

The Effect of Brexit and the European Union on Markets in Developing Countries

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Abstract

This paper explores the effects and importance of the EU to developing markets of the world. Using an exploratory method of analysis; the paper recognises that the EU was founded with the aim of establishing a 'Common Market' with the 'four freedoms' of goods, services, persons, and capital. By aiming for free movement of goods and services, it is proven in the paper that a single market goes beyond a 'free trade area' or 'free trade agreement', which is predominantly concerned with reducing—and in many cases eliminating—trade tariffs on goods between members. A single market tackles other trade costs—especially non-tariff measures such as licensing and other regulatory barriers to trade. The paper further considers the place of Britain in the EU, and establishes the fact that the EU is important as far as Britain is concerned. It confirms that the EU is the UK's largest trading partner, comprising around half of all trade. Therefore, the impact of the BREXIT on the UK economy is not farfetched. The paper finally considers the roles of the EU in the ECOWAS by stating that the two regional unions have some common peculiarities. Some of the roles of the EU in nurturing the ECOWAS include: trade and economic structure of ECOWAS, institutional setting and policy coverage, political dialogue, development cooperation, regional integration and trade supports, etc.

Keywords: Brexit, EU, emerging markets, ECOWAS.

1. Introduction

1.1 Research Concern

The European Union (EU) is a political and economic union between European countries, which makes its own policies concerning members' economies, society's laws, and issues of national security. Archick (2017) noted that the EU is a unique partnership in which member states have pooled sovereignty in certain policy areas, and harmonized laws on a wide range of economic and political issues. The EU is the latest stage in a process of European integration that begun after World War II, initially by six Western European countries, to promote peace, security, and economic development. It further helps smaller nations meet challenges they might struggle with, such as economic growth, negotiations with larger nations and reduction in the sovereignty of larger nations (Wilde, 2017).

EU members share a customs union, a single market in which goods, services, people, and capital move freely (known as the 'four freedoms'), a common trade policy, a common agricultural policy, and a common currency (the Euro) that is used by 19 member states (collectively referred to as the 'Eurozone'). Twenty-two of the EU

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members (and four non-EU countries) participate in the Schengen area of free movement, which allows individuals to travel without passport checks (Archick, 2017). These cross-border networks have been important not only to increase the efficiency and competitiveness of the European manufacturing sector, but also to spread technological progress and hence increase productivity in economies of Europe that are catching up with the most advanced member states. In addition, the EU has taken steps to develop common foreign and security policies, build common internal security measures, and remains committed to enlargement, especially for the Western Balkans. The EU was created by the Maastricht Treaty in November 1993, originating from a prologue of gradual integration since 1945.

It is important to note that countries outside the UK and the EU—especially developing countries of the ECOWAS—will also be affected by Brexit and changes in trade relations that it will bring. Advocates of a ‘hard Brexit’ often point out that the UK could simply fall back on the World Trade Organization (WTO) rules in the event of no deal. The new market access conditions between the UK and the WTO’s non-EU members, especially the developing economies, still need to be negotiated, with no sign of a successful outcome any time soon. This means that, in the event of no deal, developing countries would most likely have to trade with the rest of the world on the terms agreed for the EU by the WTO even though these would actually no longer apply to the UK.

Brexit can have drastic consequences, particularly for poorer countries. Developing countries will be adversely affected by Britain’s departure regardless of what it ultimately agrees with the EU. One key reason is that they will lose the preferential access to the UK market that they currently enjoy under the various EU agreements. These include the Generalised Scheme of Preferences, the ‘Everything But Arms’ (EBA) initiative, and economic partnership agreements.

Besides, developing countries may likely become less competitive in the world market. Developing countries are likely to be hit by higher tariffs and other non-tariff barriers to trade, especially in the event of a hard Brexit without a deal. In particular, poor countries such as those in the ECOWAS, which are strongly dependent on the British market because of high export shares to the UK, will suffer a fall in GDP according to the latest evaluations. There are also fears of a rise in poverty in developing countries of the ECOWAS states, which currently benefit from the EU’s trade preferences.

The major research questions emanating from the above discourse are:

- (a) What are the effects of Brexit on the ECOWAS countries trade relations?
- (b) What changes will Brexit bring to trade relations between Britain and EU, and non-EU developing countries?

This paper sets out to provide answers to these research questions. Against this background, it tries to articulate the importance of the EU to developing countries’

markets. Emphasis will be placed on the importance of the EU to the Nigerian economy as one of the developing markets in Africa. Besides, the paper will assess the effects of Brexit on the ECOWAS trade relations with Britain and the EU.

