

# The Evolution of Trading with Agri-food Products in European Union

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## Abstract

*The following paper addresses: the evolution of trade in agricultural and food products in the European Union between 2002-2017, highlighting both, the most competitive and also the least developed countries in this area. The European Union is the world's leading actor in the field of trade, being a great economic, commercial and political power. The benefits this fact generates for each country member of the European Union are multiple: it provides citizens with better quality of life, offers them a wide range of products, gives countries opportunities for growth, for a bigger and fairer marketplace, where customs duties were eliminated in trading between members and merged for goods imported from third countries. Because of this position, the European Union has a decisive role in the negotiations made inside the World Trade Organization.*

**Key words:** trade, export, import, commercial balance of trade

**J.E.L. classification:** Q17

## 1. Introduction

The European Union, as an economic entity, is the world's leading trading actor for the following reasons: (European Institute of Romania, 2005)

- is the world's largest exporter, with a proportion of approximately 20.0%;
- is the world's largest exporter of services, with a proportion of about 25.0%;
- is the largest source of incoming foreign direct investment and also their second destination;
- represents the largest market for exports from around 130 countries, which also supports their development;
- represents a fairly open economy, accounting for more than 14.0% of the international trade in the Gross Domestic Product (higher than the Gross Domestic Product of the U.S.A. and Japan).

The current European agricultural model is based on a competitive, market-oriented field that aims to protect the environment. The food and agriculture industries are vital economic fields in today's world because they provide food which, indifferently of their nature, vegetable, animal or mixed, are indispensable to people.

The paper analyzes the evolution of the export, import and trade balance in the 28 Member States of the European Union between 2002-2017, the importance of the subject being crucial, considering the role of the trade in the economy. It will also highlight Romania's position within the European Union.

## 2. Theoretical background

Trading is the activity of purchasing raw materials or just products to resell them at the same physical stage, but under conditions that are convenient to consumers. (Patriche et al., 1999)

If commerce was initially made by exchanging a product with another product, it later decomposed into two operations: sale and purchase, with the switch to the use of the coin. From this moment real trade began.

This has been a continuous development, as society is constantly evolving, as also are consumer's habits, replacing traditional foods with products that are increasing in nutritional performance due to the assortment explosion. Also, an important impetus in the development of trade has also been the development of the means of communication that have led to the emergence of virtual trade, the agriculture that has continuously specialized better and better and the continuous improvement of the trade and transport routes.

At present, nobody can say that a particular country can develop under normal conditions without external economic relations, and that one of the most important problems of human society is to satisfy as much as possible the consumption needs of people in a context characterized by resource constraints and compliance with environmental protection requirements. (Antoci, 2015)

Trade itself plays a big part in development. The European market absorbs a significant part of the exports of the developing countries and is determined to further help these countries through initiatives such as "Everything But Arms" which aims to fully liberalized the market towards the least developed countries. (European Institute of Romania, 2005)

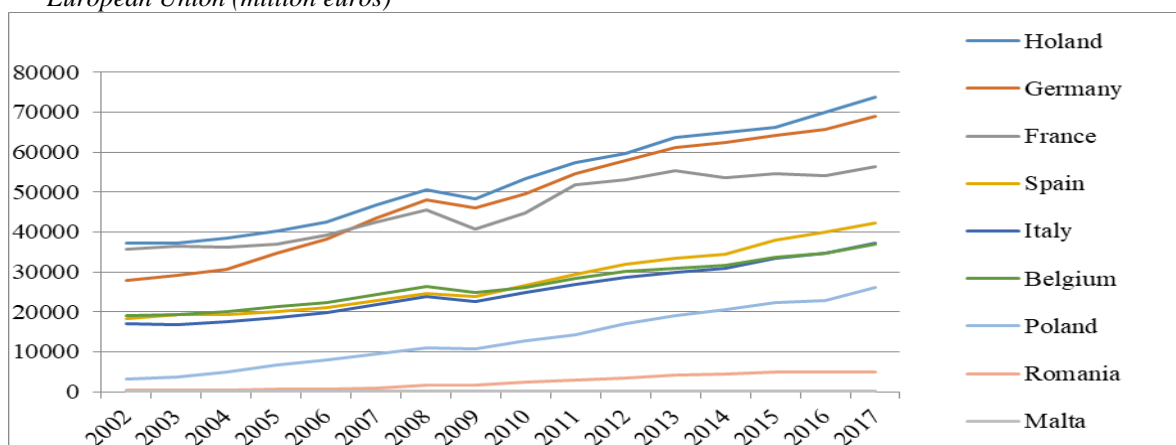
### 3. The evolution of trading with agri-food products in European Union

The exports of agri-food products, beverages and tobacco from the States Members of the European Union reached 466.2 billion euros in 2017, after an annual growth with 5.7% and by 2.2 times more than in 2002, placing the European Union first in the exporters of agri-food products, beverages and tobacco worldwide, with a trade surplus of 13.2 billion euros.

