

# The Importance of the European Union in International Trade

Jitaru Loredana

*"Alexandru Ioan Cuza" University of Iași,  
Doctoral School of Economics and Business Administration,  
[jitaru\\_loredana10@yahoo.com](mailto:jitaru_loredana10@yahoo.com)*

## Abstract

*In this article we aim to highlight the importance of the European Union in international trade. In this sense the work is divided into two parts. In the first part, we intend to highlight the role of the EU in trade negotiations taking place worldwide. In the second part we will analyze the evolution of EU trade flows during the period 2002-2017. In this paper, we will analyze the trade in goods of the EU-28.*

*To achieve this goal, we used as a method of research, analysis documents. The data collection was done by analyzing several documents, such as: specialized articles, European Commission communications, EU technical datasheets, the Global Competitiveness Index.*

**Key words:** EU, international trade, commercial policy

**J.E.L. classification:** F10, F13

## 1. Introduction

The EU is one of the most representative global economic actors. This is highlighted by the fact that in 2016, EU-28 GDP represented more than 21% of world GDP. The EU is also a strategic pillar of the world economy, "that has a potential comparable to that of the United States, gaining leadership in certain sectors of the economy, such as: world production, exports of goods, exports and imports of services and is the world leader in delivering development aid"(Mucha et al., 2010, p.161).

Another strength that turns it into a major global actor is the share of EU-28 trade in world trade. Thus, in 2016, in terms of import, the EU had a share of 14.8% of world imports in 2016 compared to the US of 17.6% and China by 12.4%, and in terms of exports, the EU share was 15.6% of total world exports, compared with the US share of 11.8% and China's 17%.)

Given the benefits of trade (stimulating economic growth and implicitly improving living standards, spreading innovation, providing access to high technology, contributing to economic and political stability, stimulating competition and competitiveness among the world's states), in the following sections we will analyze the role of the EU in international trade negotiations and the evolution of EU-28 trade in goods between 2002 and 2017.

## 2. The role of the EU in trade negotiations

As we have outlined above, the EU is an important player in international trade. This is because the EU acted globally as one voice; this being more important than having acted with 28 separate business strategies and tools. According to Meunier (2007, p. 907), "the EU's unique negotiating position is determined by a number of factors, such as: preferences of the Member States, institutional rules and the basic structure of EU power".

In addition, "The EU aims as an objective in the field of international trade, ensuring free and fair trade and a trade system in which all countries will trade on equal grounds and in the absence of protectionist barriers"(Institutul European din România, 2005, p.6). The EU believes that the introduction of protectionist barriers would lead to high import costs and this would result in higher prices for goods and services, implicitly reducing the standard of living of its citizens. In this sense,

The European Union adopts a trade policy that supports sustainable development and promotes EU values.

The EU also played an important role in setting up the World Trade Organization (WTO) and has a key role to play in trade negotiations taking place within the WTO. This role can be highlighted by the fact that "the EU has greatly contributed to the inclusion of countries such as Cambodia, Saudi Arabia and Vietnam within the WTO"(Meunier, 2007, p.912). The EU has always pleaded for a free, fair, sustainable trade that respects the win-win strategy.

It is important to note that "the EU introduced the Generalized System of Preferences (GSP) in 1971, being the first economic entity to apply such a system"(Comisia Europeană, 2016, p.13).

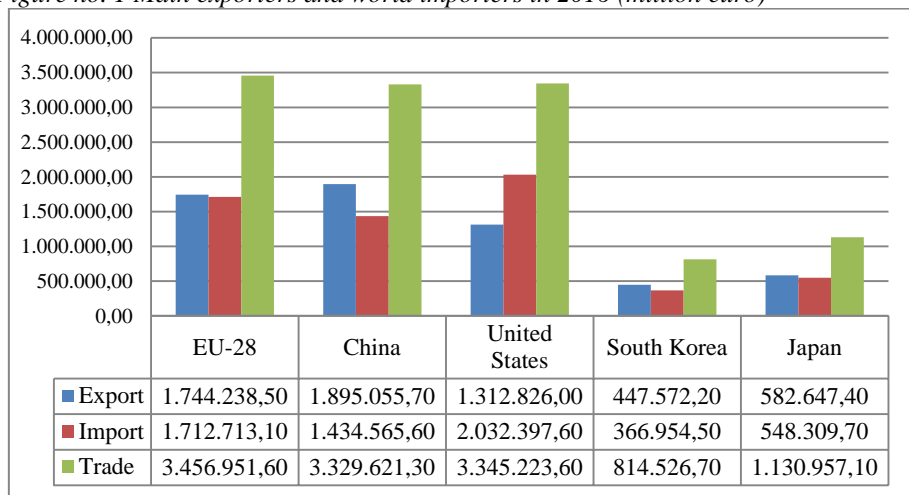
In the light of the above, we conclude that the European Union is a strategic actor in the world economy, which is essential for fair and sustainable international trade. In this context, we think that in the next section we shall analyze the evolution of EU-28 trade between 2002 and 2017.