1.2 Methodology and Data Sources

The study will employ an exploratory research method. A statistical analysis of the available data will be carried out using graphs to explain the trends and volume of trade relations between the ECOWAS countries and the UK, and the EU. The study uses trade flow data from various countries extracted from the Euro Statistics. Data were also sourced from the IMF World Economic Outlook database/report for year 2020. This was complimented with an extensive desk review research.

After this introductory unit, section 2 briefly articulates the formation and evolution of the EU. Section 3 discusses the main features of the EU single market, while the place of Britain in the EU is presented in section 4. Section 5 presents the role of the EU in the ECOWAS, while section 6 contains the conclusions.

2. Formation and Evolution of the EU

The European Union was not created in one go by the Maastricht Treaty, but is a result of gradual integration since 1945, an evolution when one level of union had been seen to work, giving confidence and impetus for a next level union. In this way, the EU can be said to have been formed by different series of formative stages (European Union Index, 2017).

2.1 The First Union: The European Coal and Steel Community (ECSC)

The end of the Second World War left Europe divided between the communist, Soviet-dominated, eastern bloc, and the largely democratic western nations. Lingering fears over what direction a rebuilt Germany would take created the thoughts of a federal European union with the intent of binding Germany into pan-European democratic institutions, and preventing the start of a new war. These post-war nations were also after solutions to economic problems, such as raw materials being in one country, and the industry to process them in another. To solve this problem, six neighbouring countries—Germany, Belgium, France, Holland, Italy, and Luxembourg—agreed in the Treaty of Paris to form an area of free trade for several key resources including coal, steel and iron ore, chosen for their key role in industry and the military. This body, formed in July 1952, was called the European Coal and Steel Community (ECSC).

To effectively manage the ECSC, a group of supranational bodies—consisting of a council of ministers, a common assembly, a high authority and a court of justice – were formed to legislate, develop ideas and resolve disputes; with the long-term goal of creating a federal Europe (Congressional Research Service, 2017).

2.2 The European Economic Community (EEC)

The success of the ECSC motivated member nations to sign two new treaties in 1957, known as the Treaty of Rome. This treaty created two new bodies: the

European Atomic Energy Community (EURATOM), and the European Economic Community (EEC), or the 'Common Market'. The role of the EURATOM was to pool knowledge of atomic energy, while the EEC created a common market among the member nations, with no tariffs or impediments to the flow of labour and goods; and a joint control over food production enabling adequate food for all, and surplus agricultural produce. The EEC aimed to foster economic growth and avoid the protectionist policies of pre-war Europe (European Union Index, 2017).

By 1970 trade within the common market had increased fivefold. There was also the Common Agricultural Policy (CAP) to boost member's farming and an end to monopolies. By January 1973, Denmark, Ireland and the United Kingdom joined the EEC, raising the number of member states to nine. Regional policies were implemented to create jobs and infrastructure in poorer areas; and for the first time, in 1979 all citizens were able to elect their members directly due to the influence of the EEC on the European Parliament (Wilde, 2017). Furthermore, the fight against pollution intensified, with the EEC adopting laws to protect the environment, and introducing the notion of 'the polluter pays' for the first time.

Like the ECSC, the EEC created several supranational bodies: a council of ministers to make decisions, a common assembly (known as the European Parliament in 1962) to give advice, a court that could overrule member states, and a commission to implement policies. In 1967, the ECSC, EEC, and the EURATOM collectively became known as the European Community (EC) (Archick, 2017).

2.3 The Formation of the European Union

As mentioned earlier, over the 1970s and 1980s the membership of the EC expanded in a number of new countries. In 1986 the members signed the Single European Act. This is a treaty that provided the basis for a vast six-year programme aimed at sorting out the problems with the free flow of trade across the EU borders, and thus creating the 'Single Market'. Meanwhile, member states began to see European integration as a way to balance the influence of both Russia and America.

In 1993 the Single Market was completed with the 'four freedoms' of movement of goods, services, people, and money. Two treaties were signed in the 1990s: the 'Maastricht' Treaty on European Union in 1993; and the Treaty of Amsterdam in 1999. The Maastricht Treaty changed the EC into the newly named European Union (EU). The change was to broaden the work of the supranational bodies, based around three pillars: European communities giving more power to the European parliament; a common security/foreign policy; and involvement in the domestic affairs of member nations on 'justice and home affairs'. The EU also set out guidelines for the creation of a single currency, the 'Euro', which was introduced in 1999. The Maastricht Treaty also formalised the concept of the EU citizenship, allowing any individual from an EU nation to run for office in their government, which was also changed to promote decision-making. The EU's entrance into domestic and legal matters—which produced the Human Rights Act and overrode

many member states' local laws—produced rules relating to free movement within the EU's borders, although this led to paranoia about mass migrations from poorer EU nations to richer ones. In 1995, Austria, Finland and Sweden joined the union. The Treaty of Amsterdam, effected in 1999, brought employment, enhanced working and living conditions, and other social and legal issues.