The diversification of exports has been the key concept in achieving this performance. In addition to finding new markets, the relationships with existing partners have become even more productive. The ranking of major global exporters of agri-food products, beverages and tobacco have remained unchanged in 2017, after the European Union replaced the United States of America in the top of the list in 2013. (European Commission, 2016)

The European Union exports to all five major current partners: the United States of America, China, Switzerland, Russia and Japan have grown. The Commission has also made progress recently on the multiple bilateral trade negotiations, thus continuing to open up new markets for agri-food products in the European Union. Since September 2017, the Comprehensive Economic and Trade Agreement (CETA) with Canada has been provisionally applied. In December 2017, the European Union and Japan reached an agreement, currently under ratification, on an economic partnership agreement with multiple benefits for the European agri-food sector. A Principal Agreement with Mexico on the modernization of the current trade agreement was also made in April 2018. (European Commission, 2018)

Figure no. 1. Main developments in exports of agri-food products, beverages and tobacco to the European Union (million euros)



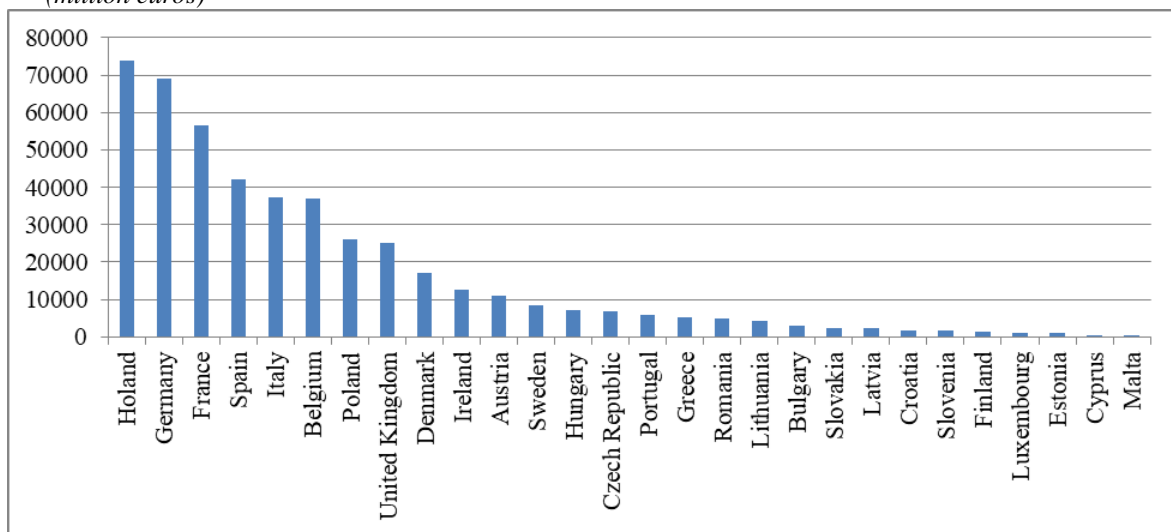
Source: European Commission, Eurostat database, 2018

At the moment, the main exporting countries of the European Union are: the Netherlands with a value of 73789.7 million euros representing 15.8% of total exports of agri-food products, beverages and tobacco from the State Members of the European Union, Germany with 14.8%, France with 12.1%, Spain with 9.1%, Italy with 8.0%, Belgium with 7.9%, Poland with 5.6%, United Kingdom with 5.4%, Denmark with 3.7% and Ireland with 2.7%.

It is worth noticing that Holland has been the main exporting country of the European Union throughout the whole analyzed period.

Countries with the lowest values of exports of agri-food products, beverages and tobacco from the State Members of the European Union are: Finland with 1534.5 million euros, Luxembourg with 1138.6 million euros, Estonia with 1107.7 million euros, Cyprus with 368.1 million euros and Malta with 241.1 million euros, representing less than 1.0% of the total.

