

Transformation of the European model realization of country foreign trade interests

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In article is developed transformation of the European model realization of country foreign trade interests, which should be based not only on realization of interests of EU countries, but also all countries. This model unites countries as open self-organized socio-economic systems in order to ensure their development and economic growth and increase the resilience to external influences, taking into account the growing imbalances in the global economy and the lack of an effective global trading architecture.

Keywords: transformation, country foreign trade interests, European countries, diversification index, Grubel-Lloyd index, export, import.

Вірковська А.А. ТРАНСФОРМАЦІЯ ЄВРОПЕЙСЬКОЇ МОДЕЛІ РЕАЛІЗАЦІЇ ЗОВНІШНЬОТОРГОВЕЛЬНИХ ІНТЕРЕСІВ КРАЇН

У статті розглянуто трансформацію європейської моделі розвитку зовнішньоекономічних інтересів країни, яка повинна опиратися не лише на реалізацію інтересів країн ЄС, але й інших країн Європи. Ця модель об'єднує країни як відкриті самоорганізовані соціально-економічні системи для забезпечення їх розвитку та економічного зростання, а також підвищення стійкості до зовнішніх впливів, беручи до уваги зростаючу асиметрію у світовій економіці та відсутність ефективної глобальної торговельної структури.

Ключові слова: трансформація, зовнішньоторговельні інтереси країни, європейські країни, індекс диверсифікації, індекс Грубеля-Ллойда, експорт, імпорт.

Вирковская А.А. ТРАНСФОРМАЦИЯ ЕВРОПЕЙСКОЙ МОДЕЛИ РЕАЛИЗАЦИИ ВНЕШНЕТОРГОВЫХ ИНТЕРЕСОВ СТРАН

В статье рассмотрено трансформацию европейской модели развития внешнеэкономических интересов страны, должна опираться не только на реализацию интересов стран ЕС, но и других стран Европы. Эта модель объединяет страны как открытые самоорганизующиеся социально экономические системы для обеспечения их развития и экономического роста, а также повышение устойчивости к внешним воздействиям, учитывая растущую асимметрию в мировой экономике и отсутствие эффективной глобальной торговой структуры.

Ключевые слова: трансформация, внешнеторговые интересы страны, европейские страны, индекс диверсификации, индекс грубеля-Ллойда, экспорт, импорт.

Research problem. The dynamics in development of international economic relations and the volatility of country foreign economic and foreign trade interests leads to the complication of the partnership relations between them. Thus, due to the lack of a clear division of the spheres of the global economy, they are tangent to each other, taking into account issues of economy and finance, social protection and ecological development, issues of national security and behavioral ethics in international relations. The typology of foreign trade interests confirms their mutual dependence and importance for the countries-actors and, accordingly, a common coordinated policy, where, along with economic interests, which are based on financial preconditions, the emphasis should be on security issues, because any violation of country inter-

ests, both geopolitically and economically, leads to a change in the coordinates of its positioning in the global economy. With the redistribution of economic leaders in the global economy, the emergence of new active players in foreign trade violated the country foreign trade relations, which ultimately creates new challenges for national economies. Changing the benchmarks in foreign trade policy has a chain character, as it also destabilizes relations between countries in the economic and political spheres.

Recent research publications. The theoretical and applied principles of the formation of country foreign trade interests, including European ones, are reflected in the writings of domestic and foreign scholars: J. Acerlof, S. Berenda, N. Bozhydarnik, V. Chuzhikova, V. Derkachova, I. Ivashchuk, A. Filippenko, I. Gladiy,

C. Johnson, N. Kravchuk, I. Kirtsner, P. Krugman, D. Lukyanenko, T. Melnyk, A. Mokiy, G. Morgenthau, V. Novytsky, T. Orehoa, N. Reznikova, E. Savelyev, O. Shnirkov, V. Sidenko, M. Spence, J. Stiglitz, T. Tsygankova, A. Williamson, S. Yuriy and others. However, the dynamics of world economic development leads to further research of the potential strong competitive positions in foreign trade of European countries.

Problem formulation. In article substantiated the priority directions of the European model transformation of foreign trade interests in order to harmonize the interests of the countries.

