

# TRADE IN GOODS OF THE EUROPEAN UNION WITH THE BRICS COUNTRIES

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**Abstract:** The present paper points out the fact that the stable economic growth of the states can be obtained only due to the existing interdependences between the developed economies and the emerging ones. In order to increase its role in different parts of the globe, but also to ensure a balance between its states and the emerging economies, the European Union has established strategic partnerships with all BRICS countries. For the latter, the EU represents the main trade partner and besides the creation of an environment adequate to the development of the international trade, the realization of a tight cooperation in the field of security, illegal migration, climate changes and terrorism is also on the agenda. The BRICS countries are important for the world trade because of their economic power, as they have become the states whose markets have known the fastest development in the world. Thus, it is important to keep in mind that EU's imports from the BRICS countries represented in 2011 more than 33,7% of the total, while exports were above 21%.

**JEL classification:** F02, F13, F17.

**Key words:** world trade, global governance, economic integration, strategic partnership, emerging power.

## Acknowledgment

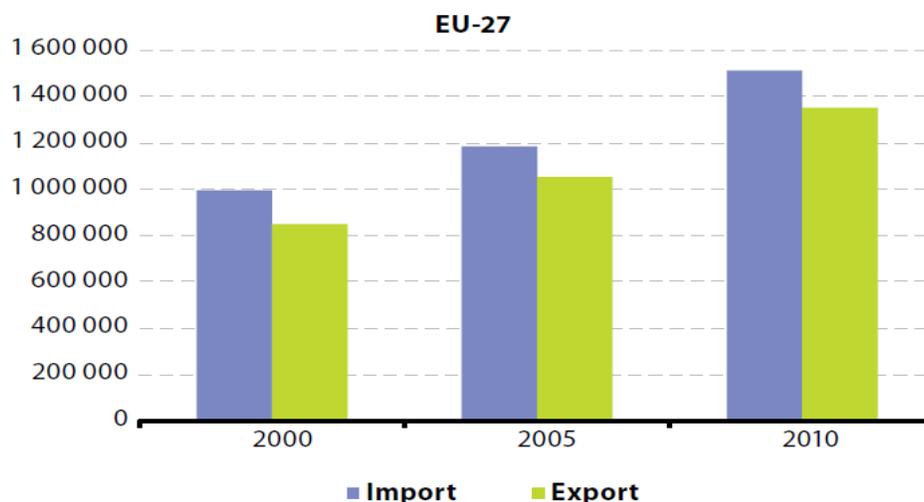
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## 1. INTRODUCTION

The international economic-financial crisis has shown that the interdependence between the developed economies and the emerging ones is beneficial for all participants in international trade, leading to the steady economic growth of the states. On the other hand, the European Union must treat the BRICS with the right respect, in order to achieve a peaceful reform of the global governance. Although the BRICS resemble in many ways (such as large surfaces, numerous population, rapid economic growth, increasing trade between countries etc.), there are a series of arguments demonstrating the difference between these states or other emerging states and the EU, in terms of economic, political and social aspects. The international trade represents the most important factor in establishing economic links, bringing welfare to the nations. Hence, in order to keep the peace and ensure the safety of the population, the states or

groups of countries trading between them, will do everything they can to prevent tensions and conflicts.

The European Union has strategic partnerships with every state of the BRICS, to increase the Union's role in different areas at world level and maintain a balance between its economies and the emerging ones through dialogue and cooperation, both bilaterally and multilaterally.



Source: *The European Union and the BRIC countries, 2012 edition, p.74*

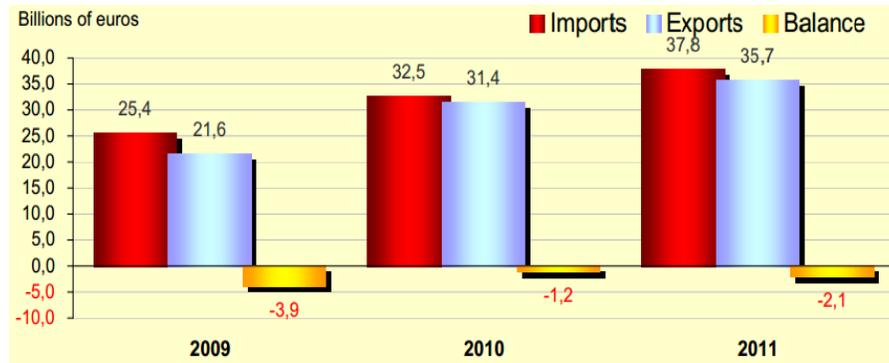
**Figure no.1: Trade in goods: value of imports and exports (EUR million)**

## 2. ANALYSES TRADE IN GOODS OF THE EUROPEAN UNION WITH THE BRICS COUNTRIES

### *a. Brazil*

Thus, while the EU is the main trade partner of Brazil, the latter is the main partner of the Union in Latin America. As an actor of the regional integration process represented by the Southern Common Market (Mercosur), Brazil has renewed its strategic partnership with the EU. The 2012-2014 common action plan as well as the mutual commitments regarding the promotion of democracy and the reforming of the multilateral system of governance, support the desire of parties involved, to fulfill these commitments and contribute to the reform of the world financial architecture. At the same time, the report on “EU’s foreign policy towards the BRICS and other emerging powers: objectives and strategies”<sup>49</sup>, has restated the offer concerning EU’s involvement in overcoming the crisis of the sovereign debts, acknowledging that they are interconnected, and therefore it expresses the European Union’s support for the balanced and right conclusion of both the Doha Development Agenda and the EU-Mercosur Association Agreement, which will be the most important association agreement ever signed by the EU and will involve 750 million persons and annual international trades in total value of 125 billion dollars.

