

## REFLECTIONS ON ROMANIA'S TRADE WITH EU DURING THE PERIOD 2007-2015

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### **Abstract:**

*In this paper, the author intends to highlight the overall evolution of Romania's bilateral trade relations with EU in the period 2007-2015. On this background it is important to mention that the European Union (EU) has been the main trade partner of Romania both the export and import throughout this period of post-accession. So, during the analyzed period, as can be observed from statistical data provided by INSSE it is obvious a general tendency of enhancing Romania's trade with EU. Furthermore, since 2007 EU has held a share of over 70% in total imports and exports of Romania. Also, relative to the evolution of Romania's trade balance in relation with EU, from statistical data presented in the paper, can be noticed that in the reference period it has known a general negative trend. There are also presented some positive progress of our country in issue of adjusting the trade balance deficit with EU. In these circumstances, can be proposed a range of macroeconomic measures formulated in direction of reducing the trade deficit, registered by our country in relation with EU. Another element of maximum visibility in this analyzed issues is represented by geographical orientation of Romanian exports and imports with EU countries. Starting from statistical data provided by INSSE through the prestigious official publication Romanian International Trade Yearbook, results clearly that in the whole of this reference period, Germany had the most significant share of over 20%, both export and import. Also during this period of post-accession, the attention of policy makers should focus on measures that will can lead to increase of Romania 's trade not only with Germany, Italy, France, Hungary etc. but also with other community partners whose share in Romania's total trade with EU was a insignificant along analysed period. Thus, in the current context and in perspective for Romania is imperative necessary the proliferation, intensification and diversification of bilateral trade with all other EU countries, but with a special focus on export's potentiation towards the correction of negative trade balance in relation to European Union.*

**Keywords:** *exports, imports, bilateral trade, trade balance, EU market, intra-Community trade*

**Jel Classification:** *O24,F14, F19, F23, F31*

### **1. Introduction**

In the economic literature relative to the EU's role in the system of contemporary international relations it is considered pertinently that in a multipolar world which brings in the forefront of current global economic landscape vocation new large regional players with regional and universal vocation (China, Russia, Brazil, India) European Union as a whole, has the role to participate to a greater extent into achieving the global economic equilibrium, by promoting an open trade policy at bilateral regional, interregional and multilateral level, that allow through dialogue and cooperation quickly and efficiently the settlement of 21st Century major challenges such as: reducing the large gaps in development as well as the realization of regional and global security through a solid economic foundation [2].

In the context of deepening the interdependence process between globalization and regionalization European Union is objectively determined to promote an "offensive strategy" evidenced by sustainable ways and means to enhance the cooperation with other major geo-economic and strategic areas of the world: American (North - American Free Trade Agreement toward Latin America); Asia-Pacific; ex. Soviet; Africa and Middle East. It is also notes that in recent years is manifested the unequivocal intention of EU to be present on all world markets, according to the relative strength between the current and future power centers. [4]

In this context, European Union - the community of 28 states member - it can be considered one of the major global economic powers. This is not only an integrated economic area, but also an area whose influence goes far beyond the limits of european continent. The contemporary conjuncture of international economic demonstrates that European Union is by far the main trade partner of Romania, occupying the first place in our country's foreign trade, with a share of about 70% in total, throughout the reference period.

The leading role of EU in Romania's foreign trade is determined by a large variety of elements, which highlights the low cost of labor force from Romania as compared to EU, that contribute to competitiveness of price for

Romanian export products in the Community market, especially those with high workmanship. Also, the geographical proximity of Romania to EU, reduce inevitably the transportation cost and time of delivery of Romanian and Community products, which are the object in mutual trade.

Another significant aspect consists in the large size of the Community market, composed of 28 member countries and more than 500 million consumers. Thus, the single internal market of EU governed by the principle of ensuring free movement of goods provides an unhindered access for Romanian exporters and importers in the landscape of intra-Community trade. In the same context we should not omit the fact that the high technological level of the community production, encourages the development of necessary imports from European Union for retechnologisation and modernization of national economy. [3]

Certainly on all these matters can be added and the high level of complementarity that there is between our economy and European Union, in important sectors of Romanian exports (metal products, textiles, engineering, timber industry, certain sectors of agricultural production, etc.). On the other hand, due to considerable financial potential of Community companies, is significantly reduced the risk of default for Romanian goods delivered to EU market. On the same coordinates of development of bilateral Romania's trade with EU enrolls the traditional character of Romania's trade with the member States of this major regional economic organization.