Presentation of research results. The practice of realizing foreign trade interests in the conditions of global transformations has deepened the contradictions between the geopolitical and geo-economic interests of countries. It is this conflict that makes it impossible to respect the interests of a particular country in accordance with its needs and potential.

To increase the effectiveness of foreign trade policy, which is the main mechanism for the realization of foreign trade interests, countries either unite on the terms of strategic partnership, or adhere to the terms of membership in integration associations. The study confirmed that for European countries, partnership relations, in particular within the European Union, became possible through joint efforts to solve strategic geo-economic problems and at the same time preserve the primacy of national interests through the so-called foreign trade policy towards the "third" countries. Strategic partnership in foreign trade involves long-term mutual respect for the interests of each participant and consolidation of efforts to resolve conflicts that arise in the process of interaction. As the researchers point out, strategic partnership does not establish a rigid system of obligations under the Allied Relations [1, p. 105], since the interests of each country may differ.

Thus, the main criteria for strategic partnership between the countries of Europe should be defined as the following: the common values of the social and economic development of partners, and in some cases, the unification of efforts against a common enemy or the resolution of a military conflict; legal support of cooperation, which outlines the main conditions of its implementation and mechanisms of realization; expansion of cooperation spheres and mutual long-term interest in its establishment; setting of strategic goals, which can be achieved only with the mutual development of measures and coordination of actions; development of mech-

anisms for strategy implementation in achieving the goals set; rejection of discriminatory and ultimatum measures and taking into account the interests of all parties of cooperation; non-violation of the declared principles of cooperation; the effectiveness of strategic partnership implementation, which implies the ultimate effect for society as a whole.

The model of economic and trade cooperation of the European countries has been formed for centuries, the development of country partnership relations has historical roots. During the long-term, European countries have shaped their economic area, which is significantly different from other countries in the world. The reasons for this are in the history of Europeanization, when the Westphalian Peace Treaty was approved (1648). Since then, the idea of establishing an alliance of independent states to counter external challenges and threats has been promoted among European countries. Following the concept of state sovereignty, Europe was looking for its alternative, and economic factors and external threats were accelerating the processes of unification. Scientists come to the conclusion that expansion of foreign trade and economic cooperation of the European countries is accompanied by a rivalry between two ideological lines of international trade regulation: the ideas of free trade and protectionism, and these ideas originated in Europe. At the same time, the supranational idea of the association contributed to the consolidation of countries for confrontation in the twentieth century. growing hegemony of the United States. Thus, the countries of Europe had no choice but to position themselves as the only force in the realization of common interests, including in the field of foreign trade. Prolonged foreign trade wars and protectionist measures negatively affected the economy of European countries. However, as practice shows, at the beginning of the XXI century European countries are significantly differentiated both in terms of economic development and human development characteristics, are forced to seek new mechanisms of functioning, given the threats of internal character (for example, within the European Union, the redistribution of political and economic influence between the countries of Europe) and external (strengthening of influence USA and Asian countries, in particular China). At the same time, European countries are increasingly distancing themselves from each other through geopolitical interests, different social standards, a system of interests that deepens asymmetries in the development of countries.

The need to find new realization vectors of European foreign trade interests is due to their concentration on the European market. The crisis of 2007-2008 brought about changes in the structure of intra-European trade.

Thus, since 2009, the share of domestic trade has decreased both within the EU and in the European countries (in 2000, domestic exports made 67.7% and 72.9% respectively, whereas in 2014 – 62.7% and 69.5%), that is, European countries are reoriented to other continental markets. Regarding the import of goods into the structure of export flows, the intra-group share of the EU decreased from 61.3% in 2000 to 58.9% in 2014, while for European countries it also experienced significant changes – 68.6% in 2000 and 67.8% in 2014.

The model of world trade development undergoes dynamic changes, and in recent decades, the participation of countries in global value-added chains is becoming more and more acute, with the involvement of developed countries as well as new industrial ones. Such a situation necessarily requires the creation of new approaches to international trade statistics. Traditionally, according to international statistics, the exporting country is the one that was the last in the production chain. However, in the world more than 50% of trade in goods and 70% of services are intermediate. A joint initiative of the OECD and the WTO initiated the study of value added in trade and formed a database of analytical characteristics of these processes (Trade in Value Added (TiVA)).

