

## **Opportunities for international trade prosperity**

Dimitar Dimitrov, Iliya Kirchev

*University of Agribusiness and Rural Development – Plovdiv, Bulgaria*

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### **Abstract**

The paper discusses the opportunities for international trade prosperity considering recent facts and figures and Bulgarian export alternatives and providing specific recommendations on the opportunities of export increase.

**Key words:** *export, international trade, trade balance.*

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### **Introduction**

There is a good political will in EU to reach equality between the East and the West but the practical implementation of these policies seems to be a hard job. The ongoing crisis shows that the common market acts as a mechanism for distribution of resources in favor of the richest member states. The common currency acts in favor of the more developed countries that have higher labor productivity such as Germany, Netherlands, France, Belgium, Italy, Sweden and Denmark. It allows them to make their export cheaper and thus to boost their volumes.

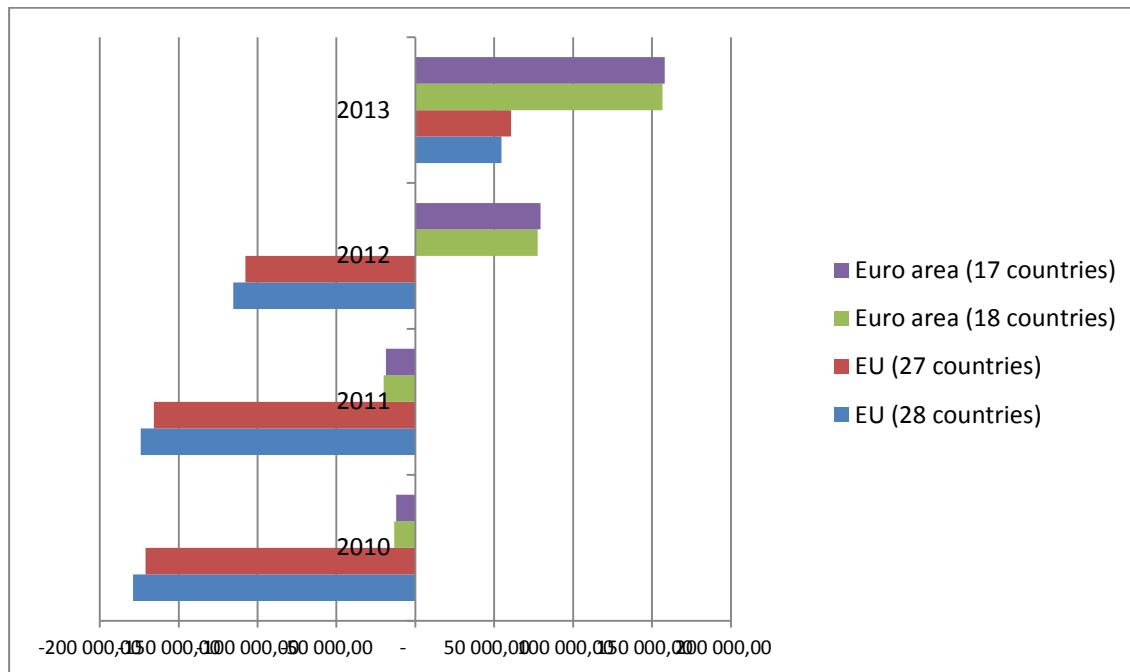
Is there a misbalance in the international trade relations between Eastern and Western EU member states? Does the cohesion policy work indeed? If it does not, there will be inequalities and that will lead to internal tension between the EU member countries.

### **Facts and figures concerning international trade**

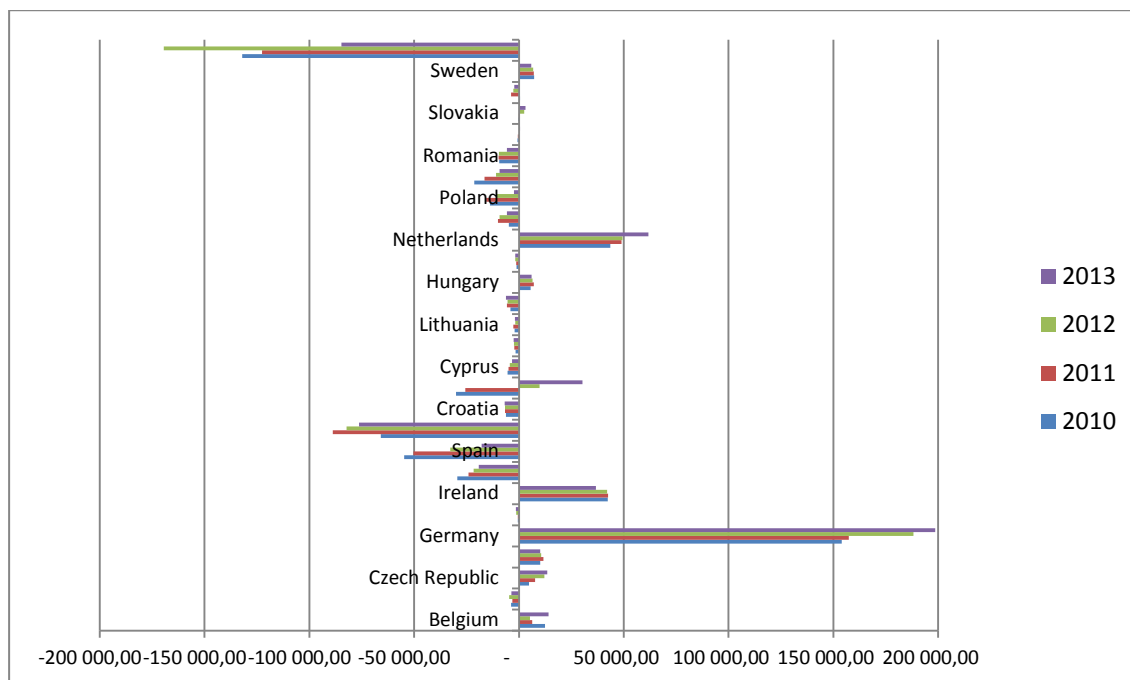
If you look at the enclosed tables, you could see that the trade balances of most of the East European member states are negative. Only four of the first accepted East European countries - Hungary, Czech Republic, Slovakia and Slovenia, have positive trade balances. Three of these countries are members of the so called Visegrad Group of Countries. Also all of them are members of the Schengen area. Without any doubt we can conclude that the group approach and the free

