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## THE EUROPEAN UNION'S AND GREAT BRITAIN'S TRADE RELATIONS WITH SELECTED DEVELOPING COUNTRIES IN THE CONTEXT OF BREXIT<sup>1</sup>

### INTRODUCTION

Developing countries constitute both the most numerous and the most diverse group in the modern world economy, which can be characterized by a relatively high economic growth rate and being more and more related to foreign markets. The European Union's trade relations with the aforementioned group of countries resulted not only in the aftermath of the colonial past of European countries, but also as an effect of growing interdependence of economic operators, both cooperating and competing with on the another on the global market. What might also influence the development of trade relations between the EU and the developing countries is the United Kingdom's decision to leave the European grouping. Not only might Brexit weaken the EU's position in the global economy, but also it might significantly harm the negotiating position of the grouping and create distortion in the trade with partners.

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The aim of the paper is to present the EU's (hypothetically without GB) and the UK's relationships with the developing countries. It was also attempted to perform an evaluation of the existing conditions of these two operators' cooperation with their closest trading partners belonging to the watch list.

## BREXIT AND TRADE EXCHANGE – A REVIEW OF LITERATURE

Leaving an integration grouping by a member country, frequently preceded by the renegotiation of the agreement, constitutes an uncommon and a relatively new phenomenon in the theory of international economic integration, although instances of countries leaving such groupings from different reasons can be found in the literature. In the 70's of the 20<sup>th</sup> century, Uganda left the East African Community (EAC), finding its trade position unfavorable in relation to Kenya which had a dominant influence in the region. Other instances might be Mauritania's leaving the ECOWAS (Economic Community of West African States), or Georgia's leaving the Commonwealth of Independent States. What might constitute a reason for leaving a grouping is the strongest country's economic policy which leads to impoverishing its partner<sup>2</sup>.

As far as the regional integration initiatives are concerned, what appears to be a frequent problem is the asymmetric division of benefits among all the participants, occurring especially in a group of countries diversified in terms of their economic growth. Problems and dilemmas arise concerning the integration of markets, which is particularly visible when it comes to the international trade, and characteristic mainly of those economies which are similar to one another and uncompetitive,<sup>3</sup> however leaving a grouping might also result from the willingness to change the current terms and conditions. The original signatories of the European Free Trade Association (Austria, Denmark, Portugal, Sweden, United Kingdom) and Finland left the group and joined the then European Communities. In the history of the European Union so far, some countries have not acceded to the European Union (Faroe Islands, Norway and Switzerland), however it was only Greenland, the only area with a very large autonomy, having the status of a Danish overseas territory, which, for fear of the future of its fishing industry, as a result of a referendum, left the European structures after three years of negotiations. Until 2016, no state decided to leave the grouping.

In the theory of economic integration, as a result of the creation of a new grouping, its expanding by accepting new members and the ongoing process of reinforcing the relations between them, special attention is paid to the elimination of discrimination and barriers that might restrict trade<sup>4</sup>. According to Machlup,

<sup>2</sup> D.A. Irvin, K.H. O'Rourke, *Coping with Shocks and Shifts: The Multilateral Trading System in Historical Perspective*, [In:] R.C. Feenstra, A.M. Taylor (eds), *Globalization in an Age of Crisis. Multilateral Economic Cooperation in the Twenty-First Century*, Chicago 2014, p. 14

<sup>3</sup> N. Mugarura, The „EU Brexit“ implication on single banking license and other aspects of financial markets regulation in the UK, *International Journal of Law and Management*, vol. 58, no. 4, p. 473.

<sup>4</sup> R. Baldwin, Sequencing regionalism: theory, European practice and lessons for Asia, *CEPR Discussion*

economic integration is the result of either expanding or reducing trade, and its scope is similar to the theory of international trade.<sup>5</sup> In this respect, the economic integration is sometimes treated in a broader sense, taking into consideration not only trade, but also the economic relations occurring in the spheres of production and technology<sup>6</sup>.

The economic integration is also treated as a long-term process of merging economies, which causes mutual adaptation of the structures of the countries forming an integration group and interaction between the elements constituting it, emphasizing its dynamics, too. Membership in an integration group is frequently associated with strengthening the competitiveness of the economy, becoming more open and winning new markets. As far as weaker economies are concerned, what particularly contributes to their stabilization and strengthening their credibility is the process of integrating with the economically developed countries, which might also affect the acceleration of the economic growth and the improvement of living conditions in the country.

Disintegration is, in turn, a process of the opposite direction in relation to the aforementioned one. As soon as it appears, it means: distraction, dispersion, dissolution of a certain whole, the loss of uniformity, fragmentation, but also loosening, a rupture in the system within its structure, surfaces or space. The condition for disintegration to occur is being preceded by the process of integration, which means merging and uniting. It is also possible for both processes to complement each other<sup>7</sup>. The reasons for disintegration constitute a consequence of the turbulent environment characterized by the dynamic ongoing globalization process and the pace of changes taking place<sup>8</sup>. In economic terms, what constitutes the reflection of disintegration is the fluctuation and the lack of balance of the EU economy resulting from the 2008+ financial crisis and the consequent deep recession in the eurozone, aggravating inequalities among the Member States, large development disparities and increasing discrepancies affecting the effectiveness of the EU's decisions<sup>9</sup>. The deteriorating condition of some of the