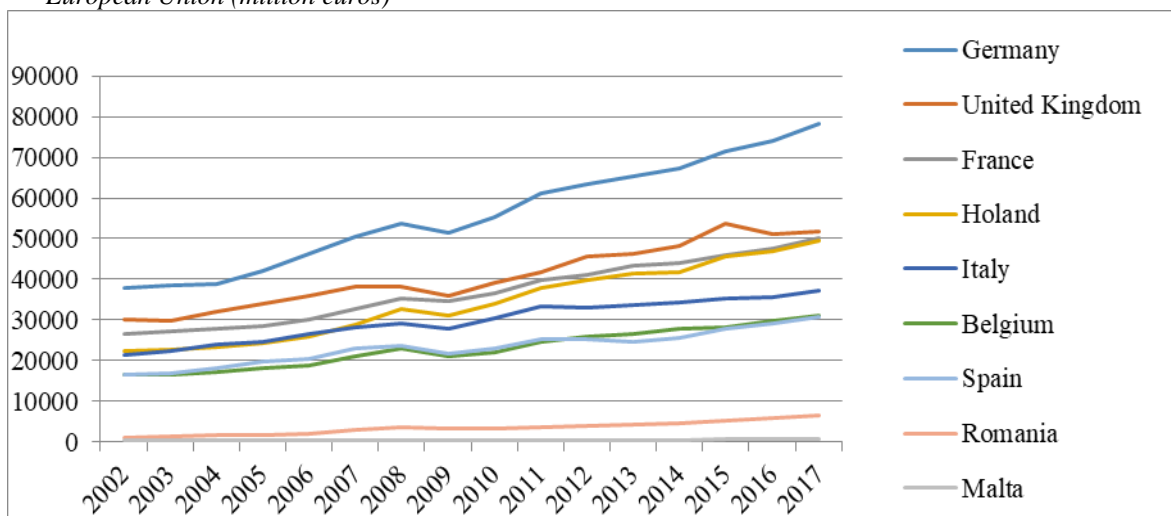
Figure no. 2. Exports of agri-food products, beverages and tobacco to the European Union in 2017 (million euros)



Source: European Commission, Eurostat database, 2018

Romania was ranked 17th in 2017 in this ranking with a value of exports of agri-food products, beverages and tobacco from the State Members of the European Union of 4929.8 million euros, representing 1.1% of the total.

Figure no. 3. Main developments in imports of agri-food products, beverages and tobacco in the European Union (million euros)



Source: European Commission, Eurostat database, 2018

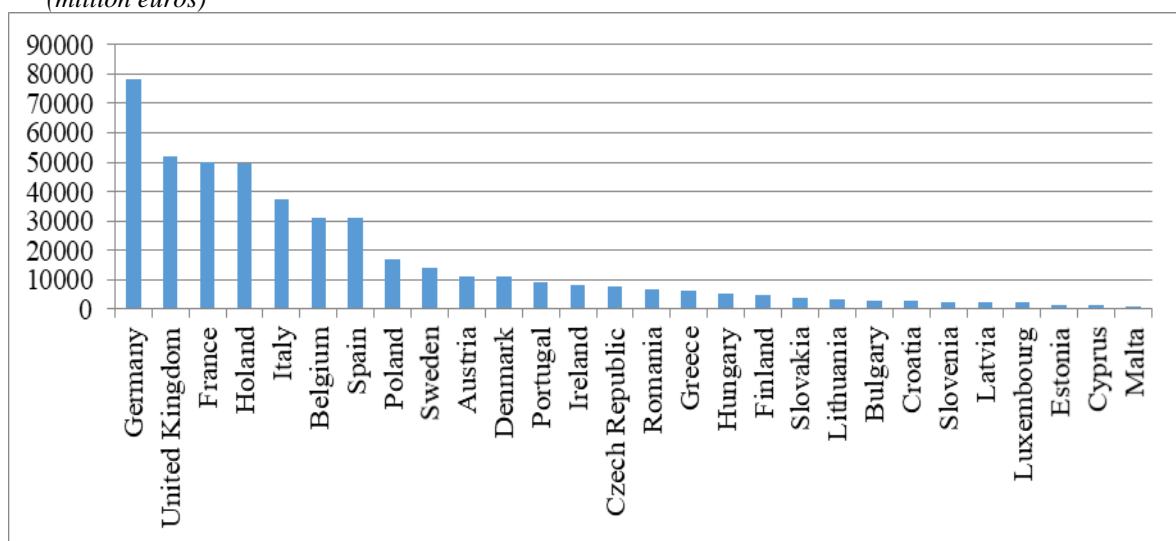
On the other hand, imports of agri-food products, beverages and tobacco from the State Members of the European Union accumulated 453.0 billion euros in 2017, after an annual growth with 5.2% and by 2.1 times compared to 2002. The most important sources for imports of agri-food products, beverages and tobacco from the State Members of the European Union were: Brazil, the United States of America, Norway, Argentine and China.

