THE LEADING POSITION OF TURKEY IN ROMANIA'S TRADE WITH NON - EU COUNTRIES IN 2007-2016

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Abstract:

In this paper, it aims to put forward some economic and legal aspects with relevance in this scientific research from which results unequivocally that Turkey is the most important partner in Romania's trade with non-EU countries. In this regard, according to statistical data provided by National Institute of Statistics and used by the author in the field of this study it is highlighted that Turkey is the main destination for Romanian exports and imports in the trade with third countries (non-EU). At the same time, it is important to clarify that the legal framework of Romania's trade relations with Turkey is based on the provisions of the Customs Union Agreement between the European Union and Turkey. Further, should be added that this trade agreement represents the basic regulation of the legal framework in the matter of bilateral trade relations between our country and Turkey. Under these circumstances, it is noteworthy that the Customs Union Agreement which operates and generates effects of trade-related, implies free access of industrial products between the two signatory parties. In terms of food products, exempt from customs duties are processed agricultural products, and for the rest of the products in this category applies a level of customs duties between 0-2.25%. Against this background, it is worth to mention that Romania is currently benefiting from the elimination of tariff and non-tariff barriers to trade in the products mentioned above, such as it results from a custom union model. As a corollary of all these arguments previously expressed, it can be sustained that Turkey is a complex market in a constant change which requires adaptation and perseverance on the part of the Romanian foreign trade operators.

Keywords*: custom union, trade liberalization, industrial products, export, import, non – EU countries*

Classification JEL: O24, F14, F19, F23, F31

1. Introduction

In the current context of Romania post-accession to the EU, a special attention must be paid to trade relations with Turkey which is a traditional trading partner and also the most important in our country's trade with non - EU states. From this perspective it is necessary a special look on the legal provisions of the Agreement of Custom Union between EU and Turkey, from which results clearly that one of the main objectives is the liberalization of trade and the harmonious development of economic relations between the two sides. Further it should be noted that the agreement contains a series of regulations on economic relations between the EU and Turkey which applies by default to Romania. Generally, the custom union allows the free movement of all goods in unitary tariff space, representing at the same time a starting point for a common market.

According to some recent economic studies representative in the field of our study it is appreciated as being a universally acknowledged truth that the customs union aims to eliminate borders between partners and establish a common customs territory, which inevitably leads to a stronger integration compared to free trade areas. In other words, a custom union (CU) is usually defined as a form of trade agreement under which certain countries preferentially grant tariff-free market access to each other's imports and agree to apply a common set of external tariffs to imports from the rest of the world. **[3]**

Therefore, a customs union is more important and more comprehensive compared to any "free trade area model" of the economic union because it ensures that all imports from third countries are treated in the same way. In the view of the economic theory, the customs union has two major sides.

Thus, on the one hand, the customs union involves the elimination of tariffs among partners, which can lead to an effervescence of trade, so that the economic welfare can increase if domestic production obtained with high costs can be replaced by low-cost imports with the effects of trade creation. On the other hand, if the barriers with regard to the rest of the world are abolished in these circumstances it appears that trade between partners could be replaced by lower-cost imports from the rest of the world (trade diversion). **[1]** Taking into account all the theoretical arguments previously expressed on the customs union as a specific difference of economic union, it can be considered that is imperative for the subject of this scientific approach to specify that the Customs Union decision between Turkey and the EU went into effect in 1996. Both Turkey and the EU have gained substantially from deeper economic relations.

Moreover, the Customs Union between Turkey and the EU has inevitably led to the adoption of common customs duties with the EU on the import of industrial goods from third countries by Turkey. **[4]** Per a contrario, in terms of trade liberalization on agricultural products in the relation with EU, the situation is different. In this regard, Turkey continues to maintain a protectionist regime, to which it will give up in the perspective of its possible accession to the EU and, implicitly, by adopting the common agricultural policy. Therefore, in the event of obtaining the quality of EU member state, the current tariff and non-tariff barriers which there are now in the way of bilateral trade with agricultural products will be abolished.

