# Black Sea Bulletin

External Trade - 2017

Georgia is often discussed in relation to various economic or geographic coalitions or areas. One such area of significant economic, social, and political potential is the Black Sea region. For this publication, the Black Sea region is defined as all of the countries which border the Black Sea[1]. In this, the first issue of the publication, the main focus of discussion is individual and inter-regional external trade[2], offering an insight into how open an economy is to external trade, how dependent it is on external trade and helping us to identify the economic ties among the involved countries.

Total External Balance on Goods (% of GDP), 2013-2017
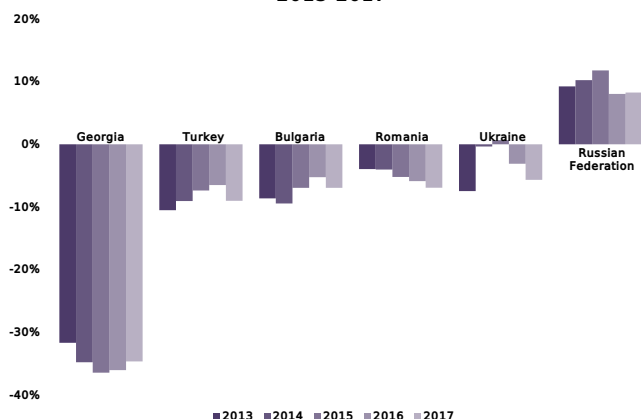
Total Trade Turnover of Goods (% of GDP), 2013-2017
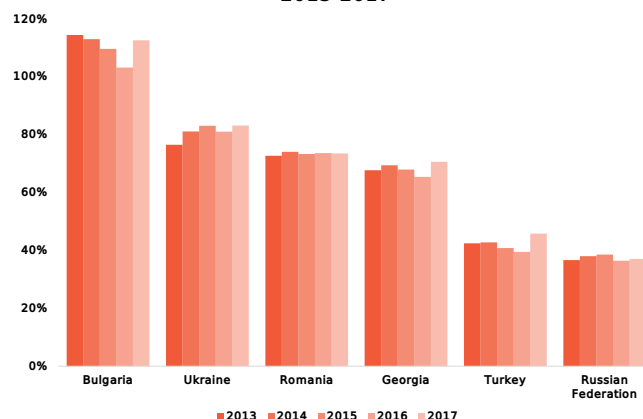
Over the past five years, from 2013 to 2017, the Russian Federation has been the only Black Sea country to have a positive external trade balance throughout the period. As discussed later, this is due to the Russian Federation's richness in terms of natural resources. Ukraine recorded a minor positive external trade balance in 2015 which can partially be explained by major decreases recorded in the volume of both imports (-31.0%) and exports (-29.3%) that year due to political unrest in the country and a major shift in the national currency's status (also discussed later).

In terms of external trade balance on goods as a percentage of GDP, Georgia is in the worst position in the region (-34.6% in 2017). However, there is a positive tendency for Georgia. In 2017, it was the only country of the six Black Sea countries, other than the Russian Federation, to record a positive growth rate (3.4%) of external balance on goods as a percentage of GDP.

The ratio of external trade turnover to GDP, an indicator of trade openness, helps us to understand how open an economy is to external trade and also reveals how dependent it is on external trade. Interestingly, the two biggest economies in the region, Turkey and the Russian Federation, have the lowest trade to GDP ratio. Bulgaria, on the other hand, over the course of the past five years, has been the only economy in the region where the ratio of external trade turnover to GDP has exceeded 100%, amounting to 112.6% in 2017. For this particular ratio, the world average for the year 2016 was 56.4%[3].

Top Traded Commodities[4], 2017		
	Exports	**Imports**
Bulgaria	Electrical machinery, 9.9% Copper, 9.1% Mechanical appliances, 8.0%	Mineral fuels, 14.2% Mechanical appliances, 10.0% Electrical machinery, 9.1%
Georgia	Ores, 15.6% Beverages, 15.3% Iron and Steel, 13.5%	Mineral fuels, 15.3% Mechanical appliances, 9.1% Vehicles, 8.7%
Romania	Electrical machinery, 17.5% Vehicles, 16.3% Mechanical appliances, 11.0%	Electrical machinery, 15.5% Mechanical appliances, 12.3% Vehicles, 9.2%
Russian Federation	Mineral fuels, 48.3% Iron and steel, 5.1% Precious metals and stones, 3.1%	Mechanical appliances, 19.8% Electrical machinery, 11.7% Vehicles, 9.4%
Turkey	Vehicles, 15.2% Mechanical appliances, 8.8% Precious metals and stones, 6.9%	Mineral fuels, 15.9% Mechanical appliances, 11.6% Electrical machinery, 9.0%
Ukraine	Iron and steel, 20.0% Cereals, 15.0% Animal or vegetable oils, 10.6%	Mineral fuels, 23.4% Nuclear reactors, 11.5% Electrical machinery, 8.3%

