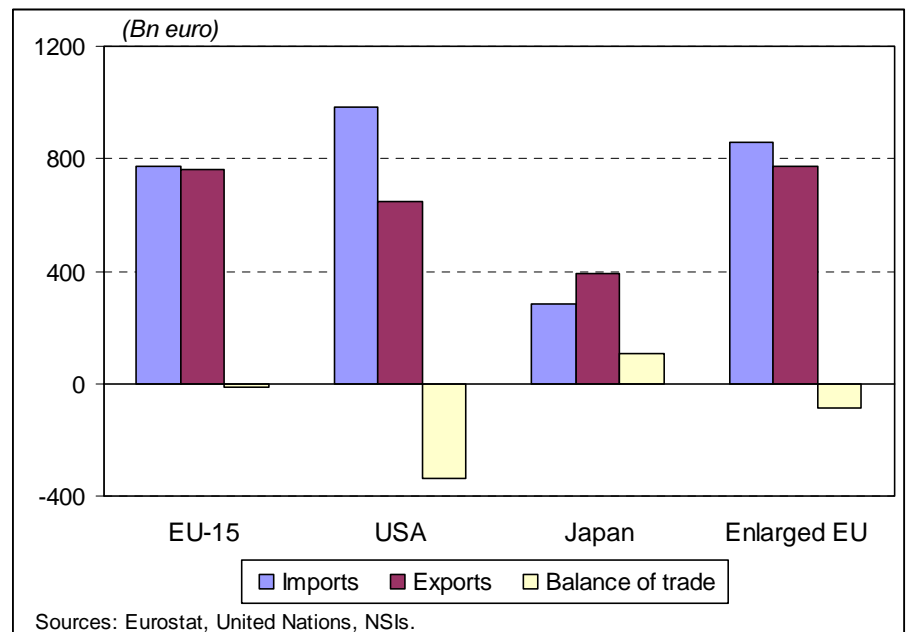


AN ENLARGED EU — A TRADE HEAVYWEIGHT

Tim Allen

The following pages give a rough picture of how the external trade statistics of an enlarged EU might look. They are based on the available data and do not take into account any effects such an enlargement may have. For example, a further increase in trade within an enlarged EU is possible — bearing in mind that enlargement will probably entail less commercial regulation, no customs tariffs and harmonised administrative procedures.

Fig. 1 - EU, USA, Japan and an enlarged EU in comparison , 1999



World's top exporting entity

In a world where the European Union would be made up of 28 countries (the fifteen countries of the current European Union plus the thirteen countries applying for accession, which we will call "enlarged EU" for the sake of simplicity), this enlarged EU would represent a most important commercial entity. It would import more than the current EU but export almost the same value, and it would have a slightly negative trade balance. The countries of the former Soviet Union, including Russia, would grow in importance as trading partners, while trade within such a new block of twenty-eight countries would be around 9% higher than intra trade in the current EU.

An enlarged EU's trade with the rest of the world would have represented approximately a fifth of world trade in 1999 (table 1). By accounting for close to 20% of world exports, our enlarged EU would be the world's top exporting entity — ahead of the United States and considerably ahead of Japan (exporting almost twice as much). In terms of imports, the enlarged Union would also consume around a fifth of world trade flows, with only the US showing a greater hunger for imported goods. In 1999, Japan imported for its part approximately three times less than our hypothetical Union of the twenty-eight would have done. Comparing the current EU with such a trade heavyweight, one may note that both integrate in a relatively similar way into world trade: top exporter ahead of the United States and second importer behind the US. Surprisingly an enlarged Union would have exported almost the same amount in value terms as the current EU. This may seem odd at first glance, since

Statistics in focus

EXTERNAL TRADE

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twenty-eight countries should normally export more than fifteen countries — in particular when the fifteen are included in the twenty-eight. However, the substantial trade flows between the current Union and the candidate countries are — in the case of enlargement — no longer “external” trade flows but become “internal” trade flows. Thus depending on how much was exported to other (i.e. non-EU-15) countries, overall exports for a 28-country entity could be less than for the fifteen. Likewise with imports, although the enlarged EU would buy approximately 12% more goods from abroad than the EU, reflecting a larger share of imports from the rest of the world (i.e. non-EU).

