

## EUROPEAN EXPORT PERFORMANCE

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### NON-TECHNICAL SUMMARY

Until the collapse of international trade in goods during the last quarter of 2008 and the first quarter of 2009, trade in merchandise was driven by the exports and imports of emerging countries during more than a decade. These countries gained market shares in the manufactured goods market from industrialized countries. To study the way in which the European Union coped with this reinforced competition, we present an analysis of EU export performance against that of other main world exporters from 1994 to 2007.

This analysis is performed at a highly disaggregated product level. The recent theoretical and empirical literature in international trade which aimed at a renewed understanding of specialisation and competition, in particular between the North and the South, has shown that countries specialise indeed not in products or sectors, but in varieties of the same product (sold at different prices). Harmonised unit values from the BACI database of CEPII permit us to differentiate three price ranges for bilateral trade flows in some 5,000 products (in the 6-digit Harmonised System).

At this level of detail, the growth of world exports comes mainly from the increase in the value of existing flows (intensive margin) rather than the emergence of new trade flows (extensive margin). This is the case not only for large developed exporters, but also for China. In order to distinguish the exports performance of each country from the positions it acquired on different markets, we decompose the intensive margin of trade into three terms: a geographic structure effect, a sectoral structure effect, and a performance effect.

We find that from 1994 to 2007 the EU25 withstood the competition of emerging countries better than the U.S. and Japan. The loss of world market shares by EU25 in all products together is explained mostly by poor performance effects, especially of old member states and during the 1994-2000 period. From 2000 to 2007 EU25 manages to gain market shares acquired on the upper market segment of the market, where the EU cumulates good performance and favourable structure effects, while the U.S. and Japan withdraw extensively from this segment of the market. Finally, all developed countries lose market shares in high-technology products to developing countries, with the EU losing less than other countries.

*J.E.L. Classification:* F12, F15

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