In the recent years, the European Union has been able to diversify its supply sources, with the share of the two main countries of origin, Brazil and the United States of America, those decreasing in the favor of other suppliers. The European Union is essentially supplying with three main types of products from non-EU countries: products which are not or are only manufactured to an extent in the member countries because of natural conditions, products that are mainly used for feed animals and products that are used as ingredients in further processing. (European Commission, 2018)

The main countries importing agri-food products, beverages and tobacco in the State Members of the European Union in 2017 are: Germany with a value of 78100.8 million euros, representing 17.2% of the total, the United Kingdom 11.5%, France 11.1%, the Netherlands 10.9%, Italy 8.2%, Belgium 6.9%, Spain 6.8%, Poland 3.7%, Sweden 3.1% and Austria 2.5%. Throughout the years of the review, Germany has always been at the forefront of the hierarchy.

Countries with the lowest values of imports of agri-food products, beverages and tobacco in the European Union State Members are: Latvia with 2448.2 million euros, Luxembourg with 2208.5 million euros, Estonia with 1435.6 million euros, Cyprus with 1086.2 million euros and Malta with 677.8 million euros, representing about 1.7% of the total.

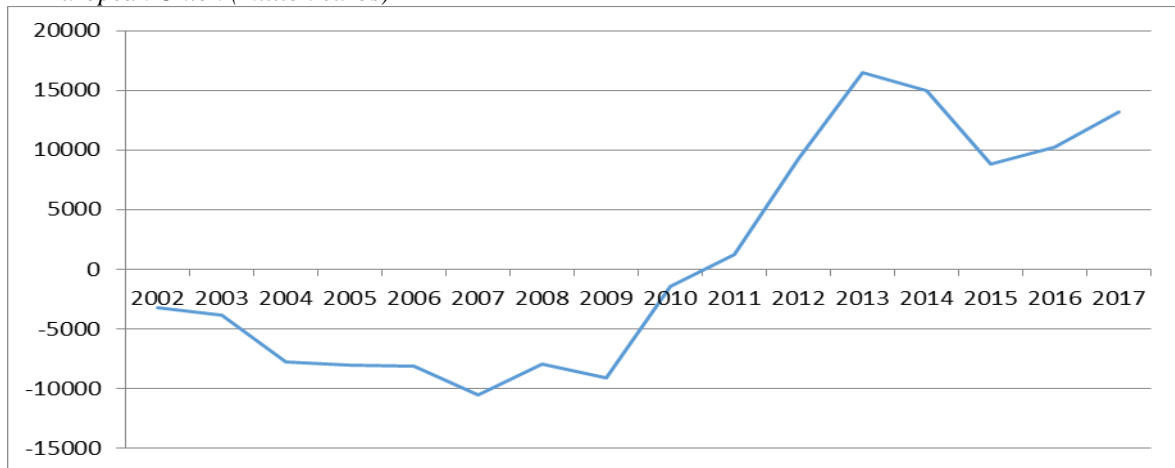
Figure no. 4. Imports of agri-food products, beverages and tobacco into the European Union in 2017 (million euros)



Source: European Commission, Eurostat database, 2018

Romania ranked 15th in 2017 in this ranking with an import value of 6595.9 million euros, representing 1.5% of the total imports of agri-food products, beverages and tobacco in the State Members of the European Union. It is worth mentioning that Romania has positioned itself in the same area of the ranking when it comes to exports, while Estonia, Cyprus and Malta have been in the last three places.