2. The general evolution of bilateral trade between Romania and non - EU countries in 2007-2016

In the analyzed period 2007-2016, Turkey was the leading partner in the extra-community trade of our country. Thus, the statistical data provided by the INSSE Romanian International Trade Yearbook shows that the total value volume of Romanian foreign trade with non –EU countries has registered 23012 millions euros in 2007, reaching the maximum level of 29550 million euros in 2014. Also, for having an overview of the way in which it has conducted Romania's international trade in goods with non - EU countries , in the period 2007-2016, is presented further the evolution of export, import and trade balance. Moreover it is obvious that the general evolution of bilateral trade between Romania and non – EU countries in terms of value it has been negative, as it can be seen in Table No.1.

Table No.1. **The trade value between Romania and Non –EU countries in the period 2007-2016**

million euros

	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016***
Total	23012	27362	17965	23325	28125	27989	28455	29550	28717	27091
Export (FOB)	8280	9960	7484	10415	13126	13458	15054	15151	14353	13052
Import (CIF)	14735	17402	10481	12190	14999	14531	13401	14329	14364	14039
Sold	-6455	-7442	-2997	-2495	-1873	-1073	1653	822	-11	-987

Source: INSSE, Romanian International Trade Yearbook, 2008-2016

*Provisional statistical data published until 30.11.2016 taken after http://www.dce.gov.ro/ Sinteza/sinteza_ 2016/nov.pdf

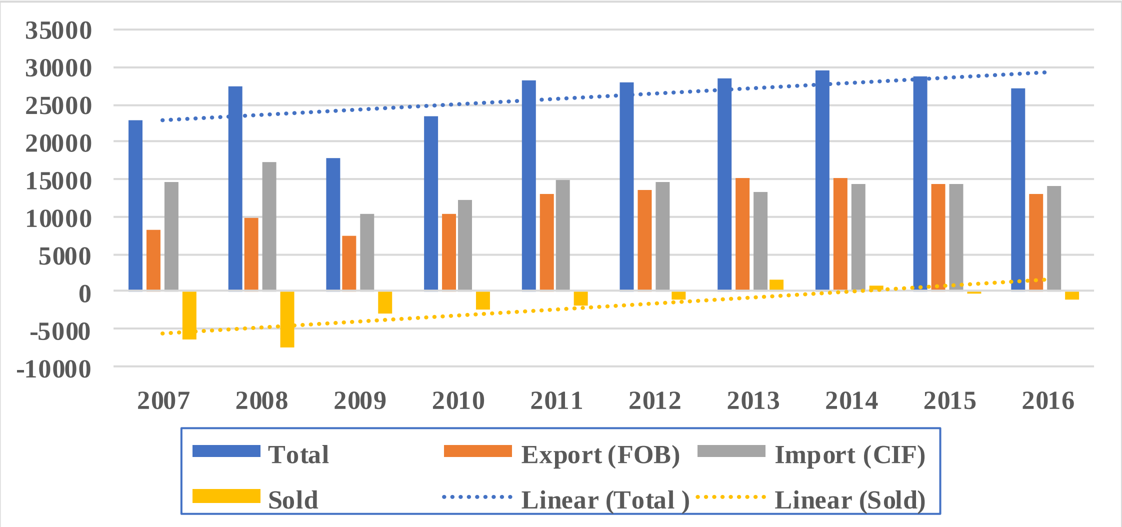
The analysis of Romania's export to non –EU countries from statistical data presented in Table No.1, allows highlighting certain significant aspects. In this context, it appears that the value volume of Romanian exports to non –EU countries has known a positive dynamics during the analyzed period, so that in 2014 has reached at maximum level of 15151 million euros.

