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CHALLENGES FACING THE TRANSFORMATION OF THE COMMON COMMERCIAL POLICY OF THE EUROPEAN UNION**Petrova, S. Al., Assoc. prof., PhD, D. A. Tsenov Academy of Economics - Svishtov, Bulgaria****Petrova S. Al. Challenges facing the transformation of the Common commercial policy of the European Union.**

The trend towards economic integration is one of the most important regularities that characterize the world economy in the late twentieth century and early twenty-first century. In terms of the restructuring of regional economies of Eastern European countries Bulgaria has adopted a permanent policy of establishing a new type of relationship with the European Union. In recent decades, the Member States of the Community are emerging as major trading partners of Bulgarian businesses. The reorientation of Bulgaria to the European Community and the striving to join it greatly affect the national trade policy. Belonging to one of the major economic blocs in the world requires compliance with the adopted Community policy on trade, but also creates a number of challenges. The main purpose of this report, in terms of the dynamics of the accession processes at European level, is to try to assess the current trends in trade policy instruments of the European Union and on this basis to determine the regional dimensions of trade and economic relations between the Member States and Bulgaria, as well as to outline the main challenges occurring in this area. The integration within Europe's commercial environment poses many problems and challenges to the future development of our national economy.

Петрова С. А. Виклики перед трансформацією загальної торговельної політики Європейського Союзу.

Тенденція до інтеграції господарського життя являє собою одну з найбільш суттєвих закономірностей, що характеризують розвиток світової економіки в кінці ХХ століття - початку ХХІ століття. Наша сучасна реальність доводить, що жодне економічне явище чи проблема на національному рівні не можуть бути вирішені поза рамками процесу інтеграції. В умовах реструктурування регіональних економік східно-європейських країн Болгарія сприйняла стабільну політику встановлення нового типу відносин з Європейським союзом. В останні десятиліття держави-члени Співтовариства затверджуються в якості основних торгових партнерів болгарських господарюючих одиниць. Переорієнтування Болгарії на Європейське співтовариство і прагнення до асоціювання з ним в значній мірі впливають на національну торговельну політику. Приналежність до одного з основних економічних блоків в світі вимагає дотримання прийнятої Співтовариством політики в галузі торгівлі, але й створює низку викликів. Основною метою цієї доповіді, беручи до уваги динаміку процесів асоціювання на загальноєвропейському рівні, є зробити спробу оцінки сучасних тенденцій в інструментарії торгової політики Європейського союзу і на цій основі визначити регіональні виміри торговельно-економічних відносин між державами-членами та Болгарією, а також виявити основні виклики, які проявляються в цій області. Інтеграція до торгової середовищі Європи ставить ряд проблем і викликів перед майбутнім розвитком національної економіки.

Петрова Симеонка Александрова. Вызовы перед трансформацией общей торговой политики Европейского Союза.

Тенденция к интеграции хозяйственной жизни представляет собой одну из самых существенных закономерностей, характеризующих развитие мировой экономики в конце ХХ века - начале ХХІ века. Наша современная реальность доказывает, что ни одно экономическое явление или проблема на национальном уровне не могут быть решены вне рамок процесса интеграции. В условиях реструктурирования региональных экономик восточно-европейских стран Болгария восприняла стабильную политику установления нового типа отношений с Европейским союзом. В последние десятилетия государства-члены Сообщества утверждаются в качестве основных торговых партнеров болгарских хозяйствующих единиц. Переориентирование Болгарии на Европейское сообщество и стремление к ассоциированию с ним в значительной степени влияют на национальную торговую политику. Принадлежность к одному из основных экономических блоков в мире требует соблюдения принятой Сообществом политики в области торговли, но и создает ряд вызовов. Основной целью настоящего доклада, принимая во внимание динамику процессов ассоциирования на общеевропейском уровне, является предпринять попытку оценки современных тенденций в инструментарии торговой политики Европейского союза и на этой основе определить региональные измерения торгово-экономических отношений между государствами-членами и Болгарией, а также выявить основные вызовы, проявляющиеся в этой области. Интеграция к торговой среде Европы ставит ряд проблем и вызовов перед будущим развитием национальной экономики.

I. **Introduction.** Trade is one of the most rapidly changing and fastest growing areas of economic activity. It reflects current trends of growing interdependence and integration between national economies. In terms of

economics, the impact of Bulgaria's EU accession is largely determined by the successful transformation of the domestic market, which is an integral part of the European market. Thus, it requires thorough reconsideration of our trade integration experience to outline future trade and economic relations.

