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## THE ROLE OF INTERNATIONAL TRADE RELATIONS IN IMPLEMENTATION OF THE EU COMMON FOREIGN AND SECURITY POLICY

*The article is devoted to definition of the role of international trade relations in implementation of EU common foreign and security policy. In particular, the analysis of the approaches to a foreign market choice is carried out; the indication of the most rational approach for international trade relations' maintaining is made; the principles, which must be adhered to provide the effective EU common foreign and security policy, are allocated.*

**Key words:** *international trade relations, EU common foreign and security policy, approach, principles.*

**Introduction.** The international trade relations are among the most developed and various mechanisms of ordering of the international life. Noticeable increase in activity of the international trade relations, as well as significant increase in their total, is one of remarkable phenomena of modern international development. It is possible to see prerequisites in such development for radical transformation of international relations system and formation of the global world community, in which common EU foreign and security policy will be carried out not through interaction between the states.

**Analysis of recent research.** The problems of international trade relations have been researched by such scientists as R.J. Carbaugh [3], A. Krugman [4], T.A. Pugel [5], D.R. Appeleyard [1], R.C. Feenstra [2] etc. Nevertheless the specified authors don't associate the international trade relations with the EU common foreign and security policy.

**Statement of research objectives.** Taking into account the relevance of the chosen research subject the purpose of the paper is definition of the role of international trade relations in implementation of EU common foreign and security policy.

The following tasks were solved in paper to achieve the given objective:

- To analyze the approaches to a foreign market choice;
- To indicate the most rational approach for international trade relations' maintaining ;
- To allocate the principles, which must be adhered to provide the effective EU common foreign and security policy?

**Results.** The basis of effective international trade relations' establishment is choice of the foreign market.

It is possible to allocate 3 approaches to a foreign market choice:

- 1) Subjective;
- 2) Discrete;
- 3) Complex.

The subjective approach is based on subjective sensations, expectations and experience of persons, which make a decision about foreign market choice.

The discrete approach is based on the estimation of 2 – 3 most important for the enterprise indicators of market development or any other criterions.

The complex approach means the quantitative estimation of each market by the special system of indicators or a deep analytical substantiation.

The complex approach is the safest one because it minimizes risks of inadequate market choice and also raises the validity of administrative decision. But complex approach requires significant expenses on research carrying out. Thus, owing to absence of financial resources enterprises use the discrete approach more often [5].

In particular, the subjective approach has only one advantage – absence of expenses on substantiation of administrative decision. Thus risk in this situation is maximum and the degree of decision validity is minimum.

It is necessary to notice that the given approach is traditionally used together with the discrete one.

Among the most widespread reasons of the subjective approach use it is necessary to allocate the following ones:

- 1) Positive attitude of persons, which make the decision, to country or its culture;
- 2) Consequences of fast-finding visits or unexpected meetings;
- 3) Intuitive trust to the foreign partner;
- 4) Desire to be the first on the foreign market [3].

The indicators, chosen for the analysis within the discrete approach, should match the following requirements:

- 1) Correspond with the purposes of a foreign market choice;
- 2) Objectively characterize condition and development features of a foreign market;
- 3) Should be investigated during the certain period of time [2].

Such indicators and criterions of a foreign market choice are used within the discrete approach more often:

- 1) Size of a market;
- 2) Dynamics of a market growth;
- 3) Own competitive advantages;
- 4) Market potential;
- 5) Market availability;
- 6) Perception of a market;
- 7) Stability (risks' estimation) [1].

The version of discrete approach is discrete-matrix, in which three criterions are used:

- 1) Market attractiveness;

- 2) Own competitive advantages;
- 3) Risk (political, commercial, currency and so on).

The discrete-matrix approach usually uses a form, shown on fig. 1 [4].

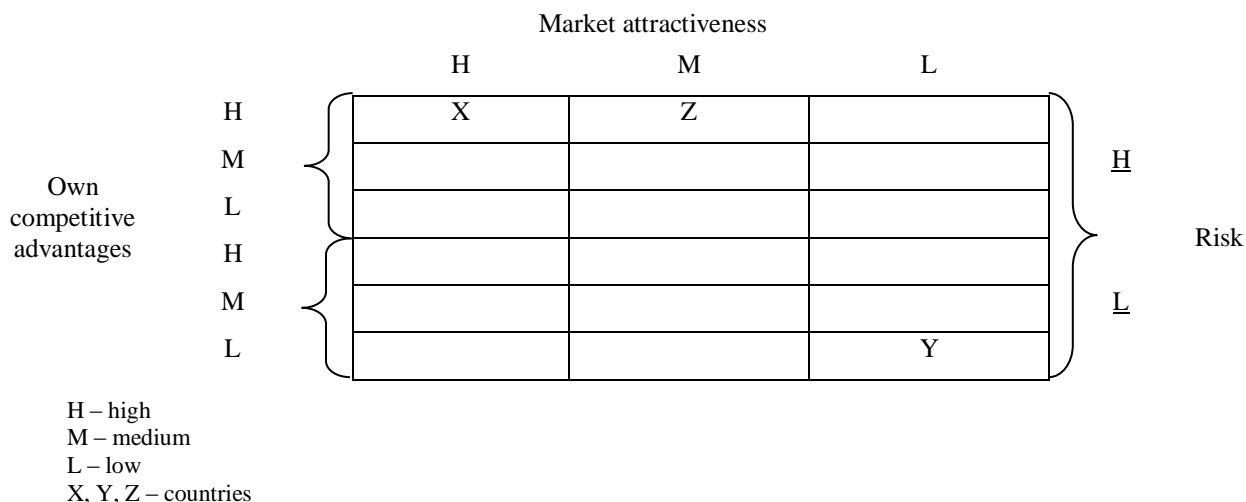


Fig. 1. The discrete-matrix approach

This matrix had been developed by American expert in marketing Philip Kotler in 1991.

