choices, for example, making free trade arrangements. "Losing full access to the single market, full control over movement from the EU, applying new guidelines inside the UK's own region and returning to World Trade Organization rules. But below the soft Brexit alternatives are that the UK will be staying near the current courses of action with the EU, now not subjecting Britain's exports to border checks, accepting the "four freedoms": (i.e. Movement of goods, services, capital and people), and continuous free access for EU nationals to live and make a living in the UK and membership of the European Economic Area."

Instabilities from the leader of the EU are that Brexit could generate a domino effect as the union without Britain turns out to be less alluring to liberal, rich northern states, for example, Denmark and the Netherlands, where requests are developing for similar plebiscites.³⁴

2.4 Benefits of Brexit to the UK

It can be argued that the harm to the UK from Brexit will give additional assurance and support for the EU, or possibly the acknowledgement that there are threats of leaving the Union. This may additionally properly not be the manner Brexit works out. The UK, different from the 19 Eurozone states, remains a currency sovereign. It can borrow at best quotes on twenty-year terms in its reserves, enabling infrastructure and industrial financing to generate new development; the City of London can pivot toward profound regulatory competition towards the European Union and the major fall in the value of the currency affords the United Kingdom with the manner to reap a major competitive upper hand in the international markets. This gives London the choice of building up a main sponsored monetary programme to balance the harm because of the vulnerability of the Brexit vote. As a result, Britain ought to interact in

negotiations over the subsequent years with the EU, with restricted financial impact, while the financial system continues a strong phase of monetary growth.³⁵

British financial dependability post a Brexit vote is a kind of vulnerability to the EU. “The greater and solid the British economic system is the more nationalists will use the Brexit vote as an issue for pronouncing that there's nothing to panic from parting from the Union. The Brexit talks themselves may also well generate vast divisions in the Union, which then may agreeably interpret into the further European catastrophes.”³⁶

Leaving the EU will result in a significant tax adjustments in the UK which will be of great benefit and there are a lot of tax legal codes which applies to the U.K. The distinctive features of the UK's being membership of the EU will be terminated after the negotiations of Brexit. The EU VAT Directive (VAT is put on all transactions accomplished in the EU for consideration (price) via a taxable entity, i.e. any entity that provides taxable items and services in the direction of business. Imports made is required to pay VAT. Taxable dealings contain components of goods or services within a single EU area, intra-EU procurements of products (items supplied and dispatched or transported between businesses within the EU zone) will be terminated with regards to the U.K.³⁷ Possible benefits would be that the U.K. can introduce different consumption taxes, in addition to amplifying the scope of zero-rating or re-defining the scope of the VAT exemption for price ranges.³⁸ The U.K. can have the opportunity to tax non-resident stakeholders within the U.K. higher than citizens, in spite of the fact that this would be a primary policy alternative which could run opposite to the U.K.'s early openness to inward investment and is not a concept to have a lot of backing.³⁹

Another area in which the U.K. may also see a dividend in Brexit is in respect to the impact of the compound interest litigation regarding U.K. legislation to limit repayment bills in relation to EU infringement claims. A more essential method can see the U.K. legislating to avoid taxpayer dependence on rights under EU regulation. Constitutionally, any such approach can be conceivable as the U.K. government would be sovereign to ensuing the proposed annulment of the European Communities Act of 1972, but such an approach could be exceedingly arguable.⁴⁰

Concerning state aid the EU guidelines concerning government assistance were implemented newly by the Commission to try to amend the effect of some tax rulings, giving what is seen as specific points of interest to specific citizens. In the U.K., various tax incentive measures had been reserved or had their scope reduced by the want for state assistance approval in the recent past and it is viable that the U.K. will hope to intensify some of those incentives in a post-Brexit environment; in addition to considering whether they have more adaptability in the design of the tax system in the coming years. Another sector is Defence, the United Kingdom is not a part of the Schengen borderless travel region but EU residents have the privilege of free movement and with terror attacks in part of the UK being a focal point for public concern, perhaps leaving the EU will make it difficult for terrorists to enter the UK.

In the fishing and farming sector, the Common Agricultural Policy (CAP) and the EU's Common Fisheries Policy stays the EU's biggest location of expenditure, and EU subsidies account for 50% of British farm earning and set guidelines for the quantity of fish each country's boats can fish.⁴¹ Britain can pay extra for the CAP than it receives, The CAP similarly wastes plenty of money on procedures and leaving the EU can make extra reserves available for UK farmers, the British fishing enterprise will develop for the reason that Common Fisheries Policy has ruined Britain fish catching business.⁴² Evidently there can be monetary rewards of net

immigration and the sovereignty of UK will no longer be compromised with the aid of the EU as the UK exits the EU.