*Paper* 2014, no 7852, p.2; B. Balassa, *The Theory of Economic Integration*, London, 1973, p. 1-2; Czarczyńska A., Śledziwska K., *Teoria europejskiej integracji gospodarczej*, 2. wyd. poprawione i uaktualnione, Warszawa 2007, p. 4; W. Goode, *Dictionary of Trade Policy Terms*, Cambridge 2003, s. 302; A.M. El-Agraa, *The European Union. Economics and Policies*, 8th edition, New York, p. 1; F. Ilzkovitz, A. Dierx, V. Kovacs, N. Sousa, *Steps Towards a Deeper Economic Integration: The Internal Market in the 21st Century*, *European Economy, Economic Papers* 2007, no. 271 (January), p. 18 and 90; M.N. Jovanović, *The Economics of International Integration*, second edition, Cheltenham (UK), Northampton (MA, US), second edition, p. 7; Pelkmans J., *European Integration: Methods and Economic Analysis*, Essex 2001, p. 2.

<sup>5</sup> F. Machlup, *Integracja gospodarcza – narodziny i rozwój idei*, Warszawa, p.372.

<sup>6</sup> J. Misala, *Globalizacja i regionalizacja międzynarodowego życia gospodarczego w świetle teorii wymiany międzynarodowej*, [w:] Skurczyński M. (red.), *Globalizacja w gospodarce światowej*, Sopot 2002, p. 155; E., Czarny, *Regionalne ugrupowania integracyjne w gospodarce światowej*, Warszawa 2013, p. 16.

<sup>7</sup> A. Eppler, L.H. Anders, T. Tuntschew, *Europe's political, social, and economic (dis-)integration: Revisiting the Elephant in times of crises*, "*Political Science Series*", *Working Paper* 2016, no. 143 (October), p. 5; B. Pera, *Brexit a wymiana handlowa Unii Europejskiej i Wielkiej Brytanii*, *Horyzonty Polityki*, 2017, no 8 (22), p. 73, DOI: 10.17399/HP.2017.082204

<sup>8</sup> E. Polak, *Integracja i dezintegracja ...* p. 8

<sup>9</sup> H. Scheller, A. Eppler, *European Disintegration – non-existing Phenomenon or a Blind Spot of European Integration Research ? Preliminary Thoughts for a Research Agenda*, *Institute for European Integration Research*,

economies of the European Union Member States has hampered the progressive process, triggered the effects of inversion and spill back. According to some researchers, the “eastern enlargement” of the European Union, which changed the balance of power in the grouping and placed new challenges for the existing Member States. The disproportionate distribution of benefits also influenced the re-assessment of the position of staying in or leaving the European Union in the case of Great Britain<sup>10</sup>.

The ongoing integration and disintegration processes affect trade both within the grouping, as well as with third countries. The accession of Great Britain to the European Union (then the European Economic Community), constituting a customs union at the beginning of the 1970s, meant the necessity of introducing changes in terms of market access conditions and the adoption of common commercial policy of the grouping, including the instruments relating to third countries. Enlarging the customs union to more countries and the growth of the economic area have created opportunities to reduce trade diversion and the increase of the internal division of labor. Deepening the integration process led to strengthening relationships among the countries forming the grouping. Bearing in mind the opposite process, which is a relatively mild form of disintegration in this case, leaving the group by a member state is an unprecedented action taken by the European Union concerning the functioning of the common market. Its effects will influence both the form and the relations within the group itself, as well as the state leaving it. The common market, constituting an advanced form of economic integration, implies the complexity of the process and indicates how to determine the necessary conditions to reduce disturbances within the group after the United Kingdom's leaving. As far as trade is concerned, the negotiation period also means intensifying measures that will enable the European Union to maintain (without GB) the possibly best position on the global market. The process of integration and disintegration within the grouping may lead to changes in the geographic structure of trade, and its effects are often measured with the use of the same indicators, which enable to gauge the spill over and spill back effects in a dimension wider than trade only<sup>11</sup>. After Brexit, the changes concerning trade will refer to both the countries remaining in the grouping, as well as those from outside the EU. Taking into account the historical links between Great Britain and the developing countries within the Commonwealth of Nations (until 1949, the British Commonwealth), trade relations between Great Britain and the European Union with selected developing countries will be presented below.

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*Universitaet Wien, Working Paper*, 2014, no. 02, p. 6; M. Goetz, *Integracja krajów byłej Jugosławii (Bośni i Hercegowiny, Serbii i Czarnogóry, Macedonii, Chorwacji, Słowenii) z gospodarką światową*, [In:] K. Żukrowska (Ed.), *Procesy integracyjne i dezintegracyjne w gospodarce światowej*, Warszawa 2007, p. 197.

<sup>10</sup> N. Mugarura, The „EU Brexit” implication on single banking license and other aspects of financial markets regulation in the UK, *International Journal of Law and Management*, 2016, vol. 58, issue 4, p. 472; P. De Grauwe, What future for the EU after Brexit?, *Intereconomics*, 2016, no. 5, p. 249-251.

<sup>11</sup> A. Eppler, L.H. Anders, T. Tuntschew, Europe's political, social, and economic (dis-)integration..., p. 11-14; E. Polak, *Integracja i dezintegracja...*, p. 46-48.