## 2. Special view on the overall evolution of Romania's trade relations with EU

In the analyzed period 2007-2015 European Union was the main trade partner for Romania. Thus, the statistical data provided by the INSSE Romanian International Trade Yearbook shows that EU has the largest share both at the export and import level. Also, for having an overview of the way in which it has conducted Romania's international trade in goods with EU, in the period 2007-2015, 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 EU in terms of value it has been positive and the most important in international trade in goods of our country, as shown in Table No.1.

Table No. 1 - The value volume of trade between Romania and EU in 2007-2015

	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Export</b>	21.269	23.765	21.600	26.953	32.160	31.602	34.508	37.308	40.243
<b>Import</b>	36.589	39.838	28.472	33.992	39.951	40.173	41.868	44.123	48.589
<b>Sold</b>	-15.318	-16.073	-6.872	-7.039	-7.791	-8.571	-7.360	-6.815	-8.346

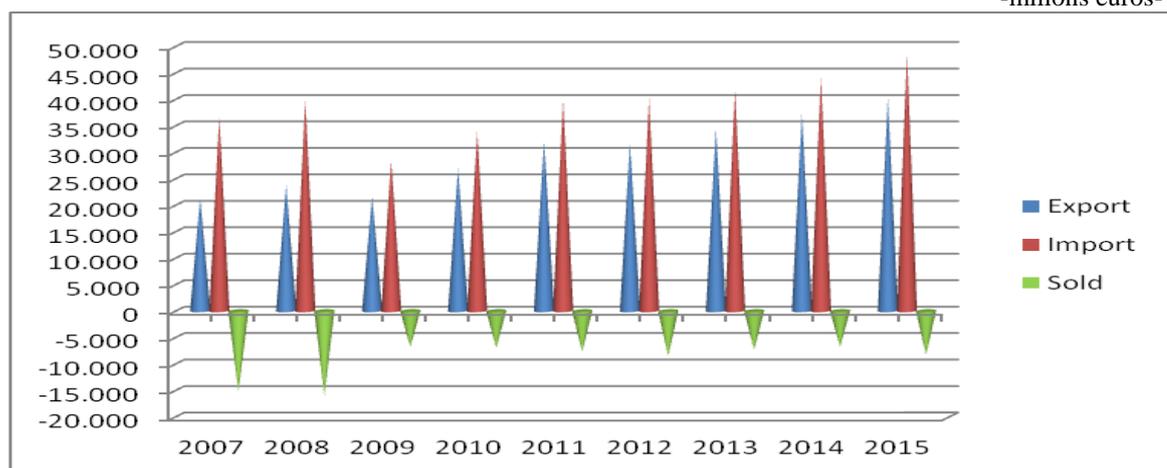
Source: INSSE, Romanian International Trade Yearbook, 2008-2016

The analysis of Romania's export to EU from statistical data presented in Table No.1, allows highlighting certain significant aspects. In this context, it appears that the volume value of Romanian exports to the EU has known a positive dynamics during the analyzed period, so that in 2015 has reached at maximum level of 40.243 million euros.

Per a contrario, it is noted that the minimum value level of 21.269 million euros has been registered even in the year of Romania's accession to EU, respectively 2007. Regarding Romanian imports from EU, can be observed approximately the same overall upward trend, with the exception of two years of global economic crisis, respectively 2009 when the value volume has reached at minimum level of 28.472 million euros and 2010 when it was 33.992 million euros. [8]

In addition, in the analyzed period may be noted that in 2015 Romania's imports from EU reach at maximum level of 48.589 million euros as it can be seen from Figure No.1.

Figure No.1- The evolution of Romania's export, import and trade balance with EU in the period 2007-2015 -milions euros-



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

In other order of ideas, it should be mentioned that during this period the trade balance has been permanently negative but it has known a general tendency of decreasing compared to the first two years from accession, namely 2007 and 2008. Thus, the largest trade deficit of Romania's in relation with EU has been -16.073 million euros in 2008, and the smallest negative balance of -6.815 million euros has been registered in 2014. At the same time one can find that Romania's trade deficit in relation with EU has reached at -8.346 million euros in 2015 namely increased by approximately 22.5% compared to 2014.

Even this brief analysis of export, import and trade balance of Romania during 2007-2015 in relation with the EU is liable to draw attention to the big effort that our country should make in order to balance the trade balance. Relative to adjusting the deficit of Romanian trade balance in relation with EU 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 [6].