<sup>49</sup> EU’s foreign policy towards the BRICS and other emerging powers: objectives and strategies, Foreign Affairs Commission: Jacek Saryusz-Wolski, January 10, 2012



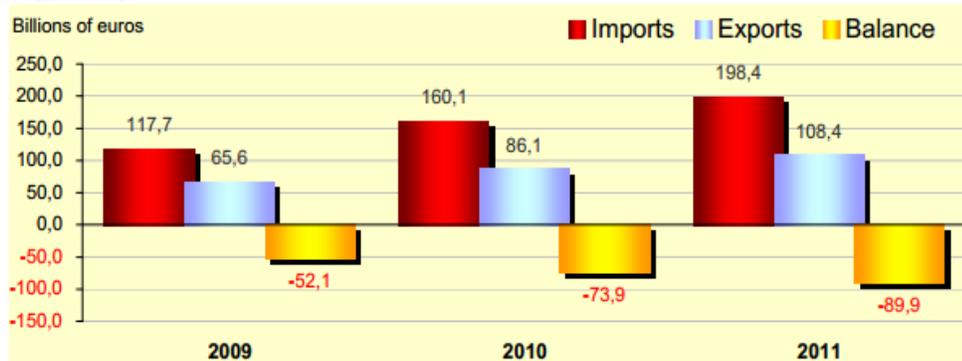
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**Figure no. 2: Trade in goods- EU27 with Brazil-**

### *b. Russia*

On the other hand, the report on “EU’s foreign policy towards the BRICS and other emerging powers: objectives and strategies” points out the importance of the strategic partnership established between the European Union and Russia, in order to keep and preserve the peace and safety within the European continent, aiming at the same time to develop the international trade and the economy in general. The complexity of decisions at transnational level and the development of Russia play a vital role in the creation of an environment appropriate for the development of the cooperation between the two powers on the issues concerning the illegal migration, climate changes and terrorism.

The trade carried out between the EU and Russia aim mainly at the energy field and mineral resources, as EU is one of Russia’s trade partners, but also the most important investor.



Source: [http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113440.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113440.pdf)

**Figure no. 3: Trade in goods- EU27 with Russia-**

Although the EU represents approximately 50% of Russia’s trade, the latter is focusing more and more on Asia, trying to cope with the issues related to the debt crisis of her main trade partner. The economic trades and investments between the two will improve due to Russia’s adherence to the World Trade Organization, as the 156<sup>th</sup> member. Hence, Russia will have to reduce its taxes on import and limit those on

export, playing an active role in putting into practice the different regulations in the field of bilateral economic relations.

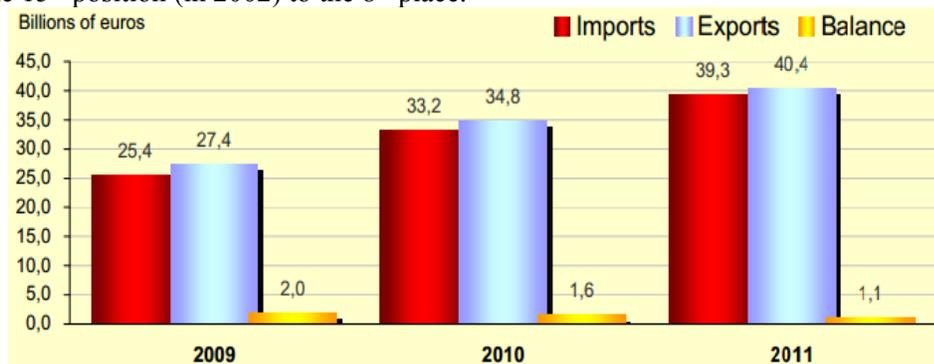
At global level, Russia imports cars, industrial facilities, electric cars, medical and pharmaceutical products, grocery and fruits, iron and steel, iron products etc., exporting oil and petroleum-based products, natural gas, coal, non-ferrous metal, lighters, fertilizers, cork and wood, ores, and metal waste, generators etc.