## THE ROLE OF DEVELOPING COUNTRIES IN THE TRADE OF THE EUROPEAN UNION AND GREAT BRITAIN

The trade between the European Union and Great Britain is dominated by links with economically developed countries. However, the developing countries are becoming increasingly important trading partners in the global market. It is forecasted that in 10-15 years, around 90% of global demand will be shaped outside Europe<sup>12</sup>. This variegated group includes countries with diversified export structure fully competing with the developed economies in terms of trade in goods and services, as well as countries with low level of economic development, with limited trade opportunities. The progressive liberalization of trade and the inclusion of this group of countries into the global trade system offer both opportunities and threats to them – on one hand, it brings about the chances to accelerate the economic development, on the other, it might hinder their development<sup>13</sup>.

The study of the significance of developing countries in the trade of the European Union and the United Kingdom was conducted for two separate entities: the European Union 27 (without GB) and Great Britain. At the outset, it should be mentioned that the latter constitutes the second, after Germany, most important trading partner in the exports and imports of the European Union Member States in total<sup>14</sup>.

As far as the European Union (excluding GB) and the United Kingdom are concerned, relations with economically developed countries prevail in trade. Taking into account the relations of developing countries with both entities after Brexit, the analysis included those countries whose share in trade accounted for at least 0.1% of total exports or imports. In the case of the European Union, the condition was met by 47 countries being the recipients of its goods and two more whose share in the import to the grouping exceeded 0.1%. Similar results were obtained for exports from Great Britain – 49 countries. In contrast, in the examined group there were 39 countries which are the suppliers of goods with a share of at least 0.1% of Great Britain's total imports.

<sup>12</sup> European Commission, *Trade for all. Towards a more responsible trade and investment policy*, Luxembourg 2014, p.7.

<sup>13</sup> A. Głodowska, *Handel zagraniczny a rozwój gospodarki w świetle teorii – perspektywa krajów rozwijających się*, [In:] B. Pera, S. Wydymus (red.), *Kraje rozwijające się w globalnej wymianie handlowej*, Warszawa 2016, p. 30-37

<sup>14</sup> Eurostat, [http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ext\\_lt\\_intratrd&lang=en](http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ext_lt_intratrd&lang=en), [01.12.2017].

Table 1. The geographical structure of trade between the European Union and the United Kingdom with developing countries in 2016, by geographic regions.

EXPORTS					
The European Union 27 (excluding GB)			Great Britain		
Regions	Share in export (%)	The most important partner in the region	Regions	Share in export (%)	The most important partner in the region
East Asia	7.0	China	East Asia	11.3	China
West Asia	4.2	Turkey	West Asia	7.1	The United Arab Emirates
South Asia	1.1	India	South Asia	1.5	India
Northern Africa	1.6	Morocco	Northern Africa	1.0	Egypt
Southern Africa	0.5	South Africa	Southern Africa	0.7	South Africa
East Africa	-	-	East Africa	0.2	Kenya
West Africa	0.3	Nigeria	West Africa	0.5	Nigeria
The Caribbean	-	-	The Caribbean	0.1	Cayman Islands
Mexico and Central America	0.7	Mexico	Mexico and Central America	0.4	Mexico
South America	1.2	Brazil	South America	1.0	Brazil
The Commonwealth of Independent States and Georgia	2.1	Russia	The Commonwealth of Independent States and Georgia	1.1	Russia
South-Eastern Europe	0.5	Serbia	South-Eastern Europe	0.2	Macedonia
Total	19.2		Total	26.3	
IMPORTS					
The European Union 27 (excluding GB)			Great Britain		
Regions	Share in export (%)	The most important partner in the region	Regions	Share in export (%)	The most important partner in the region
East Asia	13.5	China	East Asia	14.7	China
West Asia	2.8	Turkey	West Asia	2.9	Turkey
South Asia	1.6	India	South Asia	2.5	India
Northern Africa	1.2	Algeria	Northern Africa	0.4	Algeria
Southern Africa	0.5	South Africa	Southern Africa	1.6	South Africa
East Africa	-	-	East Africa	0.1	Kenya
West Africa	0.4	Nigeria	West Africa	0.3	Nigeria
The Caribbean	-	-	The Caribbean	-	-
Mexico and Central America	0.5	Mexico	Mexico and Central America	0.4	Mexico
South America	1.4	Brazil	South America	0.9	Brazil
The Commonwealth of Independent States and Georgia	3.6	Russia	The Commonwealth of Independent States and Georgia	1.0	Russia

South-Eastern Europe	0.4	Serbia	South-Eastern Europe	-	-
Total	25.9		Total	24.8	

Source: Trade Map ICT, <https://www.trademap.org/Index.aspx>, [access: November 2017].

The analysis conducted for the year 2016 indicates a stronger link between Great Britain's exports and the developing countries as compared to the European Union's (excluding GB). In the case of imports, the situation is reversed, however, the difference in favor of the European Union is much lower in relation to the share recorded for exports. Great Britain's connections, mainly in sales to the markets of East and West Asia, are much stronger than those of the European Union (excluding GB). The differences in the share of other regions achieved by the examined entities were much smaller and due to historical connections - Northern Africa, South America and Central America with Mexico, but also the geographical distance – candidate countries for EU membership (South-Eastern Europe), the Commonwealth of Independent States along with Georgia were more favorable for the European Union (Table 1).

