

E.U. ADVANCEMENT WITHIN THE WORLD TRADE: AN OVERVIEW OF THE LAST YEARS

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Abstract: *The expansion of global trade gained considerable force in the last decade, force that generated many transformations and changes. These transformations represent stronger improvements than expected, when compared with the preceding years, even if the trade growth remained below the average rate recorded in the '90s. Some of the improvements are supposed to be consequences of free trade areas expansion. In this sense the present paper aims to observe if the free trade agreements increased the members' international trade and how much a stronger union perform comparing to a weaker one. It analyses the effects of total trade made by the members of the main five free trade agreements: EU, NAFTA, ASEAN, MERCOSUR, and ANDEAN PACT, between 2000 and 2010. In order to analyse the effects of the total trade made by the members of these unions, the authors used data collected from the WTO International Trade Statistics published in 2009 and 2011. For each one of the five unions was built a distinct chart which illustrates the variation of exports and imports during the analysed period of time, as well as the trends of these operations over these years. Comparing all these charts they concluded that EU trade significantly increased as more countries joined the group, in contrast to the other groups which maintained their level along the time. Moreover they have noted a gap between the exports and imports performed by EU and the ones performed by the other unions. EU commercial exchanges were by far superior to the ones of the other areas and, in the same time, the EU trade fluctuations are broader than the ones of the other areas. Perhaps in the next period of time the commercial exchanges of UE and NAFTA will enhance with these areas whose potential has not been fully harnessed. On the other hand, creating a large common market the EU - NAFTA will most certainly constitute a guarantee for global economic stability and sustained economic growth.*

Keywords: openness to trade; free trade agreements; expansion of global trade; EU enlargement; EU advancement;

JEL classification: F1

Introduction

The benefits of the free trade have been observed and argued for the first time by Adam Smith in the paper *The Wealth of Nations*, and by David Ricardo in *The Theory of Comparative Advantage*. Ever since, the vast majority of economists have accepted that free trade among nations improves overall economic welfare.

Along time the free trade agreements have proved to be one of the best ways to open up foreign markets to the exporters. The reduction of trade barriers and the creation of a more stable and transparent trading and investment environment make it easier and cheaper for companies to export their products and services to trading partner markets. As a result, the expansion of global trade gained considerable force lately, force that generated many transformations and changes. These transformations and changes represent stronger improvements than expected, when compared with the preceding years, although trade growth remained below the average rate recorded in the '90s.

Therefore the authors bent on remaking to observe if the free trade agreements increased the members' international trade and how much a stronger union performed comparing to a weaker one. In this respect they analyzed the effects of total trade made by the members of the main five free trade agreements: EU, NAFTA, ASEAN, MERCOSUR, ANDEAN PACT, for a period of eleven years between 2000 and 2010.

1. Methodology

In order to analyse the effects of total trade made by the members of EU, NAFTA, ASEAN, MERCOSUR, and ANDEAN PACT, have been used data collected from the WTO International Trade Statistics published in 2009 and 2011.

The total exports and total imports of every union were selected for each year separately, to be used for various comparisons.

Table 1: Trade in goods under the trade agreements of selected regions 2000-2010

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
EU (EU-15, EU-25, EU-27)											
Total exports	2316260	2319485	2465660	2926460	3728965	4026185	4543785	5347055	5922905	4595455	5156605
Total imports	2404840	2361815	2462350	2946525	3807395	4165680	4760045	5613560	6301625	4748535	5368030
NAFTA											
Total exports	1224920	1147505	1106179	1162906	1319617	1475764	1664105	1840714	2035178	1602322	1964481
Total imports	1683550	1579510	1600816	1723110	2007871	2283357	2540553	2700837	2906801	2176718	2681889
ASEAN											
Total exports	432027	387618	407395	474777	568926	655965	769767	865443	989894	814025	1052146
Total imports	380674	347141	366802	411810	513764	603050	688449	775799	939344	727071	953082
MERCOSUR											
Total exports	84591	87816	88824	106098	135811	163990	190131	223763	278366	217239	281307
Total imports	89866	84203	62342	69111	95090	113910	139540	182838	257942	186310	266655
ANDEAN											
Total exports	26225	25266	25966	29991	38931	51449	64824	76652	94500	78518	99165
Total imports	24505	27221	28405	30621	36917	46335	56402	70712	93584	74398	96783

