

СЕКЦІЯ 1. РОЗВИТОК ТОРГОВЕЛЬНИХ ВІДНОСИН УКРАЇНИ З ЄС

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THE INFLUENCE OF TRADE AGREEMENTS OVER COMPETITIVENESS OF THE SMALL ECONOMY – BULGARIA

The focus of this paper is placed on the “Agreement of the 21st century” between two of the largest economies in the world – the European Union (EU) and the United States of America (US) with GDP¹ of the twenty – nine countries equal to \$ 34 trillion (2013). The name of the project is Transatlantic trade and investment partnership (TTIP). Main goals are to create more jobs and increase the growth in economies of EU and US. The feasibility of the agreement has a wide scope to the economic impact which is grouped in three parts and twenty – four chapters:

- Market access, which including trade in goods and services, product procurement, rules of origin.
- Regulatory cooperation, which including regulatory coherence, technical barriers to trade, food safety and animal and plant health. This part covers specific industries like chemicals, cosmetics, engineering, medical devices, pesticides, information and communication technology, pharmaceuticals, textiles, vehicles.
- Rules, which including sustainable development, energy and raw materials, customs and trade facilitation, small and medium-sized enterprises, investment protection and investor-state dispute settlement, competition, intellectual property and geographical indications, government-government dispute settlement.

As the result of agreement EU wants to make stronger and deeper bilateral connections with US. But this is not the only one agreement that EU work on during last years. Deep and comprehensive free trade area² is agreement arranging between EU and Republic of Ukraine.

TTIP³, Deep and comprehensive free trade area⁴ – something in common

EU – US and EU – Ukraine are bilateral agreements. Main aims are to boost bilateral trade in goods and services by progressively cutting tariffs, reducing non – tariffs barriers, making new rules in differently sectors of economy.

From the beginning of the negotiations called TTIP has been done a number of research about predicting the effects. According⁵ to Centre for Economic Policy Research’s (CERP), TTIP will be beneficial not only for the US and the EU but also for their trading partners around the world, to the tune of €99 billion. The explanation of that is economic growth in the US and EU will increase purchases by consumers and business of other countries’ products.

The trade policy is managing by the World trade organization (WTO), which members are all countries of the EU (28), US and Republic of Ukraine since 16 May 2008. Theoretically, trade members can increase export relations between them by reducing the trade cost such as tariffs, non – tariffs, technical barriers, standards. In every of these countries exist exporting and non – exporting plants. For the non – exporting plants it will be an opportunity to enhance and to increase output in other foreign markets, because classical theory of trade is based on principles of free trade. It was mentioned that it’s important to the plants technical barriers and standards to be cut. For

¹ Source: World bank, <http://www.worldbank.org/>, seen on May 31, 2015.

² Including 15 Chapters, 14 annexes and 3 protocols;
http://trade.ec.europa.eu/doclib/docs/2013/april/tradoc_150981.pdf.

³ TTIP is a part of Transatlantic Free Trade Area (TAFTA).

⁴ DCFTA is a part of Association Agreement (AA).

⁵ CERP, Transatlantic trade and investment partnership - The economic analysis explained, sept. 2013, seen on May 30, 2015 , p. 3.

example, harmonization of technical regulation such as the EC Whole Vehicle Type-Approval⁶ can also be deemed as reduction in effective tariff for the firms outside EU since they no longer have to tailor their passenger cars for country specific regulatory codes when exporting them to EU countries⁷.

EU negotiates with US in TTIP, EU negotiates with Ukraine in DCFTA, and both are ambitious trade agreements. Negotiating an EU-Ukraine FTA is part of the EU's wider policy of creating a stable and prosperous European neighborhood through closer economic ties, the same like EU – US negotiation. As a trade partner to EU including for Bulgaria US is taking 1.5% of the export and 0.8% of the import to Bulgaria. For Ukraine are 0.9% to the export and 2.0% to the import. Researchers forecasting rise of the per cents if the agreements ratify.

National competitiveness is the country's ability to export its products to the international market and thus increases the welfare of the nation⁸. According to Michael Porter⁹, competitiveness is associated with qualities that enable a high standard of living (e.g., a country like Sweden is prosperous because of its high competitiveness). On the other hand, competitiveness is associated with locational attributes that drive growth. Being an attractive location for investment affects prosperity indirectly and over the long run. Policy documents such as the WEF's Global Competitiveness Report and the European Commission's 2020 strategy are largely based on this productivity-focused approach to competitiveness. Indexes of competitiveness put Bulgaria among 144 countries on 62nd, 57th, 54th position at the reports 2012–2013, 2013–2014 and 2014–2015. Bulgaria leads Croatia, Greece, Rumania, Cyprus, Slovakia, Slovenia and Ukraine.

Present study wants to show also geographic location, natural resource and country size as the elements of the competitive advantage for national competitiveness. Country size can attract FDI to access the local market. In fact, Bulgaria is small open country with low labor factor cost. Countries with low factor costs relative to competitiveness will be more attractive for investment and should experience more rapid growth, while countries with high costs relative to competitiveness may find sustaining levels of prosperity challenging.

In conclusion, we know that the free trade is "healthy" for economy, plants, and companies. The data above show that the exchange of merchandise between Bulgaria and US is not so high, in this case potential partnership will be boosting the commerce. Ukrainian trade agreement with EU will help to make the commerce with Bulgaria stronger. Some of the exporting companies are uncompetitive they will have the opportunity to export more products and services. Nations that are geographically proximate should be encouraged to form trade agreements¹⁰, this refer to EU – Ukraine relationship. Main designation of economic integration is the process of eliminating trade costs to increase countries' welfare. TTIP as a free trade agreement between EU and US has ability to make free trade area, but to remove disputable clause in the negotiation treaty – ISDS clause.

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⁶ <http://www.dft.gov.uk/vca/vehicletype/ecwvta-framework-directive.asp>.

⁷ Shirai Y., *The Effects of Economic Integration on Trade Volumes under International Oligopoly*, September 1, 2006, seen on May 31, 2015, p. 2.

⁸ Ministry of economy – Republic of Bulgaria, <http://www.mi.government.bg/>.

⁹ Porter, M., *The determinants of national competitiveness*, July 2012, p. 2.

¹⁰ *The Theory of Trade Agreements, Economic Integration, Size of Economies, Trade Costs and Welfare, Chapter 2.*