2.5 Challenges of Brexit to the UK

The state and range of the impact of the Brexit vote would not be clear for quite a while until the moment that the withdrawal proposals from the EU of the UK have been resolved. Couple of months after the vote there is almost no clarity of the state of UK-EU alliance or a framework of trade policy amongst London and Brussels. Nonetheless, there are a couple of obvious consequences. “Initially, a vote by a Member State to exit is an enormous upset to the Union's establishment, worldwide status, and sense of firmness of the European Union. In the event that one Member State can vote to leave, so possibly can others: there is nothing inescapable around an ever-increasing and growing the European Union. It can be turned back. Since, especially of the euro setback, that notion of EU weakness hitherto remained, the Brexit vote will now debilitate the Union's acceptability, authenticity and political ability to function.”⁴³

Second, it puts a further weight on the EU establishments and the Member States, battling with the Euro setbacks, migrations crisis, ISIS and Russian hostility. Handling complicated Brexit settlements lessens the assets accessible to manage all these crises and builds the unpredictability of dealing with these difficulties as they settle out issues amongst each other. This link between crises can be found in the utilization by nationalist movements with EU member states. It excites anti-EU movement around the region, with the view that the EU is without a doubt collapsing and it will just need a couple of more episodes like the Brexit to bring the Union to an end.

Third, while there is no idea about the state of any European Union and UK agreement, the EU has possibly lost one of its financially liberal partner. The impact of Brexit here is probably going to bring about a steady improvement of the single market.

The Energy Union will lose an important front-runner, there is similarly a further cooperation with growing number of nationalist in Europe, in that with the loss of the UK a portion of the single market additions may cease to exist. Nationalist movements are undoubtedly prefer more security for indigenous enterprises. Without the UK able to take decisions in some kind of equilibrium against such protectionism, the capacity of the northern European free brokers to maintain the single market is uncertain.”⁴⁴

A further danger to the single market streams straightforwardly from British withdrawal. As clarified over, the UK at some degree went about as a business safeguard for the Eurozone and has drenched up laborers from CEE states. On the off chance that the UK never again gives a wide appropriate to chip away at its region for EU nationals, those specialists will be looking over whatever is left of the Union instead. “A further peril, in this manner, emerges that for rising patriot parties, expanded streams of EU nationals into their work markets turn into a noteworthy political issue. Patriot parties, rather like UKIP in the United Kingdom”, aim at not only vilify the EU for its disappointments in managing migrant movements, and the increase of EU labourers into their country.”⁴⁵

The EU single market is touted as the largest free trade area with 500 million consumers and full access to that is vital for the United Kingdom. Nevertheless, a hard Brexit will mean that the UK will trade with the EU under World Trade Organisation (WTO) rules and regulations. “That would mean UK exporters paying new EU import tariffs and facing non-tariff barriers,

similar to China and the US trade with the EU. UK trade may shrink by up to a quarter for its services and goods. Because of rules and regulatory barriers agreements with the US, other “Anglosphere countries” and leading emerging countries would not equalise this.”⁴⁶

“The UK will make an effort to reduce immigration from the EU, probably with a points-based system like the way Australia does. It gives priority to high-skilled workers and hindering entry to low-skilled workers. Many workers from the EU may be told to leave the UK, but first, the UK would have to undergo a status check of virtually 2.2 million EU workers living in the UK. The procedures for family reunions may be difficult, but a discontinuity on freedom of movement is improbable for at least two years, while the UK is discussing Brexit. Almost two million UK nationals also live abroad in EU countries - so any British action directed to EU workers could elicit retaliation against UK nationals abroad.”⁴⁷

What the UK can start doing immediately, however, is tighten the rules for migrant benefits. Brexit will undoubtedly boost the fortunes of anti-EU, anti-immigration parties in some other EU countries. It may also inspire Eurosceptics in some other countries to hold their own referendums on EU membership. Brussels would see that as a "domino" effect - a nightmare scenario for the European project.

2.6 Conclusion

This chapter has established that Brexit will not only have negative repercussions but also provide some positive benefits to the UK. In this vein, the chapter has made an overview of the Prospects and Challenges of Brexit taking into consideration general overview and historical context of the EU and the UK membership, issues leading to Brexit, the withdrawal process

from the EU and benefits and challenges of Brexit to the UK. The next Chapter provides an analysis of the effects of Brexit on Africa, with special focus on Ghana.



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CHAPTER THREE

ANALYSIS OF THE EFFECTS OF BREXIT ON AFRICA (WITH FOCUS ON GHANA)

3.0 Introduction

As indicated in previous Chapters of this study, Brexit if finalised will not only have short term effects on only the EU and the UK but will also have repercussions on other parts of the world including Africa, particularly Ghana. This Chapter therefore analyses the effects Brexit will have on Africa, particularly Ghana. These effects could be both negative and positive and could be economic, political, cultural, environmental, security and diplomatic. The Chapter also provide an assessment of trade options for post-UK leaving EU.

3.1 Economic Effects of Brexit on Ghana

Trade relations between Africa particularly Ghana and the EU or UK may be altered if Brexit is finalized. Before 1975, the relationship between the UK and African states was a colonial one. However, from 1975, the relationship was formalised especially in terms of trade Relations. In 2000, a new economic regime was established between the EU and African countries to last for about 30 years. The trade relationship was preferential, where African countries could export to the EU member countries including the UK for free without any quotas and duties or taxes. However, African countries could place restrictions on goods coming from European markets to the continent to prevent dumping. This trade relations were established through the Economic Partnership Agreement between the Africa countries and the EU. Therefore, European countries did not negotiate individually with African states in terms of trade relations but rather through the EU.

“Ghana is engaged in international trade at the multilateral and regional level through participation in the World Trade Organization (WTO), regional integration processes both within the wider African framework (African Union) and the sub-regional Economic Community of West African States (ECOWAS) as well as with the European Union through the EU-ECOWAS Economic Partnership Agreement (EPA).”