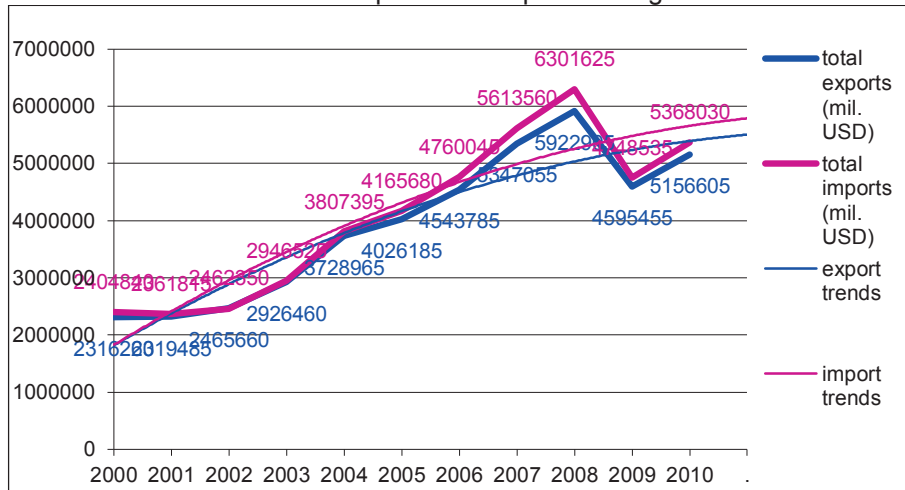
data source: WTO International Trade Statistics 2009 & 2011

For each one of the five unions was built one distinct chart which illustrates the variation of exports and imports during the analysed period of time, as well as these operations trends over the years.

2.1. EU trade during 2000-2010

With the collapse of communism across central and Eastern Europe, EU gained new members. In 1995 three new countries joined EU, in 2004 ten, and in 2007 two more. Thus in the analyzed period of time, respectively the last years, the EU members increased from 15 to 27, their number becoming almost double. In the same time the EU has gone beyond a simple reduction of trade barriers among its members, by evolving towards a deeper economic integration.

Chart 1: EU – total exports and imports during 2000 - 2010

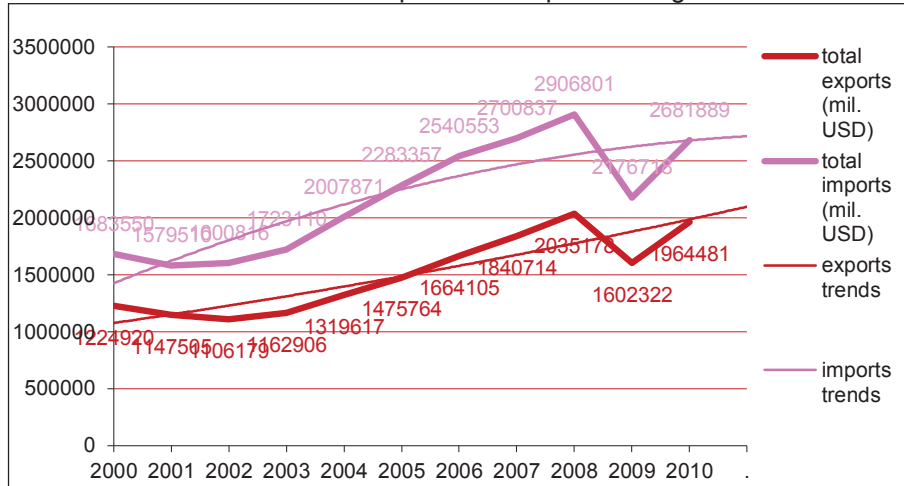


source of the data used for the chart: WTO International Trade Statistics 2009 & 2011

EU export and import evolved constantly during 2000-2010, as can be seen in the trends marked in the chart with thin lines. This happened mainly due to the fact that the number of countries in the EU increased significantly during this period.

2.2. NAFTA trade during 2000-2010

Chart 2 : NAFTA – total exports and imports during 2000 - 2010



source of the data used for the chart: WTO International Trade Statistics 2009 & 2011

NAFTA export and import trends during 2000-2010 were in increase, if even exports have registered a slower rate.

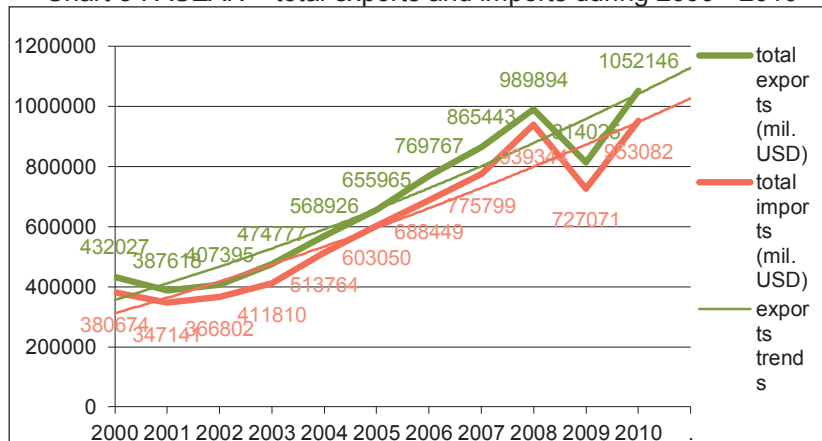
By comparison it can be seen that during this time the trade performed by NAFTA was lower than the EU one.