The introduction of the euro in 1999 united many of the European countries by a single currency. During the decade, more and more countries adopted the euro. By 2004, 10 countries joined the EU—Czech Republic, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovak Republic, Slovenia—followed by Bulgaria and Romania in 2007. During the global economic crisis that struck hard in Europe between 2010 and 2012, the EU helped several countries to confront their difficulties; and established the 'Banking Union' to ensure safer and more reliable banks. Archick (2017) adds that in 2012, the European Union was awarded the Nobel Peace Prize, and Croatia became the 28th member of the EU in 2013. However, in June 2016, the UK voted to leave the EU, and became the first member state to use a previously untouched release clause. As of the end of 2016, there were twenty-seven countries in the European Union.

In summary, the process of economic integration in Europe has always been incremental in nature, and often 'forged in crises' (Monnet, 1978). It took 35 years to establish the internal market, and yet in this period there was no doubt about the path of economic integration to be followed. Conversely, the issue with the union lies in the uncertainty and ambiguity of some of its final goals. This is a result of the very high degree of national sovereignty pooling implied at this stage, which calls for properly addressing the ultimate question of democracy in Europe. In this context, the traditional incremental approach becomes much more precarious, and the outcome of crises much less predictable.

3. Main Features of the EU Single Market

3.1 What is the EU Single Market?

According to the European Commission:

The Single Market refers to the EU as one territory without any internal borders or other regulatory obstacles to the free movement of goods and services. A functioning Single Market stimulates competition and trade, improves efficiency, raises quality, and helps cut prices.

The Single Market was one of the founding aims of the EU. The European Economic Area (EEA), whose membership may be an option for the UK following Brexit, shares this aim:

... the European Economic Area ... brings together the EU Member States and ... Iceland, Liechtenstein and Norway ... in a single market, referred to as the 'Internal Market'. The EEA Agreement provides for the inclusion of the EU legislation covering the four freedoms — the free movement of goods, services, persons and capital — throughout the 31 EEA States.

By aiming for free movement of goods and services, a single market goes beyond a 'free trade area' or 'free trade agreement' (FTA), which are predominantly concerned with reducing—often eliminating—trade tariffs on goods between members. It also goes beyond a 'customs union', which commits members to free trade on goods, removes the need for internal customs checks within the union, and agrees a common external tariff with respect to imports from the rest of the world.

The overall economic case for a single market is that, by enabling a free movement of goods and services, a single market:

- (a) Reduces barriers and costs so more businesses and individuals can trade products across it;
- (b) Increases choice for consumers (and businesses);
- (c) Lowers costs for both consumers and businesses;
- (d) Enables firms to access larger markets and specialities, taking advantage of economies of scale and becoming more efficient. In turn, this:
- (e) Creates additional competitive pressure, which pushes up productivity.

A genuine single market requires a 'level playing field' of rules across national boundaries. This means removing 'unfair' regulatory restrictions, providing a legal right to challenge unfairness and harmonising—or ensuring—mutual recognition of, member-state regulations. Regulatory harmonisation may not, in some cases, be in the interest of a single member state—perhaps involving additional costs or accepting policies that are undesirable. Such supranational rules are important for a genuine single market—otherwise firms in some countries, operating to different regulatory standards, could compete directly and unfairly with those in other countries.

So, a single market is quite different from a free trade area or agreement. It lowers the costs of trade in services, and does more to remove regulatory barriers for goods trade. There are substantial economic benefits to such removal of barriers to trade in terms of lower prices and enhanced choice, specialisation, and cross-border competition.

3.2 Features of a Single Market

The basic feature of the EU single market is the free movement of goods, people, services and capital among member countries, popularly known as the 'four freedoms'. This is accomplished by various strategies, including removing barriers to trade, ensuring national rules at the EU level are harmonised, developing a common currency, and creating a digital single market. The single market is at the heart of European projects. The European Commission has given it a boost by improving mobility for service providers, ensuring that innovative business models can flourish, making it easier for retailers to do business across borders, and enhancing access to goods and services throughout the EU. Some of these features are highlighted below based on the report from European commission (2017).

1. Single Market for Goods

The EU single market accounts for 500m consumers and 21m small- and medium-sized enterprises (SMEs). The Commission's main goal is to ensure free movement of goods, set high safety standards for consumers, and protection of the environment.