In 1957, at the signing of the Treaty of Rome establishing the European Economic Community, the Community founders paid special attention to the external aspects of the customs union and therefore the common commercial policy of the Member States. This policy is a significant basis of the integration process. The scope of the common commercial policy has been extended over the years after the Treaty of Rome. At present, this policy includes not only trade in goods but also trade in services as important aspects of intellectual property protection and the regulation of investment activity. The common commercial policy of the European Union has a strong impact on the foreign trade of Bulgaria, and thus affects various other spheres of the national economy. This effect deserves research interest.

II. Theoretical framework of commercial transformation. Despite the differences in the views and opinions presented in the relevant literature, we can conclude that the economic integration is an essential part of the process of globalization and complex multiphase gradual process of transformation of national economies into a single economic space covering the whole world. Integration is a process largely driven by changes in the dynamics of trade in goods and services, technology, capital and labor. However, this process is the result of certain causes. In this sense, we share the views of J. Arroyo, according to whom the main prerequisites for globalization and, in particular economic integration, can be reduced to [1, p.p. 4-5]: upward development of the productive forces. Globalization occurs at a certain stage of development of the material basis of the global economy, and as long as the right conditions are not created, it is not a historical necessity; expansion of international economic relations, which reach the stage of development in which the existence of national economies is impossible without them; equalizing the economic levels of the countries in the world or in its separate areas where globalization has established itself; unifying the economic and legal conditions for the functioning of national economies. This creates legal and managerial premises for the recognition of the globalization process in the world; development of financial capital through its expansion beyond national economies and its differentiation as a leading economic process in the world; establishment and strengthening of integration processes, incorporating the operation of groups of countries. The integration of national economies is becoming an intrinsic feature of the world economy.

The circle of the thus formulated important prerequisites for world economy globalization can be extended and supplemented by the growing pressure on costs. The latter is expressed in the fact that economic entities focus their business activity on certain economic areas, which provide business with cheap labor and other production resources. These conditions of globalization and integration should be considered in unity. Collectively, they form the process of its evolution as an economic reality.

The integration process in itself reflects the economic, institutional and legal characteristics of individual economies. On its part, the commercial aspect of integration is reduced to:

- liberalization of international trade and
- building a global (world) market.

Generally international trade liberalization is reflected in certain legislative measures and actions which reduce the restrictions on international trade exchange and partially restore the principle of *free trade*. The basis of this principle is the understanding that the international exchange of goods and services is neither restricted nor promoted by the immediate intervention of the state. Therefore, free trade is a counter-state of protectionism, which largely restricts the realization of the principles of market economy.

The second major manifestation of international trade globalization is building a global (world) market. It has a key role in forming a single world economy. Companies that have achieved a global presence perceive the world as a single market. They create their product portfolio following a precise assessment of the market environment in the following areas: market attractiveness (country, region) and competitive force. The study of the other characteristics of the market – competitive force, requires using extensive market research to measure indicators such as market share and competitive position, degree of consumer acceptance of goods or services, etc.

Maintaining a product portfolio in the global marketplace requires an economically grounded valuation of decisions regarding: which products to introduce, on which markets, what new products should be created, what brand should be used, what the packaging should be, which after sales service to provide, when to enter the market. The basis of such a business orientation is the notion of “global product for a global client”. This means that a company is able to offer the market a range of products, the parameters of which would satisfy the requirements of the customer, regardless of where in the world it is located.

The process of Bulgaria's entering the integrated international market of goods and services must be related to the search of certain positive effects for Bulgarian companies. These effects can be summarized as follows: development of national production, taking into account the real comparative advantages of the country and opportunities for building new promising industries, supporting more added value; improving the access to global resources (material, labor, financial, etc.), boosting national production; encouraging participation in international trade and economic agreements (customs, tariff, etc.) to improve the terms of trade in goods and services and to attract strategic investors; faster access to global technological developments (know-how) and expanding their distribution; accelerating the standardization of manufactured goods, driven by user requirements of the global quality; greater choice of consumer goods and services leading to an improved standard of living; increasing mobility of labor resources, creating better opportunities for professional development, etc.

Along with the positive economic effects the negative ones should also be reported. In this sense, the possible negative economic effects of the integration of economic life on the Bulgarian companies can be reduced to: disintegration of national consumption patterns and life; reducing the level of national economic independence; vulnerability of the domestic market price and the global manufacturing recession; asymmetry effects – rapid dissemination of negative and slow positive spillovers. In this context, promoting the integration of national markets makes it necessary to consider the world economy as a unified whole.