As far as the exports to developing countries are concerned, the most important trading partners of the European Union (excluding GB) and the United Kingdom differed in some distinguished regions (West Asia, Northern Africa, East Africa, the Caribbean and South-Eastern Europe). Neither East Africa nor the Caribbean reached the adopted level of 0.1% of the total EU exports, whereas both regions were represented in the United Kingdom's exports. When it comes to the supplies to the markets of the East Asian countries, in both cases China proved to be predominant, while in the case of imports, the same countries turned out to be the most important trading partners for both the EU and Great Britain. The only exception constituted the region of South-East Europe, playing a marginal role in the supplies to the United Kingdom, as well as the Caribbean in terms of both examined entities (Table 1).

Table 1 presents only the most important trading partner for a given region, whereas the other countries involved in trade relations with the European Union and Great Britain are included below, distinguished in terms of the size share in foreign trade.

Table 2. The European Union (excluding GB) and Great Britain's developing countries trade partners in 2016.

Exports		
Share	The European Union (excluding GB)	Great Britain
1.00%-5.00%	China, Russia, Turkey,	Saudi Arabia, China, Hongkong, India, South Korea, Singapore, Turkey, The United Arab Emirates,
0.60% – 0.99%	Saudi Arabia, Brazil, Hongkong, India, South Korea, Mexico, Singapore, The United Arab Emirates	Brazil, Qatar, South Africa, Russia,

0.20%-0.59%	Algeria, Argentina, Chile, Egypt, Indonesia, Iran, Israel, Qatar, Malaysia, Morocco, Nigeria, South Africa, Serbia, Thailand, Taiwan, Tunisia, Ukraine, Vietnam,	Egypt, Ghana, Indonesia, Israel, Kuwait, Malaysia, Macedonia, Morocco, Mexico, Nigeria, Oman, Pakistan, Thailand, Taiwan, Vietnam,
0.10%	Albania, Angola, Bangladesh, Belarus, Bosnia and Herzegovina, The Philippines, Iraq, Jordan, Kazakhstan, Colombia, Kuwait, Lebanon, Libya, Macedonia, Oman, Pakistan, Peru, Togo, Côte d'Ivoire,	Algeria, Angola, Argentina, Azerbaijan, Bahrain, Bangladesh, Chile, Ethiopia, The Philippines, Iraq, Jordan, Cayman Islands, Kazakhstan, Kenya, Colombia, Lebanon, Libya, Peru, Sri Lanka, Ukraine, Tunisia,
Imports		
Share	The European Union (excluding GB)	Great Britain
above 5.00%	China,	China,
1.00%-5.00%	South Korea, Russia, Turkey,	Hongkong, India, South Africa, Turkey,
0.60% – 0.99%	Brazil, India, Taiwan, Vietnam,	Bangladesh, South Korea, Russia, Thailand, Taiwan, Vietnam,
0.20%-0.59%	Algeria, Saudi Arabia, Argentina, Azerbaijan, Bangladesh, Chile, Egypt, The Philippines, Hongkong, Indonesia, Iraq, Israel, Kazakhstan, Malaysia, Morocco, Mexico, Nigeria, South Africa, Serbia, Singapore, Thailand, Tunisia, Ukraine, The United Arab Emirates,	Saudi Arabia, Brazil, Indonesia, Israel, Cambodia, Qatar, Malaysia, Mexico, Nigeria, Pakistan, Singapore, The United Arab Emirates,
0.10%	Angola, Belarus, Bosnia and Herzegovina, Ecuador, Ghana, Iran, Cambodia, Qatar, Colombia, Costa Rica, Kuwait, Libya, Macedonia, Pakistan, Peru, Sri Lanka, Côte d'Ivoire,	Algeria, Angola, Argentina, Chile, Egypt, the Philippines, Kazakhstan, Kenya, Colombia, Kuwait, Libya, Morocco, Peru, Sri Lanka, Ukraine, Côte d'Ivoire,

Source: Self study based on data from Trade Map ICT, <https://www.trademap.org/In-dex.aspx>, [access: November 2017].

The United Kingdom had more connections with the developing countries whose share exceeded 1% of total exports compared to the European Union (excluding GB). With the exception of Mexico on the part of the EU, and South Africa and Qatar, being important recipients of British goods, the same countries were recorded in the group as far as both examined entities are concerned. The next two groups included countries that did not play a significant role in the exports of the European Union and Great Britain, both of them turned out to be the most numerous ones, nevertheless. In the case of both entities, China proved to be the dominant importer. The only important supplier common for both the EU and GB was Turkey. Similarly to the case of exports, the largest group of suppliers in imports constituted countries whose exports did not exceed 0.6% of total imports of Great Britain and the European Union (excluding GB). The category of imports also includes a much larger group of countries that are suppliers of goods to the European Union market (excluding GB) than in the case of Great Britain (Table 2).

While analyzing the directions of export and import of both examined entities, what can be observed is more significant trade links between Great Britain and the countries in the Far East and the Middle East, whereas African countries appear less important in this case, with the exception of South Africa. As far as the

surveyed group of countries is concerned, the trade exchange of the European Union (excluding GB) focused more on Russia, the Commonwealth of Independent States, as well as the countries in North Africa and South America. Also, the European Union proves to be more oriented toward trade with the countries of the Western Balkans than it appears in the case of Great Britain.

