

EUROPEAN UNION RELATIONS WITH COUNTRIES WITH ECONOMIES IN TRANSITION

Boris Corețchi*
Alexandru Gribincea**

Abstract: *Managing the European Unions external relations is a dynamic process, because the European Union defines its own foreign policy, it must also take into account external factors. These factors relate to economic interdependence increasingly more produced by the combined effects of a wave of liberalization of markets worldwide, the global communications revolution and accelerating technological progress. European Union needs to update the priorities in the context of international competition from increasingly powerful, cross-border investment flows of increasingly higher.*

Conscious of its global economic and trade, the European Union uses its power for personal interests and the interests of others. The European Union promotes prosperity and supports democratic values around the world, while it helps to consolidate stability and welfare for the citizens within its borders. Integrating new countries into the European Union strengthens its role on the international scene. The European Union is the world's largest trading partner, but at the same time, is the largest provider of aid to developing countries. Community has created a common foreign and security practice, with the ability to perform missions of crisis management and peacekeeping in Europe and worldwide. In today's complex, the European Unions have added new tools to the traditional instruments of foreign policy. This implies that global problems require global solutions.

Keywords: *export-import balance of trade, investment, technological progress, competition.*

INTRODUCTION

European Union promotes respect for human rights worldwide. As part of this effort, the EU has conditioned any trade or economic cooperation and providing assistance funds for human rights. If a country with which the European Union trade relations committing flagrant violations of human rights, European Union uses its economic power available and suspended all humanitarian and development agreements that ended with that state until it complies with EU standards again European human rights. Through assistance agreements with developing countries, in particular ACP countries, the EU seeks to strengthen democratic processes in these countries to contribute to efforts to

* Lect. univ. drd., - Universitatea de Stat din Moldova.

** Prof. univ. dr. hab., - Universitatea de Stat din Moldova.

rebuild the economies of these countries and to help create macroeconomic policies.

MATERIAL AND METHOD

In order to properly research an analysis of EU external relations with countries with economies in transition and the Republic of Moldova, using a range of methods and procedures such as method of analysis, comparison, analogy, and synthesis that allowed the essence of research topics and draw conclusions which I believe will be of interest for development of the country.

The period analyzed in this study is 2006-2009. The researches was conducted under the National Bureau of Statistics and the World Bank, EUROSTAT, has also been compiled and interpreted statistically, build histograms, and conclude them.

RESULTS AND DISCUSSIONS

Countries with economies in transition have emerged after the collapse of the USSR and formed together Community of Independent States (CIS).

European Unions main trading partner is Ukraine, exporting chemicals, machinery and transport equipment, textiles and clothing and Ukraine in turn participating in export agricultural products, iron and steel, energy products, etc.[1] Ukrainian exports to the EU are in a very large extent liberalized through the Generalized System of Preferences (GSP) granted by the EU to Ukraine in 1993. In 2009, the GSP utilization rate reached a good enough level of 71% of eligible products. With 1.61 billion euros from GSP preferential imports to the EU, Ukraine ranks 11 among the most efficient system. (Fig.1).

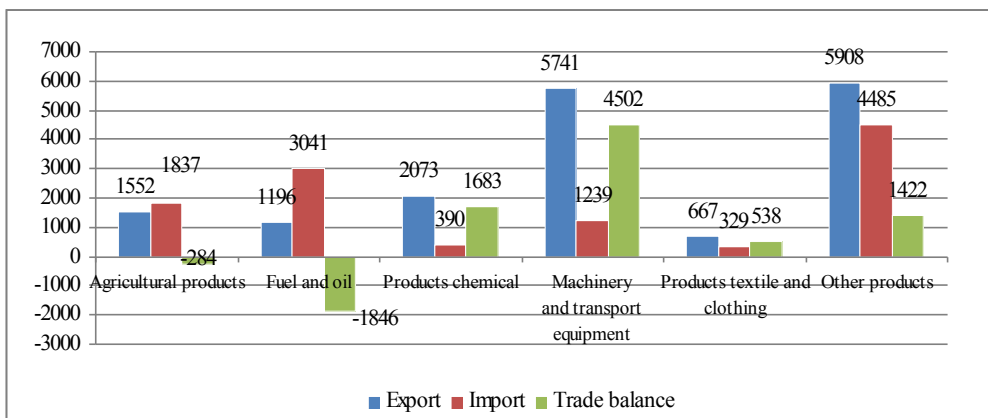


Fig. 1. Trade in goods with Ukraine of the European Union in 2010 (million euro)

Source: Elaborated by author based on data of the EUROSTAT

Analyzing the figure given notice that export of the EU has an increasing trend in all categories of products, except agricultural products and fuels, which

demonstrates that the EU is a community dependent on energy resources (oil, gas) and Ukraine is a country exporting agricultural products trade balance tilting in favor.