Therefore, in order to be competitive Romanian exporters should be very well prepared with complex and quality products to face the fierce competition on EU market. Also, Romanian exporters should continually improve the offer both in terms of quality and diversity [1].

Further, it is noted that in the post-accession period respectively, 2007-2015 EU's share in total of Romanian exports has recorded substantial variations around of 70 percentage share. Thus, it is worth mentioning that Romanian exports were the main EU destination being registered a share of 71.9% in 2007 and 73.7% in 2015. In addition, should be emphasized that in 2009 was at its highest level of 74.3% in total of Romanian exports. In these conditions, EU is the main trading partner of Romania, covering 71.9% in total Romanian exports, while on imports was 71.3% in 2007.

The share of EU in Romania's trade relations, both of import and export, has known a general trend growth as it can be seen in the table below:

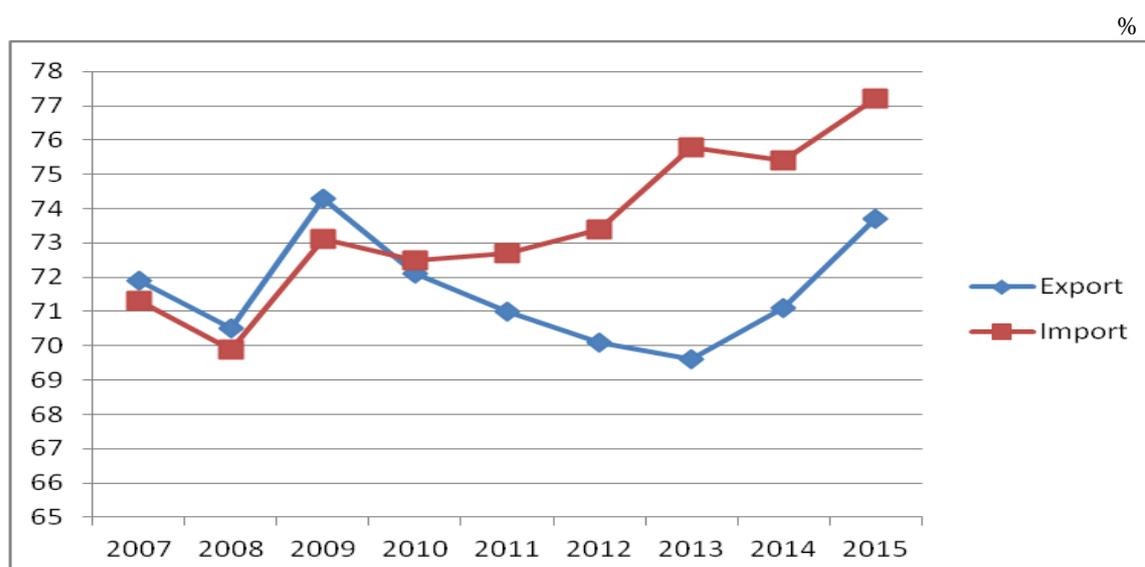
Table No. 2. The share of EU in Romania's trade relations, both export and import of goods between 2007-2015 %

	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Export</b>	71,9	70,5	74,3	72,1	71,0	70,1	69,6	71,1	73,7
<b>Import</b>	71,3	69,9	73,1	72,5	72,7	73,4	75,8	75,4	77,2

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

Thus, even if in the interval 2007-2009, the share of Romanian exports to EU in total export of our country was higher than the share of imports from EU in total of Romanian import in the following years respectively 2010-2015 it can notice that the situation was inverted having the effect the deepening of Romania's trade balance deficit in relations with EU, as resulting from the statistical data series published by INSSE, reflected in Table No. 2. Therefore, Romania's trade balance on the relation with EU has been permanently negative in the period 2007-2015. It is also important to note that in 2009 has highlighted the highest percentage level of 74.3 while the lowest percentage was reached in 2013, reaching 69.6 in the entire analyzed period. Relative to import, as can be seen from the statistical data presented in Table No. 2, the largest share of 77.2 corresponding to 2015 year and the lowest of 69.9 was registered in 2008.