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movement of goods without border checks is definitely helping those countries' exports.



**Figure 1. International trade, by reporting country, total product, Million EUR  
Trade balance in million ECU/EURO**



**Figure 2. International trade, by reporting country, total product, Million EUR  
Trade balance in million ECU/EURO**

**Table 1. International trade, by reporting country, total product / Million EUR  
Trade balance in million ECU/EURO**

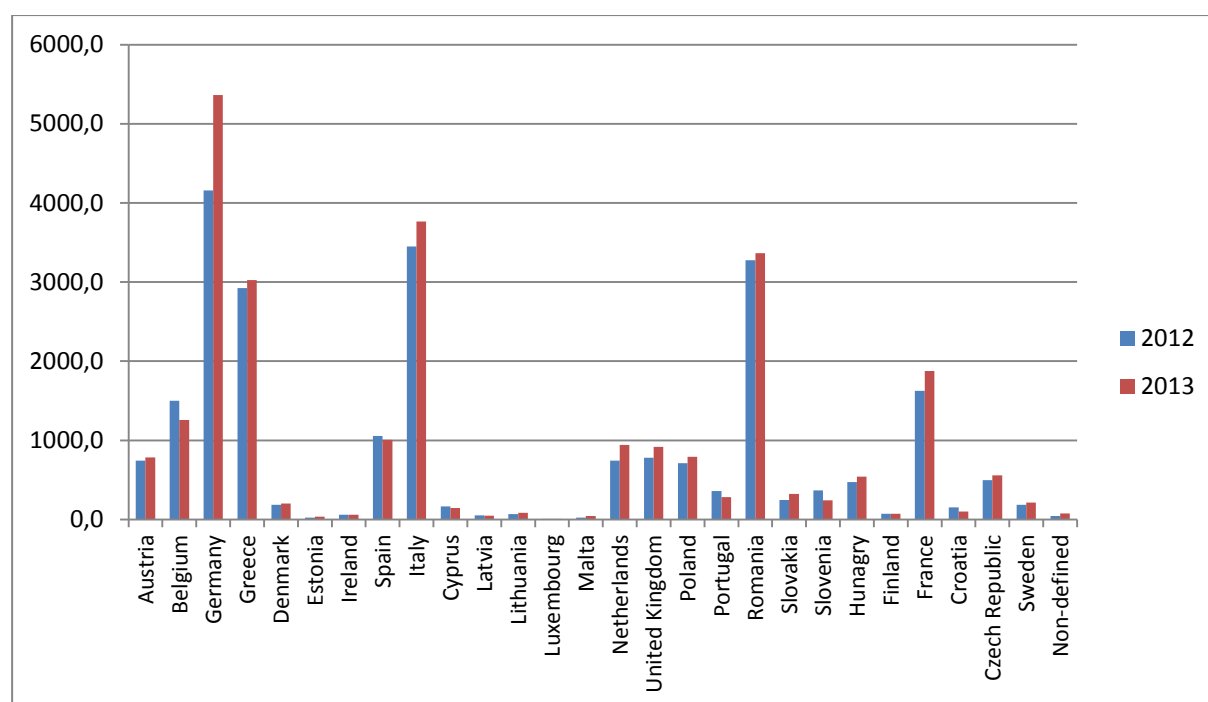
geo\time	2010	2011	2012	2013
EU (28 countries)	(178 894,00)	(174 062,00)	(115 488,00)	54 632,00
EU (27 countries)	(170 969,00)	(165 809,00)	(107 679,00)	60 662,00
Euro area (18 countries)	(13 451,00)	(20 133,00)	77 503,00	156 550,00
Euro area (17 countries)	(12 179,00)	(18 595,00)	79 437,00	157 984,00
Belgium	12 458,00	6 271,00	5 301,00	14 145,00
<b>Bulgaria</b>	<b>(3 684,00)</b>	<b>(3 142,00)</b>	<b>(4 689,00)</b>	<b>(3 610,00)</b>
<b>Czech Republic</b>	<b>4 774,00</b>	<b>7 769,00</b>	<b>12 164,00</b>	<b>13 567,00</b>
Denmark	10 099,00	11 639,00	10 542,00	10 121,00
Germany	153 964,00	157 411,00	188 252,00	198 613,00
<b>Estonia</b>	<b>(525,00)</b>	<b>(539,00)</b>	<b>(1 329,00)</b>	<b>(1 401,00)</b>
Ireland	42 408,00	42 481,00	42 033,00	36 762,00
Greece	(29 391,00)	(24 062,00)	(21 574,00)	(19 235,00)
Spain	(54 762,00)	(50 327,00)	(32 759,00)	(17 741,00)
France	(65 854,00)	(88 761,00)	(82 275,00)	(76 308,00)
<b>Croatia</b>	<b>(6 232,00)</b>	<b>(6 699,00)</b>	<b>(6 586,00)</b>	<b>(6 839,00)</b>
Italy	(29 982,00)	(25 524,00)	9 890,00	30 381,00
<b>Cyprus</b>	<b>(5 406,00)</b>	<b>(4 928,00)</b>	<b>(4 324,00)</b>	<b>(3 229,00)</b>
<b>Latvia</b>	<b>(1 628,00)</b>	<b>(2 270,00)</b>	<b>(2 426,00)</b>	<b>(2 517,00)</b>
<b>Lithuania</b>	<b>(2 002,00)</b>	<b>(2 675,00)</b>	<b>(1 835,00)</b>	<b>(1 953,00)</b>
Luxembourg	(4 031,00)	(5 742,00)	(5 401,00)	(6 207,00)
<b>Hungary</b>	<b>5 510,00</b>	<b>7 092,00</b>	<b>6 533,00</b>	<b>6 015,00</b>
<b>Malta</b>	<b>(1 113,00)</b>	<b>(1 370,00)</b>	<b>(1 827,00)</b>	<b>(1 757,00)</b>
Netherlands	43 632,00	48 898,00	49 455,00	61 745,00
Austria	(4 865,00)	(10 050,00)	(9 264,00)	(5 683,00)
<b>Poland</b>	<b>(13 823,00)</b>	<b>(15 733,00)</b>	<b>(10 652,00)</b>	<b>(2 304,00)</b>
Portugal	(21 379,00)	(16 401,00)	(10 906,00)	(9 256,00)
<b>Romania</b>	<b>(9 451,00)</b>	<b>(9 659,00)</b>	<b>(9 625,00)</b>	<b>(5 707,00)</b>
<b>Slovenia</b>	<b>(674,00)</b>	<b>(554,00)</b>	<b>100,00</b>	<b>483,00</b>
<b>Slovakia</b>	<b>(273,00)</b>	<b>(9,00)</b>	<b>2 501,00</b>	<b>3 078,00</b>
Finland	539,00	(3 680,00)	(2 639,00)	(2 244,00)
Sweden	7 244,00	7 139,00	6 738,00	5 910,00
United Kingdom	(132 108,00)	(122 531,00)	(169 497,00)	(84 676,00)