2. Single Market for Services

Services are crucial to the single market. They account for over 70% of all economic activities in the EU, and a similar proportion of its employment. EU companies have the freedom to establish themselves in other EU countries, and the freedom to provide services in countries other than the one in which they are established.

3. Removing Barriers to Trade

The idea behind the original EEC treaty in 1957 was that barriers to free movement of goods, persons, services and capital would be removed through the use of treaty provisions. This is known as ‘negative integration’. In exceptional cases though—such as public policy, public security, and public health—national rules are allowed to stand.

4. Harmonised Fiscal Rules

At the EU level, budgetary obligations are imposed on member states. To facilitate the respect of these obligations, national rules for budgetary discipline such as debt rules, expenditure rules, and rules concerning the revenue side of budgets are imposed. The European Commission (2006) reports that rules on budget balance, borrowing, and debt ensure the sustainability of government finances. Budget balance rules are effective policy tools and are linked to better budgetary outcomes: higher surpluses or lower deficits. Therefore, they seem to address satisfactorily deficit bias, and are generally appropriate in terms of budgetary discipline (Debrun et al., 2008). Debt rules typically limit debt according to the debt repayment capacity measured by the debt service to-current revenue ratio (Bernoth et al., 2004). For higher levels of government, the target definition usually follows the EU debt threshold formulation, with a ceiling being set as a percentage of GDP.

5. The Euro

The Maastricht Treaty was intended as a significant step on the path towards not only greater economic integration, but also closer political cooperation. It resulted in the creation of the ‘eurozone’, in which participants share a common currency, a common central bank, (European Central Bank (ECB)), and a common monetary policy (Dullien, 2012). The idea of a single currency originated from German and French leaders who were strongly united behind the idea that “... the single currency should first and foremost serve as a means toward the greater aim of European political integration” (Archick, 2017).

6. Digital Single Market

A fully functional digital single market would bring many benefits to European businesses and consumers. It would promote innovation, contribute €415bn to the EU economy each year, and create hundreds of thousands of new jobs. The Commission has adopted an ambitious strategy to complete a digital single market that targets ICT standards and interoperability, modernisation of intellectual property rights enforcement, parcel delivery, collaborative economy, and e-commerce.

7. Standardisation

Standards are voluntary technical specifications that apply to various products, materials, services, and processes. They help reduce costs, improve safety, enhance competition, and facilitate the acceptance of innovations.

8. Governance and Monitoring of the Single Market

The Commission monitors the application of the EU laws and can launch infringement proceedings against EU countries that do not comply. It monitors the functioning of the single market, producing evaluations and key economic reports. The Single Market Forum gathers stakeholders to examine the state of the single market and contributes to policy evaluation. The forum monitors the implementation of the Single Market Act.

In summary, the EU was established with the aim of creating a ‘single market’ without any internal borders or other regulatory obstacles to the free movement of goods, services, people, or capital. Reducing or eliminating these barriers increases trade and improves living standards.

Trading with other countries involves incurring additional costs over supplying domestic markets. As well as transport costs, there are taxes at borders (tariffs), customs checks, ‘non-tariff barriers’ such as licensing or regulation, and cultural barriers such as language. Membership of the EU single market avoids almost all these costs, and therefore reduces the drags on trade. Some costs to trade—such as transport costs and cultural barriers—will always remain. Increased trade has significant economic benefits: lower prices and increased choices for consumers and businesses; and a larger market, which means more specialisation and competition. All this leads to higher incomes and living standards.

4. The Place of Britain in the EU

In this section we try to analyse the place of Britain in the EU by looking at the trade relations between Britain and the EU. This is done by analysing the volume and value of trade between them.

4.1 Stylized Facts About Britain’s Trade Relations with the World

In 2015, the economy of Britain was the second largest in Europe (trailing only Germany), and number five in the world by GDP, totalling US\$2.848tr. the UK shipped US\$408.9bn worth of goods around the globe in 2016, up by 13.7% since 2009 when the Great Recession kicked in, but down by -12.3% from 2015 to 2016. The UK’s top 10 exports accounted for more than two-thirds (69.8%) of the overall value of its global shipments.

Based on statistics from the World Economic Outlook Database (2017), UK’s total GDP amounted to US\$2.778tr as of November 2016. Exports accounted for about 14.7% of the total UK economic output. From a continental perspective, 54.3% of UK exports by value were delivered to other European trade partners, while 21.2% were sold to Asian importers. UK shipped another 16.7% to North America, and just 2.8%

to Africa. Given UK's population of 64.4 million people, its total US\$408.9bn in 2016 exports translated to roughly US\$6,300 for every resident in that country. UK's unemployment rate was 4.8% as of December 2016, down from 5.1% in 2015.