Open economy

For an enlarged EU, the ratio of imports and exports to GDP would be around 10% as for the current EU in 1999 (table 1). Japan imported slightly less than this figure, while for the US it was slightly more. In comparison, for top exporting nations in Asia or among the 13 candidate countries, this ratio stood at around 50% of GDP. By combining these ratios into one single figure (the so-called “degree of openness” of an economy, i.e. both imports and exports in relation to GDP) one sees that Japan is the least open (8.3) of the economies in question. The EU (9.1), the US (9.4) and finally the enlarged EU (9.6) follow.

The trade balance of the enlarged EU would have been negative in 1999 (by approximately -85 billion euro), while that of the current EU was more balanced (-14 billion euro). The enlarged EU’s deficit reflects not only the trade deficit of each applicant country with the rest of the world, but also the commercial surplus of the current EU vis-à-vis the 13 applicant countries.

Russia gains importance

In 1999, roughly a quarter of the enlarged EU’s trade would have been carried out with NAFTA countries, while EFTA and the so-called DAE (Dynamic Economies of Asia — Singapore, Taiwan, Hong Kong, South Korea, Thailand, and Malay-

Table 1 - Enlarged EU vs top trading nations, 1999

	Imports	Exports	Balance	Imports	Exports	Imports	Exports
	(Bn euro)			(% of GDP)		(% of world trade*)	
EU-15	772.7	758.5	-14.2	9.7	9.5	-	-
USA	983.7	647.8	-335.9	11.3	7.5	23.1	16.3
Japan	285.1	389.1	104.0	7.0	9.6	6.7	9.8
Enlarged EU	859.4	774.3	-85.1	10.1	9.1	20.2	19.5

* excluding enlarged EU’s intra-trade. Imports: 4 256.3 Bn euro; exports: 3 963.2 Bn euro. Sources: Eurostat, United Nations, NSIs, IMF.