Analyzing the situation of Russian Federation we mention that it is a key partner for the EU. Building this strategic partnership with Russia is of vital importance for the European Union for various reasons. First, Russia is the largest neighbor of the community with a growing importance due also to EU enlargement in 2004 and 2007. EU Security Strategy of 2003 emphasizes the fundamental role played by Russia in geopolitical and security, both globally and regionally. Russia is a key player in the United Nations Security Council and the European neighborhood policy. Energy security is also a defining element for the EU-Russian Federation, since Russia is a major supplier of energy to the European Union and it is expected that exports will continue to grow in coming years.

Trade and investment relations with Russia are also developing a dynamic field. Russia is a vast market for goods and services from the European Union, which is experiencing a significant expansion and increased purchasing power, making the country the third commercial partner of the European Union. On the other hand, the EU market is the most important destination for exports from Russia. EU companies are major investors in Russia. The report on economic and trade relations EU-Russia, Parliament has called for increased integration of economic ties, including the conclusion, the future of a free trade agreement. The reports stressed the importance of Russia's accession to the WTO and in this context, the need to address export duties on timber, double price system energy and railway tariffs. (Fig.2)

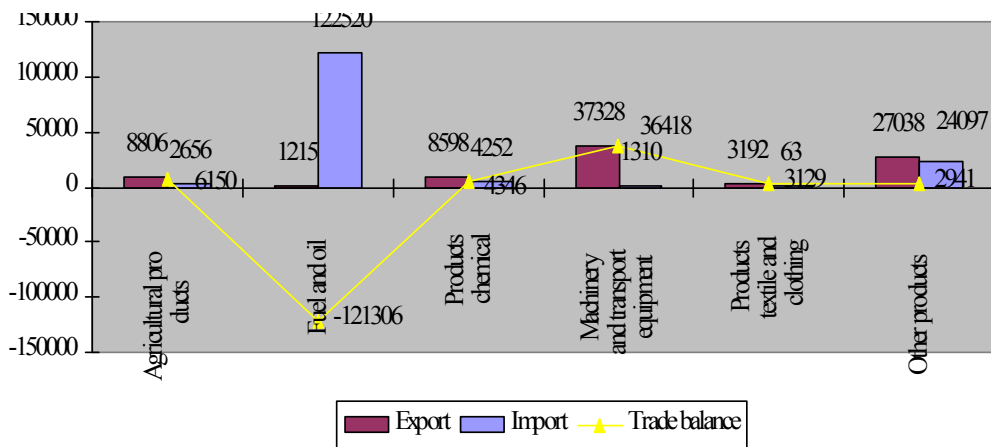


Fig. 2. Trade flows of products with the Russian Federation of the European Union in 2010 (million euro)

Source: Systematized by the author based on data of the EUROSTAT

After analyzing trade flows of products of the European Union with the Russian Federation, we can deduce the following: The European Union is much

higher in the export of products to Russian Federation, but is totally dependent on imported fuels, especially Russian gas and oil is the only source energy available to the EU, currently building an alternative source is also coming from Arab countries.

As regards Moldova, its relations with the EU after August 27, 1991 as the successor of the USSR like other former Soviet republics. Diplomatic relations between Moldova and the EU have become more intense with the launch of the ENP. On the one hand, responding to repeated calls of the Republic of Moldova (and the European Parliament), the EU decided in principle to open European Union Delegation to Chisinau. On the other hand, as mentioned by Government Decision at the end of 2004 was established diplomatic mission to Moldova to the EU. [2, p.55]

European Union trade partner of Moldova is the most important, with a share of 50% of foreign trade. Despite continued growth, Moldova-EU exports are quite limited and non-diversified. It is expected that autonomous trade preferences which the EU has expanded into Moldova in early 2008 will lead to a diversification of exports and thus stimulate economic growth in Moldova. (fig.3)