4.2 Analysis of Trade Relations between Britain and the EU

Table 1 shows UK's export and import trade patterns; highlighting that 44% of its exports (goods and services) in 2015 went to the EU, while 53% of its imports came from the EU.

Table 1: UK Trade Values and Shares

	Exports		Imports	
	£bn	Share (%)	£bn	Share (%)
EU	222	44	291	53
US	100	20	61	11
Rest of the World	188	37	197	36
Total	510	100	549	100

Source: Emmerson et al., 2016

The US appeared to be the second-largest destination for UK exports, and Switzerland is the third-largest, at £19.8bn (3.9% of UK exports). China's consumption of UK exports has grown rapidly over the last decade, and now amounts to £16.3bn (Emmerson et al., 2016).

Service exports play an important role in UK's trade balance and economic output. In 2015, service exports reached £225bn and, as service imports are much smaller (see Table 2), this strengthened the UK's balance of trade, with net service trade of £88bn accounting for some 5% of the GDP.

Table 2: UK Service Trade Values and Shares

	Exports		Imports	
	£bn	Share (%)	£bn	Share (%)
EU	89	39	68	49
US	53	24	26	19
Rest of the World	84	37	44	32
Total	225	100	138	100

Source: Emmerson et al., 2016

The EU accounted for nearly 40% of UK service exports. The US, the next-biggest destination for service exports, accounted for 24%. Based on the World Economic Outlook Database (2020), the ratio of trade in services to GDP in 2018 was higher for the UK than for the other G20 members. This shows that over the years the pattern of trade between the EU and Britain and other developing countries of the world have not changed.

Table 3 looks in more detail at where the UK exports its services. While its share has dropped marginally in recent years, the EU is much the biggest market, accounting

for around 40% of service exports in 2015. This trend has not changed since 2015 to date. It is clear from Table 3 that a larger proportion of the service exports go to the EU. Therefore, the EU provides the largest market for UK exports. The same scenario is obtained with respect to imports that are marginally above 39%.

Table 3: Top 10 UK Service Export Destinations

	Share of service exports	
	1999	2015
EU	40.5	39.4
US	22.8	23.5
Switzerland	3.4	5.2
Japan	4.1	2.6
China	0.6	1.6
Canada	1.9	1.5
Russia	0.4	1.3
India	0.8	1.0
Hongkong	1.4	0.9
Brazil	0.5	0.7

Source: Emmerson et al., 2016

Of fundamental importance is the need to examine the constitutional relationship of the UK with the EU. Upon joining a union, members lose if not partially their sovereignty. The underpinning of the British system of government is very clear: parliamentary sovereignty. In effect, this means that the British parliament is the supreme law-making body in the land. No other institution can challenge the laws of the parliament. However, by joining the organization, the British government accepted that the EU law overrides British laws when the two conflict. In effect, if there is any legislation in Britain that runs counter to that of the EU, it must be repealed. Thus, it could be argued that the UK has surrendered sovereignty to the EU in all areas where the EU has the right to legislate. In effect, the UK parliament is no longer the supreme law-making body in all aspect of the British laws. However, while powers have been ceded to the EU, this does not mean that Britain has lost its sovereignty. All the laws imposed by the EU can be repealed if Britain was to withdraw from the EU.

The EU single market provides a level playing field, replacing 28 sets of regulations with a single rule book, and free access to 500m customers to companies operating with it. Within the EU, the UK has gained full access to the market, making it an attractive destination for companies that would like to use it as a base for their investment in the EU market.

Overall, the EU is easily the UK's largest trading partner, comprising around half of all trade. Services are a key part of the UK economy, and exports of services have grown significantly as a proportion of the UK's exports in the last 15 years. Service exports are substantially bigger than service imports, creating a sizeable trade surplus in services equivalent to some 5% of the GDP.

Service exports are driven by business, financial, insurance and pension services. Together, they accounted for 89% of the positive trade balance in services. The EU is by far the UK's largest export market for services, accounting for almost 40%, whereas emerging economies such as Brazil, Russia, India and China (BRIC), together account for less than 5% of service exports. As stated earlier, this trend continued even up to 2018 as revealed by the World Economic Outlook Report (2020). There is no remarkable indications to show that all the observed trends will change in the nearest future.

