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IMPACT OF THE EUROPEAN UNION TRADE POLICY ON INTERNATIONAL TRADE

The article identified the development stages of the common European Union trade policy and its key trends. Intensification of its community character and continuous improvement of the corresponding instruments are highlighted. The evaluation of the EU trade policy impact on the international trade is provided.

Keywords: foreign trade; international trade; trade policy; trade partners; free trade zone.

JEL Classification: F100, F150, F290.

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ВПЛИВ ТОРГОВЕЛЬНОЇ ПОЛІТИКИ ЄВРОПЕЙСЬКОГО СОЮЗУ НА МІЖНАРОДНУ ТОРГІВЛЮ

У статті визначено етапи розвитку спільної торговельної політики Європейського Союзу, з'ясовано основні тенденції розвитку та посилення її комунітарного характеру і постійного удосконалення відповідного інструментарію. Оцінено вплив торговельної політики Євросоюзу на міжнародну торгівлю.

Ключові слова: зовнішня торгівля; міжнародна торгівля; торговельна політика; торговельні партнери; зона вільної торгівлі.

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ВЛИЯНИЕ ТОРГОВОЙ ПОЛИТИКИ ЕВРОПЕЙСКОГО СОЮЗА НА МЕЖДУНАРОДНУЮ ТОРГОВЛЮ

В статье определены этапы развития общей торговой политики Европейского Союза, выяснены основные тенденции развития и усиление ее коммунитарного характера и постоянного совершенствования соответствующего инструментария. Осуществлена оценка влияния торговой политики Евросоюза на международную торговлю.

Ключевые слова: внешняя торговля, международная торговля, торговая политика, торговые партнеры, зона свободной торговли.

Problem setting. Impact of the EU integration processes on international trade reveals that its common trade policy is both an important factor and a strengthening instrument of economic influence on the development of this process.

It is important to take into consideration that trade policy is a part of general economic strategy considering the development of integration groups, that's why it is widely used for the development of a common EU internal market, promoting positive structural changes in the member states.

Recent research and publications analysis. The nature of integration processes influence on the international trade was explored by Bilorus (2007; 2010), Borko & Butoryna (2001), Kopyka (2010), Pryhodko (2002), Filipenko (2002), Shnyrkov (2005) and other domestic and foreign scientists.

However, upto present a problem of common trade policy impact on international trade development is not being completely covered, which determines the topicality of this research issue and the need for its deeper study.

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The research objective is to determine the peculiarities of the EU foreign policy, its integrated community power growth and influence on international trade development.

Key research findings. International trade plays a particular role in the system of global economic relations and has a very significant value in the whole complex of economic relationships under its scope and functions. Through the distribution channels of foreign trade a large share of all world production passes annually. This share is growing continually under the influence of regional integration processes.

The EU reached the highest degree of economic interaction – a common internal market of the partner countries has been formed. The Union supports international trade liberalization and compliance with their joint rules. It was the EU who always brought the contribution into the successful conclusion of the multilateral negotiations at the framework of General Agreement on Tariffs and Trade (GATT) rounds. As a result, the general level of tariffs both in the world and in the EU decreased significantly.

Foreign trade plays a very important role in the EU economies which has two-three times higher share than in the US and Japan. The main volume of the EU foreign trade is intra one (around 2/3 of its aggregate turnover), but trade with other countries is more than 10% of its GDP.

The EU members refused to define independently their trade policies outside the Community. Other principle of the common EU foreign trade policy is the joint contribution into the strengthening of the countries and their enterprises competitiveness by eliminating mutual trade barriers.

The common trade policy is aimed at the development of previously formed trade unions, strengthening the competitiveness of European enterprises. According to the Treaty of Rome, the European Economic Community (EEC) pledged to take part in creation of the international trade relations system and the gradual elimination of international trade barriers in the world trade. The EU common customs tariff contains among 1000 goods positions. Import of goods is under the common tariff once at the EU external border.