## THE INFLUENCE OF BREXIT ON THE EUROPEAN UNION'S TRADE RELATIONS WITH THE DEVELOPING COUNTRIES – AN EVALUATION ATTEMPT

Although negotiations concerning the conditions for UK's leaving the European Union started in 2017, it can already be concluded that Brexit will be associated with the emergence of threats to the trade exchange of the grouping. As far as the size of the market is concerned, the European Union, will still be a much more significant player compared to the United Kingdom, even after Great Britain's leaving, nevertheless, Brexit may affect the prolongation of trade agreements negotiations with trade partners and it may delay their opening. Great Britain's leaving the European Union might also influence trade with countries and territories where the United Kingdom constitutes a strategic or leading trading partner. Further in the paper, an attempt was made to indicate countries and territories whose trade is the most dependent on the relations with the United Kingdom. The study also took into account the pace of changes in trade exchange in the years 2012-2016.

Table 3. The importance of Great Britain in the EU exports and imports from / to the developing countries.

Exports			Imports		
Country	GB's share in the EU's exports	The pace of exports changes in 2012-2016 (in %)	Country	GB's share in the EU's imports	The pace of imports changes in 2012-2016 (in %)
Montserrat	87.5	49	Saint Lucia	76.0	-13
The Falkland Islands (Malvinas)	76.5	1	Brunei Darussalam	63.5	-18
Saint Helena	75.0	3	Tonga	49.0	73
Cocos (Keeling) Islands	64.7	1	Belize	48.9	-8
Brunei Darussalam	41.8	-42	Niue	46.3	59
Grenada	39.5	7	Micronesia	45.4	-15
Nauru	36.3	8	Fiji	45.0	-15
Guiana	34.5	-1	Samoa	39.3	51
Barbados	33.2	-1	Kyrgyzstan	38.0	231
Dominica	33.2	7	South Africa	37.2	2
Saint Lucia	31.9	3	Hongkong, (China)	37.1	13
Saint Vincent and the Grenadines	31.7	-1	Gambia	28.5	0

Turks and Caicos Islands	29.0	8	Qatar	28.2	-19
Belize	28.9	0	Kenya	27.2	-4
Papua New Guinea	28.0	-13	Sri Lanka	27.0	-5
Anguilla	27.8	18	Swaziland	26.9	13
British Indian Ocean Territory	26.5	no data	Seychelles	26.3	-1
Trinidad and Tobago	26.4	0	The Northern Mariana Islands	25.5	-4
Bahrain	25.7	3	Kuwait	23.5	-24
Azerbaijan	25.4	-11	Nepal	23.4	6
Qatar	24.7	8	Saint Helena	22.9	-8
Ghana	24.0	-4	Palestine	22.0	14
Hongkong	23.3	-3	Rwanda	21.7	32
Lesotho	20.5	0	Mauritius	21.1	-13
Kenya	20.2	-9	Cocos Islands	19.9	-33

Source: Trade Map, <https://www.trademap.org/Index.aspx>, [access: November 2017].

Table 3 presents the 25 countries and territories that prove to be most strongly linked to the United Kingdom, whose export from or import to Great Britain accounted for about 20% of the value of goods purchased on the European Union market. The share of all these countries accounted for about 3.5% of British exports and nearly the same value as far as UK's imports are concerned. Out of the distinguished group, the share reached at least 0.1% of British exports in the case of only six countries (Azerbaijan, Bahrain, Ghana, Hong Kong, Qatar and Kenya). When it comes to import, however, five countries were recorded: Hong Kong, Qatar, Kenya, Kuwait and South Africa, classified as important trading partners in the group of developing countries. The exports originating in Great Britain accounted for over 85% to nearly 20% of the goods delivered from the European Union. Montserrat, being one of the dependencies of the British Crown, proves to be most strongly associated with British exports. In terms of import, the indicators of countries supplying the largest amounts of goods to Great Britain, in comparison to the European Union, achieved slightly lower values. Despite of their being dependent on the trade exchange with Great Britain, in the case of nine countries (Brunei Darussalam, Guiana, Barbados, Saint Vincent and the Grenadines, Papua New Guinea, Azerbaijan, Ghana, Hong Kong and Kenya), a drop in British exports volume to them was recorded in the years 2012-2016. In the same period, imports from 14 countries included in the aforementioned group (Saint Lucia, Brunei Darussalam, Mauritius, Micronesia, Fiji, Qatar, Kuwait, Belize, Kenya, Sri Lanka, Seychelles, the Northern Mariana Islands, Saint Helena and the Cocos Islands) decreased, in turn (Table 3).

What will be compared with the trading conditions is distinguishing the European Union's (without the UK) and Great Britain's most important trade partners in the group of developing countries, as well as those most strongly associated with the United Kingdom. Thus, an attempt will be made to identify possible ef-

fects as far as the conditions for access to the markets of developing economies after Brexit are concerned.

Table 4. The regulation of the European Union's relations with developing countries in the context of Brexit (as of December 2017)