The specialization of countries and their involvement in international trade is not through the production of a particular product, but by participation in global production processes, deepening the fragmentation of the global trading area and the dependence of these countries on local crises and external threats, which are chain-by-principle spread from one to another. At the same time, diversification of exports through global value added chains reduces the burden of unpredictable risks that are distributed among the participants in the production process. Such a principle, for example, is the production of aircraft, where the value added chain is actually global and to which a large number of countries are involved. Differences in transaction costs create an additional incentive for the formation of such chains. For countries, such participation is an option for conquering new markets, modernizing production, attracting foreign investment, etc.

At the same time, the active country participation in the global value added chains raises

the question of their competitiveness level, since aggregate exports do not, as a result, reflect the advantages of the factors of production that the country is endowed with, in many cases, export goods being intermediate goods for the production of other goods in another country, which can return as a re-import. Risks to many countries of the world remain a reduction in the share of national value added in total exports. At the same time, differences in the stages of involvement in the global value added chains affect the level of income, since the most profitable are the stages preceding the production itself and applied after it (logistics, marketing, branding), which is confirmed by the so-called “smile” diagram. In modern conditions, issues of logistics and trade facilitation become one of the priority and one that will be effective in attracting the country to global production networks. From such positions, according to UNCTAD studies, the increased participation of countries in global value chains is directly correlated with the rates of economic growth (GDP) and employment levels, which contributes to ensuring both the foreign trade interests of countries and economies, but the level of such influence differs by country, and respectively, the benefits of participating in international trade are different. The involvement of countries in global chains is mediated by the transnational nature of its companies.

The assessment of European countries' participation in global value added chains indicates a different degree of engagement, and, accordingly, their interests are different in the conduct of foreign trade policy, although national protectionism persists. Thus, for the analyzed period 1995-2015, it was established that countries export a high proportion of imported value added were Luxembourg (58.98% of exports), Hungary (48.68%), Slovakia (46.84 %), Czech Republic (45.28%). The studied data give grounds for the conclusion about the growth in the dynamics of the degree of involvement of European countries in the formation of global value added chains, except for such countries – Estonia (the share decreased from 36.7% in 1995 to 35.21% in 2015), Malta (from 49.99% to 36.87%), the Netherlands (from 23.23% to 20.05%), Norway (from 19.9% to 17.16%), a slight slowdown in activity characteristic for Croatia (from 20.79% to 20.17%) and Lithuania (from 24.57 to 23.74%). The enlargement of the European Union did not change the participation of the integration association in the formation of global value added chains, although the new member states played

an active role in it. At the same time, compared to other countries of the world, EU member states show the largest increase in the share of value added services created outside the country in total exports.

The foreign trade diversification index for exports and imports of goods is significantly different for European countries. Its dynamics has allowed to detect the deviation of the commodity structure of exports and imports for European countries from world exports / imports, and the greater the value of the index is close to 1, the trade pattern of the country is different. Thus, for the European Union countries, the index deviation from the world is negligible and varies in terms of exports and imports, while for other European countries, the value of the indicator is close to 1 (Table 1), for which the export strategy for development needs to be revised in the future.

In the course of diversifying foreign trade, the approach of the export and import structure is important for the country, which is defined as an integral part of the strategic partnership between the countries, because the realization of foreign trade interests requires complementarity of their economies and, consequently, interest in each other.

Structural analysis of foreign trade complementarity in Europe compared to the European Union countries gives grounds for conclusion that other European countries show low complementarity both with respect to world trends and with regard to the structure of EU exports. Such results point to the problem of the unification of all European countries in the new integration association, since complementarity is one of the conditions for its successful functioning. For European countries, achieving complementarity remains problematic. Due to the change in the range of products exported, there are products with a different level of complementarity in the structure of exports, and due to the consequences of the global economic crisis, in recent years, the country production capacity is deteriorating.