The fact that NAFTA was never supplemented by deeper forms of regional integration, social policies, or economic cooperation probably limited the benefits and exacerbated the costs.

It seems likely that U.S. imports from Mexico would have grown even faster and increased their share further between 2000 and 2010 in the absence of the huge jump in imports from China.

2.3. ASEAN trade during 2000-2010

Chart 3 : ASEAN – total exports and imports during 2000 - 2010

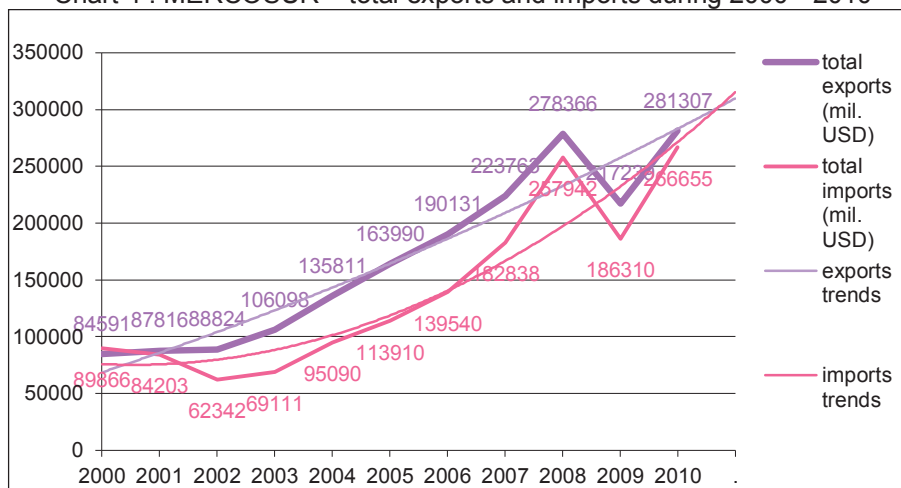


source of the data used for the chart: WTO International Trade Statistics 2009 & 2011

Also ASEAN exports and imports trends have been rising during this period of time. They had an analogue progress, if even the exports had a slightly higher growth rate. The trade evolution and trends are very similar to those of NAFTA.

2.4. MERCOSUR trade during 2000-2010

Chart 4 : MERCOSUR – total exports and imports during 2000 - 2010

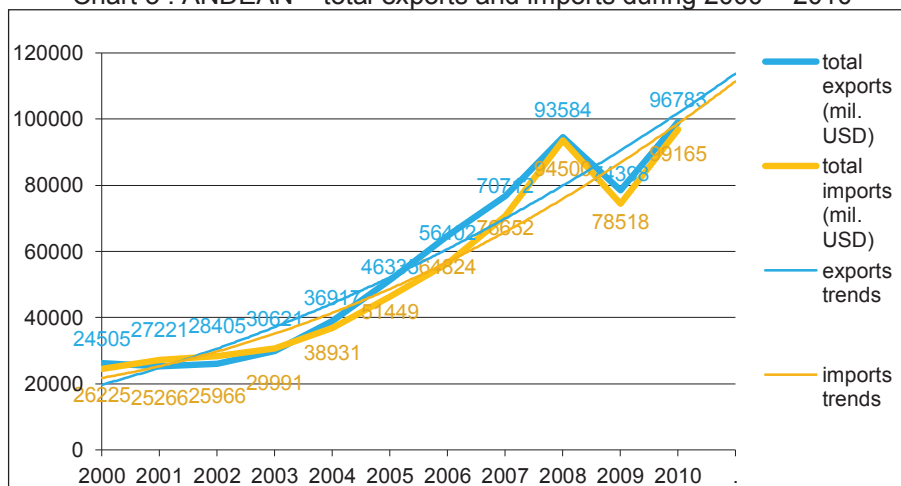


source of the data used for the chart: WTO International Trade Statistics 2009 & 2011

MERCOSUR exports and imports had a smoother growth during the observed time, but their trends have been steadily increasing. Comparing to the previous analysed union MERCOSUR's trade was a third of level.