### 3. Evolution of EU-28 commodity trade between 2002 and 2017

Trade plays an increasingly important role in the European Union's economy, contributing to its proper functioning. Given the "difficult economic situation in the past and present, it is an important means for achieving both economic development and creating jobs without affecting public finances" (European Commission, 2013, p.1). According to European Commissioner for Trade Cecilia Malmström, "31 million jobs in the EU (1 in 7 jobs) depend on export"(European Commission, 2016). In this context, "The EU is adopting a new trade policy based on a competitive economy in an open world trading system, based on multilateral rules complemented by principles developed in bilateral and regional agreements"(Wröbel, 2013, p.11).

In terms of trade, in 2016 the value of EU trade represented 15.5% of the world trade value. We can see in the chart below that in 2016 the EU was the leader in international goods trade, with a value of EUR 3456951.6 million, followed by the US (EUR 3345223.6 million) and China (EUR 3329621.3 million).

Figure no. 1 Main exporters and world importers in 2016 (million euro)

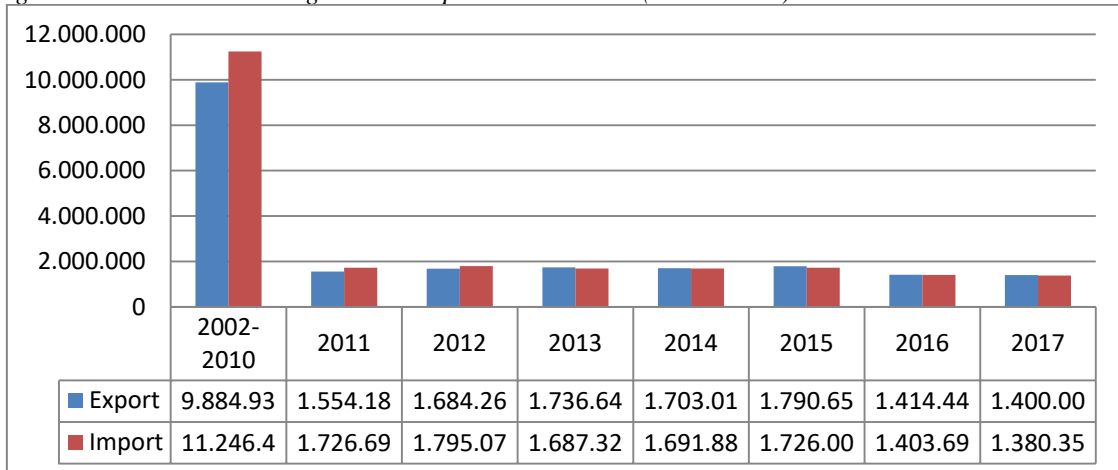


Source: made by author based on data from Eurostat

Considering the two components of international trade, the EU ranks second in both world imports and world exports. In terms of exports, in 2016 it held a 15.6% share, being overtaken by China, which had a 17% share, followed by the US with a share of 11.8%.

In terms of world imports of goods, the EU ranked 2 in the world after the US, accounting for a share in 2016 of 14.8% (€1,712,713 million) of total global imports, followed by China (12.4%) and Japan (4.7%). "EU performance is due to the upgrading of product quality, combined with the ability of EU companies to sell premium products due to quality, branding and related services"(Fojtkova, 2010, p. 34).

Figure no. 2 EU-28 trade in goods in the period 2002-2017 (million euro)