Features of the EU common foreign trade policy include:

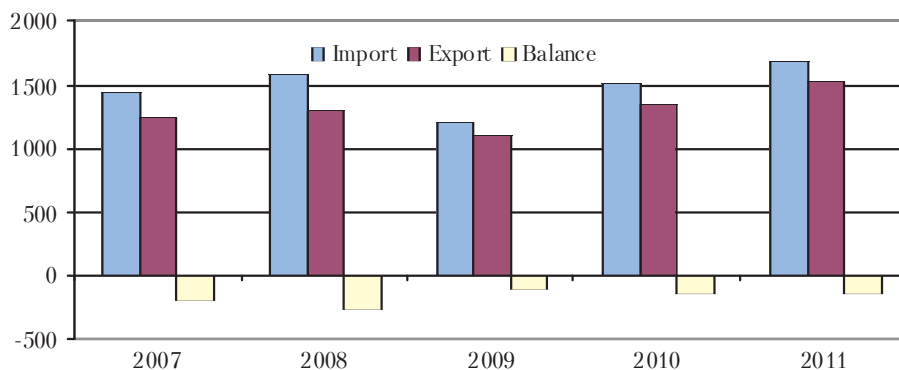
- no restrictions inside the EU. The first step in creation of the common internal market was previewed as the withdrawal of customs and quantitative restrictions on bilateral trade between the member countries which had become in charge of consistent harmonization of foreign trade policy activities including the assistance to third countries. The position of all member countries is accounted;
- the common foreign trade policy of member countries. As one of the largest market in the world, the EU is an attractive environment for providing international business in all its forms, first of all, for trade and investments;
- constant Union enlargement. The problem of common barriers and preferences existence becomes more actual and requires detailed analysis and consideration because of the EU continuing enlargement;
- peculiarities in the use of foreign trade policy measures and preferences for the group of countries. The EU formed different from the competitors scheme of interaction with major partners at the global market, depending on a certain case a set of measures for regulating foreign trade relations specified to each partner (Liventsev, 2006: 145–151; Pryhodko, 2002: 84; Balabanov et al., 2007: 5–6).

The common trade policy is an important part of mechanism for effective development of the EU and its impact on international trade development. Creation of the customs union by the EU member states, common market, internal market, economic union, all result in the formation and development of a unified trade policy towards third countries that has become an active instrument of positive structural changes in the EU economy, social development, implementation of the main objectives of the Community. It is an addition to a common market, as it provides opportunities to ensure stable conditions for movement of goods at domestic markets.

For European countries, aiming to join the EU, the transformation of sovereignty in trade policy is not a problem. The problem is time of transition from the object of common trade policy to the participant of its formulation and implementation. For some European and non-European countries the problematic question can be arisen – to what competing groups their external economic sovereignty must be integrated?

The EU has 27 member countries, less than 10% of the world population, over 20% of the world trade, including intra share – 40%. The member countries take leading places among the major exporters and importers throughout the world. Five European countries: Germany, France, United Kingdom, Netherlands and Italy are the top ten leading world trade countries, but half of the EU member countries are among 30 major countries in the world trade ranking (source: Australian Government).

The main trade partners of the EU are Western Europe, North America and Asia countries. The EU trade balance with the world in 2007–2011 is shown in Figure 1, with Asian leading integration groups such as Association of Southeast Asian Nations (ASEAN) and Asia-Pacific Economic Cooperation (APEC) – on Figures 2 and 3, respectively.

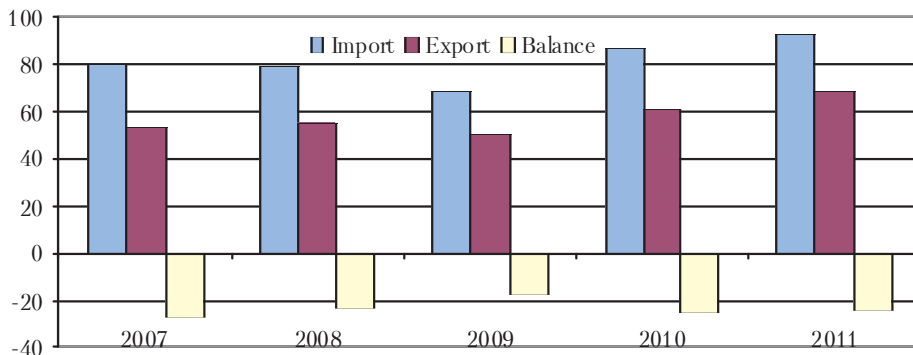


Source: The EU bilateral trade and trade with the world.