III. Empirical framework of the study. In order to achieve the objective of this study it is particularly relevant to try to assess the changes in trade orientation of Bulgaria and on this basis to identify the country's opportunities for full integration into the trading community of the European Union in the context of the common commercial policy. For this purpose, changes in the amounts of the country's exports and imports for the period 1994-2010 are analyzed and evaluated. The eleven-year period that is investigated creates conditions for establishing the level of the activity of trade relations between Bulgaria and the European Union countries under the conditions of the challenges of integration.

When choosing the study period the fact taken into account is that in 1993 Bulgaria signed the Association Agreement (AA), which specifies the conditions for Bulgarian exports to member states of the European Union, and their export to our country. In the period after the signing of the AA steps are taken to create a free trade zone. Gradually tariffs in bilateral trade in industrial goods are reduced, with a lower pace for agricultural goods.

The new realities of an increasingly globalizing economy determine the importance of foreign trade exchange, regional and global trading communities for economic development. Foreign trade is becoming a major factor for economic growth. Its dynamics and structure are defined as a generator of currency proceeds and investments to expand the reproduction processes, to multiply the production effect, and to increase employment in export-oriented industries.

During the period 1994-2010, the share of foreign trade in GDP tends to have a relatively constant increase. The outlined trend is largely determined by the influence of the following major factors: trade liberalization; establishing free trade zones; elimination of many restrictions on imports and exports; processes of integrating Bulgaria into the European structures.

A characteristic feature of the integration of the national economy to the single European market is the realization of free commodity movement. It can be measured using the indicators of volume and dynamics of trade between Bulgaria and the Member States of the European Union. The structural analysis of the magnitude of the realized turnover shows that during the period 1994-2010 there was a steady trend of growth of Bulgaria's foreign trade with the European Union (see Table 1).

Table 1 - Share of European Union in Bulgaria's trade in the period 1994-2010

Indicators	1994	2000	2001	2002	2003	2005	2006	2007	2008	2009	2010
Import (%)	33.30	51.09	54.76	55.69	60.14	57.17	56.45	60.83	59.97	64.93	60.85
Export (%)	30.20	44.02	49.35	50.27	55.35	53.06	47.32	58.45	56.70	59.96	58.49
Total (%)	31.75	47.56	52.06	52.98	57.75	55.11	50.92	59.36	57.93	61.99	59.55

Source: NSI. Statistical Yearbook 1995 to 2011.

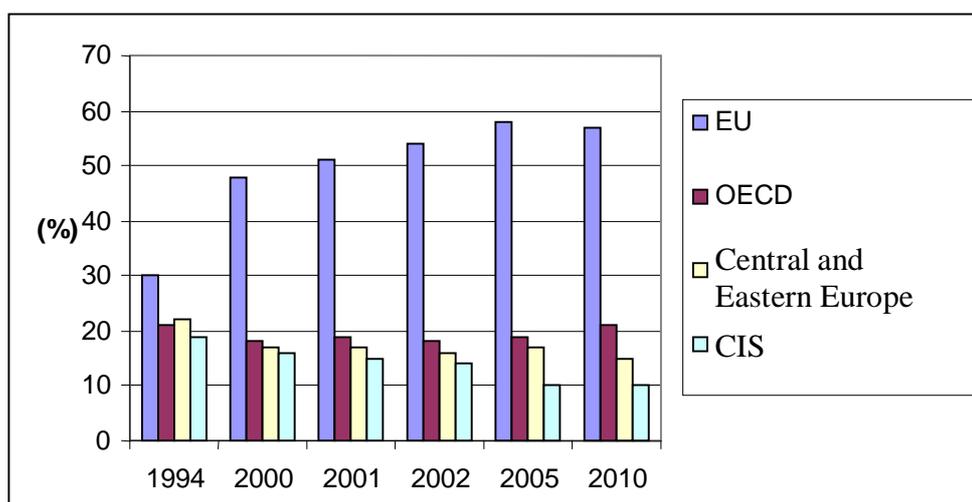
The data in table 1 show that from 2000 till the end of the period the relative share of the European Union in Bulgaria' trade increases on average by more than 2%. The result can be described as regular and conditioned by the integration processes in Europe. In 2005, the Member States accounted for 55.11% of the trade, including 57.17% of exports and 53.06% of imports, and in 2010, respectively, 59.55% of the trade, including 60.85% of exports and 58.49% of imports [1, p. 246-262].