The form of regulation	Developing countries*
Bilateral preferences	
Customs Union (GATT Art. XXIV)	Turkey
Free trade area (GATT Art. XXIV)	Algeria, Egypt, Fiji (ACP, CN), Ghana (ACP, CN), Israel, Jordan, Kenya (ACP, CN), Lebanon, Morocco, Mauritius (ACP, CN), Palestine, South Africa (ACP, CN), Papua New Guinea (ACP, WN), Rwanda (ACP, CN), Seychelles (ACP, CN), Tunisia, Côte d'Ivoire (ACP), Overseas countries and territories: Anguilla, the Falkland Islands/Malvinas, Cayman Islands, Montserrat, Cocos Islands, Saint Helena, the Turks and Caicos Islands, British Indian Ocean Territory (all United Kingdom's dependencies)
Free trade area and the economic integration agreement (GATS Art. XXIV I art. V)	Bosnia and Herzegovina, Chile, Ecuador, Colombia, South Korea, Macedonia, Mexico, Peru, Serbia, Ukraine, z CARIFORUM: Barbados (ACP, CN), Belize (ACP, CN), Dominica (ACP, CN), Grenada (ACP, CN), Guiana (ACP, CN), Saint Lucia (ACP, CN), Saint Vincent and the Grenadines (ACP, CN), Trinidad and Tobago (ACP, CN)
Unilateral preferences	
Generalized System of Preferences (GSP) basic level of preferences	Azerbaijan, China, Ghana (ACP, CN), India (CN), Indonesia, Kenya (ACP, CN), Kyrgyzstan, Colombia, Micronesia (ACP), Nauru (ACP, CN), Nigeria (ACP, CN), Niue (ACP), Peru, Swaziland (ACP, CN), Thailand, Tonga (ACP, CN), Vietnam, Côte d'Ivoire (ACP)
GSP+ System extended level of preferences	The Philippines, Pakistan (WN), Sri Lanka (WN)
EBA System level of preferences for the least developing countries (LDC)	Angola (ACP), Bangladesh (WN), Ethiopia (ACP), Cambodia, Lesotho (ACP, CN), Nepal, Rwanda (ACP, CN), Samoa (ACP, CN)
Non-preferential access to the market	
Agreements with WTO Member States	Saudi Arabia, Argentina, Bahrain, Brazil, Brunei Darussalam, Hongkong, Qatar, Kazakhstan, Kuwait, Malaysia, Oman, Russia, Singapore, Taiwan, The United Arab Emirates
Agreements with countries having the WTO observer status	Belarus, Iraq, Iran, Libya,

\* ACP – African, Caribbean and Pacific countries; CN – Commonwealth of Nations  
Rwanda (next to Mozambique) is one of two Commonwealth of Nations Member States which did not belong to the British Empire.

Source: Own study based on the data base of WTO RTA, <http://rtais.wto.org/UI/PublicSearchByMemberResult.aspx?MemberCode=918&lang=1&redirect=1>, [access: November 2017]; European Commission, Directorate-General for Trade database, <http://ec.europa.eu/trade/policy/countries-and-regions/>, [access: November 2017].

The analysis of trade regulations between the European Union and selected developing countries shows that the surveyed group had a considerable degree of regulated access to the EU market on privileged terms, based on the GSP principles, which guarantee unilateral preferences to the developing countries or according to mutually granted preferences under regional trade agreements, ensuring asymmetrical trade liberalization to the weaker trading partners. Through preferential trade agreements, the European Union has regulated relations with some developing countries that play an important role in its trade (Turkey and South Korea), although such solutions are used quite often and refer to about 70 trade partners. Through preferential trade agreements, the European Union has regulated relations with some developing countries, playing an important role in its trade (Turkey and South Korea), even though such solutions are used quite frequently and refer to about 70 trade partners. This form of regulating trade relations is also applied in relation to less economically developed countries and the less important for EU trade ones. On one hand, such an approach may constitute some kind of threat to EU trade exchange after Brexit, especially when it comes to the countries that are members of the Commonwealth at the same time; on the other hand, however, the economies of countries subjected to the system of unilateral preferences are sometimes unable to take more advanced forms of links with the European Union. Bearing in mind the position of the grouping on the global market, it would also be reasonable to resume trade negotiations with the Middle East countries (e.g. Saudi Arabia, the United Arab Emirates, Qatar), which, according to the analysis, are relatively more connected with the United Kingdom. In view of the negotiations on the United Kingdom leaving the European Union, it would also be worth considering to regulate the trade relations with China and grant each other bilateral preferences, the more so as the country leaving the grouping is recognized as one of the advocates of free trade with the Middle Kingdom<sup>15</sup>. So far, a bilateral investment agreement has been negotiated with China, which may contribute not only to strengthening cooperation, but also to facilitate implementing economic reforms in the Middle Kingdom. Without violating the principles of the “China – one policy” concept, the European Union is also planning to negotiate a similar agreement with Hong Kong and Taiwan, belonging to major trading partners in the East Asian region.<sup>16</sup> These last two territories are often seen as a gateway to cooperation with China. The regulation of trade relations between the European Union and China also becomes important due to the suspension of tariff preferences for this country resulting from the GSP system (along with Ecuador, Indonesia, Costa Rica, the Maldives, Nigeria, Thailand and Ukraine)<sup>17</sup>. The decisions resulted from the entry into force of re-

<sup>15</sup> P.J. Borkowski, Ł. Zamecki, *Relacje Unia Europejska – Chińska Republika Ludowa. Uwarunkowania wewnętrzne i międzynarodowe*, Warszawa 2011, p. 30-33.

<sup>16</sup> European Commission, *Trade for all. Towards a moreresponsible trade and investment policy*, Publications Office of the European Union, Luxembourg 2014, p. 31.

<sup>17</sup> Regulations. Commission delegated regulation (EU) No. 1421/2013 of 30.10.2013 amending Annexes I, II, and IV to Regulation (EU) No. 978/2012 of the European Parliament and of the Council applying a scheme of generalized tariff preferences, OJ EU z 31.12.2013, L355/1;

gional trade agreements, guaranteeing these countries access to the EU market on preferential terms on one hand, on the other, they constituted the effect of the World Bank's recognition, in the next three years preceding verification, as countries with at least medium-high income levels that are able to meet the challenges of trade on the global market without additional GSP support.