Per a contrario, it is noted that the minimum value level of 7484 million euros has been registered in 2009 of the reference period, respectively 2007-2016. Relative to Romanian imports from non –EU countries , it can be observed that the trend is slightly upward during the reference period 2007-2016. Thus, it is important to underline that the minimum level of imports was 10481 million euros in the same year 2009, due to the international economic and financial crises. **[8]**

In addition, in the analyzed period may be noted that in 2008 Romania's imports from non – EU countries was reach at maximum level of 17402 million euros, as it can be seen in the Figure No.1.

Figure No.1. **The evolution of Romania's trade balance with non-EU states in the period 2007-2016**

million euros



Source: INSSE, Romanian International Trade Yearbook, 2008-2016

*Provisional statistical data published until 30.11.2016 taken after http://www.dce.gov.ro/ Sinteza/sinteza_ 2016/nov.pdf

In other order of ideas, it should be mentioned that during this period, the trade balance has known a general tendency of upward growth with some variations, reaching the minimum level of -7442 million euros in 2008 and a maximum level of 1653 million euros in 2013. Thus, throughout the analyzed period can be noticed also that the sold of Romania's trade balance with non - EU countries was negative, excepting two years, when registered positive value, respectively 1653 million euros in 2013 and 822 million euros in 2014.

Even this brief analysis of export, import and trade balance of Romania during 2007-2016 in relation with non – EU countries it follows that it is necessary to focus efforts and concerns in the direction of increasing Romanian exports on the market of non - EU countries such that to obtain a trade surplus on the medium and long term. In order to achieve a positive sold of Romanian trade balance in relation with non – EU countries, it is necessary a significant change regarding the orientation of Romania's export production from area of goods with low level of processing to products with high added value. Therefore, in order to get a substantial competitive advantage, on the global market, Romanian exporters should be very well prepared with complex and quality products to face the fierce competition exercised by the others trading partners in terms of efficiency and diversity.

3. The dynamics of Romania's trade with Turkey during 2007-2016

It is a truism that in the analyzed period 2007-2016, Turkey was the most representative market for Romanian exports and imports in goods from non - EU countries. **[4]** Thus, starting from the size of Turkey's market combined with the import needs of Romania from this country, the application of the EU legal framework inevitably leads to the development of trade between the two countries. At the same time, through the implementation of the Custom Union Agreement by our country in the trade with Turkey the Romanian economic operators benefit from many advantages, among which are the following:

- the efficiency of Romanian exports through convenient imports of raw materials from Turkey which is not done in the country and represents the basis for the export production of our country;
- the advantage of obtaining from import of materials that are necessary for domestic production;
- the completion of internal resources through the import of goods;
- the entrance to a market which has a huge trade potential and is among the most consistent markets in the world; **[2]**
- the opening and consolidation of the Turkish market for Romanian producers through the EU-Turkey customs union.

At the same time it is obvious that in terms of value volume the general evolution of bilateral trade between Romania and Turkey has been positive in the whole period respectively, 2007-2016 as shown in Table No. 2.

Table No. 2. **The value of bilateral trade relations between Romania and Turkey in the reference period 2007-2016**

million euros

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016*
Total	4836	4980	2910	4337	4689	4304	4414	4305	4431	3994
Export (FOB)	2072	2205	1450	2611	2786	2462	2545	2356	2148	1648
Import (CIF)	2764	2775	1460	1726	1903	1842	1869	1949	2283	2346
Sold	-692	-570	-10	885	883	620	676	407	-135	-698

Source: INSSE, Romanian International Trade Yearbook, 2008-2016
*Provisional statistical data published until 30.11.2016 taken after http://www.dce.gov.ro/ Sinteza/sinteza_ 2016/nov.pdf

