

THE PLACE OF SWITZERLAND IN ROMANIA'S FOREIGN TRADE WITH EFTA DURING 2007-2016

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Abstract:

In this paper it is presented in a synthetic manner the overall evolution of bilateral trade between Romania and Switzerland in the current period of post-accession of our country to EU. Therefore, in order to be succeeded on this market - to achieve and maintain stable and long-term commercial relations partners, romanian exporters should pay very attention strict implementation of contractual terms, equality rules, conditions and delivery terms and possibly to inform previously on local prices of competing firms. Also it is important to emphasize that the current EU's legal framework regarding trade relations influenced positively the entire climate of bilateral trade between Romanian and Swiss economic agents. At the same time, the bilateral agreements are also applied by Romania in virtue of its quality as member state of EU that automatically adopted and implemented EU legislation, the international treaties and agreements with third countries. Thus, it is noticeable that in post-accession period to the EU, our country in the field of foreign trade with Switzerland applies the legal framework of EU that has as main effect the development of trade conducted between Romanian and Swiss companies. Also, regarding Romania's foreign trade with EFTA states in the current period of post accession to EU it can be noticed a major improvement, due to the three countries of The European Free Trade Association (EFTA) except Switzerland is subject to the European Economic Area (EEA) Agreement. In this context the elimination of customs duties in trade between our country and EFTA states leads undoubtedly to entry on Romanian market of products with high quality designed to meet the requirements of domestic demand.

Keywords: *Swiss market, export, import, trade balance, The European Free Trade Association, legal regulatory framework*

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

1. Introduction

Regarding the analyzed issue an element of maximum visibility is the international trade according to certain recent economic studies published is generally considered as an important factor of economic development. Thus, trade relations should be seen as a crucial factor for economic cooperation between states participating in the global economy. [3] In this context, it can be identified a variety of factors that determine the overall importance of Romania's international trade with Switzerland among which distinguished: geographic location, quality of EFTA member state, their economic size and cultural, political valences etc. In this context, for our country in its quality of EU's member state, Swiss market is the most representative segment of EFTA. Thus, taking into account the above mentioned issues we can appreciate that Swiss market offers to Romanian companies the opportunity to compete directly with Switzerland and EFTA states enterprises.

In another train of thoughts, it is well known that the high degree of competitiveness conjugated to the requirements and high quality standards for products sold on Swiss market. In these circumstances, Romanian companies must increase their level of quality imperatives applying to all categories of goods and services that enter on Swiss market in order to obtain a competitive advantage in the face of competition exerted by foreign enterprises.

Relative to the economic and legal framework of relations between Romania and Switzerland it is important to note that bilateral trade between Romania and the Swiss are essentially based on the following EU's legal instruments, such as: the Free Trade Agreement

between the Swiss Confederation and the European Communities, in 1972 and a series of bilateral agreements between the EU and Switzerland, in 1999 and 2004, in the fields of free movement of persons, air transport, land transport, agriculture, technical barriers in international trade procurement market agricultural products, environment, statistics, taxation (taxation of interest). The majority of bilateral agreements between Switzerland and the EU are traditional cooperation agreements. As a rule, the contracting parties retain their independence and each is responsible for implementing and applying the agreements on its own territory.

2. General overview on the legal regulatory framework of trade relations between Romania and Switzerland

When we refer to the legal regulatory framework of bilateral trade between Switzerland and Romania it is necessary to point out the essential features of Free Trade Agreement, from 1972 concluded by the European Economic Community (EEC) and Switzerland. Thus, by its regulations this agreement, gives the Swiss export industry access to the EU market and facilitates trade with its most important market globally, consisting of around half a billion people.

By its content, the agreement has an accentuated economical character, having the role to create a legal framework adapted to the conditions of competition.

Moreover, the parties have committed to improve the conditions of access on market. The objectives of this Agreement are essentially the following:

- ✿ to promote through the expansion of trade the harmonious development of economic relations between the parties and intensifying the economic development;
- ✿ to ensure fair conditions of competition in trade between the two countries;
- ✿ to contribute in this way to the harmonious development and expansion of European trade by removing barriers to trade,
- ✿ to strengthen cooperation between the parties.