The composition of the most imported goods for Black Sea countries in 2017 was surprisingly uniform given the starkly contrasting size of economies involved. Four main commodity groups are imported by all countries in the region: mineral fuels, electrical machinery, mechanical appliances, and vehicles.

In 2017, the highest share of the volume of the three most imported goods combined in the total volume of imports was recorded in Ukraine (43.2%). Ukraine also stood out as having the highest percentage of a single commodity in its total volume of imports with mineral fuels amounting to 23.4%. In this regard, Georgia's indicator for 2017 was the lowest recorded in the region with the volume of the three most imported products amounting to 33.1% of the total volume of imports.

Regarding the composition of exports from Black Sea countries in 2017, the region can be divided in two sub-groups: Bulgaria and Turkey, whose three main exported goods make up 27.1% and 31.0% respectively of their total exported goods; and Georgia, Romania, and Ukraine, for which the same indicators are 44.4%, 44.7%, and 45.6% respectively. The Russian Federation stands apart in this sense, as its exports of mineral fuels alone made up 48.3% of the total exported goods in 2017.

As the fifth largest economy in the region, Bulgaria has the most diversity in its exports as the value of its three most exported goods amounted to only 27.1% of the value of its total exports. The Russian Federation, on the other hand, has the least diversified exports and 56.6% of its total exports belong to three commodity groups: mineral fuels, iron and steel, and precious metals and stones.

Interestingly, Romania is the only country in the Black Sea region for which the three most exported commodities are a group of manufactured goods and do not contain commodities that are solely natural resources.

[1]Six countries in total border the Black Sea: Bulgaria, Georgia, Romania, Russian Federation, Turkey, and Ukraine.
[2]The economic magnitudes of the countries examined vary a great deal, therefore all discussed indicators are taken as ratios rather than their nominal values for the sake of objective comparison.
[3]World Bank Open Data
[4]Two-digit HS commodities.

Top Trading Partners in terms of Trade Turnover, 2013-2017

	2013		2014		2015		2016		2017	
Bulgaria	Germany,	11.5%	Germany,	12.1%	Germany,	12.7%	Germany,	13.4%	Germany,	12.8%
	Russian Fed.,	11.1%	Russian Fed.,	9.3%	Italy,	8.3%	Italy,	8.5%	Italy,	7.7%
	Italy,	8.0%	Italy,	7.9%	Romania,	7.4%	Romania,	7.8%	Romania,	7.6%
Georgia	Turkey,	14.6%	Turkey,	17.0%	Turkey,	15.9%	Turkey,	16.2%	Turkey,	14.8%
	Azerbaijan,	10.2%	Azerbaijan,	7.8%	Russian Fed.,	8.3%	Russian Fed.,	9.4%	Russian Fed.,	11.1%
	Ukraine,	7.3%	China,	7.2%	Azerbaijan,	8.2%	China,	7.6%	China,	8.8%
Romania	Germany,	18.6%	Germany,	19.2%	Germany,	19.8%	Germany,	21.0%	Germany,	21.4%
	Italy,	11.2%	Italy,	11.3%	Italy,	11.6%	Italy,	10.9%	Italy,	10.6%
	Hungary,	6.7%	Hungary,	6.5%	Hungary,	6.8%	Hungary,	6.4%	Hungary,	6.2%
Russian Federation	China,	10.5%	China,	11.3%	China,	12.1%	China,	14.1%	China,	14.9%
	Netherlands,	8.9%	Netherlands,	9.2%	Netherlands,	8.2%	Germany,	8.7%	Germany,	8.3%
	Germany,	7.2%	Germany,	7.4%	Germany,	6.6%	Netherlands,	6.9%	Netherlands,	6.7%
Turkey	Germany,	9.4%	Germany,	9.4%	Germany,	9.9%	Germany,	10.4%	Germany,	9.3%
	Russian Fed.,	7.9%	Russian Fed.,	7.8%	China,	7.8%	China,	8.1%	China,	6.7%
	China,	7.0%	China,	6.9%	Russian Fed.,	6.8%	Italy,	5.2%	Russian Fed.,	5.7%
Ukraine	Russian Fed.,	27.3%	Russian Fed.,	20.8%	Russian Fed.,	16.3%	Russian Fed.,	11.6%	Russian Fed.,	12.0%
	China,	7.6%	China,	7.5%	China,	8.2%	China,	8.6%	China,	8.3%
	Germany,	6.0%	Germany,	6.4%	Germany,	7.0%	Germany,	7.6%	Germany,	7.8%

The composition of the main trading partners in terms of total trade turnover has been similar for all countries in the Black Sea region over the past five years. Minor changes have been observed in the top three trading partners for Bulgaria and Georgia.