If we look at the economic sanctions against Russia – the consequences are the hardest for the Eastern EU member countries because their goods are traditionally well accepted on the Russian market.

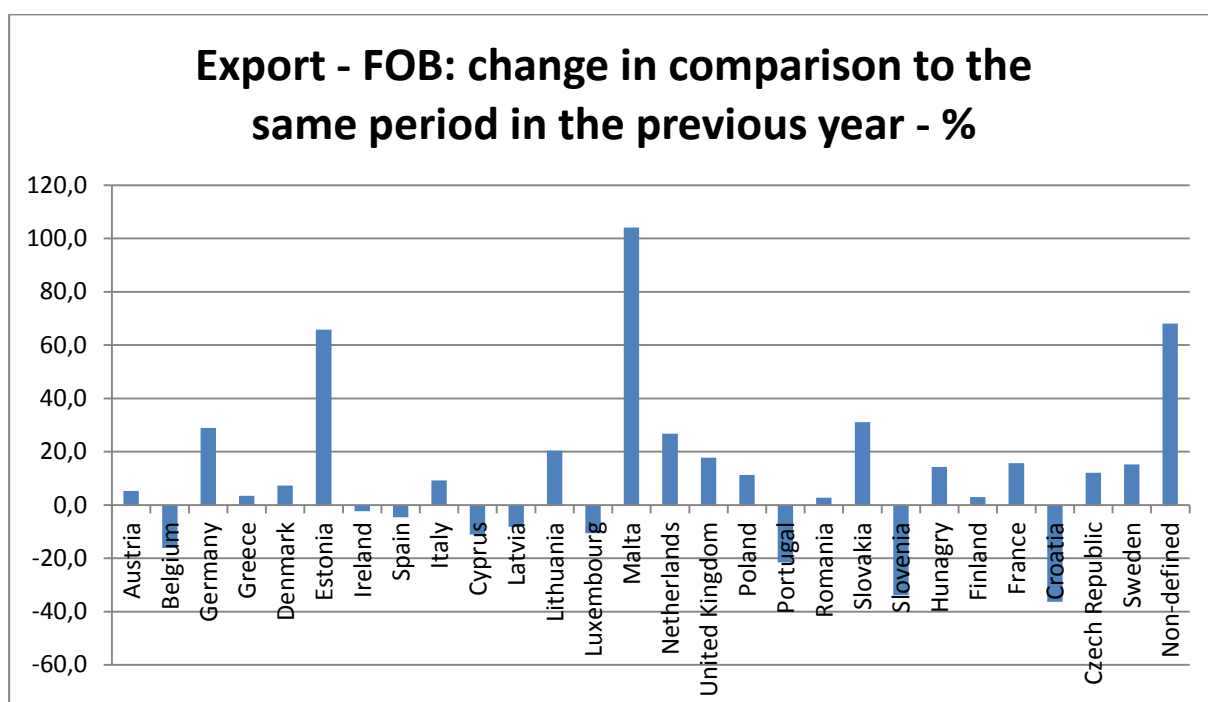
Another unexpected export threatening problems could evoke from the newly prepared Trade and Investments agreements between EU and Canada and between EU and USA. Those agreements could lead to a sequence of unfavorable events such as reduction of the agricultural subsidies; new attitude towards the genetically modified crops; accepting the American treatment of the intellectual property