5. The EU and the ECOWAS

5.1 Introduction

Many countries in Africa are blessed with abundant natural resources, but the major problem is the lack of the regulatory capacity to harness them. Most of the resource-rich countries face the problem of economic inequality such that economic performance in these countries is poorer than in the so-called resource-poor countries. This is attributed to the fact that these countries fail to productively invest their wealth of resources.

The Economic Community of West African States (ECOWAS) is a regional group of fifteen West African countries, founded on May 28, 1975, with the signing of the Treaty of Lagos. Prior to the formation of ECOWAS, the West Africa region was dominated with various states that emerged from different colonial experiences and administrations, as well as different languages. This diversity in culture, language and ecological factors poses some constraints as well as opportunities for the integration process.

However, prior to the formation of ECOWAS in 1975, some of its member states—particularly the Francophone countries such as Benin, Cote d'Ivoire, Mali, Mauritania, Niger, Senegal and Togo—had founded the Associated African States and Madagascar (EAMA). This group of countries had been actively involved in the regime of association as enshrined in the Treaty of Rome (1957), which arranged a relationship between former French and Belgian colonies with the EC (ACP, 2010). The early relationship with these ex-colonies became a key aspect of the process of European integration, and also established the basis and rationale for subsequent arrangements (Reisen, 2007; Holland, 2002). The integration of West African states into the ECOWAS was largely influenced by the processes of integration in Western Europe, Latin America, and elsewhere in Africa. This was mostly from the two key colonial masters of these ECOWAS countries. More importantly, it was from the British and French masters.

The ECOWAS grouping contains a very wide diversity of economies in terms of size, development, and resources (EBID, 2005). There were 16 nations in the group until when Mauritania voluntarily withdrew its membership in December, 2000. The countries include the 7 UEMOA countries of Benin, Burkina-Faso, Chad, Cote d'Ivoire, Mali, Niger, and Senegal. Other non-UEMOA member countries are Cape-Verde, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Nigeria, and Sierra Leone.

The UEMOA is a French acronym of West African Economic and Monetary Union. It is an organization of eight states of West Africa established in 1994 to promote economic integration among countries that share a common currency, the CFA franc. In terms of achievements, UEMOA member countries are working toward greater regional integration with unified external tariffs than ECOWAS. It is both a customs and monetary union, and has initiated regional structural and sectoral policies that the ECOWAS is adopting. Within the ECOWAS also, there is the West African Monetary Zone (WAMZ), which comprises a group of five countries (mainly English-speaking) that aimed to introduce a common currency, the Eco, by the year 2015. The WAMZ was formed in 2000 to try and establish a strong stable currency to rival the CFA franc. Though, the desired goal is for the CFA franc and Eco to merge, with a view to giving all of West Africa countries a single stable currency (ECOWAS, 2010b).

5.2 An Overview of the EU-ECOWAS Relations

Based on its own experience, the EU supports regional integration as a tool for development, fostering sustainable growth and smooth and gradual integration in the world economy. In this respect, the EU has a comprehensive relationship with the ECOWAS, involving close dialogue and cooperation, regional integration and trade.

The ECOWAS shares a resemblance with the EU in its objectives and modes of cooperation for regional integration among member states. However, their history of establishment differs. Unlike the ECOWAS model, in which all countries came together at once (except Cape Verde which joined in 1976) to form an economic arrangement, only six countries initiated the current EU arrangement, with other European countries joining at different points through its enlargement and accession strategy (Alaba, 2006).

Being the largest monetary union, the EU has amassed a wealth of experience that has necessitated a wide range of support for regional integration as an instrument for development to foster sustainable growth, and smooth and gradual integration in the world economy. These experiences have served as a model for regional integration in many unions, especially in the ECOWAS. In this light, the EU has established a comprehensive relationship with the ECOWAS.

5.2.1 Trade and Economic Structure of the ECOWAS with EU

For virtually all the ECOWAS countries, the EU is the main trading partner (Eurostat, 2008). This high dependence on the EU market is largely due to their historical links and the nature of their trade patterns, which have often made them trade-dependent. Figures 1a and 1b show ECOWAS' trade relations with the EU.

It is clear from Figures 1a and 1b that the trade relations between the ECOWAS and the EU are very strong, with ECOWAS member countries being the destinations of EU products, especially machineries and appliances.