Thanks to the Free Trade Agreement, customs duties on industrial products such as machines, clocks and watches were progressively abolished. Quantitative restrictions on imports (quotas) and measures with an equivalent effect are forbidden. Therefore, bilateral trade and economic cooperation have risen significantly, as the application of reductions and eliminations of customs duties. [1]

At the same time in order to stimulate trade transactions between the two countries which are still far from being reached to their economic potential, I appreciate that becomes necessary for Romanian companies establishing and implementing the following directions of action on export:

- ✿ the alignment to conditions of quality and payment, delivery terms, etc., practiced by Western European companies on this market;
- ✿ the enhancement of capacity to deliver relatively large quantities of goods, such as cars, electrical equipment, hardware, textiles, furniture, miscellaneous items, vehicles, aircraft and transport equipment, plastics and articles thereof. [6]

Also the achievement of these strategic objectives will also generate significant changes both in terms of volume, and the structure of Romanian imports from Switzerland, resulting in consolidating traditional imports of machinery, electrical equipment and chemical products and pharmaceutical products which enters currently on the Romanian market with duty free, that will generate an increase in import volume.

Certainly by the advantages derived from the Free Trade Agreement between the Swiss Confederation and the European Communities benefit Romanian exporters beginning with 1.01.2007 because especially they can promote or respectively to increase exports of products admitted for import into Switzerland, with zero duty or lower than previously practiced. [5]

Even under these circumstances, Romanian exporters should take into account at least:

- ✿ the competitiveness in relation to quality - price, both to products from the EU and from other geographical areas;

✿ maintaining the agreed price throughout the contract and the compliance with terms of delivery engaged;

✿ providing the stimulative facilities of payment from your Romanian suppliers for Swiss companies which are assaulted by other foreign suppliers, especially China.

In assessing the impact of application by Romania of the EU's legal framework regulatory on trade relations with Switzerland it has to consider the major effects on bilateral trade, between Romanian and Swiss companies that will appear on medium and long term. [7]

In this sense we emphasize that on medium and long-term the effects can be positive to the extent that Romanian producers, under the pressure from imports competition are performing and specializing in products at which they have a competitive advantage, the growth domestic demand in these conditions is covered by them.

The general situation of Romanian exports on Swiss market can be improved only if the demand will be increased for the products made in our country, in the context of eliminating or reducing the customs duties.

Thus, Romanian companies will have to adapt their trade strategy to high standards and demands encountered on the Swiss market taking into account the following elements:

- ✿ increasing the recovery of Romanian goods on Swiss market by improving the competitiveness determined by removal of customs barriers;
- ✿ the possibility of diversifying Romanian exports to Switzerland;
- ✿ increasing the number of business opportunities;
- ✿ the opportunity to import and sell goods from this geographical area on the Romanian market at an affordable price;

3. The overall evolution of Romania's trade with EFTA during 2007-2016

In the analyzed period 2007-2016, EFTA was an important 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 EFTA has registered 995 millions euros in 2007, reaching the maximum level of 1458 million euros in 2014.

Also, for having an overview of the way in which it has conducted Romania's international trade in goods with EFTA, 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 EFTA in terms of value it has been positive, as it can be seen in Table No.1.

Table No. 1. The value volume of trade between Romania and EFTA during 2007-2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016*
Total	995	1143	1105	1107	1184	1283	1438	1458	1340	935
Export (FOB)	534	630	655	575	645	673	866	875	813	510
Import (CIF)	459	513	450	532	539	610	572	583	527	425
Sold	77	117	205	43	106	63	294	292	286	85

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

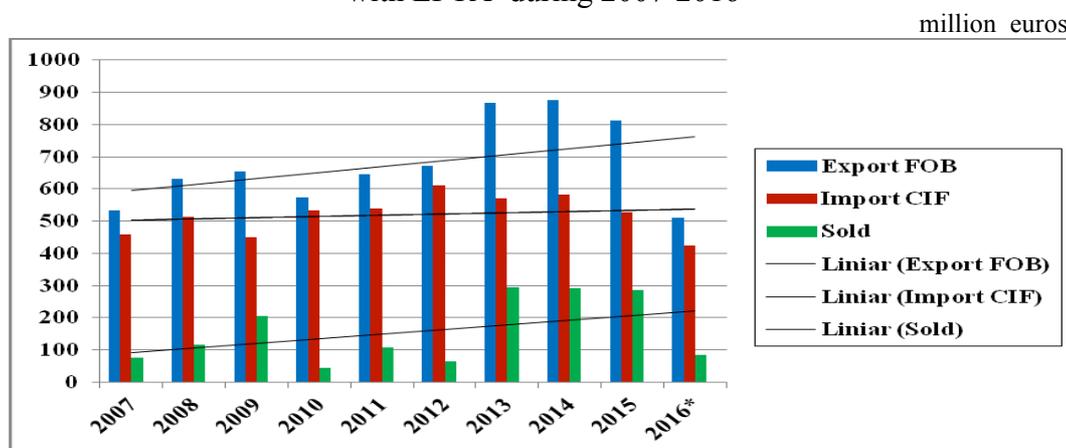
*Provisional statistical data published until 30.11.2016 taken after <http://www.dce.gov.ro/> Sinteza/sinteza_2016/nov.pdf