issues; accepting the arbitration clause which means that the sovereignty of each member country will be neglected.

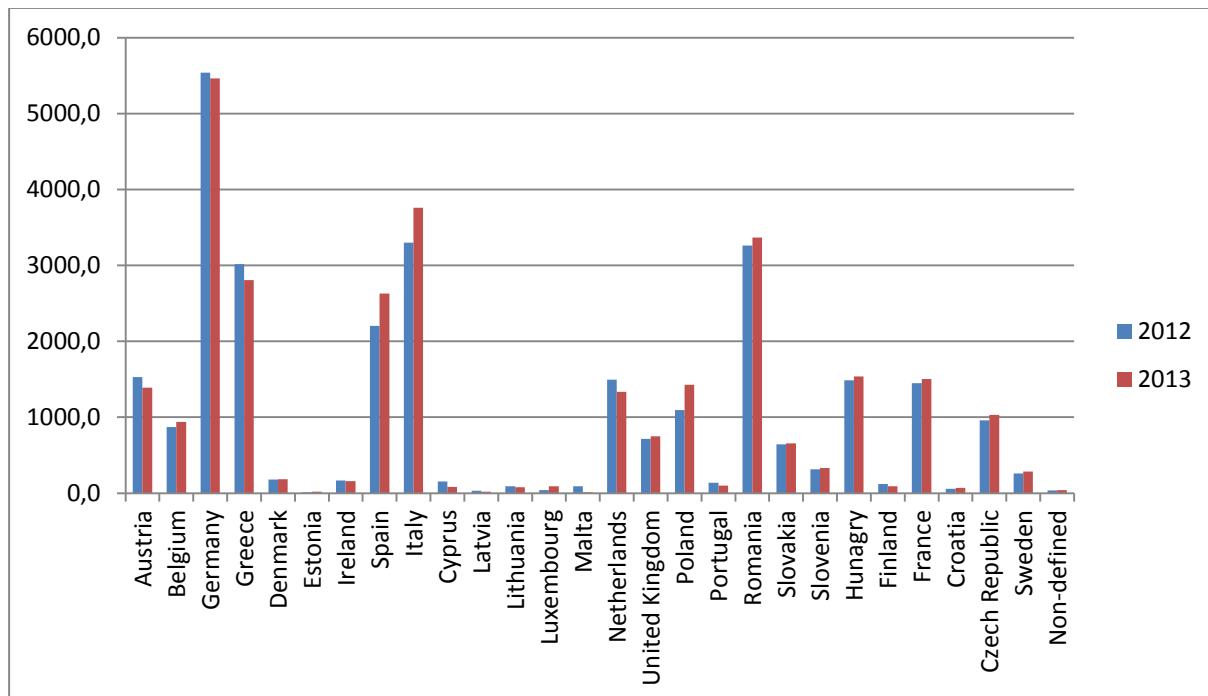
If we look at the enclosed tables with the structure of the Bulgarian exports and trade balances for 2012 and 2013 we will discover that over 60% of the Bulgarian exports are for the EU countries but the trade balance with those countries is negative. The largest export volumes are with Germany, Italy, Greece and Romania. Out of the EU exports, the highest export volume is with Turkey – approx.4 bln. BGN and a positive trade balance of approx. 1 bln. BGN. This has to show that Bulgaria should have to look more actively for export markets in its neighbor countries that are candidate members and potential candidate members such as Turkey, Serbia, Macedonia, Albania, Kosovo, Monte Negro, Georgia, Armenia, Moldova, Ukraine and Kazakhstan.