“The trade policy environment is completed by the domestic policies of the Government of Ghana on trade, industrial and private sector development, on which the Ministry of Trade and Industry is the lead policy advisor with responsibility for the formulation and implementation of policies for the promotion, growth, and development of domestic and international trade and industry”. Ghana has seen a significant increase in its trade with the rest of the world, experiencing an increase of over 60% in total trade value over the period from 2010 to 2014.¹ The nominal value of imports has increased by over 40% and consisted mainly of manufactures.² The value of exports increased by over 120% between 2010 and 2014.³

The EU continues to be a major trading partner for Ghana. The EU is the leading destination for Ghana's exports and the second largest source of Ghana's imports. Ghana's total bilateral trade with the 28- member states of the EU reached €6 billion in 2014, which constituted over 20% of Ghana's total external trade in that year.⁴ The EU exports to Ghana were dominated by machinery and transport equipment and mineral fuels. The structure of the European Union's imports from Ghana, traditionally predominantly agricultural products, has seen a shift with the advent of commercial oil production in Ghana in 2011, the import of which constituted a share of around 42% of all imports from Ghana to the EU in 2014.⁵

With regards to trading with other countries, Ghana's imports are more often than not higher than its exports resulting in its trade balance being in the negative over the past period. Ghana is the 84th largest export economy in the world with its export value of \$10.5B and the 127th most complex economy according to the Economic Complexity Index (ECI). Ghana exports are led by Gold followed by Cocoa Beans, Crude Petroleum, Cocoa Paste and Cocoa Butter.⁶ Others include tuna, aluminum, manganese ore, diamonds, and horticulture. Also Ghana is the 88th largest importer in the world with imports amounting to \$13.8B. Ghana imports are led by Refined Petroleum followed by Gold, Cars, Rice, and Packaged Medicaments.

In 2012 Ghana was the 6th largest export market in Africa and 3rd in sub-Saharan Africa for the UK and as at 2015 the UK import from Ghana valued at \$292million leading with processed fish(30%), cocoa beans(15%), cocoa butter(8.9%), tropical fruits(7.7%), cassava(3.4%), crude petroleum(14%), rubber(15%) and brooms(0.11%). On the other hand, UK's export to Ghana with the value of \$474million has a very wide spread of items leading with used clothing(\$65.8m), packaged medicament (\$19.3m), Excavation machinery(\$15.1m), cars(\$14.6m), electric generating sets(\$14m) and large iron pipes(\$13.8m). Industry wise the Machines industry represents 30% followed by the chemical Products industry with 16% then Textiles(14%), Metals(10%), transportation(6.6%), plastics and rubbers(5.1%), foodstuffs(4.1%), miscellaneous(3.2%), instruments(3.0%), animal products (2.6%), paper goods (2.0%), mineral products(0.85%), stones and glass (0.66%), vegetable products (0.35%), footwear and headwear (0.26%), precious metals (0.19%), animal hides (0.09%), animal and vegetable bi-product (0.038%) and wood products (0.035%).⁷

If Brexit is finalized, it will mean that the EU will be losing one of its largest market (i.e. the UK market), which could accommodate most exported goods from Africa including Ghana. In

this vein, Brexit could lead to a fall in Ghana's exports to the EU. This could also affect productivity and employment as well as income levels of the citizens employed in the agricultural and industrial sectors who produce or manufacture for export. Consequently, there will be a fall in living standards of the citizenry of Ghana.

One of the major trade sectors between UK and Ghana which is of much concern is the Fishery industry. Fish products are a major export for Ghana to the UK which is essential for foreign exchange earnings. This industry is labour intensive and it continues to create an important source of private sector employment and industry improvement under the EPA. However, this sector could be affected significantly as a result of Brexit since there may be a fall in export from Ghana. Additionally, there is the likelihood of an overall demand decline due to a possible downturn both in the EU and the UK more broadly as a result of the actual removal of the UK from the common market. This would have a similar effect by dampening demand for imported goods which have higher demand elasticities and often come from Ghana.

The direct effects of the UK leaving the EU are related to the change in trade barriers that will happen as a result of the UK leaving the single market. Thus, all trade agreements that are between the UK and the EU, will cease to be in effect for the UK once Brexit occurs. Hence, free trade agreements including the Economic Partnership Agreements between the EU and African, Caribbean and Pacific countries, as well as the EU's Generalized System of Preferences will no longer apply to goods imported into the UK. Brexit also projects a situation where there will be a fall in aids from the EU to Africa, particularly Ghana. The UK is the second greatest or significant contributor to financing the budget of the EU behind Germany. It is established that "almost £1 billion of British money given to the EU is spent on international aid."⁸ This means the decision of the UK to leave the EU is significantly going to affect budget financing

of the EU, which will ultimately have great repercussions on international aid and other support and help to other parts of the world including Africa, especially Ghana, where the EU has been a major contributor to development and security agenda. This is because about 40% of Ghana's government budget is from donor funding.