Figure No. 2 - The share of EU in Romania's foreign trade in goods, during 2007-2015



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

Under the aspect of the structure of bilateral trade between Romania and EU throughout the reference period 2007-2015 it can see that was not substantial changes. Thus, considering the statistical data provided by INSSE in 2015, six of twenty two sections of the Combined Nomenclature (CN) together hold 71.7% of total exports as follows: machinery and electrical equipment, recorders and reproducers, television image and sound (27.8%); means and transport equipment (16.8%); base metals and articles thereof (8.6%); textiles and articles thereof (7.2%); Plastics, rubber and articles thereof (5.7%); vegetable products (5.6%). [7]

Regarding the structure of EU's imports from Romania in 2015, six of twenty two sections of the CN together hold 72.7% of total imports, as follows: machinery, appliances and electrical equipment, devices of recording and reproduction sound and video (28.4%); base metals and articles thereof (10.7%); chemicals (10.1%); means and transport equipment (9.2%); plastics, rubber and articles thereof (7.3%); mineral products (7.0%).

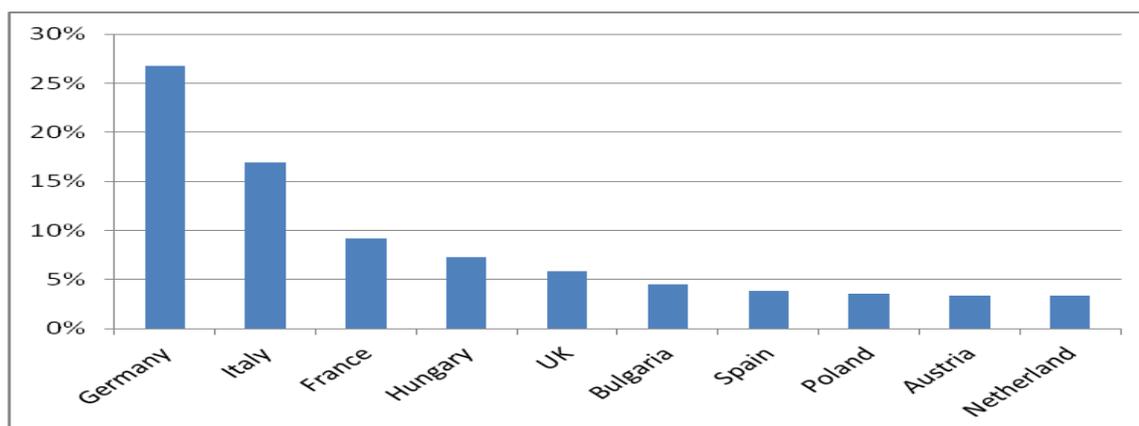
Finally, we can add the products that compose the current structure of Romanian exports have successfully penetrated the European Union's internal market due to their comparative and competitive potential, while the imports should focus primarily on the productive performance technologies that would determine the development of products intensive in technology, in order to ensure export competitiveness on the medium and long term. [5]

### 3. The geographic orientation of Romania's trade in goods with EU member countries in 2015

Analyzing the issue of geographic orientation of Romania's trade in goods with EU member states it is noticeable that are distinguished 10 states in the light of their majority share both at export and import. Therefore, in 2015, these countries have a huge share of 84.94% to export and 84.3% to import. Thus, according to statistical data published by INSSE in Romanian International Trade Yearbook from 2016 results that in 2015 the share of main Romania's partners from EU to export was: Germany (26.8%), Italy (16.9%), France (9.2%), Hungary (7.3%), United Kingdom (5.9%), Bulgaria (4.5%), Spain (3.93%), Poland (3.63%), Austria (3.42%), Netherland (3.42%).

In Figure No.3 can be observed in descending order, the share of ten main partners at Romania's export of goods to EU in 2015.

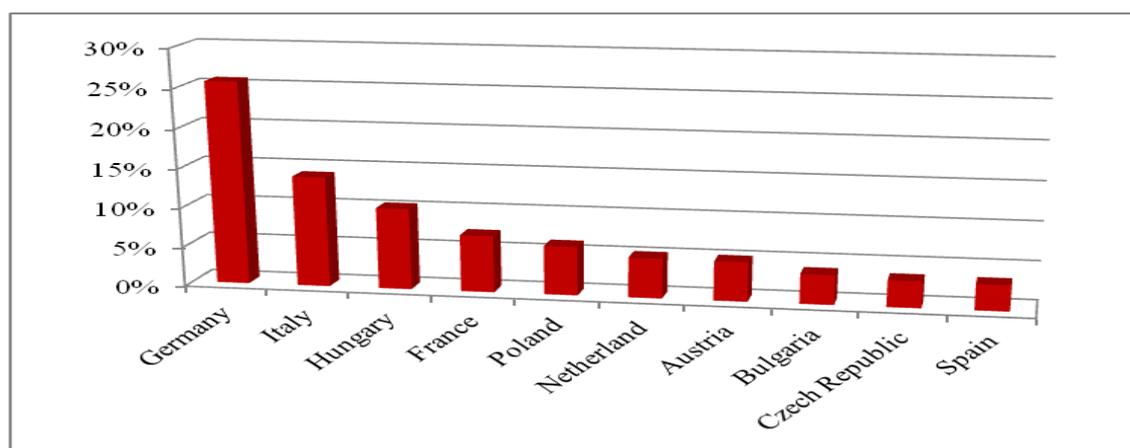
Figure No. 3 - The share of main partners countries from EU at Romania's exports of goods in 2015