Turkey has the most diversity in its external trade portfolio in terms of trading partners. In 2017, the share of the top three countries with whom it traded amounted to only 21.7%. On the other hand, Romania's external trade is focused on three main countries, amounting to 38.2% in 2017.

The dynamics of the three main trading partners and their shares in total trade turnover has also remained uniform for all countries in the region with the exception of Ukraine. In 2013, Ukraine's trade with the Russian Federation amounted to 27.3% of its total trade turnover. In 2017, even though the Russian Federation remains its top trading partner, its share had dropped to 12.0%.

Bulgaria and Romania, the only two EU member states in the region, have the highest rate of trade with EU28 countries (64.5% and 75.9% in 2017 respectively). In this regard, Georgia ranked the lowest at 26.6% in 2017.

Share of Trade with EU28 in Total External Trade, 2013-2017
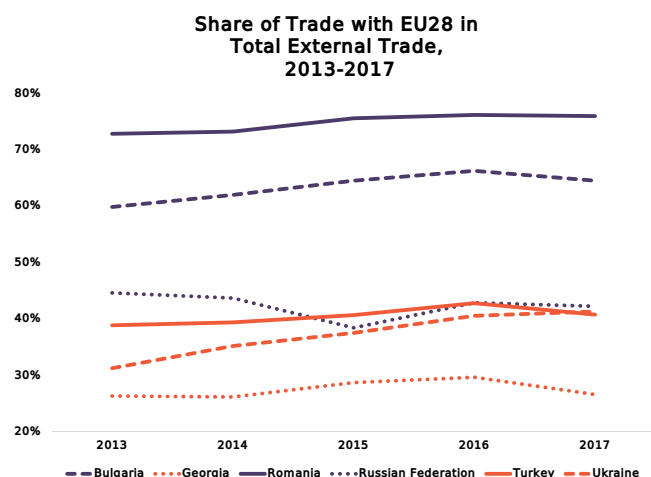
External Trade with Black Sea Countries

	2013	2014	2015	2016	2017	Average
Bulgaria	28.5%	26.3%	23.7%	21.9%	23.1%	**24.7%**
Georgia	34.3%	35.5%	33.2%	36.8%	36.8%	**35.3%**
Romania	12.5%	11.6%	10.4%	10.1%	10.4%	**11.0%**
Russian Federation	7.2%	6.4%	6.5%	7.1%	7.2%	**6.9%**
Turkey	12.7%	12.5%	11.2%	9.2%	10.0%	**11.1%**
Ukraine	33.6%	27.9%	23.8%	18.6%	18.7%	**24.5%**

Georgia's external trade is dependent on the countries of the Black Sea region the most, as over the past five years the share of these countries in its total external trade turnover averaged 35.3%. Predictably, the largest economy in the region, the Russian Federation, is the least dependent on trade within the region, averaging 6.9% from 2013 to 2017 for the same figure.

The dynamics of the share of external trade with other Black Sea countries in the total external trade turnover has been mostly stable for all Black Sea countries throughout the past five years, again with the exception of Ukraine where, as already mentioned above, the Russian Federation's share in total external trade turnover dropped from 27.3% in 2013 to 12.0% in 2017.

Basic Economic Indicators, 2017

	Nominal GDP (USD bln)	GDP Per capita (USD)	GDP Real Growth (%)	CPI (%)	Unemployment (%)
Bulgaria	49.2	8,520.0	3.6	2.1	6.2
Georgia	15.2	4,078.5	5.0	6.0	11.8[5]
Romania	211.8	11,520.0	6.9	1.3	4.9
Russian Federation	1,584.2	10,791.7	1.5	1.1	5.2
Turkey	852.5	10,597.0	7.4	10.9	10.9
Ukraine	111.7	2,634.8	2.2	14.4	9.5

[5]As of April 2018 the latest available data is that of 2016.