Brexit could also lead to a fall in foreign exchange that could be derived from tourism. This is because, most European tourists might not travel to the African continent often for leisure due to the impacts that UK leaving the EU (Brexit) will create on domestic economies including income levels. In addition to the above, the financial industry in Africa, particularly Ghana may be affected greatly by Brexit. These will include challenges in the banking and insurance companies. Local insurers or bankers in Ghana with UK-based holding companies may suffer setbacks when economic crises crop up among European countries as a result of Brexit. Ghana insurers and bankers who have parent companies using passport rights and licenses in the EU or UK are likely to be affected.

Specific economic partnership agreements between European countries and African countries, particularly Ghana may also be affected when Brexit is finalized. For instance, in Ghana, the cornerstone of the Forest Law Enforcement and Governance, Trade (FLEGT) Action Plan in 2003, is the FLEGT Voluntary Partnership Agreements (VPA) which is a bilateral agreement between the EU and a timber exporting country that seeks to promote sector governance and ensure that timber products imported into the EU have complied with the legal requirements of the partner country.⁹ These could be significantly affected with the advent of Brexit.

The EU is Ghana's most valuable market, accounting for 43% of the value of total exports and 33% of total volume in recent years. Funding to assist Ghana in the implementation of the

agreement is provided through a multi-donor sector budget support by France, the Netherlands, the UK, the World Bank and the European Commission. The Economic Partnership Agreements (EPAs) are trade and development agreements negotiated between the EU and African, Caribbean and Pacific partners with the objective of fostering regional economic integration. The EPA negotiations with West Africa, formally opened in 2003, have been concluded in July 2014 with the initialing of the Agreement. The West Africa regional configuration consists of ECOWAS (Economic Community of West African States) and Mauritania.

The full EPA was agreed upon by all the negotiating parties in February 2014 and is now awaiting ratification by the respective ECOWAS member states including Ghana. Ghana had a deadline of October 2016 to sign the EPA. Failure to do this would imply a reversion to trade terms under the standard Generalized Scheme of Preferences (GSP) which will mean that non-traditional exports to EU countries, for example, will attract some tariffs. With Brexit impending it will mean that the above economic partnerships between the EU and Ghana may be significantly affected or if possible terminated since the second largest contributor to the EU, which is UK is opting to leave the Union. This means the European Union might be facing future financial challenges.

3.2 Political Effects of Brexit on Ghana

Ghana is touted the ‘Star Pupil’ of democracy in West Africa. In this vein, Ghana is governed under the principles of promoting personal liberties of citizens within a state.¹⁰ It also allows for the rule of law to be observed in the country.¹¹ As such Ghana engages and ensures free and fair elections between multiple political parties, a separation of powers of the various arms of government, the existence and practice of the Rule of Law in aspect of governance, and the equal protection of human rights and freedoms. In addition, the democratic practice in Ghana is

rooted upon the existence of a codified/written or uncoded/unwritten constitution which governs every aspect of governance within a country. Towards this end, the EU has been committed in the promotion and consolidation of democracy in Ghana. For instance, “during the 2016 presidential and parliamentary elections, the EU released a grant of €5 million to support the Electoral Commission (EC), the National Media Commission (NMC) and the National Commission on Civic Education (NCCE) assist their preparation towards the elections.”¹² However, the finalization of Brexit could affect political supports provided by the EU to Africa, particularly Ghana, since the EU may be limited in its financial standing when UK exits the Union.

3.3 Security Effects of Brexit on Ghana

Security connotes the protection from all forms of risks and harm. The EU has been very instrumental in mitigating or intervening in some conflict situations across the world which could otherwise have escalated into a threat to international peace and security or a threat to a state or sub-region. Typical of the efforts of the EU is the EU’s intervention in the 2012 Mali crisis. The EU has therefore been instrumental in ensuring and promoting both the Human and National Security of Ghana. Through the European Development Fund, Ghana and the EU has achieved effective cooperation towards boosting the security of Ghana. This focuses on safeguarding dimensions of national security which are of great priority to a state. These include “self- preservation or the survival of the nation as a whole; protection of territory and natural resources confined within its borders, protection of individuals of the country; protection of investments at home and abroad, safeguarding the core interests of the nation; its prosperity and economic well-being, protecting the nation’s external image and prestige and finally safeguarding the institutions of the nation including the entire systems of government.”¹³ It also includes in its foreign policy, efforts and mechanisms to stabilize its neighbouring countries

politically, culturally, militarily and economically. This is ensured to mitigate or stop the influx of political and economic refugees who could pose threats to the national security of the state. The core interests of national security extend beyond the protection of the territorial boundaries of a state to also ensuring the safety of neighbouring states. However, Brexit may lead to financial challenges of the EU, which will affect the preservation of the National Security in Ghana.

In addition, the EU has also been committed towards the promotion of the Human security in Ghana specifically with regards to tackling health issues and crises. Owen Taylor defines “Human Security as the protection of vital core of all human lives from the critical (level of seriousness) and pervasive (the extent of) environmental, economic, food, health, personal and political threats.”¹⁴ Inferring from Taylor’s definition, Human/People Centered security can be said to have two main aims. First, the concept aims at safety from such chronic threats as diseases, repression, depression and hunger. And second, it aims at protection from sudden and hurtful disruptions in the patterns of daily life whether in homes, in jobs or in communities. The EU has therefore contributed significantly to the promotion of Human Security in Ghana by providing financial support towards addressing diseases such as Tuberculosis, Malaria and HIV in Ghana. Brexit may lead to financial challenges of the EU, which may be incapacitated to support initiatives and policies in Ghana towards addressing health crises.