EU's exports to Russia in 2011 totaled 108.4 billion euros and had the following composition: automobiles (7 billions), medicines (6 billions), auto parts (3.5 billions), mobile phones and their components (2.5 billions) and tractors (1 billion). EU's value of imports from Russia in 2011 was 198.3 billion euros, especially raw materials. Also, the imports consisted of the following: oil (raw and refined - 130 billions), natural gas (24 billions). EU's investments towards Russia reached 120 billion euros in 2010, while Russian investments accounted for 42 billions.

### c. India

The relation between the EU and India must not limit itself only to the trade aspects, but the partnership should include the dealing of issues, such as social crisis, migration, climate changes or international security. The European Parliament considers of paramount importance the recreation of a group homologous to the Delegation of the European Parliament with respect to the relations with India, following the experience of the India-Europe friendship Group, which existed in India's Parliament before the elections in 2009 in this country. One must keep in mind that India has experienced a process of economic reform and progressive integration into the global economy, while experts say that the conclusion of the free-trade agreement between the EU and India (negotiations started in 2007) will help consolidate trades and increase investments. At present, the EU is India's main investor, and, although, the relation between the two is a good one, there are tensions regarding the high import tariffs on some European goods.

In 2000, trades reached 68 billion euros, while in the 2010-2011 period, they increased by 20%. Among the main trade partners of the EU, the Indian state moved from the 15<sup>th</sup> position (in 2002) to the 8<sup>th</sup> place.



Source: [http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113390.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113390.pdf)

Figure no. 4: Trade in goods- EU27 with India-

### d. China

China represents one of the most powerful players within the international trade, playing an important part in the recovery of the world economy. The Chinese state started its development after the reforms at the end of the 70s. At present, the EU

is for China, as well as for the BRICS, the most important trade partner. At the same time, China is the second trade partner of the EU (after USA) and the biggest exporter at world level.

We must say that the current economic-financial crisis has also influenced the trade between the two powers. Hence, economic trades decreased between 2008 and 2009, China's exports reducing by 35 billion euros (from 249.7 billion euros to 214.7 billion euros). Nevertheless, EU's exports to China increased between 2007 and 2009, reaching 81.6 billion euros, from 71.9 billion euros. For the 2009-2011 period we see the figure bellow:



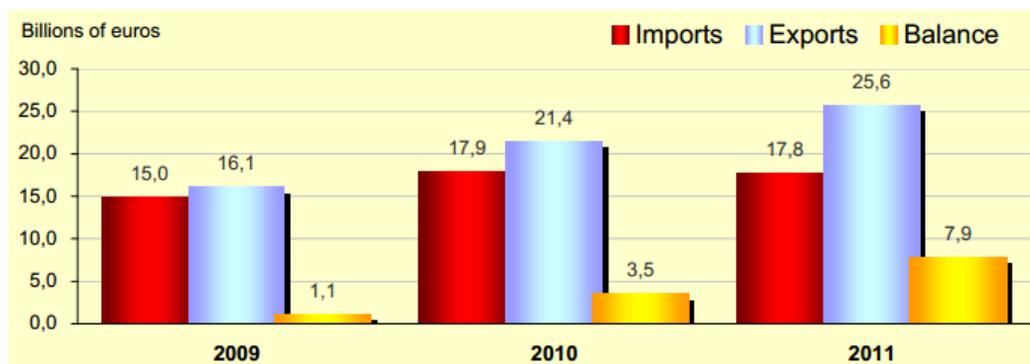
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Figure no. 5: Trade in goods- EU27 with China-

#### e. South Africa

The last member state of the BRICS is South Africa. For this country too, the EU is its main trade partner - approximately 30% of South Africa's export in 2010 went to the EU, but also the biggest importer of manufactured goods. As it concerns South Africa's imports, they came from the EU in proportion of 31%. At the same time, EU's FDI in South Africa were 7 billion euros.

In figure no. 6 we can notice the fact that in 2011 the trade with goods between the EU and South Africa reached 43.4 billion euros. The main categories of exported goods by South Africa to the countries of the EU include: combustible materials and mining products (27%), cars and transport equipment (18%) and other semi-manufactured products (16%).



Source: [http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113447.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113447.pdf)

### **Figure no. 6: Trade in goods- EU27 with South Africa**

The EU's exports to South Africa are dominated by cars and transport equipment (50%), chemical products (15%) and other facilities (10%).

In the end, we want to stress the fact that South Africa can play an important role in achieving economic integration at regional level, through the promotion of democracy and the fostering of national reconciliation. As it concerns the relations with the EU, their goal is trade, but also the development of cooperation in fields such as climate changes, reforming of international institutions and sustainable development.

### **3. CONCLUSIONS**

Following the above-presented facts, we can draw the conclusion that the EU plays an important role for the BRICS, as their main trade partner. At the same time, the BRICS offer significant opportunities for EU's exports. Hence, although the EU does not recognize the BRICS as a group, it has several strategic partnerships with it, holding bilateral discussions with every state.

Also, we must point out the fact that the EU does not cooperate with the BRICS only in the field of trade, but it gets involved in issues on the protection of environment, illegal migration, security, reformation of the multilateral system of governance, reformation of the modern financial architecture etc.

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