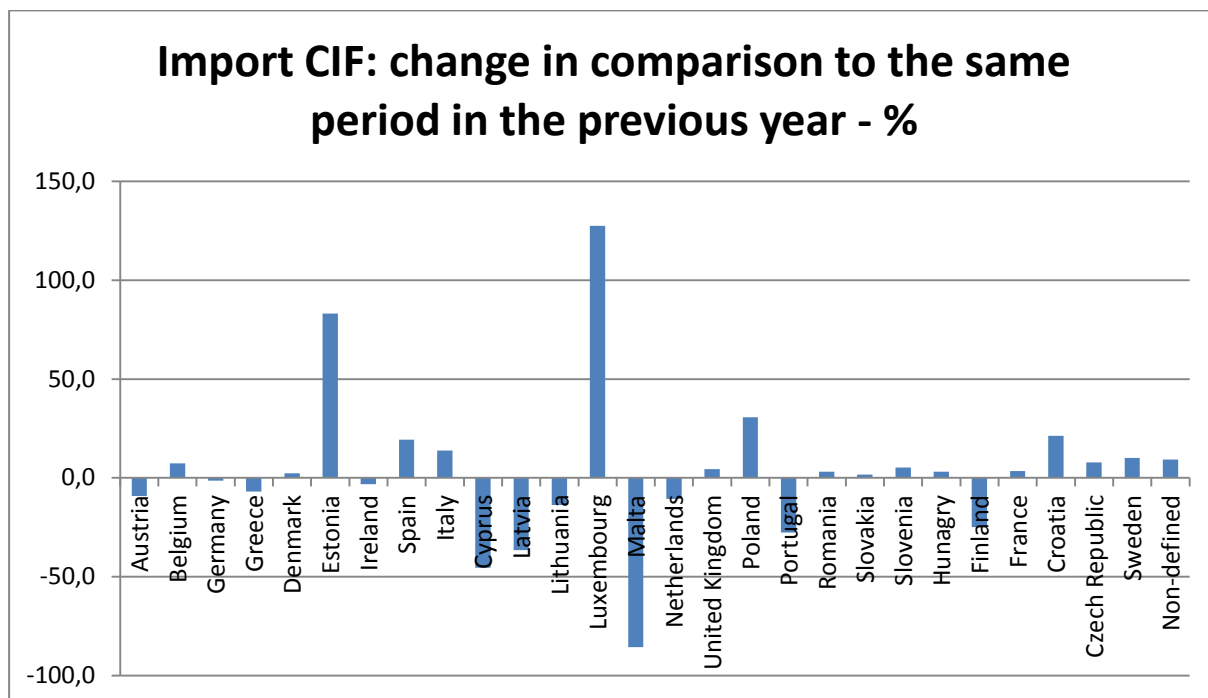
**Figure 3. Bulgaria: Export FOB, million levs**



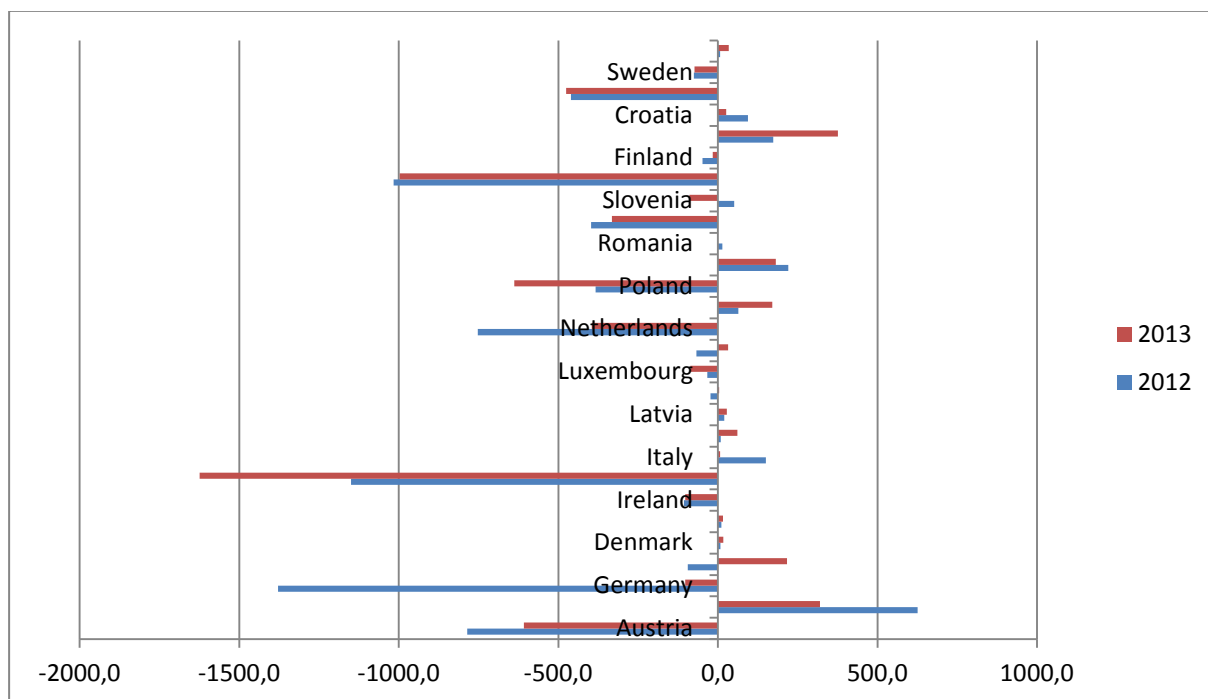
**Figure 4. Export - FOB: change in comparison to the same period in the previous year - %**