3.4 Social/Cultural Effects of Brexit on Africa on Ghana

The UK has had stronger ties with Ghana since the colonial era to date. Ghana is a colony of the British and as such has significant historical ties till date. This has been evident in diplomatic ties between the two states even after independence. Also, there has been significant exchanges of cultural values due to the historical ties that have existed between Ghana and the United

Kingdom. For instance, there have been educational scholarship schemes granted by the British government to Ghanaian citizens in an attempt to ensure transfer of cultural values between the UK and Ghana. In addition, the UK grants the opportunity to Ghanaians to come to the UK to visit, stay permanently or work as a form of enhancing the cordial relations between Ghana and the UK. Despite the enormous geopolitical and geo-economic transformations which will characterize the international system as a result of Brexit, this study argues the effects of Brexit may not significantly alter the diplomatic relations between the UK and Ghana based on stronger historical ties which exist between the two states.

3.5 Environmental Effects of Brexit on Africa (with focus on Ghana)

The EU has made significant strides in raising global awareness and campaigns towards addressing threats that bedevil the global environment, especially with regards to Climate change. There is no doubt that the impacts of climate change are beginning to manifest on the entire globe particularly on developing countries that are relatively vulnerable, and Ghana is no exception to this fact. Climate can be defined as the long-term average weather condition over a geographical area. “Climate Change according to the United Nations Framework Convention on Climate Change (UNFCCC) is a change in climate which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and which is in addition of natural climate variability, observed over comparable time periods.” The predominant human activities which induce Climate Change in Ghana include fossil and charcoal burning, bush burning, deforestation, sand winning, use of agro-chemicals and pollutants from vehicles and heavy industrial machines. Climate Change has had repercussions on development which generally connotes the progress of society towards a better quality humane life, thus the advancement in the quality of all aspects of life of people in a particular geographic area. Evidence of Climate Change abounds across the globe such “that temperatures in the ecological

zones are rising whereas rainfall levels and patterns have been generally reducing and increasingly becoming erratic."¹⁵

The national economies and the lives of people in Africa, particularly Ghana, suffer from the impacts of climate change. This is because such economies depend on climate sensitive sectors such as agriculture, energy and forest. The adverse effects of Climate Change on the development include poor agricultural performance, rise in sea levels leading to coastal flood and erosions which also results in force migrations, variability in precipitation, particularly rainfall which affects hydro power generation, which in turn affects industrial and domestic lives, threat to livelihoods due to incidence of prolong drought, floods, influx of pest and diseases etc. and also widening the poverty levels of the people in the country which also induce low standard of living among most people. Ghana's future fight in climate change challenges may be affected since support for the EU may be limited in this regard. With this, Ghana may be at risks of some Climate change threats if the EU decide to limit or withdraw its support to Ghana as a result of Brexit.

3.6 Trade Options for Post-UK leaving EU

As there are substantial uncertainties around the outcomes of what the UK's relationship with the EU might turn out after the negotiations with the EU, the UK is, however, open to four potential alternative exit options it could pursue. "These are: UK-EU free trade agreement (FTA), A 'WTO' scenario, Membership of the European Economic Area (EEA) and Bespoke bilateral deals – Swiss option."

3.6.1 UK-EU free trade agreement

The UK has the choice to arrange a free trade agreement (FTA) with the EU upon exit. Around the world, FTAs vary significantly, both in terms of their scope and aspiration. “An FTA would enable the UK to trade with the EU with reduced tariffs on goods. However, there would still be non-tariff barriers on both goods and services to a greater degree than if the UK had remained in the EU Single Market. If the UK goes into an FTA with the EU, the UK would have to apply EU standards on goods supplied to the EU, but would otherwise have greater freedom in implementing its own regulatory policy. There are some historical FTAs with the EU over the years such as, the EU-Canada CETA and EU-South Korea FTA which usually covers mainly goods but can include limited liberalization in some service sectors.

Also, the UK would not be bound by the four freedoms of the Single Market in this situation unless it is in connection in required standards for free trade in goods. Again, the UK would not be limited by EU procedures such as the Common Agricultural Policy and Common Fisheries Policy. Trade agreements often take years to negotiate and implement. For instance, the EU FTA with South Korea took four years to finish up, and the EU's dialogues with Canada concluded in 2014 after seven years of talks, even though the agreement has not been implemented yet. When the UK leaves the EU, the UK may have to renegotiate agreements with third-party countries such as the African Pacific Caribbean (APC) countries.

3.6.2 World Trade Organization Option

Another possible withdrawal situation is that the UK would return to conducting trade with the EU under the rules of the World Trade Organization (WTO). This implies exporters would be liable to the EU's regular external duties for WTO members on a Most - Favoured Nation (MFN) reason for trade in goods. Besides, the UK is probably going to confront non-tariff barriers in

the cross-border provision of services, including monetary services. It would never again be confined by the four freedoms and would no longer have to make fiscal commitments to the EU. The UK would likewise have full control over its external trade strategy and would have the capacity to seek after its own particular trade deals with different economies.

At the point when the UK withdraws from the EU under this circumstance, the UK would forfeit access to the EU Single Market. Duties on UK's exports to the EU would rise from zero to MFN rates, while imports from the EU would turn out to be more costly should the UK force taxes on imports from the EU.