What might result from their membership in the Commonwealth is future deterioration of the conditions of market access of a large number of the studied countries, and strengthening their links with Great Britain, dating back to the times of the British Empire. In this context, the most important partners of the European Union are: India, Singapore, Malaysia, as well as Hong Kong, remaining outside the initiative, being a Special Administrative Region of China. Leaving the European Union, it is possible for the United Kingdom to enter negotiations concerning the terms of creating its own links with trading partners, in which respect there are proposals to conclude a multilateral agreement leading to the creation of a free trade zone of the Commonwealth countries. As it was proven in the analysis, the links between Great Britain and the developing countries from the latter group are not very significant, the development and strengthening of these relations by a regional trade agreement might lead to creating much stronger relations connecting the UK with the economically developed countries, nevertheless<sup>18</sup>.

What is often highlighted as far as the countries with GSP-covered exports to the European Union are concerned, is the relatively frequent occurrence of countries belonging to the African, Caribbean and Pacific Group (ACP), and to the Commonwealth of Nations (Table 4) among them. The trade relations of the European Union, especially with the ACP countries, including the least-developed countries (LDCs), have been developed for over forty years and have enabled the establishment of such initiatives as: Economic Partnership Agreements (EPA), Everything But Arms (EBA) and GSP +, among others. Thanks to the actions, measures for the economic development, regional integration processes, as well as participation in global supply chains of the aforementioned countries are promoted and supported. The developing countries belonging to both groups mentioned above are afraid of the effects of Brexit relating primarily to the possibility of reducing the purchasing power, weakening of the British pound resulting from the current condition of the UK and EU economies, the extent of support for the least developed economies and preferential regimes at the level of the access to the British market<sup>19</sup>.

An opportunity to improve the situation of the European Union on the global market, primarily in Asia, Africa and both Americas, may be the completion and entry into force of the negotiated preferential trade agreements. Currently, the European Commission is involved in negotiating agreements with around 30 trading partners.

<sup>18</sup> Commonwealth of Nations, London International Model United Nations, 17th Session, 2016, p.11-15, <http://limun.org.uk>, [access: 20.11.2017]; House of Commons Foreign Affairs Committee, *The role and future of the Commonwealth*, Fourth Report of Session 2012-13; London 2012, p. 39

<sup>19</sup> The Commonwealth, *Commonwealth. Trade Policy Briefing*, London November 2016, p. 7-9;

Table 5. Regional trade agreements of the European Union during negotiations (as of December 2017)

Type of agreement	A country/countries negotiating with the EU	The date for the opening of negotiations/ notifications
BTIA	India	28.06.2007
CEPA	Indonesia	18.07.2016
DCFTA	Morocco	22.04.2013
DCFTA	Tunisia	13.10.2015
EPA	Burundi, Kenya, Rwanda, Tanzania, Uganda forming the Eastern African Community (EAC)	16.10.2014
EPA	Benin, Burkina Faso, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Cape Verde, Senegal, Sierra Leone, Togo, Côte d'Ivoire forming the Economic Community of West Africa (ECOWAS), and the countries in bold also belong to the West African Economic and Monetary Union (WAEMU) and Mauritania, located in the West African region.	30.06.2014
FTA	Malaysia	5.10.2010
FTA	the Philippines	22.12.2015
FTA	Singapore	16.12.2012
FTA	Thailand	6.03.2013
FTA	Vietnam	1.06.2012
MAA FTA	Argentina, Brazil, forming MERCOSUR (South American Common Market). The agreements will also regulate the cooperation with the remaining countries, Paraguay and Uruguay.	May 2010

BTIA (Bilateral Trade and Investment Agreement), CEPA – Comprehensive Economic Partnership Agreement, FTA – Free Trade Agreement), DCFTA – Deep and Comprehensive Free Trade Agreement, MAA FTA – Mercosur Association Agreement, Free Trade Agreement

Source: Based on WTO RTA database, <http://rtais.wto.org/UI/PublicShowMemberRTAIDCard.aspx?rtaid=468>, [access: December 2017]; European Commission, Directorate-General for Trade database, <http://ec.europa.eu/trade/policy/countries-and-regions/countries/>, [access: December 2017]

The chances of improving the conditions of the European Union countries to access the markets of the developing countries may emerge as soon as the negotiated preferential trade agreements enter into force. These agreements relate to the countries of the South-East Asian region, mainly those forming ASEAN, in the case of Malaysia, Singapore (also being members of the Commonwealth of Nations) and Vietnam. In the case of the last two countries, the negotiations of agreements have already been concluded and they are the subject of further proceedings enabling their entry into force. In 2012, however, there was a stalemate in the negotiations with Malaysia and the political and economic relations with this country were regulated by the Partnership and Cooperation Agreement (PCA), which does not imply neither reducing nor eliminating trade barriers. As far as trade exchange with developing countries is concerned, both India and Bra-

zil constitute important partners for the European Union, and attempts are being made to regulate the relations on the terms of regional trade agreements. The European Union being more open to trade mainly with the developing countries results from the possibility of profiting from trade liberalization, as, according to the World Bank estimates, about 90% of next year's demand will come from outside the grouping. An opportunity to improve the European Union's position on the global market is also the enhancing cooperation and negotiating agreements on deep and comprehensive free trade areas with countries covered by the Neighborhood Policy (Morocco and Tunisia), as well as developing cooperation based on the conditions of mutual asymmetric elimination of trade barriers in the case of Africa, the Caribbean and the Pacific (Table 5).