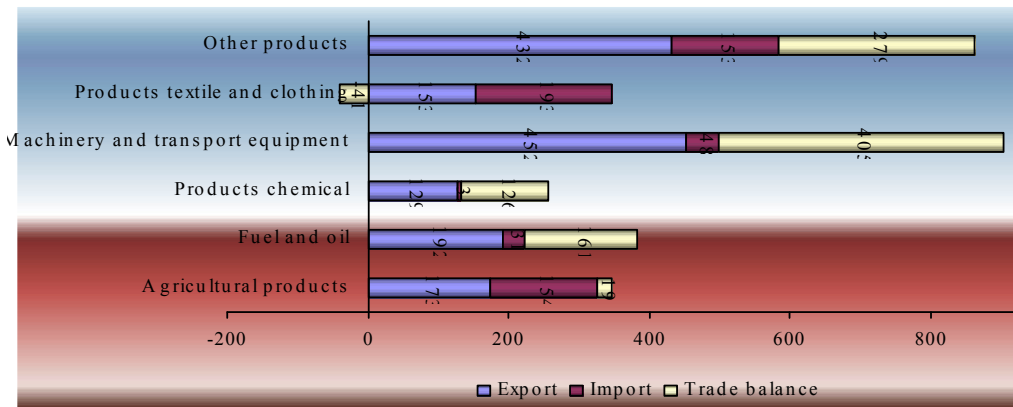


Fig.3. European Union trade with Moldova, 2010 (million euro)

Source: Systematized by the author based on data of the EUROSTAT

Moldova in the European Union commercial sign is always negative trade balance, but notes that trade in textiles and clothing exports to the EU our country more than imports, with a difference of 41 ml. euro.

Economy in transition countries, the primary first, with a share of GDP even 50% in some countries, where less secondary sector is rudimentary industry, tertiary or services sector is underdeveloped, mainly because of the planned economy past and common property. Compared with developing countries in the Europeans Unions largest Community contribution in GDP is a service. (Table 1)

Table 1. Trade in services in transition countries compared with the European Union (2006-2009, the percentage of GDP)

Countries /Years	2006	2007	2008	2009	Deviation compared to 2009 (%)		
					2006	2007	2008
European Union	23	21,6	22,3	24	1,04	1,11	1,08
Ukraine	19	18,1	18,9	22,3	1,17	1,23	1,18
Moldava	28	29	27,7	25,6	0,91	0,88	0,92
Belarus	11	11,7	11,1	11,3	1,03	0,97	1,02
Russia	7,7	7,5	7,6	8,4	1,09	1,12	1,11
Armenia	17,2	14,9	13,6	16,6	0,97	1,11	1,22
Azerbaijan	18,1	14	11,6	11,9	0,66	0,85	1,03
Kazakhstan	14,3	14,6	11,7	12,4	0,87	0,85	1,06
Georgia	20,8	19,9	19,5	21,3	1,02	1,07	1,09

Looking in more detail in the share of services in GDP in transition countries and EU average, we see that Moldova has the highest weight as compared to other ex-Soviet countries it has no resources to sell or products that promote GDP. Central Asian countries and Russia have a comparatively small because the main branch of specialization of their exports of fuels and mining products. EU average is around 20% because there are countries that account for 34-38% in Denmark and countries with a lower figure of 12-14% in Germany.

The European Union currently is the most advanced in world GDP, surpassing even the United States, which until recently had precedence. GDP is modest transition countries to the EU and even we can say that is an indicator showing slow growth, but mostly not all countries are faced with increasing GDP, these results are reflected in the table below .

Table 2. Analysis of GDP in transition countries compared to the European Union (2006-2009, billion USD)

Countries/ Years	2006	2007	2008	2009	Deviation compared to 2009 (%)		
					2006	2007	2008
European Union	15989,5	16012,8	16280,9	16004,2	100,09	99,95	98,30
Ukraine	107,753	142,719	180,354	113,545	105,38	79,56	62,96
Moldava	3,408	4,402	6,054	5,404	158,57	122,76	89,26
Belarus	36,961	45,275	60,763	49,037	132,67	108,31	80,70
Russia	989,93	1299,7	1666,95	1231,89	124,44	94,78	73,90
Armenia	6,384	9,206	11,916	8,713	136,48	94,64	73,12
Azerbaijan	20,982	33,049	46,258	43,019	de 2,05 ori	130,17	93,00
Kazakhstan	81,003	104,853	133,441	115,306	142,35	109,97	86,41
Georgia	36,961	45,275	60,763	49,037	132,67	108,31	80,70

In conclusion we can say that the EU than countries in transition together with an imposing figure (16004,2) in 2009, even though it passed through the

phase of financial crisis, because they see that GDPs grow by 2008 and in 2009 drop sharply. Russia also has a significantly higher GDP in the CIS countries. Unfortunately, the Republic of Moldova's GDP with the lowest number (5,404) and is ranking on the last position.