Figure 1. The EU trade balance with the world, bln EUR

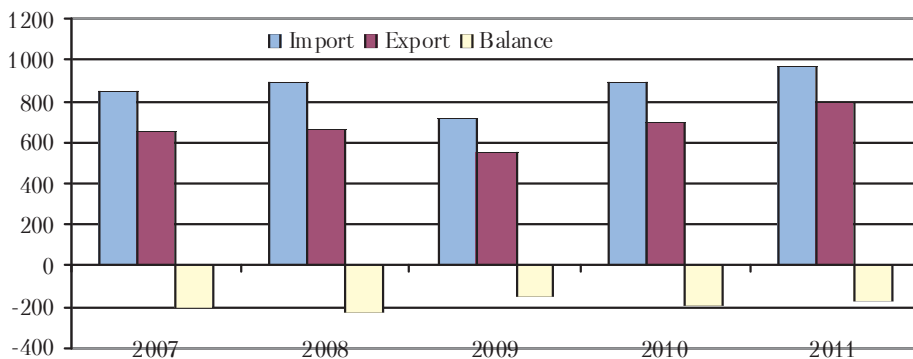
According to O. Shnyrkov (2005), the EU member countries concentrate their trade turnover on the trade with developed countries (90%). Less volume belongs to the trade with developing countries (Africa, Latin America) that can be explained by the existing gap in technological structures for groups of countries, changes in supply and demand at the global and regional markets. The EU is objectively interested in

focusing on markets of the countries that have a corresponding demand on finished products of technological structures with certain development in the EU.



Source: The EU bilateral trade and trade with the world.

Figure 2. The EU trade balance with ASEAN, bln EUR



Source: The EU bilateral trade and trade with the world.

Figure 3. The EU trade balance with APEC, bln EUR

The world trade with the EU increased 44.4 times over 1960–2000, from 100.6 to 4404.2 bln USD. The largest rate of annual growth of foreign trade in the EEC was in 1970–1980 (19.8%) and in 1960–1970 (10.3%).

The EU enlargement is associated with the purpose to increase domestic and foreign markets and to adopt positions in the world trade in general. On the other hand, the EU increased the qualitative characteristics of its own position in the world trade: EU foreign trade per capita in 1960–2000 increased 35.1 times, but in the world the average quantity augmented only 24.6 times. The EU import covering by export ratio was in 1960 – 91.9%, 1970 – 93%, 1980 – 89.2%, 1990 – 96.6%, 2000 – 91.2%, 2010 – 89.4% (Shnyrkov, 2005; Eurostat Statistical Book, 1958–2010).

The EU member countries policy in international trade follows two main principles constantly:

- liberalization of trade inside and outside the EU, the removal of barriers and restrictions in the world trade that allows allocating resources more efficiently, to provide economic growth of some countries. The elimination of restrictions at the

domestic market increases competition in getting consumers, expands mobility of production factors, which leads to its efficiency increase;

- the EU protects some areas and sectors of national economies at member countries against competition from the third countries producers, gradually adapting domestic producers to global competition (Bilan, 2009).

The EU trade has three main interrelated levels of implementation: common internal market policy; external trade policy; international trade policy.

The European Community has granted special trade preferences for African, Caribbean and Pacific Group of States (ACP), according to which industrial goods from these countries have free access to the EU markets – up to 99.5%. The EU offers ACP countries a strategy for economic cooperation based on the transformation of preferences into partnership, regional integration development as an important prerequisite for enhancing competitiveness in these countries producers at the EU markets, opening ACP countries markets for capitals and technologies. The main factor that explains export growth of ACP non-industrial products is the increase of the EU market (Копійка, 2010; Filipenko, 2002: 217; Shnyrkov, 2005: 18–24, 92–94; McQueen et al., 1997).

Preferential treatment in the EU trade with Central Europe countries and the creation of Free Trade Area (FTA) have become an important factor for adaptation of national producers and consumers to the specific conditions of the EU common internal market. The EU consent for Central Europe countries joining the group combined with free trade development became a decisive factor for the large inflow of foreign investments, which contributed to the restructuring of national economies and their interaction with the EU. In the early 1990s the intra-trade covered 10–15% of the Central European countries' total turnover with the EU, but in the early 2000s it went up to 60%. Increased attention to the CEE markets can be explained as having the potential due to approximation of capitalization rates to western markets and quite noticeable profit from investment into the main Central Europe countries.

