Economic Relations Challenges for Non-Members: Insights from Brexit and Integration Efforts in the European Union

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DOI: 10.32629/memf.v5i1.1599

Abstract: This essay explores the complexities of establishing and maintaining economically beneficial relations with the European Union (EU) for countries that are not formal members of the Union. The formation of the EU aimed at creating a community facilitating the free movement of services, goods, people, and capital within the internal market. The EU implemented various policies covering areas such as agriculture, trade, and regional development, culminating in the introduction of a monetary union in 1999. However, the departure of the United Kingdom from the EU, known as Brexit, underscored the challenges in negotiating a trade framework with the EU, particularly evident in cross-border trade between the UK and Ireland. This essay seeks to assess the obstacles and advantages associated with maintaining or establishing economic ties with the EU, whether as a member or through alternative arrangements. The three-part structure of the essay begins with a discussion on the EU single market, outlining its key features and significance. The second part explores the integration efforts made by non-member countries, analyzing their attempts to align with the EU's standards and regulations. The third part delves into the historical and ongoing trade challenges faced by non-member nations engaging with the EU. By examining these aspects, the essay aims to provide a comprehensive understanding of the intricate dynamics involved in economic relations with the EU for both member and non-member states. The conclusion synthesizes the findings, offering insights into the complexities and potential benefits of engaging with the European Union outside formal membership.

***Keywords*:** integration efforts, Brexit, bilateral agreements, non-member countries, trade challenges

1. Introduction

European internal markets structures recently came into sharp focus after Brexit regarding the difficulties in agreeing on a trade relations framework between the United Kingdom that was leaving the market and the European Union. This problem is specifically illustrated by the matter of cross-border trade between the United Kingdom and Ireland which illustrate the near impossibility of remaining closely integrated with the European internal market while not being a part of the EU.

The purpose of this essay will be to assess the challenges of maintaining or creating beneficial economic relations between any country and the European Union, even without the country in question being a member of the Union. In this regard, it will look at the benefits and challenges of one being a member vis a vis only having access to it. Furthermore, this essay will also look at the EU single market, assess the integration efforts that have been made by non-members to the union as well as look at the different trade challenges that these non-members have faced since they began any trade relationships with the EU.

2. The EU Single Market

The European single market is envisioned as a territory without any internal borders to the free movement of goods and services.[1] However, this single market is also applicable to other countries that have not been admitted to Union but have agreements through bilateral agreements as well as through the Agreement on the European Economic Area (EEA). However, other agreements also exist that allows some countries to have access to some select parts of the market. Giving life to this free trade agreement has been Treaty on the Functioning of the European Union (TFEU) through its Article 114, which was put in place after the adoption of the Single European Act in 1986. In the adoption of this treaty, the European Economic Community (EEC) adopted a new approach to their economic integration program and factored in both negative and positive integration that relied upon minimum harmonisation rather than the normally used exhaustive harmonisation.

However, despite the existence of the single market regarding the Four freedoms, there have been several issues in practice, that generally have complicated the relationship not only between members of the Single market but also even with countries that are not members, including those with bilateral agreements with the Union such as Switzerland. This situation arises largely due to the differences in policies that have been adopted by the Union as well as the other countries that are not members. For any single market to be successful, there should always exist a level playing field for all participating countries. In this regard, there should be the removal of unfair regulatory restrictions, the provision of an avenue to challenge any legal unfairness as well as ensuring mutual recognition of, member state regulation[1].However, to some states, this regulatory harmonization is often considered to be a detriment to the growth of their economy especially when they are required to accept policies that are undesirable to them, for instance, one that will require additional costs in conducting trade activities.

It is important to note that through the single market, several countries have benefited from the single market even though they are not members of the Union. For instance, the single market has been very instrumental in lowering the costs for business and consumers; it has reduced costs and barriers that are related to trade and lastly, it has enabled firms to specialise and access a larger market, thus making them more efficient by taking advantage of economies of scale. In the long run, this has created a competition that has had the effect of pushing up productivity[1].

3. Integration efforts by Non-Members

Since the inception of the European Union Single market, several non-members of the European Union have made efforts to join the market. This means that several countries have varying levels of access to the market. Even though this section will have a more comprehensive look at the Ireland-Northern Ireland protocol, it will also be important to highlight the efforts of other notable non-EU members.

3.1 Switzerland

As stated before, the trade relations between the Union and that of Switzerland is set about by bilateral agreements between the two. As such, Switzerland is granted some access to the market but with some exceptions. For this to have happened, the country adopted some forms of European Union laws that allow it ascendency to the single market and insisted on the bilateral approach of negotiations between the two entities. The bilateral agreements signed included areas of the European Union such as free movement of people, public procurement, Schengen membership, technical trade barriers as well as cooperation in Fraud pursuits. As a member of the EFTA, Switzerland did take part in separate talks with the EU outside the European Economic Area (EEA) that through the above treaties granted it access to the single market.

3.2 Ukraine. Moldova and Georgia

These three countries were given access to the single market when the Deep and Comprehensive Free Trade Area (DCFTA), was signed. As such, these countries were granted access EU Single Market. However, visa-free movement of people for short stay travel is allowed, while the travel of workers was to be controlled by the member states of the European Union[2].This agreement has always been cited as one of the new ways that a non-member of the EEA and EU can be integrated into the single market. Unlike classical Free Trade Agreements, the agreement provided establishment freedom for both service and non-service sectors. These provisions, however, were subject to restrictions, and the entry of the market by the three countries was to happen only if the said countries effectively implement the EU acquis[2-3].