Since countries with economies in transition can advance and be rich, they need to attract investment flows in infrastructure, service sector etc. Thus unemployment is decreasing because people will have jobs and can be paid, which they in turn are intended to maximize profits. Thus in the table below are shown the number of foreign direct investment in transition countries compared to EU countries:

Table 3. The figure of foreign direct investment in EU countries and countries with economies in transition (2006-2009, billion USD)

Countries / Years	2006	2007	2008	2009	Deviation compared to 2009 (%)		
					2006	2007	2008
Moldava	0,233	0,539	0,712	0,127	54,51	23,56	17,84
Belarus	0,354	1,785	2,18	1,884	532,2	105,55	86,42
Russia	29,701	55,073	75,002	36,75	123,73	66,73	49
Armenia	0,453	0,698	0,935	0,777	171,52	111,32	83,1
Azerbaijan	-0,583	-4,748	0,014	0,473	-81,13	-9,96	de 33 ori
Kazakhstan	6,278	11,119	15,779	13,619	216,93	122,48	86,31
Georgia	1,17	1,75	1,564	0,658	56,24	37,6	42,07
Germany	56,644	77,301	26,804	39,152	69,12	50,65	146,07
France	71,83	98,312	64,576	59,988	83,51	61,02	92,9
Italy	39,007	40,042	15,441	28,976	74,28	72,36	187,66
Great Britain	154,12	202,071	93,505	72,923	47,32	36,09	77,99
Netherlands	7,053	120,403	5,691	33,287	de 4,7 ori	27,65	de 5,8
Denmark	2,419	11,809	2,606	2,905	120,09	24,6	111,47
Belgium	54,743	120,626	106,095	38,859	70,98	32,21	36,63
Romania	11,393	9,925	13,883	6,31	55,38	63,58	45,45

Analyzing a number of countries where FDI flows are stable we concluded that European Union countries compared with those in transition are more open and investment have a much higher figure, a plus that makes the group OECD.

CONCLUSIONS

The European Union is today a complex objective body that aims prosperity of Member States and beyond. Therefore, its success, the failure of European organizations such as the Organization for Security and Cooperation in Europe (OSCE), Council of Europe, European Union, and NATO (Euro-Atlantic structures) to achieve objectives have a decisive impact on future international institutions worldwide. Precisely because the EU is a role model, particularly through the development and prosperity of its Member States, the tactics have been "borrowed" by other international organizations also cooperate with the

European Union, including falls and CARICOM (Caribbean Community), covering six countries of the Caribbean Sea (Barbados, Belize, Guyana, Jamaica, Suriname and Trinidad and Tobago). Also very important is the EU's relationship with major transnational organizations such as UN, OECD, NATO, etc.

European Union moves to consolidate relations with neighboring countries to the east and south. Although build Russia, Ukraine, Moldova and the republics of the Caucasus and Central Asia Individual Union relations based on partnership and cooperation agreements covering trade and other economic sectors and also joint action in many areas of common interest.

Agreement with Russia goes further than others, focusing on economic issues, cooperation in research and education, and the internal and external security issues. EU seeks to update the relationship via a new framework agreement, including, inter alia, closer cooperation on energy. As regards Ukraine, the objective is to advance negotiations toward a global free trade.

EU relations with Moldova in the last period is quite favorable for Moldova's development would be desirable to provide free movement of persons within EU member countries (Romania, Bulgaria, Czech Republic, etc.), a period of seasonal and temporary work to gain that encourage both sides. The greatest changes occurred in the cultural, academic and investment in the civil society in Republic of Moldova. Reducing the number of documents required for visa and simplification of documentation.

Also pay more attention to countries in Eastern Europe, and even go deeper in the accession negotiations to the European family of countries that are characterized by economic growth, reforms in justice, security, food, etc.

Efficient in the agro-food sector so as to ensure the situation to become more environmentally friendly agricultural products eligible at the new extension, because some countries join have a high share of agriculture in GDP, which will affect the community balance in this sector.

REFERENCES

1. Biroului Național de Statistică al R. Moldova, 2005-2010, <http://www.statistica.md>
2. Burciu, A., (2010), *Tranzacții comerciale internaționale*, Iași, Polirom, p. 615.
3. Europa în mișcare, Comisia Europeană, Direcția Generală Comunicare, iunie 2007.
4. Gudîm, A., (2002), *Republica Moldova și Uniunea Europeană ca parteneri*, Chișinău, TACIS.
5. Miron, D., (2003), *Comerț Internațional*, București, ASE. <http://www.banquemondiale.org>