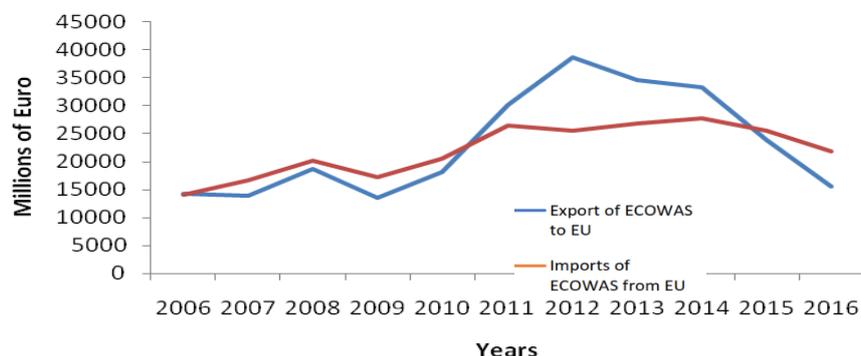


Figure 1a: ECOWAS Trade Relations with the EU

Source: Author’s Construct using Data Extracted from Euro Statistics, (2017)

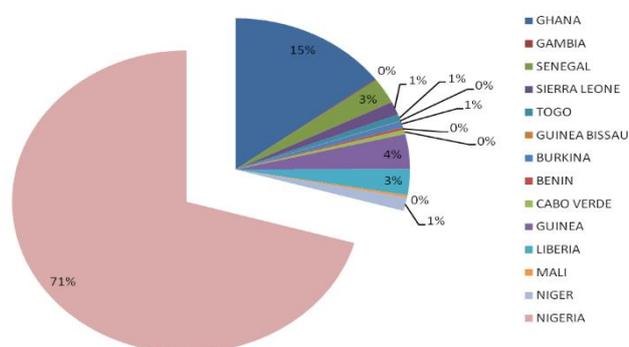


Figure 1b: Share of ECOWAS Exports to the EU

Source: Author’s Construct using Data Extracted from Euro Statistics, (2017)

Figure 1b reveals that out of the 15 ECOWAS member countries, Nigeria accounts for 71% of the total exports that the ECOWAS made to the EU. This is followed by Ghana, which accounts for 15% of the total exports. The implication of this is that Nigeria is a major exporter of products to the EU. It is important to note that the major component of Nigeria’s export to the EU is mineral resources.

5.2.2 Institutional Setting and Policy Coverage

Due to the historical ties between the EU and the West African region, the geographical proximity, cultural, economic and political connections, as well as the attractiveness of the European model of integration, the EU has succeeded in strongly influencing recent integration processes in the ECOWAS. Some of the norms, legal provisions, institutions and policies adopted by the ECOWAS are similar to those of the EU. The EU is often seen as a possible aspiration—or point of reference—in terms of its institutional settings and policy coverage. This is

because the process of forming a monetary union in the ECOWAS calls for the adaptation and further strengthening of their institutions, which are inspired by the EU experience.

5.2.3 Political Dialogue

The European Union has a regular political dialogue mandate with the ECOWAS. One of the objectives of the ECOWAS entails promoting peace and security, democracy, and good governance in the West African region. This role necessitates the EU to meet with the ECOWAS once a year at ministerial level, and twice a year at a senior official level, where they deliberate diverse issues of common interest and concern, including the political situation, economic issues, trade and investment in Europe and the ECOWAS member countries. Crawford (2005) argument that the EU's interests in Africa focus less on democracy promotion and more on the perceived burdens and security threats to Europe arising from political instability and conflict seems more instructive and matter of fact. In line with this premise, it becomes pertinent for the EU to engage the ECOWAS in regular political dialogue so as to maintain political stability in the ECOWAS states.

5.2.4 Development Cooperation

Another role played by the EU is enhancing development cooperation in the ECOWAS. This brought about the emergence of the 11th Regional Indicative Programme signed on 23 June 2015, at Cotonou in Benin Republic, with regional priorities for development and growth. This programme was carried out jointly by the European External Action Service, European Commission, ECOWAS and the WAEMU. The financial assistance provided via the 11th Regional Indicative Programme constitutes the primary instrument of the EU support to regional integration in ECOWAS. As Table 3 shows, three focal sectors were identified for the EU support and cooperation, with a total of €1,150m being allocated to the implementation of the programme. The table reveals that 50% of the resources were for regional economic integration and support for trade.

Table 2: Breakdown of Financial Resources Provided in the Regional indicative Programme

Focal Sector	Content	Allocation	Amount
		%	(€m)
I	Peace, security and regional stability	22	250
II	Regional economic integration and support for trade	50	575
III	Resilience, food and nutrition security and natural resources	26	300
Non-Focal Sector (other programmes)		2	25
Total		100	1,150

5.2.5 Regional Integration and Trade Support (AIDS)

The EU believes in the merits of regional integration as a tool for development. Hence, a sizeable share of its development aid and technical assistance has been

committed to regional support. This support focuses on priority areas such as building a regional market, services and investment, improving regulatory environment, strengthening productive capacity, improving food security, etc.