Fig. 2 - Breakdown of an enlarged EU’s trade, 1999

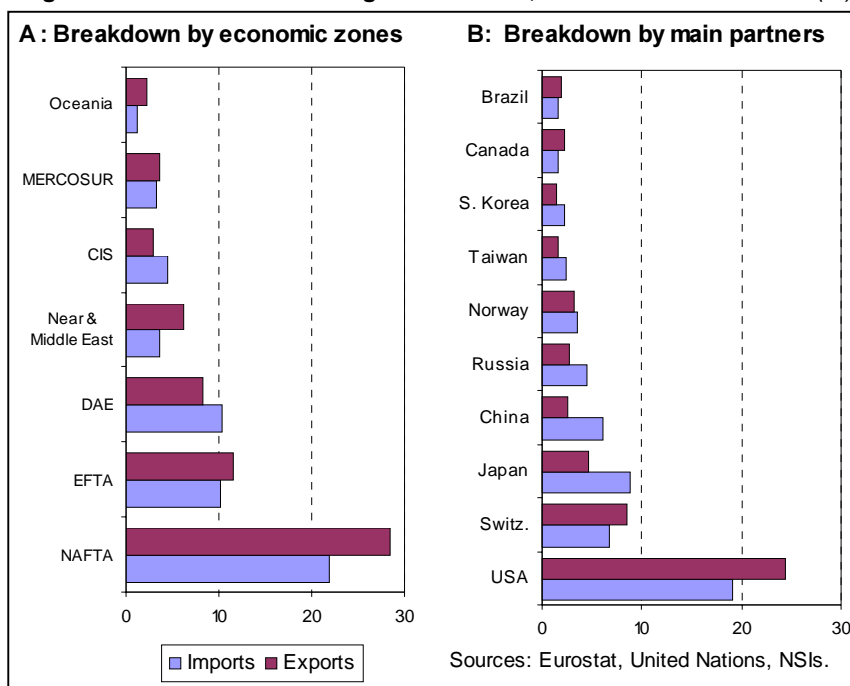
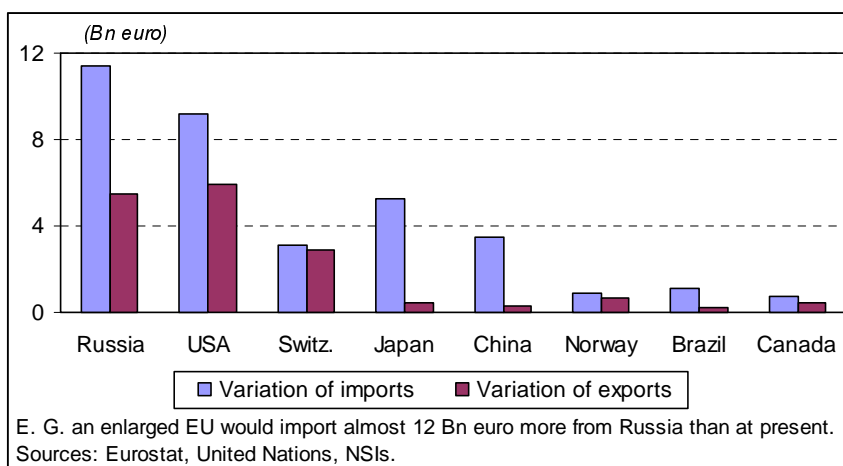


Fig. 3 - Projected post-enlargement: changes in trade 1999



sia) would have had a share of around 10% in our enlarged EU’s trade with the rest of the world (figure 2). When ranked in importance as trading partners (i.e. adding up the overall values of all exports and imports), the US clearly topped the

list, Switzerland ranked a distant second followed by Japan, China and Russia. The current European Union displayed a very similar trade pattern in 1999 (excluding trade with candidate countries) — with one

exception: the NIS and Russia rank lower in importance. Indeed, when comparing the current EU to our hypothetical EU (table 2 and fig. 3), one sees that Russia would become the 5th partner — to the detriment of Norway, which was ranked ahead of Russia in 1999 as an EU partner. The US would also reinforce its position as the Union's main commercial partner.

Trade within the Union rises by 9%

Trade within the enlarged EU would have been roughly 9% higher than trade within the current Union, so that the ratio of intra trade in relation to total trade would have slightly increased (table 3). As mentioned on page one, this difference reflects the importance of trade carried out between the current EU and the thirteen applicant countries. In 1999, the latter carried out around two thirds of their external trade with the European Union. The European Union in contrast, carried out approximately 13% of its exchange (extra EU) of goods with the candidate countries. However, as mentioned earlier, a further increase in trade within an enlarged EU is likely — bearing in mind that enlargement will probably entail less commercial regulation, no customs tariffs and harmonised administrative procedures.