Mutual interest in the trade partnership is manifested in the growth of intra-industry trade, which is another factor in trade integration and the realization of foreign trade interests of countries.

Having estimated the structure of trade in goods between European countries according to the similarity index of Grubel-Lloyd, which was proposed by researchers in 1975, it can be concluded that exports from the countries of Europe

to the EU are inter-industry trade (the value of the index is close to 0) (table 2), while imports are observed gravity for intra-industry trade (average index value). Such tendencies in the foreign trade of European countries are explained by the specialization of national economies, the technological structure of exports, the differentiation of levels of economic development of countries, the conditions of production cooperation, etc.

The study confirms that the EU plays a leading role in addressing global regulation of international trade. Thus, the EU actively participates in round tables of the WTO and conclusion of preferential agreements with the countries. The EU preferential trade policy aims to reduce import duties and set tariff quotas, a favorable regime for the country with which the agreements are concluded. Such a form of foreign trade cooperation is profitable, since no additional institutions are created. The peculiarity of EU policy in the field of international trade in carrying out liberal economic policies is the preservation of hidden protectionism [4].

That is why the orientation of European countries to the domestic market is one of the reasons for their discriminatory policies, in particular the EU countries, which are manifested in the application of trade barriers to the promotion of goods from other continents to the European market. This practice of the EU has become customary, despite the declared non-discrimination principles and the creation of favorable conditions for trade, as a member of the WTO. EU countries apply protectionist measures for goods from other European countries and from other regions. Thus, the most protected non-tariff instruments in the EU countries are ready-made products, namely clothing and textiles, agricultural products, cars, vehicles for which the level of protection is greatest. In the EU, as in other developed countries, the protection of "young industries" remains. The data on the share of commodity items to which any non-tariff measure applies for all commodity items is given in table 3.

Conclusions. For the European countries, the conflict of foreign trade interests in the geopolitical and geo-economic contexts remains relevant. The history of this conflict confirms the importance of the influence of geopolitical factors on the countries of Europe, because they consisted of two ideologically opposing alliances – the Soviet Union and the countries of the socialist camp and the EU, which caused certain confrontation of these countries after the collapse of the first unification and expansion of the

Table 1

Diversification index of export and import goods in European countries

Year	Export														
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Albania	0,70	0,69	0,70	0,71	0,73	0,68	0,69	0,56	0,71	0,69	0,69	0,71	0,71	0,70	0,72
Belarus	0,52	0,52	0,54	0,56	0,58	0,57	0,58	0,58	0,54	0,57	0,58	0,53	0,54	0,55	0,52
Bosnia and Herzegovina	0,65	0,66	0,63	0,65	0,68	0,62	0,59	0,61	0,57	0,62	0,60	0,55	0,62	0,61	0,60
Montenegro	-	-	-	-	-	-	0,70	0,70	0,66	0,75	0,69	0,69	0,71	0,70	0,71
Moldova	0,73	0,73	0,75	0,72	0,68	0,67	0,67	0,68	0,67	0,65	0,64	0,64	0,68	0,72	0,72
Russia	0,66	0,67	0,66	0,66	0,64	0,63	0,62	0,64	0,65	0,63	0,60	0,60	0,62	0,65	0,65
Serbia	-	-	-	-	-	-	0,54	0,52	0,54	0,53	0,51	0,53	0,52	0,50	0,50
Macedonia	0,64	0,64	0,65	0,64	0,64	0,65	0,68	0,62	0,62	0,62	0,61	0,63	0,70	0,67	0,68
Ukraine	0,60	0,57	0,58	0,60	0,59	0,58	0,61	0,60	0,56	0,57	0,59	0,60	0,67	0,68	0,68
EFTA	0,46	0,45	0,45	0,46	0,47	0,46	0,46	0,47	0,48	0,48	0,48	0,48	0,52	0,55	0,57
EU-28	0,16	0,17	0,18	0,18	0,19	0,20	0,21	0,21	0,21	0,22	0,22	0,22	0,22	0,20	0,20
	Import														
Albania	0,45	0,45	0,44	0,44	0,46	0,44	0,38	0,39	0,43	0,44	0,47	0,40	0,49	0,41	0,41
Belarus	0,41	0,39	0,39	0,41	0,37	0,37	0,32	0,36	0,38	0,36	0,33	0,34	0,36	0,39	0,36
Bosnia and Herzegovina	0,41	0,42	0,41	0,39	0,40	0,39	0,39	0,37	0,38	0,36	0,36	0,35	0,34	0,36	0,37
Montenegro	-	-	-	-	-	-	0,45	0,39	0,44	0,48	0,43	0,41	0,47	0,43	0,44
Moldova	0,47	0,45	0,46	0,45	0,44	0,42	0,37	0,41	0,39	0,44	0,45	0,46	0,44	0,45	0,44
Russia	0,32	0,31	0,31	0,33	0,33	0,34	0,36	0,30	0,33	0,33	0,34	0,33	0,31	0,28	0,28
Serbia	-	-	-	-	-	-	0,28	0,33	0,35	0,32	0,31	0,33	0,34	0,32	0,36
Macedonia	0,40	0,39	0,37	0,39	0,39	0,40	0,38	0,39	0,37	0,37	0,43	0,44	0,46	0,43	0,46
Ukraine	0,44	0,41	0,37	0,33	0,32	0,33	0,35	0,38	0,36	0,37	0,38	0,38	0,41	0,44	0,36
EFTA	0,24	0,25	0,25	0,26	0,27	0,27	0,28	0,28	0,30	0,31	0,31	0,30	0,37	0,36	0,38
EU-28	0,08	0,09	0,10	0,10	0,10	0,10	0,11	0,12	0,12	0,11	0,11	0,12	0,12	0,13	0,13