The analysis of Romania's export to EFTA 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 EFTA has known a positive dynamics during the analyzed period, so that in 2014 has reached at maximum level of 875 million euros.

Per a contrario, it is noted that the minimum value level of 510 million euros has been registered in the last year from analyzed period respectively, in 2016. Relative to Romanian imports from EFTA states, 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 425 million euros in 2016. [8] In addition, in the analyzed period may be noted that in 2012 Romania's imports from EFTA reach at maximum level of 610 million euros, as it can be seen in the Figure No.1.

Figure No.1. The evolution of Romania's export, import and trade balance with EFTA during 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

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 43 million euros in 2010 and a maximum level of 224 million euros in 2013.

Thus, throughout the analyzed period can be observed that the trade balance of Romania with EFTA was positive. Even this brief analysis of export, import and trade balance of Romania during 2007-2016 in relation with EFTA it follows that it is necessary to focus efforts and concerns in the direction of increasing Romanian exports on the market of EFTA countries so as to obtain a trade surplus on the medium and long term.

Relative to maintaining the positive sold of Romanian trade balance in relation with EFTA, we can notice that 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 be competitive, Romanian exporters should be very well prepared with complex and quality products to face the fierce competition on EFTA market. Also, Romanian exporters should continually improve the offer both in terms of quality and diversity.

4. Some reflections on the dynamics of bilateral trade between Romania and Switzerland during 2007-2016

It is a truism that in the analyzed period 2007-2016, Switzerland was a very important market for Romanian exports and imports of goods. In this context, it is important to emphasize that this country is the main trade partner for Romania in the foreign trade in goods of Romania with the EFTA States. [4]

At the same time it is obvious that in terms of volume value the general evolution of bilateral trade between Romania and Switzerland has been positive and the most important in foreign trade in goods of our country with EFTA states as shown in Table No. 2.

Tabel No. 2. The dynamics of bilateral trade between Romania and Switzerland during 2007-2016

million euros

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016*
Total	580	715	608	690	708	742	685	776	751	703
Export (FOB)	222	302	254	260	300	277	268	296	308	323
Import (CIF)	358	413	354	430	408	465	417	480	443	380
Sold	-136	-111	-100	-170	-108	-188	-149	-184	-135	-57

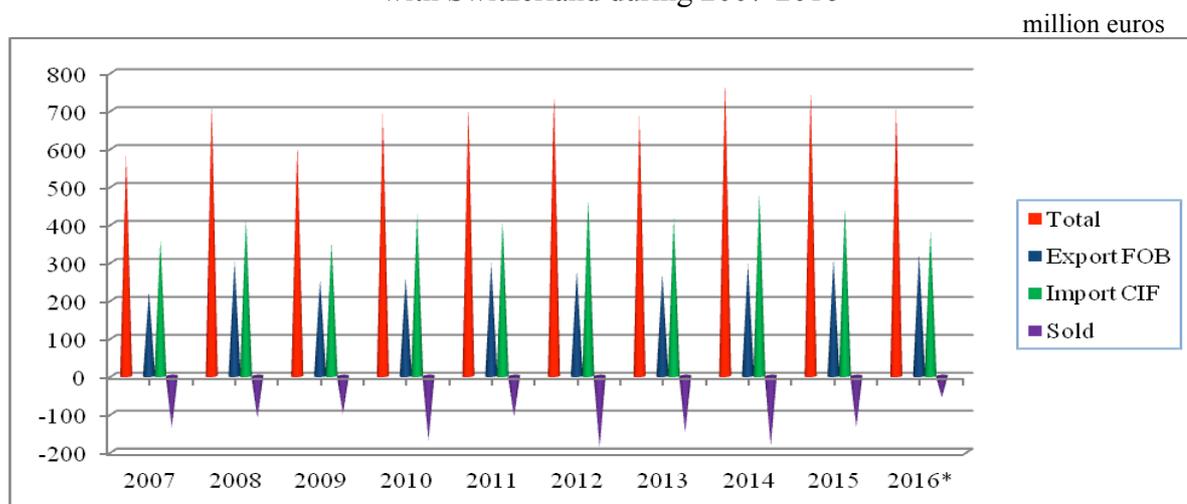
Source: INSSE, Romanian International Trade Yearbook, 2008-2016