Table 2 - EU vs enlarged EU: comparison of trade with main partners, 1999

Partners	EU-15			Enlarged EU				
	Rank	Imports	Exports	Balance	Rank	Imports	Exports	Balance
Total		772.7	758.5	-14.2		859.4	774.3	-85.1
<i>of which</i>								
USA	1	147.3	173.9	26.6	1	156.5	179.8	23.4
Switzerland	2	51.4	60.0	8.6	2	54.5	62.9	8.4
Japan	3	66.6	33.4	-33.3	3	71.9	33.8	-38.1
China	4	46.6	18.4	-28.2	4	50.1	18.7	-31.4
Norway	5	28.6	22.5	-6.1	6	25.8	14.7	-7.0
Russia	6	24.9	14.1	-10.8	5	28.7	16.5	-12.2
Taiwan	7	19.2	11.3	-7.9	7	19.2	11.3	-11.1
South Korea	8	17.3	11.0	-6.3	8	29.6	22.5	-7.9
Canada	9	12.3	15.9	3.6	9	13.0	16.3	3.3
Brazil	10	12.0	13.6	1.6	10	13.2	13.8	0.7
NAFTA	1	164.0	199.9	35.9	1	174.2	206.4	32.3
EFTA	2	82.0	84.4	2.5	2	86.0	86.6	0.6
DAE	3	81.0	58.7	-22.3	3	86.9	60.1	-26.8
N. & M. East	4	26.8	42.2	15.4	5	29.0	45.0	16.0
NIS	5	30.6	19.9	-10.7	4	45.2	29.1	-16.1
MERCOSUR	6	17.1	20.7	3.6	6	18.6	21.1	2.5
Oceania	7	8.9	16.3	7.4	7	9.6	16.5	7.0

Sources: Eurostat, United Nations, NSIs.

Table 3 - EU vs enlarged EU: comparison of intra-trade, 1999

	Total trade (intra + extra-trade)		Intra-trade			Share of intra-trade in total trade	
	EU-15	Enlarg. EU	EU-15	Enlarg. EU	Variat.	EU-15	Enlarg. EU
	<i>(Bn euro)</i>		<i>(Bn euro)</i>		<i>(%)</i>	<i>(%)</i>	
Imports	2 021.5	2 207.9	1 248.8	1 348.5	8.0	61.8	61.1
Exports	2 076.3	2 217.2	1 317.8	1 442.9	9.5	63.5	65.1

Sources: Eurostat, United Nations, NSIs.

➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

Methods of calculating aggregates relating to the enlarged EU:

The block of the thirteen applicant countries was considered as a single entity: Intra trade for the thirteen = sum of the trade that each country has declared having carried out with the twelve others.

Trade vis-à-vis the rest of the world was calculated likewise: Extra trade for the thirteen = sum of the trade that each country declared having carried out with countries other than the twelve other applicant countries.

The aggregates for the 28 countries have been then calculated by merging the applicant countries aggregate with aggregates available for the EU and subtracting or adding all trade flows between them (as declared by the EU).

Groups of countries:

There are thirteen applicant countries: Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia and Turkey.

DAE: Singapore, Taiwan, Hong Kong, South Korea, Thailand, and Malaysia.

EFTA: Iceland, Norway, Switz., Liecht.

MERCOSUR: Parag., Urug., Brazil, Argenti.

NAFTA: USA, Canada, Mexico

NEAR AND MIDDLE EAST : Israel, Bahrain, Iran, Iraq, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Utd Arab Emirates, Yemen.

NIS: countries of the former USSR.

OCEANIA: Australia, New Zealand, the Solomon Isl., Fiji Isl., French Polynesia, Kiribati, Nauru, New Caledonia, Vanuatu, N. Marianna Isl., Micronesia, Marshall Isl.,

Palau, Papua New Guinea, Pitcairn, Tonga, Tuvalu, Fed. of the states of Micronesia, Walles and Futuna, Samoa.

Data sources

EU: COMEXT. 13 candidates countries: COMTRADE and National sources.

Total trade: When no data available for 1999, data from national sources have been used.

Breakdown by partners: when no data were available for 1999, data for 1997 and 1998 have been used (1998 data for Turkey, Poland, Estonia, Slovenia, Malta have been used and 1997 data for Bulgaria have been used).

Trade between EU countries and the 13 candidate countries: COMEXT EEC special trade (trade declared by EU countries) World, Japan and USA: IMF.

Further information:

➤ Reference publications

Title External and intra-EU trade - monthly statistics
 Catalogue No KS-AR-01-004-EN-C Price EUR 20

➤ Databases

Comext, domains: EEC special trade,
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