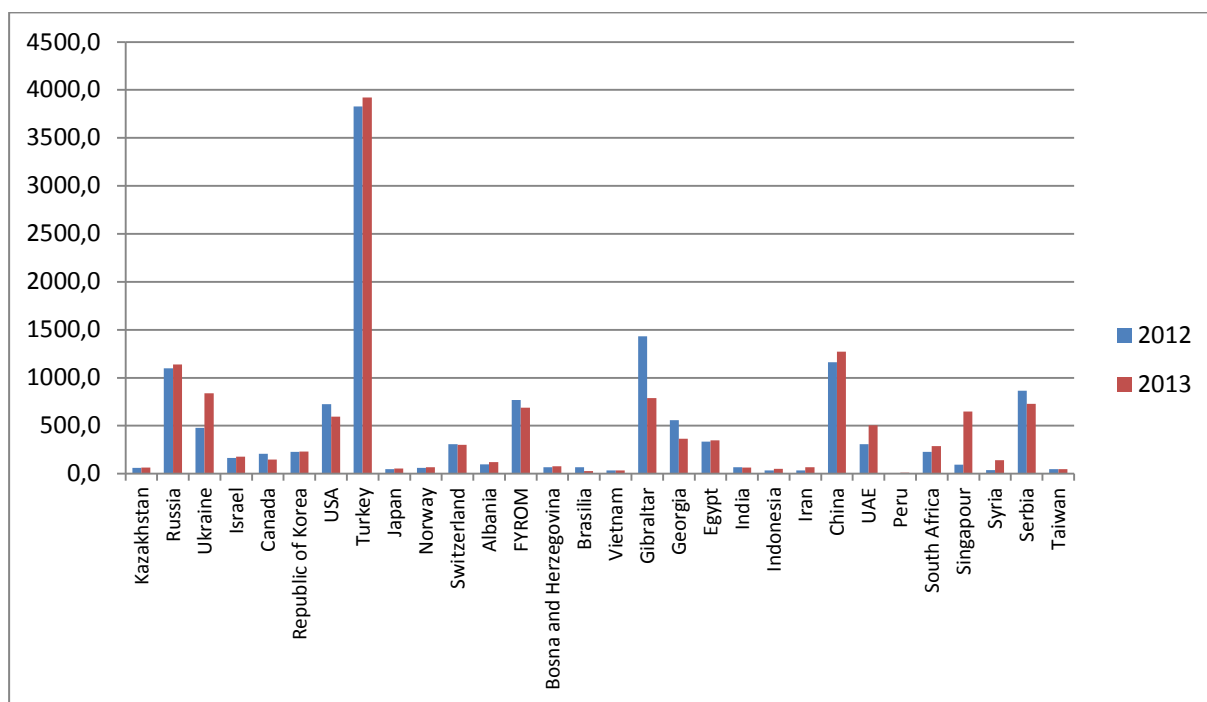
**Figure 5. Bulgaria: Import CIF, million leva**



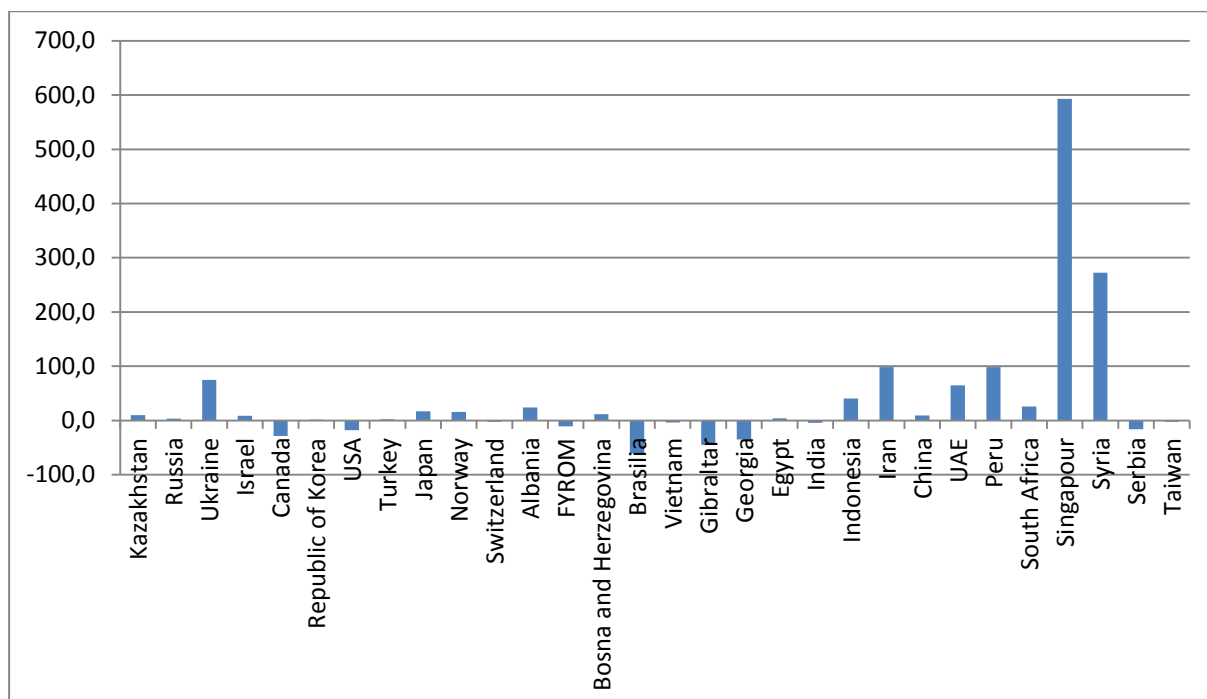
**Figure 6. Import CIF: change in comparison to the same period in the previous year - %**