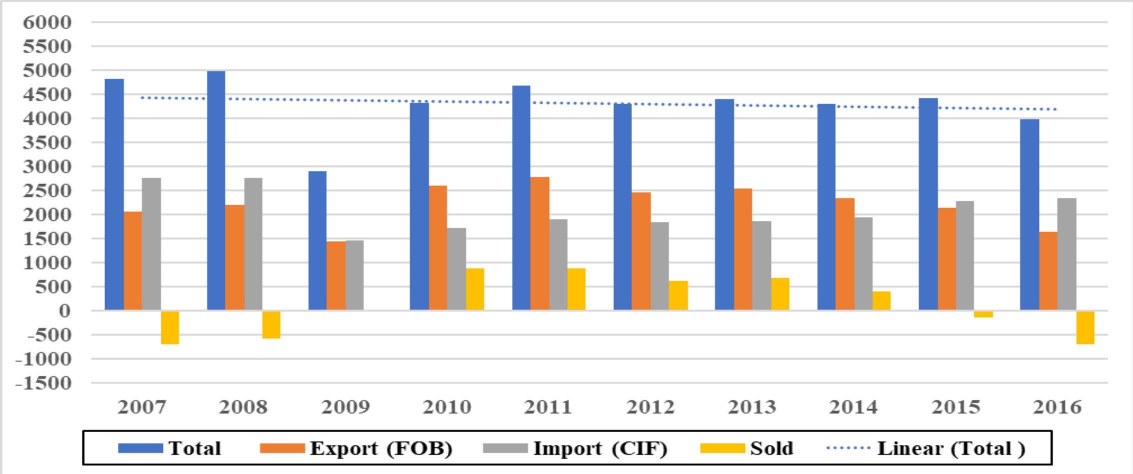
In this regard the dynamics of international trade in goods of Romania with Turkey it is a significant decrease from 4836 million euros in 2007, to 3994 million euros, in 2016 (until 30th November), an decrease in absolute value of 842 million euros, respectively with 17,41 %. In addition, relative to exports, it can be detected a significant decrease from 2072 million euros in euro 2007, to 1648 million euros in 2016, knowing a downward trend, in the percentage expression of 20,46%.

Under the aspect of imports it is the same situation which means a certain decline for the reference period 2007-2016, from 2764 million euros in 2007, to 2346 million euro in 2016, respectively with 15,12 %. **[7]**

In order to have an overview of how was conducted Romania's foreign trade with Turkey during 2007-2016, is presented the evolution of bilateral trade between Romania and Turkye in terms of exports, imports and trade balance, in the figure below.

Figure No.2. **The evolution of Romania's trade with Turkey in the period 2007-2016**

million euros



Source: INSSE, Romanian International Trade Yearbook, 2008-2016

*Provisional statistical data published until 30.11.2016 taken after http://www.dce.gov.ro/ Sinteza/sinteza_ 2016/nov.pdf

Moreover, it can be observed that the trade deficit of Romania in relation with Turkey, calculated as the difference between exports (FOB) and imports (CIF), in general registered with significant variations during the period 2007-2016. **[2]**

In these circumstances, the deficit of trade balance in 2007 was known significant variations. Thus, the trade deficit of Romania in relation with Turkey was – 692 million euros in 2007, and in 2016 it recorded an insignificant absolute increase of - 6 million euros compared to 2007. However, in the period 2010-2014 the sold of Romania's trade balance with Turkey was positive, whereas the volume of exports was higher than the level of imports, as it can be seen in Figure No. 2.

Another relevant element in the dynamics of the Romanian foreign trade is the share of Turkey in total exports of Romania with non-EU countries in the period under review, which registered insignificant movements in the percentage share of around 19%. Meanwhile, it is worth to mention that Romanian exports oriented to Turkish market had a general decrease tendency from 25% in 2007 to 12,6% % in 2016, as it can be seen from Table No.3.