3.6.3 Membership of the European Economic Area (EEA)

When the UK leave the EU, “the situation gives the UK the alternative turning into a member from the EEA, which consists of the 28 EU Member States and three non-EU Member States - Norway, Liechtenstein, and Iceland. Again, the UK would largely retain access to the Single Market and would, therefore, maintain most of its economic and trading relations with the EU. For example, Norway has extensive, but not full, access to the Single Market. The UK would also remain bound by the four freedoms of the Single Market (i.e. freedom of movement of goods, services, labour and capital) and would continue to make contributions to the EU budget.”¹⁶

Besides, the UK would need to keep on implementing EU enactment that identifies with the ranges of “the Single Market that the UK still has access to. EEA Member States have the right to partake in professional groups and committees in the initial stages of a legislative proposal, however, they cannot vote on legislation in the European Council or European Parliament. The UK would, hence, lose formal access to the EU decision making process under this situation.

However, the United Kingdom would never again be restricted by the Common Agricultural and Fisheries Policies and could, thusly, decide its own way to deal with these strategy regions”.

3.6.4 Bespoke bilateral deals – Swiss option

With this situation, the UK would keep on having tax free access to the EU goods market. However, in order to gain this access, the UK would need to adjust its national regulations with that of the EU and adopt some of the policies governing the Single Market. The UK would have next to zero impact in the arrangement of these procedures. “The Swiss option would also mean that the freedom of movement of people would continue to apply. Additionally, the UK would contribute to the EU Budget, though this would be a smaller amount than it would pay” under the EEA membership scenario.

“One feature of this option is that the UK would be able to pursue its own external trade agenda i.e. trade outside of the EU, unrestricted by the need to conduct trade policy as part of the EU. The Swiss currently have a similar deal, an agreement for free trade in goods but have been unable to reach a free trade in services agreement. In other words, Switzerland engages with the EU through a series of tailored bilateral deals that cover trade in goods but not in services. In order to maintain access and alignment with the Single Market, Switzerland has implemented legislation similar to the EU and adjusted some domestic legislation to meet EU requirements. This could mean restrictions on UK exports in services, including financial services which make up a large part of the UK economy. The relationship between the EU and Switzerland has evolved over decades with complex bilateral agreements now in place. Agreeing a similar set of deals could take a long time - it took around ten years for Switzerland and the EU to put in place the agreements that currently exist between them. However, there are possible and central

impacts of exiting the EU that could affect core trade procedure: Increase in tariff barriers and Increase in non-tariff barriers (NTBs).”

In the first place the increase in levy barriers which is one of the four essential freedoms of the EU Single Market, that facilitates trade in goods and services. Accordingly, UK organizations can trade goods tariff-free to other EU Member States and the other way around. Following the UK’s withdrawal from the EU, the UK would never again have programmed access to the EU Single Market and it would be at risk of paying external duties imposed on some third - party nations to get to other key European markets.

“Besides the Increase in non-levy hurdles, although, taxes are not appropriate to products or services trade under the EU Single Market system, local rules in some sectors act as a non-financial barrier to cross-border trade and are referred to as non-tariff barriers (NTBs). “NTBs add to the costs of trade in both goods and services. Some of the NTBs may include regulatory requirements, language, currency, legal barriers, and other transaction costs”.¹⁷

3.7 Conclusion

This Chapter analyzes that the imminent Brexit which is expected to alter the global political economy will not only have effects on the UK and the EU. The repercussions of the decision by the UK to leave the EU will also be felt in other parts of the world such as Africa, particularly Ghana. The effects of Brexit on Ghana could be analyzed from the economic, political, environmental, social or diplomatic and security perspectives as elaborated in this Chapter. However, the UK is open an array of trade options if Brexit is eventually finalized. Specific to these options include UK-EU free trade agreement, the World Trade Organization Option, Membership of the European Economic Area (EEA) and Bespoke bilateral deals – Swiss option.

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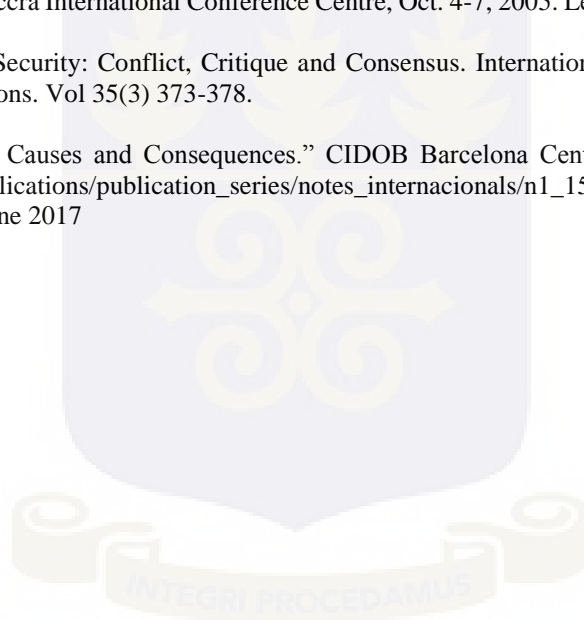
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CHAPTER FOUR