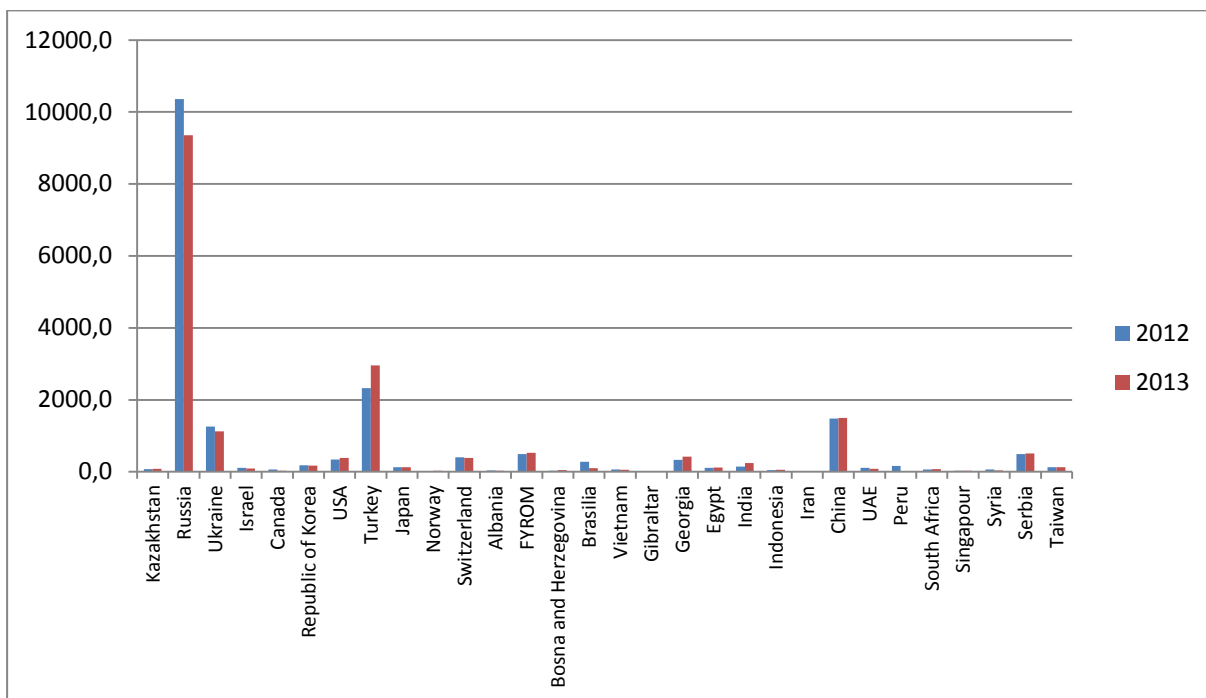
**Figure 7. Trade Balance - FOB/CIF**



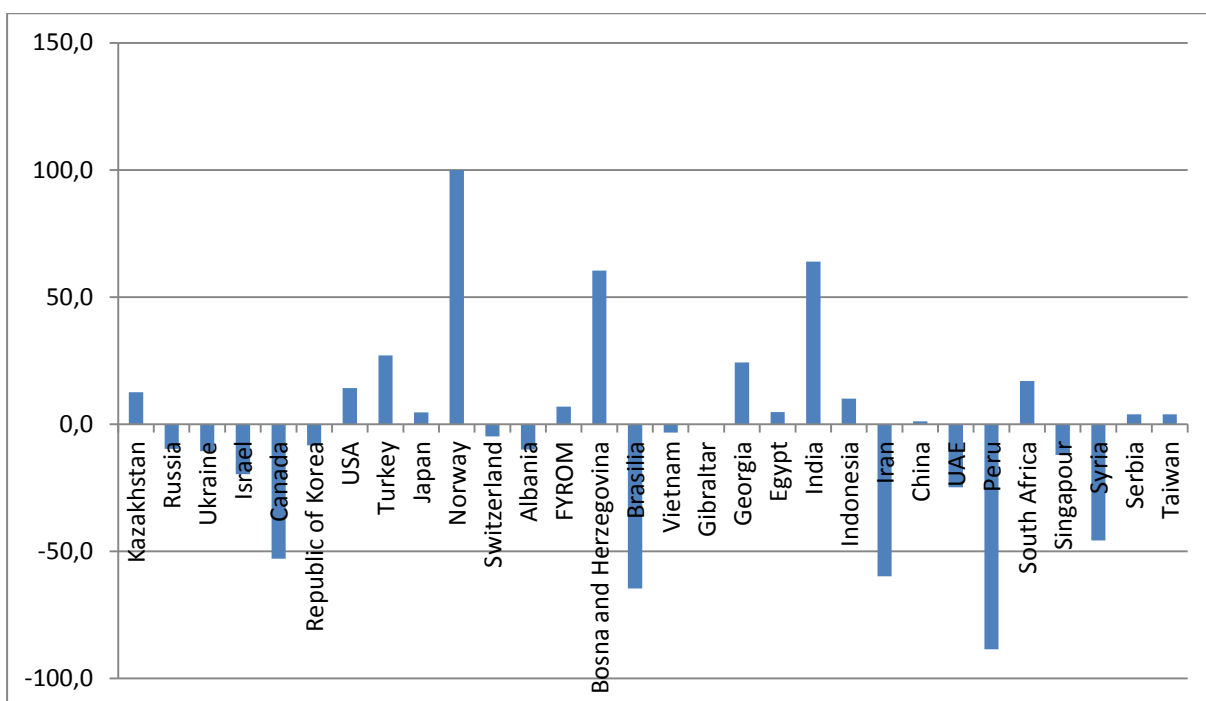
**Figure 8. Bulgaria: Export FOB, million levs**