Tabel No. 3. **The share of Turkey in Romania's foreign trade with non - EU countries in the period 2007-2016**

%

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016*
Total	21	18,2	16,2	18,6	16,7	15,4	15,5	14,6	15,4	14,8
Export	25	22,1	19,4	20,2	21,2	18,3	16,9	15,6	15	12,6
Import	18,8	16	13,9	13,4	12,7	12,6	13,9	13,6	15,9	16,7

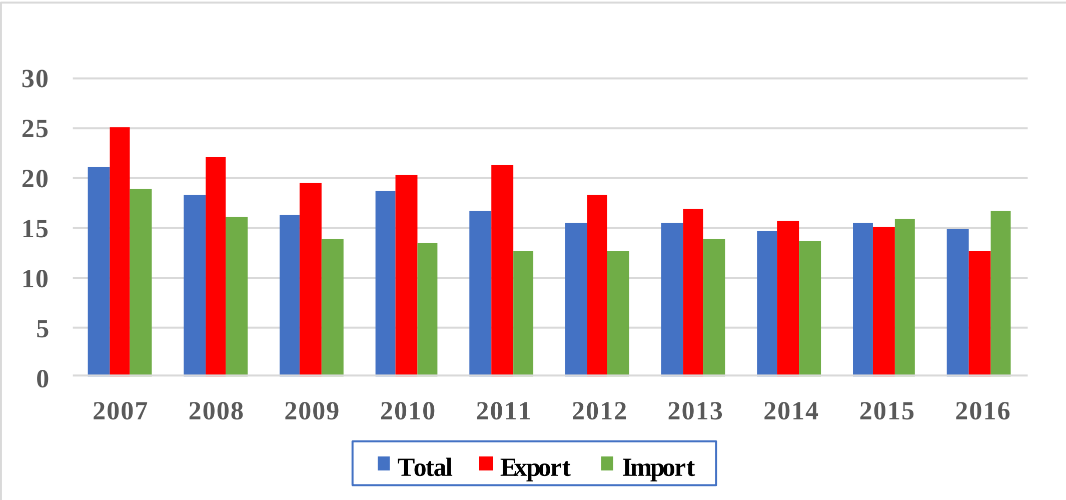
Source: INSSE, Romanian International Trade Yearbook, 2008-2016

*Provisional statistical data published until 30.11.2016 taken after http://www.dce.gov.ro/ Sinteza/sinteza_2016/ nov.pdf

Also, regarding the share of Turkey in total imports of Romania from non - EU Countries in the period 2007-2016 it should specify that the percentage evolution is relatively similar with that registered in the total exports of goods, so that it can be seen here a strong polarization around of 15%, with modest variations from year to year, the overall trend is ascending one. Also it has to emphasize that the maximum share of 18,8% is reached in 2007 and the minimum percentage level of 12,6% corresponds to the year 2012, as it results in the figure below.

Figure No. 3. **The percentage share of Turkey in Romania's extra-EU trade in 2007-2016**

%



Source: INSSE, Romanian International Trade Yearbook, 2008-2016

*Provisional statistical data published until 30.11.2016 taken after http://www.dce.gov.ro/_Sinteza/sinteza_2016/nov.pdf

Relative to the share of Turkey in the Romania's foreign trade with non - EU countries from the series of statistical data published by INSSE is unequivocally clear that Turkye has the leading position throughout the analyzed period. However, if it refers to the value volume of Romanian total trade with non – EU countries, it can be seen that in 2015 Turkye is the first trading partner with 4431 million euros. **[5]** At the same time, relative to Romania's exports to non - EU countries, there is the same situation with Turkey which ranks first. Per a contrario, in terms of Romanian imports from non - EU countries, Turkey is situated on the second place after China in the same reference year 2015, as it can be seen from the Table No. 4.

Tabel No. 4. **The place of Turkey in Romania's trade with non-EU countries in 2015**

million euros

	Total	Export	Import
Turkey	**4431**	**2148**	**2283**
China	3413	525	2888
Russian Federation	2967	987	1980
USA	1731	1052	679
Republic of Moldova	1220	740	480

Source: INSSE, Romanian International Trade Yearbook, 2016

Also, in the light of the all above arguments it can add that in the same year 2015, Turkey continued to be the first trading partner of Romania outside the EU and at the same time, the 5th partner in the total international trade of our country, respectively the 6th export partner and the 9th import partner.