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

4.0 Introduction

The study was carried out within the framework of Neo-functionalism with the hypothesis that, “The decision by the UK to leave EU (Brexit) will have significant short-term effects on Africa, especially Ghana.” The theory of Neo-functionalism was selected amidst other theories because it is particularly strong in explaining the success of EU integration process. This is because through the integration process of the EU, its members have initiated policies and processes geared towards achieving a Free Trade Area (FTA), where member states remove trade barriers among themselves, but keep their separate national barriers against trade with non-members.; a Customs Union, where member states remove all barriers to trade among themselves and adopt a common set of external barriers. This process eliminates internal border custom inspections; a Common Market where member states allow full freedom of factor flows (migration of labour and capital) among themselves in addition to having a common market; and finally, a Full Economic Union (Community) where member countries unify all their economic policies, including monetary, fiscal and welfare to harmonize trade and factor migration. It is in this vein that this study will utilize the theory of Neo-functionalism to examine the effect of Brexit on Africa, particularly Ghana.

The objectives of the study were to investigate the main arguments for Brexit; to examine the prospects and challenges of Brexit; to analyse the short-term effects of Brexit on Africa, with special focus to Ghana; and to make plausible recommendations or postulations which could help deal with the short-term effects of Brexit on Africa, with focus on Ghana.

4.1 Summary of Research Findings

The following findings were derived from the study based on the analysis of data gathered from literature reviews and video interviews; bearing in mind the statement of the problem, research questions and objectives of the study.

- ❖ The study shows that the EU was established in 1950 to promote and encourage integration among European countries. The EU is currently made up of the 28 members and the UK's decision to leave, will reduce the Union with 27 members.
- ❖ The study revealed that UK is the second largest contributor to the EU after Germany. Therefore, the decision by the UK to leave the Union will cripple the resource and financial capability of the EU, thereby limiting its ability to maintain its status as a major global player in contemporary international system.
- ❖ The study shows that Brexit will result in short term negative effects both on the EU and the UK.
- ❖ The study sought to look at the short terms effects Brexit will have in other parts of the world outside Europe. Therefore, the study found out that Africa, particularly Ghana, will also be greatly affected when Brexit is finalized for the UK to leave the EU.
- ❖ The study however showed that the effects of Brexit on Ghana could be analysed from the economic, political, environmental, social or diplomatic and security perspectives.
- ❖ From an economic perspective, the study revealed that Trade relations between Africa (particularly Ghana) and the EU or UK may be altered if Brexit is finalized. The EU continues to be a major trading partner for Ghana. The EU is the leading destination for Ghana's exports and the second largest source of Ghana's imports. Ghana's total bilateral trade with the 28- member states of the EU reached €6 billion in 2014, which constituted over 20% of Ghana's total external trade in that year.

- ❖ Following from the above, the study showed that Brexit could lead to a fall in Ghana's exports to the EU. This could also affect productivity and employment and hence income levels of the citizens employed in the agricultural and industrial sector who produce or manufacture for export. Consequently, there will be a fall in living standards of the citizenry of Ghana.
- ❖ The study also revealed that specific economic partnership agreements between European countries and African countries, particularly Ghana may also be affected when Brexit is finalized. For instance, in Ghana, the cornerstone of the Forest Law Enforcement and Governance, Trade (FLEGT) Action Plan in 2003, is the FLEGT Voluntary Partnership Agreements (VPA) which is a bilateral agreement between the EU and a timber exporting country that seeks to promote sector governance and ensure that timber products imported into the EU have complied with the legal requirements of the partner country. These could significantly be affected with the advent of Brexit.
- ❖ The study showed that the decision of the UK to leave the EU is significantly going to affect budget financing of the EU, which will ultimately have great repercussions on international aid and other support and help to other parts of the world including Africa, especially Ghana, where the EU has been a major contributor to development and security agenda. This is because about 40% of Ghana's government budget is from donor funding.
- ❖ The study unraveled that the Brexit could also lead to a fall in foreign exchange that could be derived from tourism. This is because, most European tourists might not travel to the African continent often for leisure due to the impacts that UK leaving the EU (Brexit) will create on domestic economies including income levels.
- ❖ In addition to the above, the study identified that the financial industry in Africa, particularly Ghana may be affected greatly by Brexit. These will include challenges in

the banking and insurance companies. Local insurers or bankers in Ghana with UK-based holding companies may suffer setbacks when economic crises crop up among European countries as a result of Brexit. Ghana insurers and bankers who have parent companies using passport rights and licenses in the EU or UK are likely to be affected.

- ❖ In terms of the political effects of Brexit on Ghana, the study revealed that the EU has been committed in the promotion and consolidation of democracy in Ghana. For instance, during the 2016 presidential and parliamentary elections, the EU released a grant of €5 million to support the Electoral Commission (EC), the National Media Commission (NMC) and the National Commission on Civic Education (NCCE) assist their preparation towards the elections. However, the finalization of Brexit could affect political supports provided by the EU to Africa, particularly Ghana, since the EU may be limited in its financial standing when UK exits the Union.
- ❖ The study also showed that Brexit could have security effects on Ghana. This is because the EU has been very instrumental in the promotion of the National Security and Human Security in Ghana. These include self- preservation or the survival of the nation as a whole; protection of territory and natural resources confined within its borders, protection of individuals of the country; protection of investments at home and abroad, safeguarding the core interests of the nation; its prosperity and economic well-being, protecting the nation's external image and prestige and finally safeguarding the institutions of the nation including the entire systems of government. However, Brexit may lead to financial challenges of the EU, which will affect the preservation of the National Security in Ghana.
- ❖ The study also revealed that the EU has also contributed significantly in the promotion of Human Security in Ghana by providing financial support towards addressing diseases such as Tuberculosis, Malaria and HIV in Ghana. Brexit may lead to financial challenges

of the EU, which may be incapacitated to support initiatives and policies in Ghana towards addressing health crises.