What should be treated as a threat to the EU's trade exchange with the developing countries, taking into account the analyzed groups of trading partners, is the negotiations with the Gulf Cooperation Council (GCC) countries, which begun in 1990 and have been in a state of suspension since 2008.

The analysis, carried out in the paper, indicates that the European Union takes a number of measures aiming at strengthening the position of the grouping on the global market, which may bring favorable solutions weakening Great Britain's withdrawal from the grouping.

## SUMMARY

Brexit, treated as a phenomenon of disintegration, may trigger significant changes in the European Union economy, including those concerning the trade exchange of the grouping and its relations with developing countries. The negotiations on the United Kingdom's leaving the grouping, which began in 2017, do not allow for a precise quantification of impacts on trade with the examined group of countries.

The United Kingdom holds an important place in the trade of the European Union and its relationships with developing countries seem to be close, especially when it comes to exports to the countries of East and West Asia. What was revealed by the analysis is the fact that in the examined group of countries, there were also strong connections with Great Britain's former colonies, as well as its dependent territories. The European Union's relations after the United Kingdom's withdrawal differ in the intensity of trade links, although the main directions of exports and imports prove to be significantly similar. The analysis showed considerable diversification of countries in terms of their share in British exports and imports, as well as in the case of the European Union. The most numerous groups consisted of countries whose share did not exceed 0.6% of the export or import of the United Kingdom and the European Union (excluding GB). What has been recorded while analyzing the group of examined countries is the fact that there exist stronger links between Great Britain and its trading partners (eight countries) in terms of exports in comparison to the European Union (excluding GB) (three countries), whereas EU imports concerning small countries, supply-

ing goods to the single market, are characterized by greater dispersion. As far as trade with the studied group of developing countries is concerned, various forms of regulating the relationships were employed - regional trade agreements taking into account bilateral preferences, GSP (standardized, privileged and addressed to the Least Developed Countries) based on unilateral facilitation of access to the EU market, trade exchange according to the most-favored-nation (MFN) treatment and under the World Trade Organization rules.

The conducted research covers the issue of Brexit only in relation to business partners grouped according to their share in trade exchange and the regulation of commercial relations with them. Therefore, it appears to be well founded to continue the research and complement it by taking into account at least the changes in the goods structure.

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**Summary:** Developing countries are playing an increasingly important role in the trade of the European Union (EU) as well as the United Kingdom (UK). The decision of the UK regarding leaving the EU and the already opened negotiations may also affect the relations with selected developing countries. The aim of the paper is to present the existing relations of the European Union (hypothetically without Great Britain) and Great Britain with developing countries. A starting point for the research is a review of literature on the relationships between Brexit and trade exchange. In the empirical part, based on the collected statistical material and calculated basic foreign trade indicators, a trade analysis by regions and countries was performed. Further, countries were grouped according to their share in total exports and imports. The study of the potential impact of Brexit on the trade exchange of the EU with the developing countries has shown stronger links between the UK and the selected group of states in comparison to the grouping. The form of regulation of relations between the European Union and the developing countries taken into account in the study is characterized by considerable diversification, however, it is necessary to take further steps leading to strengthening the EU's position on the global market after the United Kingdom leaves the integration grouping.

**Keywords:** Brexit, trade exchange, foreign trade, the European Union, Great Britain, the United Kingdom, developing countries.

## RELACJE HANDLOWE UNII EUROPEJSKIEJ I WIELKIEJ BRYTANII Z WYBRANYMI KRAJAMI ROZWIJAJĄCYMI W KONTEKŚCIE BREXITU

**Streszczenie:** Kraje rozwijające się odgrywają coraz większą rolę w wymianie handlowej Unii Europejskiej, jak i Wielkiej Brytanii. Decyzja Zjednoczonego Królestwa w sprawie Brexitu i rozpoczęte już negocjacje mogą także wpływać na kształt relacji z tą grupą państw. Celem artykułu jest przedstawienie dotychczasowych relacji Unii Europejskiej (hipotetycznie bez Wielkiej Brytanii) i Wielkiej Brytanii z krajami rozwijającymi się. Punktem wyjścia do przeprowadzonych badań jest przegląd literatury dotyczącej związków pomiędzy Brexitem a wymianą handlową. W części empirycznej w oparciu zebrany materiał statystyczny i obliczone podstawowe wskaźniki handlu zagranicznego przeprowadzono analizę wymiany handlowej w ujęciu regionalnym dla obu badanych podmiotów, a następnie pogrupowano kraje wg ich udziału w eksporcie i imporcie ogółem. Badanie potencjalnego wpływu Brexitu na wymianę handlową Unii Europejskiej z krajami rozwijającymi się wykazało silniejsze powiązania Wielkiej Brytanii z badaną grupą państw w porównaniu do ugrupowania. Uwzględnione w badaniu formy uregulowania relacji Unii Europejskiej z krajami rozwijającymi się charakteryzują się znacznym zróżnicowaniem, jednak konieczne jest dalsze podejmowanie działań prowadzących do wzmocnienia pozycji na globalnym rynku po wyjściu Zjednoczonego

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Królestwa z ugrupowania.

**Słowa kluczowe:** Brexit, wymiana handlowa, Unia Europejska, Wielka Brytania, kraje rozwijające się