The EU is the main trading partner for the neighboring countries, their relationships are skewed by the value of bilateral trade in character. Neighbors are more interested in access to the EU market than otherwise. The EU offers to all neighboring countries a perspective of getting a share in its internal market, further integration and liberalization, but under the following condition: progress in implementation of political, economic and institutional reforms. One of the benefits for the EU members from expanding to the East is to open a new market with less exigent consumers.

As the EU got an experience in access to common internal market earlier at the framework of the European Economic Area, so existing conditions and possible preferences to the EU neighboring countries do not differ fundamentally from the existing trade relations modes (Bilorus, 2007: 403; Bilorus and Gavruluk, 2010: 242; Shnyrkov, 2005: 94–96).

The Most Favored Nation Treatment is known as the main principle of the EU trade relations with the Commonwealth of Independent States (CIS), in which part of them is using the General system of preferences. The free trade regime is observed in association agreements with Mediterranean countries, and the EU now wants to complete FTA development in the region. The potential movement towards free trade is recorded in the partnership and cooperation agreements with the CIS countries.

The introduction of free trade area between the EU and Ukraine should be concentrated on the implementation of structural and institutional transformations in the economy, which will lead to positive changes in the structure of country's competitive advantages and foreign trade.

The concept of neighborhood is wide enough and contains various trade modes and integration forms, but free trade is the most adequate form of integration for economic sense of neighborhood determination. The main economic form of neighborhood for the EU trade relationship is creation, development and expansion of free trade between the EU and neighbors, and among neighboring countries themselves. An important feature of the EU trade policy towards neighbors is more than development of simple forms of integration with them to the level of free trade; it includes the creation of the same types of integration between neighbors. The EU supports free trade agreements between neighboring countries.

Neighborhood strategy defines the changes in the EU trade policy principles. The first principle and feature is conditioned expand market access to the EU neighbors as real progress in internal reforms of political, democratic, economic and other spheres. The peculiarity of the second principle is the consistency of appropriate changes and the movement from simple to complex reforms within the integration with the EU that means a gradual transition from asymmetric trade regimes of preferential trade to mutual balanced trade conditions in case of relevant assumptions. Implementation of the third principle provides a differentiated approach to each country. The fourth principle establishes the legal basis for larger trade and economic integration with the EU, offering neighboring countries reformation of their legal systems to the Union level (Borko & Butoryna, 2001: 341; Shnyrkov, 2005: 98–101; Bourdet et al., 2007).

Launching the formation of inter-regional free trade areas, the EU has become one of the major centers of the world trade with various concentrated in regional groups countries and world trade in general. Trade attraction of other countries to the EU is proportional to the value of common internal market and its openness.

At the European market 20% belongs to the export from Latin America. The EU is the second key trading partner for Latin America after the United States. For Brazil, Chile, Panama and Peru the Union is the main foreign market.

The EU policy in Latin America has significant changes – it can be characterized as diversifying relations at the subregional level with Central America, Mexico, Cuba, the countries of the Andean Community and MERCOSUR. Such approach allows using investments efficiently, expanding foreign economic relations, having a constructive political dialogue on the urgent problems in the mentioned subregion.

The EU trade relations with developed countries are based on the principles of GATT/WTO. Concerning the developing countries, the policy of preferences is provided. As for the CIS countries, the WTO principles are in action (Borko and Butoryna, 2001: 347, 355).

The EU is one of the leading economically developed trading blocks in the world economy, which largely determines the growth rate, changes in the geographical and merchandise structure of the global trade in general.

Conclusions. The EU common trade policy has passed several stages of development with characteristic features such as gradual expansion of trade policy,

strengthening its community character, continuous improvement of appropriate instruments.

The EU takes fully into account the intensive development of modern international trade features, for example, the growing role and importance of regional trade blocks in determination of global and inter-regional trade rules. Because of trade policy some members and the EU as a whole improve their position within the global economy. The EU experience shows that the optimal model for the transfer and implementation of economic sovereignty in foreign trade by certain countries at the supranational level is found.

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