Source: made by author using UNCTAD [2]

Table 2

Grubel-Lloyd index measurement

Groups of countries	2001-2007	2008-2015
EU-28	1,01	0,81
CIS countries	-1,56	0,01
OECD countries	0,47	-0,083
Other countries	-0,16	0,58
World total	-0,68	1

Source: made by author using UNCTAD [3]

Table 3

Share of commodity items to which any non-tariff measure applies for all commodity items (% in product group)

Commodity position	China	Japan	USA	Canada	India	Hong Kong	EU
Raw	6,46	7,49	4,69	3,23	35,37	0,35	1,98
Agricultural products	7,3	7,69	4,56	3,52	42,24	0,41	2,3
Production of mining industries	1,51	6,31	5,44	1,51	2,37	0	0,47
Finished goods	8	5,08	5,23	20,89	27,18	0,49	10,77
Iron and steel	44,85	0,48	42,44	83,33	0	0,44	51,94
Chemical products	3,9	1,15	3,35	0,16	16,73	0	4,18
Other semi-finished goods	1,36	0,64	4,59	1,47	28,18	0,08	0,86
Machines and transport equipment	14,02	0,05	5,18	0,11	28,11	0	2,41
Clothing and textiles	2,85	23,06	1,13	81,26	80,58	0	87,21
Other consumer goods	5,05	0,68	0,92	0,35	61,17	0	4,82
All products	7,62	5,61	5,08	16,88	34,66	0,08	5,79

Source: made by author using UNCTAD [5]

latter. The new strategic foreign trade model of the European countries should become an effective tool for economic development and growth, and its priority should be not only to realize its own interests, but also to equalize the imbal-

ances of global economic development, since these countries, first of all the EU, are the main subjects of international trade and determine the future vectors of global trade policy through institutional mechanisms.

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For the European countries, the conflict of foreign trade interests in the geopolitical and geo-economic contexts remains relevant. The history of this conflict confirms the importance of the influence of geopolitical factors on the

countries of Europe, because they consisted of two ideologically opposing alliances – the Soviet Union and the countries of the socialist camp and the EU, which caused certain confrontation of these countries after the collapse of the first unification and expansion of the latter. The new strategic foreign trade model of the European countries should become an effective tool for economic development and growth, and its priority should be not only to realize its own interests, but also to equalize the imbalances of global economic development, since these countries, first of all the EU, are the main subjects of international trade and determine the future vectors of global trade policy through institutional mechanisms.