On this background it is important to emphasize that at the level of the year 2015, the majority of Romanian exports to Turkey was represented by the following group of products, such as: metallurgical products (22,72%), motor vehicles and spare parts (17,45%), mineral products (12,57%), electrical machinery and equipment (11,45%), cereals, other vegetable products (9,77%), plastics and rubber (7,10%), wood products of particular importance (5,31%), chemicals (4,47%), products and textile materials (2,24%). If we sum up the percentages of these category of products we can see that represents 93,08% of total Romanian exports on the Turkish market, about 2 billion euros. On the other hand, in the same year the structure of Romanian import from Turkey is net dominated by some category of products among which are highlighted: common metals (21,3%), electrical machinery and appliances (17,88%), textiles and clothing (15,44%), plastics, rubber (9,46%), vegetable products (5,6%), chemical products (4,75%), food products (3,46%). **[6]**

Therefore, the Turkish market offers great possibilities for Romanian producers to obtain, maintain and consolidate some market segments, which can be covered with large quantities of goods. In this context, for these market segments it is necessary to be discovered in time, and the Romanian companies to adapt constantly to the needs and exigencies of the Turkish market, which are in a permanent transformation. Against this background, it is estimated that among the market segments, which our country should exploit, are highlighted the following: zinc ingots, steel coils, recycled polyethylene granules.

On the other hand, the most important opportunity for Romanian companies derives from the fact that they have at their disposal a strong market of about 80 million consumers, free of customs duties and other restrictions on the movement of industrial products. Given that there are no barriers to Romanian exports of industrial goods to Turkey, we appreciate that a potential development is conditioned only by the capacity of Romanian companies to increase the quantities of goods oriented towards the Turkish market.

In other terms, it should be noted that for the import of Turkish industrial products in Romania, customs duties are eliminated and therefore the tariff barriers to Turkish exports in our country are abolished for these groups of products. In addition, for the import of agri-food products from Turkey, with the exception of processed agricultural products, the very low tariff barriers do not have important implications regarding their import on the Romanian market. So, for Romania as a EU member state, the Turkish market offers the opportunity for Romanian companies to engage in a strong and direct competition with EU and non - EU enterprises as regards the export offer.

4. Conclusions

The clear conclusion of this scientific approach is that the Turkish market is an extremely important destination for Romanian exports and imports of good, so that our country must have a constant concern for the proliferation of trade relations with the most important partner from the non – EU area. Also, Romanian companies will be able to obtain a competitive advantage with the condition to exploit at the maximum the benefits of the investments and the opportunities of production offered by Turkey. Overall, it can be summarised that the contemporary international economic context demonstrates that the liberalization of Romanian - Turkish trade on industrial products offers a wide range of notable opportunities among which we can mention: expanding the supply of goods and services on the Romanian market; the import of industrial goods free of customs duties with favorable consequences for the producing enterprises; stimulation of domestic producers to become more competitive, under the pressure of competition resulted from imports; accelerating the specialization in products that have a competitive advantage, improving the quality of production for export. Under these circumstances, Romanian enterprises have to rise to the level of imperatives imposed on all categories of goods and services which enter on the Turkish market in order to gain competitive advantage in front of the competition from the side of others foreign companies. At the same time, for Turkish economic agents with traditions in the international business environment it is much easier to enter on the Romanian market and compete with domestic companies. In addition, it is worth to specify that the total liberalization of imports on industrial products from Turkey affects Romanian enterprises, who are not yet prepared to compete because of their low productivity, poor competitiveness, lack of managerial skills, difficult access to finance and inadaptation to operational standards.

Finally, it can be considered that the development of trade relations with Turkey should be a priority in Romania's economic strategy, in the contemporary global context. The quality of Romania as a member state of the European Union makes our country more attractive for Turkey investments, taking into account that investors can produce goods in the EU, with free movement in the all member states. In these circumstances, we appreciate that become imperative all the actions taken by the government authorities of our country, in order to improve the environment of business and investments, aiming to attract more and more Turkish investors on the Romanian market, to produce goods that generate exports even Turkish market.

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