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

It is also significant that three of the 10 countries, namely Germany, Italy and France have together a share of 52.91%, to Romania's export of goods in EU. Just like in the case of Romania's exports to EU members, but at the opposite pole registering the lowest shares are the following five partner countries: Estonia (0.15%), Lithuania (0.14%), Malta (0.08%), Latvia (0.05%) and Luxembourg (0.04%). At the same time it is important to note that the cumulative share of this five community partners on export of goods in Romania have attained a insignificant percentage of 0.46% in total exports of our country on the Community market.

Figure No. 4 - The share of first ten European Union countries on Romanian import of goods in 2015



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

In other order of ideas, the share of first ten EU countries in Romanian imports in 2015 is presented as follows: Germany (25.7%), Italy (14%), Hungary (10.3%), France (7.2%), Poland (6.2%), tNetherlands (5.1%), Austria (5%), Bulgaria (3.8%), Czech Republic (3.7%), Spain (3.3%). More than that on Romanian import of goods is important to note that the first three countries namely Germany, Italy, Hungary, cumulate a 50% share in total imports from this geographical area of the world. In contrast to the substantial share of the first ten countries mentioned above, are the following five states with the lowest percentages, respectively: Luxembourg (0.14%), Cyprus (0.11%), Estonia (0.07%), Malta (0.07%) and Latvia (0.03%), whose total share reaches a very modest percentage of 0.42%.

Finally from the analysis of geographic orientation of trade in Romania's goods in relations with EU member countries, results clearly that there is a strong concentration of exports and imports that gravitate around relatively small group of ten states mentioned above.

Pe cale de consecință, în actuala perioadă de postaderare devine imperios necesară pentru țara noastră adoptarea și implementarea unui set reprezentativ de măsuri eficiente în vederea intensificării și diversificării schimburilor comerciale bilaterale cu ceilalți parteneri comunitari a căror pondere este deosebit de redusă în ansamblul comerțului internațional cu bunuri al României.

#### 4. Conclusions

In the end of this scientific approach dedicated to current issues of the overall evolution of bilateral trade between Romania and EU it should be emphasized the implementation of an efficient mix of macroeconomic measures aimed essentially the increasing of performance level of export's production on EU market, essential condition for the adjustment balance of our's country trade deficit in relation with EU. In these circumstances it is appropriate that the measures applied essentially aimed at certain aspects further to be revealed. In these conditions it is necessary that the applied measures aimed essentially certain aspects that will be revealed further. Thus, on the one hand it is necessary to create export economic concentrations (true clusters), by stimulating the creation of collective centers for the exchange of information, training, support for modern trade infrastructure, including infrastructure of communication; easy access to financing; consulting services for companies, marketing and collective branding in abroad to ensure growing the potential and business opportunities of the cluster. On the other hand, continues to be of strategic importance for our country attracting foreign direct investment oriented to export production realized especially within industrial sectors, ecological agriculture, the IT sector, furniture; clothing. It also becomes appropriate the allocation of financial resources in research and development of human resources in order to enhance the innovation capacity of Romanian companies. At the same time, the attention of policymakers should be focused in the sense to harmonize the sectoral, intersectoral and regional strategies, setting priorities that can cause increasing exports having as support the professionalization of business services and specialized assistance for the romanian exporters. In addition, it should not be omitted the development of a financial sector able to contribute to increasing the level of national competitiveness that materialize in; increasing the budgetary resources for financing the specific activities of foreign trade and export promotion, facilitating access to export credits, structural dialogue and better cooperation between banks, insurance companies and exporters.

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