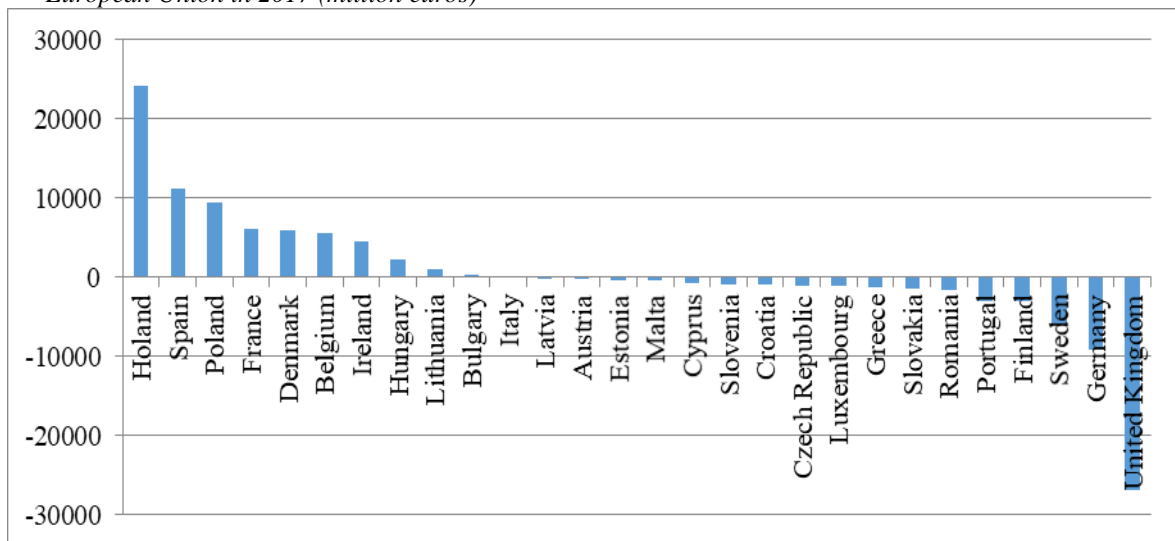
Figure no. 5. The evolution of the trade balance for agricultural products, beverages and tobacco in the European Union (million euros)



Source: European Commission, Eurostat database, 2018

The trade balance of the agri-food products, beverages and tobacco in the State Members of the European Union fluctuated during the analyzed period from -3250.9 million euros in 2002 to 13191.1 million euros in 2017. It shows a surplus in trading starting with year of 2011.

Figure no. 6. The evolution of the trade balance for agri-food products, beverages and tobacco in the European Union in 2017 (million euros)



Source: European Commission, Eurostat database, 2018

Countries with a surplus in trade that involved the selling of agri-food products, beverages and tobacco in the European Union in 2017 are: the Netherlands 24203.8 million euros, Spain 11277.5 million euros, Poland 9400.4 million euros, France 6169.2 million euros, Denmark 5903.8 million euros, Belgium 5675.3 million euros, Ireland 4628.5 million euros, Hungary 2273.7 million euros, Lithuania 1024.3 million euros and Bulgaria 372.9 million euros.

The largest trade deficits for agri-food products, beverages and tobacco were registered in 2017 by: Portugal 3045.4 million euros, Finland 3055.2 million euros, Sweden 5836.3 million euros, Germany 9165.4 million euros and United Kingdom 26777.1 million euros. It should be noted that although Germany and the United Kingdom are among the most important countries of the European Union in both importing and also exporting, they are also registering the largest trade deficits for agri-food products, beverages and tobacco.

#### 4. Conclusions

This paper aimed to analyze the exports and imports of agri-food products, beverages and tobacco in the European Union State Members, which had an upward trend during the period of 2002-2017, except for the year of 2009 when they recorded a slight decrease with 5.8%, respectively with 5.3% compared to the previous year. Trade balance has had a commercial surplus from 2011 and up to today, with 2017 being at 13191.1 million euros.

Agriculture is now a vital sector for the European Union, which actually is not developed and capitalized to the full capacity of some State Members. For example, if we compare yields in Romanian agriculture with those in the nordic countries, we will notice the existence of very large gaps.

The existence of larger and more liberalized markets also means an increase in competition between companies and also between countries. Having a place for countries with different levels of development in this competitive process can lead to deepening gaps between developed and developing countries, or even deepening underdevelopment. The European Union also acts to provide developing countries with the opportunity to participate as widely as possible in international exchanges and also to assist them when they are in difficulties. (European Institute of Romania, 2005)

In my opinion, countries should focus on organic farming and the capitalization of national culinary traditions and legacies.

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