*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 Switzerland it is a significant increase from 580 million euros in 2007, to 703 million euros, in 2016 (until 30th November), an increase in absolute value of 123 million euros, respectively with 21 %. In addition, relative to exports, it can be observed a significant increase from 222 million euros in euro 2007, to 323 million euros in 2016, reaching at an accelerated growth, in the percentage expression of 45%. Under the aspect of imports there is also an increase during 2007-2016, from 358 million euros in 2007, to 443 million euro in 2015, respectively with 23%.

Also in the analyzed period, it may be noticed that only in 2009 the level value of Romanian imports has registered a minor decrease, reaching at 354 million euros, compared with the level of 413 million euros, in 2008. For having an overview of how was conducted Romania's foreign trade with Switzerland during 2007-2016, is presented the evolution of bilateral trade between Romania and Switzerland in terms of exports, imports and trade balance, in the figure below.

Figure No. 2. The evolution of export, import and trade balance of Romania with Switzerland during 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

Moreover, it can be observed that in the reference period, the trade deficit of Romania in relation with Switzerland, calculated as the difference between exports (FOB) and imports (CIF), in general registered with significant variations in the analyzed time interval. [2]

In these circumstances, the deficit of trade balance in 2007 was known significant variations. Thus, the trade deficit of Romania in relation with Switzerland was - 136 million euros in 2007, reaching at maximum level of -188 million in 2012 and the lowest value volume of -57 million euros in 2016, as it can be seen in Figure No. 2.

Another relevant element in the dynamics of the Romanian foreign trade is the share of Switzerland in total exports of Romania to EFTA country in the period under review, respectively 2007-2016 which registered insignificant movements in the percentage share of around 60%.

Meanwhile, it is worth mentioning that Romanian exports oriented Switzerland market had a general tendency to increase from 41,1% in 2007 to 63,3% in 2016. In addition, it should be emphasized that the lowest level of 31% was in 2013, as it can be seen from Table No.3.

Tabel No. 3. The share of Switzerland in Romania's foreign trade with EFTA during 2007-2016

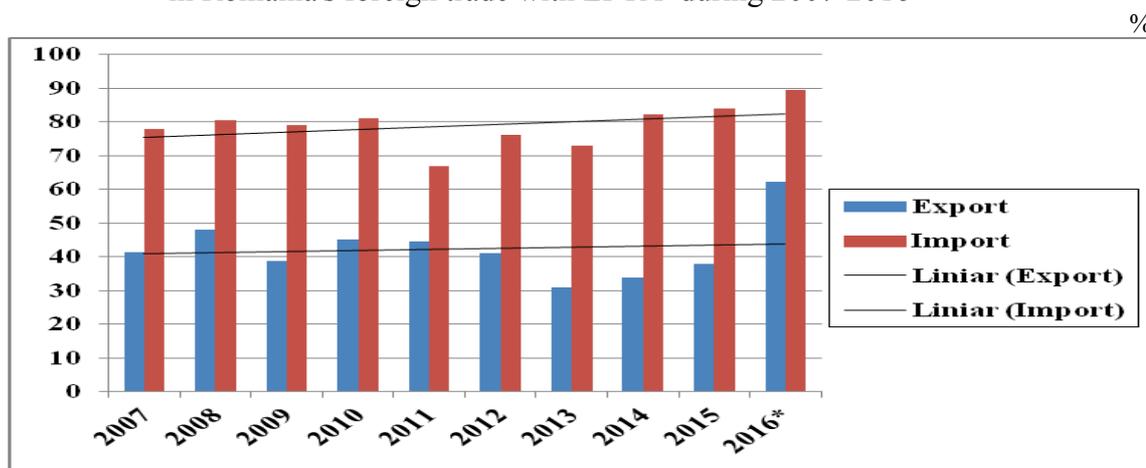
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016*
Total	58,3	62,6	55	62,3	59,8	57,8	47,6	53,2	56	75
Export	41,4	48	38,8	45,2	44,6	41	31	34	38	63,3
Import	78	80,5	79	81	66,9	76,2	73	82,2	84	89,4