Source: made by author based on data from Eurostat

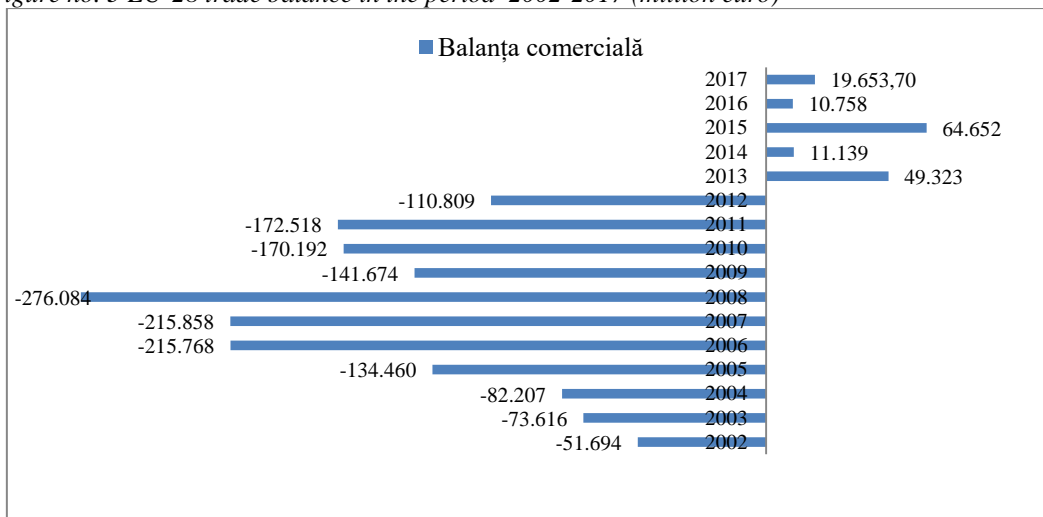
Note: 2017-first nine months

Following the analysis of statistical data, we can see that the EU's global trade relations have seen both downs and ups, reaching a record high of €3,516.6 billion in 2015. The year 2016 is characterized by both a decline in exports (exports declined by 21%) and imports (imports declined by 18.67%). Thus, we can see that in 2016 the value of trade of the EU-28 reached EUR 2.780 billion.

In addition, from the analysis of the statistical data highlighted in the chart below, we can see that the trade deficit has widened since 2005, reaching its peak in 2008, with a value of €276.084 million. This coincides with the accession of the countries of Central and Eastern Europe to the EU in 2004 and 2007. According to the statistical data provided by EUROSTAT in 2008, only two countries (Malta and Estonia) recorded a surplus balance of the 12 countries that joined the EU in 2004 and 2007.

Since 2013, the EU is registering a trade surplus, reaching a peak of 64,652 million euros in 2015, and in 2016 declining to 10,758 million euros.

Figure no. 3 EU-28 trade balance in the period 2002-2017 (million euro)



Source: made by author based on data from Eurostat

Note: 2017-first nine months

Trade balance is also determined by the structure of trade. The main products exported by the EU-28 in 2015 were the manufactured products - transport machinery and equipment - 752.629 million euros, other manufactured goods - 403.436 million euros, chemicals - 314.974 million euros. Regarding import, the main imported products were: transport machinery and equipment -

534.585 million euro, other manufactured goods- 451.077 million euro, fuel - 328.359 million euro. In 2015, the EU had the highest surplus on machinery and transport equipment - 218.044 million euros, and the highest deficit in fuel, amounting to -243.166 million, decreasing by 28.68% compared to 2008.

If we consider trade in partner countries, we can see that their position has changed during the analyzed period. Therefore, the position of the main EU-28 export partners has evolved considerably. If in 2002 the main EU export partners were the US, Switzerland, Japan, China and Russia, their position changed in 2016: US, China, Switzerland and Russia.. In 2016, the US retains its leadership position with a share of 20.8% of total EU exports, followed by China and Switzerland. Japan ranks 5th with a share of 3.3% of total exports. In terms of import, the main partners' position has evolved as follows: China is the main source of EU-28 imports since 2005, ahead of the US. In 2016 Chinese imports recorded a 20.21% share, followed by the US, Switzerland and Russia with a share of 14.6%, 7.1% and 6, 9%.

Following the analysis, we can say that the European Union is a trading power because:

- in 2016 it carried out 15.6% of world trade;
- in 2016 it was the second exporter with a share of 15,6% of the total exports and the second importer having a weight of 14,8% of the total imports;
- it has a population of over 500 million inhabitants who are looking for affordable quality products;
- encourages developing countries to use trade to stimulate economic growth and improve the standard of living (European Commission, 2016, p.15);
- in 2012 the EU had 135 Fortune 500 companies, more than the US (132 companies), China (75 companies) and Japan (European Commission, 2012, p.2);
- if we consider the global competitiveness index, 5 of the top 10 countries are EU-28 members- the Netherlands is on the 4th place, Germany on the 5th, Sweden on the 7th, UK on the 8th, Finland on the 10th (World Economic Forum, 2017);

Taking into account the above, we can say that the EU is one of the world's leading players in world trade in goods and the world economy, and it has its mark on all trade.

#### 4. Conclusions

The EU is an important player in international trade, which has contributed, contributed and contributed to the smooth development of world trade.

Following the analysis of the statistical data provided by Eurostat, we can see that the EU's trade balance was deficient until 2012 and from 2013 onwards it has become surplus, reaching €64.652 million in 2015. Although the year 2016 was characterized by a decrease in the value of international trade, the EU managed to maintain its leading position in international trade, with a trade value of 2 818 billion EUR and a surplus of 10.758 million EUR. Also, we can see that in the analyzed period (2002-2016), the US is net importer compared to the EU, which has been net exporter since 2013.

As regards trade policy, the EU adopts a policy that fosters fair, sustainable and fair trade. In addition, the EU supports and urges developing countries to use trade to attain economic growth and, implicitly, to raise living standards.

Considering all the above, we can conclude that the European Union is the largest trading power that has an impact not only on developed countries but also on developing countries.

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