- ❖ The study unraveled that in terms of social or diplomatic effects of Brexit on Ghana, despite the enormous geopolitical and geo-economic transformations which will characterize the international system as a result of Brexit, the effects of Brexit may not significantly alter the diplomatic relations between the UK and Ghana based on stronger historical ties which exist between the two states.
- ❖ The study showed that in terms of environmental effects of Brexit on Ghana, the EU has made significant strides in raising global awareness and campaigns towards addressing threats that bedevil the global environment, especially with regards to impacts of Climate change in states. Ghana's future fight in climate change challenges may be affected since support for the EU may be limited in this regard. With this, Ghana may be at risks of some Climate change threats if the EU decides to limit or withdraw its support to Ghana as a result of Brexit.
- ❖ The study also revealed that the UK is open to an array of trade options if Brexit is eventually finalized. Specific to these options include UK-EU free trade agreement, the World Trade Organization Option, Membership of the European Economic Area (EEA) and Bespoke bilateral deals – Swiss option.

4.2 Conclusion

The following are the conclusions drawn from findings made in this study in relation to the specific objectives of the study;

The study concludes that the success of integration in Europe, specifically the EU can be analyzed through the theory of Neo-functionalism. The theory is very strong in analyzing the integration process in Europe where members have initiated policies and processes geared

towards achieving a Free Trade Area (FTA), where member states remove trade barriers among themselves, but keep their separate national barriers against trade with non-members.; a Customs Union, where member states remove all barriers to trade among themselves and adopt a common set of external barriers. This process eliminates internal border custom inspections; a Common Market where member states allow full freedom of factor flows (migration of labour and capital) among themselves in addition to having a common market; and finally, a Full Economic Union (Community) where member countries unify all their economic policies, including monetary, fiscal and welfare to harmonize trade and factor migration.

The study concludes that Brexit will significantly affect the integration process in Europe (EU) when UK, which is the second greatest contributor to EU, exit, from the EU.

It is also conclusive from the study that analysis of the effects of Brexit has been concentrated mostly in Europe, particularly on the EU and UK, with little attention paid to other parts of the world.

Following from the above, it is concluded that the imminent Brexit will alter the global political economy in the short-term and these effects will not only be limited to the UK and the EU but will also be felt in other parts of the world such as Africa, particularly Ghana.

The study also concludes that the effects of Brexit on Ghana may be felt economically, politically, socially or diplomatically, environmentally and security wise. However, the effects of Brexit on Ghana would manifest greatly on the economic development of Ghana.

The study concludes that the UK is open to an array of trade options if Brexit is eventually finalized. These options include UK-EU free trade agreement, the World Trade Organization Option, Membership of the European Economic Area (EEA) and Bespoke bilateral deals – Swiss option.

The study concludes based on findings that “The decision by the UK to leave EU (Brexit) will have significant short-term effects on Africa, especially Ghana,” has been positively proven. This is because the EU as a global player in the international system has contributed significantly to the development and security agenda of Ghana. Therefore, the decision by the UK to leave the EU is significantly going to affect budget financing of the EU, which will ultimately have great repercussions on international aid and other support and help to other parts of the world including Africa, especially Ghana.

4.3 Recommendations

The decision by the UK to leave the European Union (EU) has generated much global concerns on both the short-term and long-term implications this move is going to have in the international system. However, full implications of this decision by the UK could be properly analyzed only after negotiations have been reached between UK and the EU concerning post-Brexit trade and security relations between the UK and the EU. However, to minimize the negative effects that Brexit will have on other parts of the world such as Africa (particularly Ghana), the study recommends that:

- ❖ The UK and EU should continue to ensure and encourage the General Scheme of Preference Treatment with regards to trade relations that exist between the EU and African states, particularly Ghana.

- ❖ The EU and UK should also continue to encourage and promote quota and duty-free trade relations with African countries particularly to encourage and boost productivity among African countries, particularly Ghana.
- ❖ The EU and UK should also continue to maintain the Most Favored Nations tariffs on exports from African countries to prevent them from diverting trade relations with other regions of the world which may not accelerate growth and development on the African continent, especially in Ghana.
- ❖ Though Brexit may come with several negative implications, Ghana should take advantage of the situations to establish fairer and favourable bilateral trade relations with European countries including the UK, which she had stronger ties with since colonial times.
- ❖ Ghana should also take full advantage of Brexit to play a lead role towards encouraging, promoting and strengthening integration process in the West African sub-region and the African continent at large. This will help to better withstand sudden shocks and setbacks that characterize or accompany circumstances which alter the global political economy as witnessed during the 2008 Global Economic Crisis which had significant impacts on African states including Ghana.

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