**Figure 9. Export - FOB: change in comparison to the same period in the previous year - %**

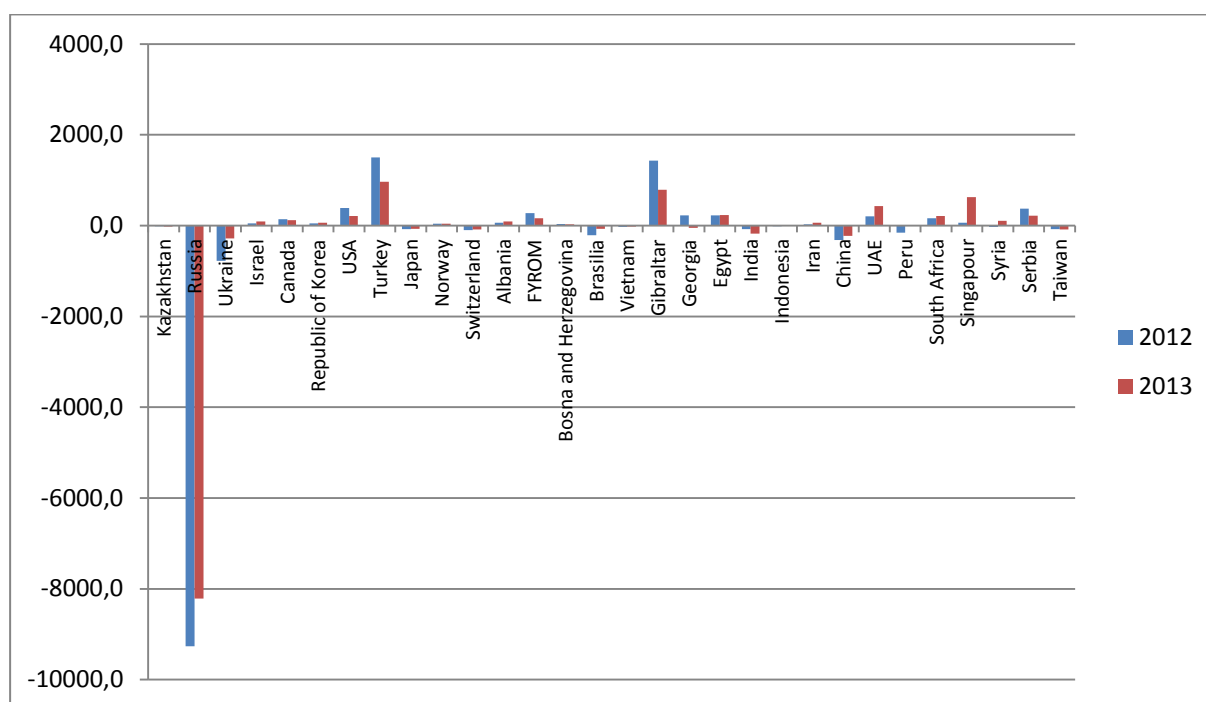


**Figure 10. Bulgaria: Import CIF, million levs**



**Figure 11. Import CIF: change in comparison to the same period in the previous year - %**





**Figure 12. Trade Balance – FOB/CIF**

Bulgaria has also very good export volumes with UAE, Egypt, Singapore and China. Our goods are traditionally well accepted in the Arab countries markets. Bulgaria has started to make its way to the Far East markets where the potential is enormous.

### **Bulgarian export alternatives**

It is necessary to have a sustainable government policy for stimulating high added value industries that are well positioned on the international markets such as food and beverage production and processing, cosmetics, IT, outsourcing and tourism. Recently in Bulgaria the engineering and the industrial truck production began to regain their positions on the foreign markets.

Everything should start with increasing of investments in education and science meaning (R&D). It has been predetermined in the 20/20 strategy that each EU member country should spend at least 3% of its GDP for science (R&D). The investments in education and science (R&D) will stimulate better educated professionals to create, produce and bring to the market more competitive and hi-tech products which will have higher added value.

In the present business environment of financial and debt crisis we need more stimulus and preferences for the export oriented investors. This could be organized

by creating an export agency with main responsibilities to finance any participations of Bulgarian producers on international fairs and exhibitions as well as by creating a mechanism to guarantee the payments for the first deals between new partners.

During the later years there is a trend of moving the production facilities from Western to Eastern EU countries. Usually 100% of the production of such enterprises is for export. Bulgaria has many advantages for foreign investors. The 10% flat income tax and the cheap labor costs are just an example. In addition the fixed exchange rate makes all budget predictions much more accurate and attracts foreign investors. Although it is necessary to create additional stimulus in order to attract such investors. Building a modern and reliable transport infrastructure would contribute significantly for such a purpose.

The successful utilization of the European cohesion fund is a major objective for the government and the business in order to improve the competitiveness of the Bulgarian producers.

### **Conclusion**

There is one very important perspective for the exports increase and that is the collaboration between all East European countries. We have the good example of the countries from the so called Visegrad group of countries. Such collaboration would ease negotiation of mutual preferences with countries outside EU and will support unified trade and export policies.

Last but not least the entrance of Bulgaria in the Schengen area will significantly stimulate its export to the other EU members.

### **References**

<http://ec.europa.eu/eurostat>