3.3 Northern Ireland

Since the United Kingdom formally parted ways with the EU and the European single market at the end of that year, Brexit had finally happened and brought to a close a four-year protracted withdrawal circus. This effectively meant that the UK had to have a new trade agreement with the Union and led to the signing of the EU–UK Trade and Cooperation Agreement (TCA). However, there were some other unique challenges that the UK faced especially at its Island of Ireland border with Northern Ireland, which was remaining in the European Union and by extension the EU's Single Market and Customs Union. To solve this problem, both the EU and the UK signed the Northern Ireland Protocol which was meant to protect the EU single market and at the same time prevent the imposition of the hard border whose existence brought fears of the recurrence of conflict in Northern Ireland.

3.4 The North Ireland protocol and the EU

On the economic front, there was a need to make sure that the benefits enjoyed by the UK while outside the EU were not the same benefits it did enjoy when it was a member state. In other words, the European Union needed a protocol to guide that will safeguard the integrity of the single market.

This need to protect its single market was very instrumental in the several provisions that are found in the North Ireland protocol. One such example is the provision that the customs Union will apply to any goods imported into Northern Ireland if such products are at risk of subsequently being exported to the EU[4].The EU then protects itself by also providing those goods entering Northern Ireland from Britain will not be subject to any customs duty as long as there is no risk that the said goods would enter the EU common market. In essence, these provisions granted goods that are imported into Northern Ireland as long as they are a risk of subsequently being imported into the European Union.

3.5 Comparison with the EU–UK Trade and Cooperation Agreement (TCA)

The EU–UK Trade and Cooperation Agreement (TCA) is an understanding between the three parties, the EU, the UK as well as the European Atomic Energy Community (Euratom) regarding the relationship between the EU and the UK after the withdrawal by the latter. In essence, the TCA is much broader since it covers several issues and contained transitional provisions, policy areas as well as mutual market access. It is important to note that, unlike the protocol that granted Northern Ireland some form of access to its single market, the EU did not grant any such concessions under the TCA. In essence, it only created a free trade agreement with the UK.

From the assessment of the protocol and the TCA as well as the other agreements that the European have entered including the DCFTA, one can be forgiven to be of the view that the TAC serves to bring the UK closer to the EU even though they had left it. This can be seen from the reasoning that TAC does indeed provide an avenue where membership is a prerequisite for integration because it has all the three distinct features of comprehensiveness, conditionality and complexity[5].However, this is not the case because despite TAC having all these components, many specifics contained in the agreement are not in line with those of the EU. The commonality in integration only goes as far as having a free trade area with the EU, cooperation some sectors such aviation and road transport as well as security, and lastly in some aspects of public policy. However, most of these aspects of the agreement have conditions that have the effect of taking the EU further away from the EU rather than integrating with it, thus creating a cooperation agreement between the two entities rather than any specific form of integration.

4. Analysis of the Historical and Continuing Trade Challenges Facing Non-members

Non-members of the European Union often have several options on how they prefer to relate with the Union. One challenge that most have faced has been whether to have an engagement that will allow them to participate in the EU common market while not being part of the EU Customs Union. This is commonly known as the Norway way because it is applied by Norway and other countries that are part of the European Free Trade Association (EFTA). This will mean such countries would have full access to the Single Market, but they would have to continue to stick to and apply the four freedoms prescribed by the EU including freedom of movement. Furthermore, it will mean that EU regulations and acquis have to be accepted by the said country while not having the ability to amend the rules in the future.

Furthermore, some of the non-members that opted to leave both the Customs Union and the single market but negotiated their own free trade and customs agreement also face their unique challenges. As was discussed above, one such country is Switzerland. However, the downside to this is that Switzerland has no option to put in place laws that will agree with EU regulations pertaining to the parts of the single market that they can access as well as comply with the requirement for allowing the free movement of people. Another example can be the agreement between the EU and Ukraine where they have nearly full access to the EU single market. Despite having almost full access to the EU single market, the challenge to this engagement is that there is no free movement of people across the two entities, but they must abide by the regulations of the EU.

Lastly, there are non-members of the European Union that trade with it without the agreement of any trade deal. In essence, this means that the trade that is done between such countries and the EU is done under the auspices of the terms that have been set down by the World Trade Organisation (WTO). It will thus mean that all the parties will be obligated to apply tariffs to any form of trade that will take place between them because of the WTO terms. This challenge is further compounded by the reason that since both of the parties will not have any regulatory equivalence, such a country will not have preferential access to the European Union market.

5. Conclusion

In conclusion, this essay has shown that it is not easy to have a close integration with the European Union when one is not a member of the body. This has been illustrated by the challenges that several countries have faced and are still facing despite still having a close relationship with the EU. Of the non-member countries assessed by this essay, the closest that has come to be integrated into the Union has been Ukraine. However, this close integration should be noted to be this close due to the reason that it is in the process of becoming a member. For the other non-member countries, the integration process has been fraught with several challenges including different internal policies with the EU as well as policies that are not very popular with the masses. This is even harder for counties such as the United Kingdom that recently left the Union, who are often left with the responsibility of new crafting trade relations that are often characterized by long, drawn-out negotiation processes and even longer periods for implementation. Such scenarios thus act to bring the EU and the said counties further apart rather than having a closer integration process.

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