During the period 1994-2010, the foreign trade with the EU is characterized by an increase in Bulgarian export by nearly three times, and in import – from 2 to 6 times . Retaining the value of Bulgarian exports to the European Union and the lower growth rate of imports determine the trend in the deficit in the trade balance. This indicates the existence of problems with positioning of Bulgarian products on the European market resulting from increased competitive pressure of foreign advanced high-tech products.

A distinctive feature of the commodity structure of trade between Bulgaria and the European Union is the presence of goods of similar industries in exports and imports. Throughout the period the most significant part in Bulgarian exports are textiles (clothing and knitwear) – 21%, machinery and equipment – 12%, followed by chemical products – 8%. There is a reduction in the share of a number of traditional foods, beverages, tobacco, etc., as a result of customs and non-tariff barriers as well as the high-quality, sanitary, technical and other requirements of the European market.

After the European Union, the Organization for Economic Cooperation and Development (OECD) is the second largest trading partner of Bulgaria – with a share of over 17% (see Fig. 1). During the period analyzed the activity of the trade relations with Turkey, the U.S. and Japan remain high. In total Bulgarian exports, the share of exports to Turkey is around 10 % and to the U.S. - more than 4.5 %.

Next come the trade relations with the countries of Central and Eastern Europe. During the analyzed period, their share in the total value of foreign trade varies between 10% and 12%. In 2005 Romania, Bosnia and Herzegovina and Macedonia take the highest share in the total value of foreign trade – with percentages of between 2% and 4%. Bulgarian exports to the Czech Republic, Hungary and Poland have symbolic dimensions, while imports marked the gradual increase in size, reaching more than 1.5% of the total value of imports by country.



*Source: NSI. Statistical Yearbook from 1995 to 2011.

Fig. 1. Trading partners in Bulgaria's foreign trade for the period 1994-2010

The change in the regional distribution of commodity flows leads to a relative decline in the foreign trade between Bulgaria and the CIS countries. Statistics shows that Russia has the highest share in Bulgarian exports and imports during the period among the countries in this economic group – nearly 10%, followed by Georgia. These values are mainly due to imports of energy raw materials. During the research period, the level of purchases of mineral fuels and related products in Russia remains high. Particular attention should be paid to the analysis of the statistical data revealing the trade turnover between Bulgaria and Ukraine. In this respect there is a constant upward trend of exports and imports and by commodity groups. During the period there was an increase in the amount of Bulgarian exports to Ukraine by 1.8 times and imports – more than 1.5 times [1, p. 246-262]. This review of the Bulgarian imports and exports by country groups allows the identification of the main trade partners of Bulgaria. The adduced data show that Bulgaria's foreign trade with the European Union follows an upward trend. The rates of change in the trade relations with other regions are significantly weaker and new opportunities for expansion and growth of the trade turnover should be sought.

IV. Conclusions. This attempt to determine the commercial orientation of Bulgaria in the period 1994-2010, and to identify some of the challenges that accompany the process of its integration into the trading community in Europe, gives rise to the formulation of the following major *conclusions*:

- In the period after the signing of the Association Agreement the level and pace of trade integration between Bulgaria and the European Union are increasing. The participation of the Member States in the foreign trade of Bulgaria is increasing. This is due to the country's foreign policy priorities.
- The countries of the Organization for Economic Cooperation and Development are becoming the second largest trading partner, followed by the countries of Central and Eastern Europe. The trade turnover between Bulgaria and the CIS countries is characterized by a relative decrease, causing the search for new opportunities to expand business activity. At the same time exports and imports by commodity groups between Bulgaria and Ukraine marked a steady trend of growth. This trend should be maintained and continued.
- The process of Bulgaria's accession to the trade community of the European Union has been accompanied by a number of challenges in the transformation of national markets into an integral part of the European market.

In this context, it can be concluded that the precise definition of the problems accompanying the development of Bulgaria's foreign trade relations has particular relevance for national retail companies and their future participation in sustainable business partnerships with similar structures. The process of deepening the trade integration can be one of the decisive conditions for the realization of the full economic Bulgaria's accession to the international business life.

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Ключовые слова: общая торговая политика, процесс интеграции.

Ключові слова: загальна торговельна політика, процес інтеграції.