2.5. ANDEAN trade during 2000-2010

Chart 5 : ANDEAN – total exports and imports during 2000 – 2010



source of the data used for the chart: WTO International Trade Statistics 2009 & 2011

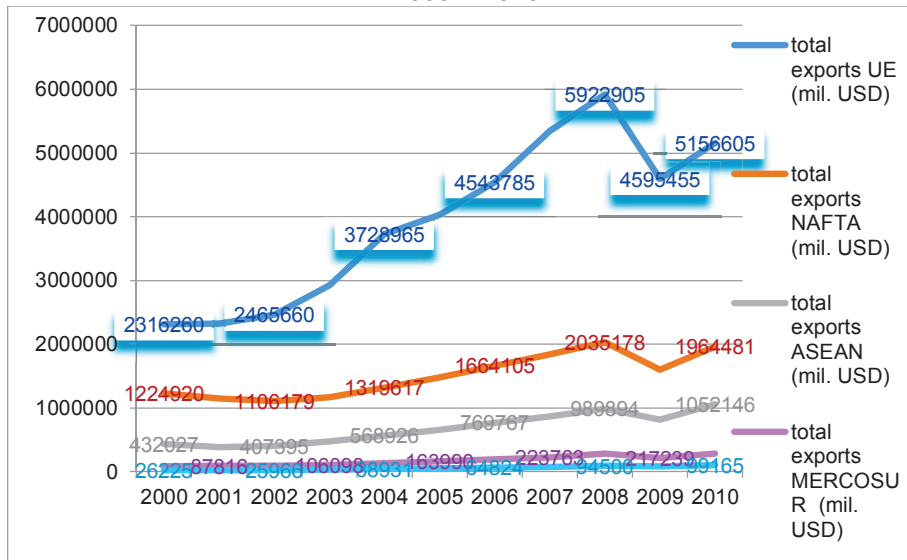
ANDEAN exports and imports trends during this time were in growth, they being at the same level all the time.

Trade liberalisation has been a prominent component of policy advice to developing countries for the last decades. Among the benefits claimed to spring from it, economic growth is probably the most important.

2.6. Exports and imports comparison

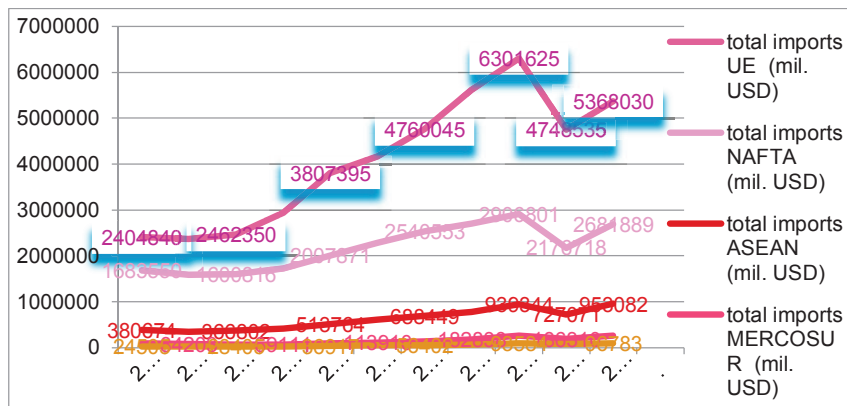
In order to see how much a stronger union performs comparing to a weaker one, we made separate charts for the exports and the imports performed by all five unions.

Chart 6 : Exports picture of UE, NAFTA, ASEAN, MERCOSUR, ANDEAN during 2000 – 2010



source of the data used for the chart: WTO International Trade Statistics 2009 & 2011

Chart 7 : Imports picture of UE, NAFTA, ASEAN, MERCOSUR, ANDEAN during 2000 – 2010



source of the data used for the chart: WTO International Trade Statistics 2009 & 2011

Comparing the Charts 6 and 7 can be observed that EU trade increased significantly once more countries joined the group, in contrast to the other groups which maintained their level.

Without any doubt was a gap between the exports and imports performed by EU and the ones performed by the other unions.

2. Results and conclusions

By comparing all the above graphs it can be seen that EU commercial exchanges are by far superior to the ones of the other areas and in the same time the EU trade fluctuations are broader than the ones of the other areas. This is also a consequence of the fact that the Union has expanded considerably in the analysed period.

EU trade increased considerably since more countries joined the group.

It is noted that both exports and imports of ASEAN, MERCOSUR and ANDEAN in 2010 exceeded the maximum level of the previous period from 2008.

Perhaps in the next period of time the commercial exchanges of UE and NAFTA will enhance with these areas whose potential has not been fully harnessed. On the other hand, creating a large common market the EU - NAFTA will most certainly constitute a guarantee for global economic stability and sustained economic growth.

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