One of these initiatives is the Aid for Trade move that emerged within the Doha Round out of the need to help all countries to benefit from trade, i.e., to maximize gains from trade. Yet, the demand for, and capacity to absorb, 'aid for trade' still exceeds available resources (World Bank, 2005). The EU aid for trade strategy adopted in October 2007 confirms the European commitment to provide €2bn per year in trade-related assistance by 2010, and to increase spending for the wider aid for trade agenda (ECDPM, 2009). So, for the ECOWAS countries whose capacity building and supply-side constraints have been a major factor in the lack of competitiveness and the relatively poor trade and growth performance (AU, 2006), aid for trade can only be meaningful if it is translated into genuine fresh aid for utilization.

5.2.6 EU-ECOWAS EPA Negotiations

As mentioned earlier, the EU-ECOWAS relations are governed by agreements between the EU and ACP group of states. To achieve their objectives, the relations between the two bodies have historically been framed by a series of conventions. For the EU-ECOWAS relations, the most operative conventions are the Lome Conventions (1975–2000), and the Cotonou Agreement (2000–2020). The Lome Conventions are a trade and aid agreement between the EC and the ACP group of states. The first Lome Convention was designed to provide a new framework of cooperation between the then EC and developing ACP countries. The Lome Conventions' most important attribute is its non-reciprocity, which allows ACP exports duty-free access to the European market, while enabling ACP states to maintain tariff barriers against European goods. It introduced the STABEX and SYSMIN systems that were designed to compensate ACP countries for shortfalls in agricultural export earnings and mining industry activities, respectively, due to fluctuation in of prices or supply of commodities (ACP-EEC, 1995; 1975).

The negotiations on the Economic Partnership Agreements (EPA) between the ECOWAS and the EU were launched in Brussels in 2002 (ECA, 2007). However, the negotiations have so far been inconclusive due to some concerns that EPAs will lead to large trade imbalances in West African economies, as well as substitution of local and regional production by European imports (Perez & Karingi, 2007). The decline in import duties due to the preferential tariff elimination has also been a major concern for West African countries (Busse & Grobmann, 2004). In particular, the reciprocity condition implicit in the agreement implied that at some time—before 2020—the ECOWAS countries must open up their economies to imports from the EU countries. This may invariably lead to trade diversion, trade creation, loss of trade revenues, and deindustrialization (World Bank, 2007; Adenikinju & Alaba, 2005).

From the foregoing, we can deduce that the partnership opportunity between the ECOWAS and the EU are beneficial. The role played by the EU cannot be over-emphasized. However, the ECOWAS need to put well-defined structures in place to stabilize the economy of its member states.

6. Summary and Conclusion

This paper tries to show the importance of the EU to the ECOWAS economies. The paper has shown that the EU was founded with the aim of establishing a 'common market' with the 'four freedoms' of goods, services, persons, and capital. Initially, efforts were focused on eliminating or reducing formal trade and customs barriers between members, but since the early 1990s, in response to sluggish economic performance, the EU has focused increasingly on 'completing the Single Market' with an emphasis on services.

By aiming for free movement of goods and services, it has proven that a single market goes beyond a 'free trade area' or 'free trade agreement', which are predominantly concerned with reducing—and in many cases eliminating—trade tariffs on goods between members. A single market tackles other trade costs: especially non-tariff measures such as licensing and other regulatory barriers to trade. As tariffs on global trade have fallen over time, so have these nontariff barriers become more important, and especially so in services trade.

The paper further considers the place of Britain in the EU and confirms the fact that the EU is important as far as the UK is concerned. It has established that the EU is easily the UK's largest trading partner, comprising around half of all of its trade. Therefore, the impact of the Brexit on the UK economy cannot be underestimated.

The importance of the EU to the ECOWAS countries, which represent the developing markets of the world, has also been explored. These countries are mostly the trade destinations of exports from the EU countries. Besides, these countries are part of the beneficiaries of the EU single market, especially in the areas of trade, foreign direct investments, agriculture and forestry, science and technology, climate change, etc.

The paper finally considered the roles of the EU in the ECOWAS by stating that the two regional unions have some common peculiarities. Some of the roles of the EU in nurturing the ECOWAS include improving the trade and economic structure of the ECOWAS, institutional setting and policy coverage, political dialogue, development cooperation, regional integration and trade supports, etc.

In conclusion, BREXIT is one of the most significant economic and policy events in the last 70 years, and it poses substantial challenges for the policy research community, particularly in the areas of forward-looking trade patterns.

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