In particular, criterions of market attractiveness can include the following ones:

- 1) Size (capacity) of a market;
- 2) Growth technologies;
- 3) Variety (assortment) of goods;
- 4) Intensity of capital investments;
- 5) Technological innovations;
- 6) Social and legal environment and so on [2].

Criterions of own competitive advantages can include the following ones:

- 1) Variety of goods assortment;
- 2) Sales dynamics;
- 3) Existing part of the market (market segment);
- 4) Assortment width compared with competitors;
- 5) Patent protection [1; 4].

The idea of complex approach consists in the all-round analysis and estimation of indicators' system, which characterize not only the market of certain goods, but also economic, political-legal and social-cultural processes, which take place on researched market.

Two methods of a foreign market choice are traditionally used within the complex approach:

- 1) ABC – analysis;
- 2) Concept of “4 filters”.

The model of ABC-analysis looks like the following tab.1 [5].

Tab. 1. The model of ABC-analysis

| Criterion name | Quantitative criterion characteristic | Weight coefficient | Country |     |     |
|----------------|---------------------------------------|--------------------|---------|-----|-----|
|                |                                       |                    | A       | B   | C   |
|                |                                       |                    |         |     |     |
|                |                                       | Total amount       | ...     | ... | ... |

The market that had got maximum quantity of balls is considered the most favorable one.

Second technique of “4 filters” covers more wide quantity of indicators.

In particular, first filter includes the following indicators of macro-researches:

- 1) Economic situation;
- 2) Political situation;
- 3) Social and cultural features;
- 4) Geographical features [1].

Second filter includes the following indicators of branch researches:

- 1) Tendencies of the similar goods' market development;
- 2) Stage of market development;
- 3) Market size;
- 4) Opportunity of information reception;
- 5) Taxes;
- 6) Cultural perception of a product [4].

Third filter includes the following indicators of micro-researches:

- 1) Existing and potential competitors;
- 2) Expenses, which concern market choice and development;
- 3) Prospective of goods' sale;
- 4) Probable goods' perception;
- 5) Profitableness potential [2].

Fourth filter includes the estimation of target markets' adequacy to competitive advantages of the enterprise and also to its potential (research of enterprise's possibilities).

It is obvious that the complex approach is the most acceptable one for implementation of effective EU common foreign and security policy.

At the same time in the course of a realization of the international trade relations in the context of providing of the effective EU common foreign and security policy it is reasonable to adhere to the following principles:

- Systematicity – researches shall be conducted systematically, but not have one-time character;
- Systematicity – researches shall cover all foreign market and all structural hierarchy of market processes, the facts, their dynamics and interrelation;

- Complexity – on the one hand, includes actions or processes (data collection, handling, analysis), and on the other hand – an integrated approach to studying of objects (their interrelation with other processes and objects);

- Interrelation and commitment – the direction, scales, depth, disaggregation of the conducted researches must be organically coordinated with the purposes and tasks of activities of the given market subject, to reflect its real needs for concrete analytical information;

- Plurality of information sources – an expedient receipt of market information not from one, but from several sources that allows to have comprehensive data and to check information;

- Universality – researches can be conducted proceeding from any need of the market subject for information and also for the rational decisions' making;

- Scientific character – the accuracy, objectivity, conditionality. Insufficiently objective, unreasonable researches conduct to the distorted recommendations [2; 4].

#### **Conclusions:**

1. The analysis of the approaches to a foreign market choice showed that it is possible to allocate subjective, discrete and complex ones in this context. In particular, the

discrete approach includes discrete matrix approach. As for the complex approach, it can be presented in the form of ABC-analysis or concept of “4 filters”.

2. It was indicated that the complex approach is the most acceptable one for implementation of effective EU common foreign and security policy.

3. The principles, which must be adhered to provide the effective EU common foreign and security policy, were allocated. In particular, such principles include the following ones: systematicity, systemacity, complexity, interrelation and commitment, plurality of information sources, universality and scientific character.

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### **РОЛЬ МЕЖДУНАРОДНЫХ ТОРГОВЫХ ОТНОШЕНИЙ В РЕАЛИЗАЦИИ ОБЪЕДИНЕННОЙ ВНЕШНЕЙ ПОЛИТИКИ И ПОЛИТИКИ БЕЗОПАСНОСТИ ЕС**

*Статья посвящена определению роли международных торговых отношений в реализации объединенной внешней политики и политики безопасности ЕС. В частности, проведен анализ подходов к выбору зарубежного рынка; выбран наиболее рациональный подход для реализации международных торговых отношений; определены принципы обеспечения эффективности объединенной внешней политики и политики безопасности ЕС.*

**Ключевые слова:** *международные торговые отношения, объединенная внешняя политика и политика безопасности ЕС, подход, принципы.*