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 Switzerland in total imports of Romania from EFTA in the range time 2007-2016 it is important to note that the percentage evolution is relatively similar to that registered in the total exports of goods, so that it can be seen here a strong polarization around of 70%, with modest variations from year to year, the overall trend is ascending one. Also it is noted that the maximum share of 89,4% of the reference interval is reached in 2016, and the minimum 66,9% corresponding to the year 2011, as it results in the figure below.

Figure No. 3. The share of Swiss exports (FOB) and imports (CIF) in Romania's foreign trade with EFTA during 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

Also, it can be observed that in terms of Switzerland's share of Romanian exports to EFTA states was less than 50% excepting the year 2016 when it reached at the percentage level of 63,3. Relative to the share of import situation of our country from Switzerland in the total Romanian imports from EFTA we can see a different context compared to export, so that during the analyzed period the percentage rate of the imports was over 70%, excepting the year 2011 when it was 66,9%. Thus, as can be seen from the data supplied by INSSE by Romanian International Trade Yearbook in 2007, Switzerland has a share of Romanian export to EFTA less 50% with the minimum of 2013 when was registered a percentage share of 31%.

Relative to the share of Switzerland in the Romanian foreign trade with EFTA States from the series of statistical data published by INSSE is unequivocally clear that in 2015 Switzerland has the leading position throughout the analyzed period. However, if we refer to Romanian exports

with EFTA countries, it can be seen that Switzerland is the second trading partner, while Norway is leading in this matter. Regarding Romanian import from EFTA countries Switzerland is ranked on first place with a percentage of 84, 25 as it can be seen from Table No. 4.

Tabel No. 4. The place of Switzerland in Romania's trade with EFTA states in 2015

	Export	Import
AELS	813	527
Switzerland	308	444
Iceland	3	2
Liechtenstein	1	4
Norway	501	77

Source: INSSE, Romanian International Trade Yearbook, 2016

Thus, in terms of the structure of Romania's exports to Switzerland there is a broad range of goods, among which can be distinguished the following groups of products such as: machinery, appliances and equipment, recorders and reproducers, television image and sound; transport means and materials; base metals and articles thereof; textiles and articles thereof; plastics, rubber and articles thereof. [9]

Further, it must be pointed out that although at export is highlighted a trend of enhancement of products with high added value however generally Romanian imports from Switzerland consists in goods with a higher degree of processing and a high-technology level who have a superior economic value compared to those exported by our country on Swiss market. On the other hand, relative to the structure of Romanian imports from Switzerland, as it results from the statistical data provided by INSSE for the analyzed period respectively 2007-2016 it is highlighted a number of 5 product groups: products of the chemical and related industries (mainly pharmaceutical products), electric machines, appliances and equipment, common metals and metallic articles, vehicles, aircraft and transport equipment, optical, photographic and measuring devices.

5. Conclusions

The application of the current EU's economic and legal framework in the field of Romania's trade relations with Switzerland offers a wide range of notable opportunities among which can be mention: the widening supply of quality goods and services on Romanian market; duty-free import of industrial goods with favorable consequences for enterprises producing /user of those goods to domestic consumers; stimulating domestic producers to become more performance, under the pressure of imports competition; accelerating the specialization in products to which they have a competitive advantage; improving the quality of export production. Therefore for Romania as member state of EU, the Swiss market gives the opportunity for Romanian companies to compete directly with EU and extra-EU enterprises. Thus, the involvement of Romania Furniture Producers Association and Romania Foresters Association in the organization of joint stands at specialized fairs or initiating the trade missions in cooperation with similar Swiss associations in the export of furniture and interior elements, can generate positive effects in stimulating the Romanian export of furniture and wooden products on this market. In another order of ideas, it is well known the high degree of competitiveness conjugated to the requirements and high quality standards for products sold on Swiss market. In these conditions, Romanian companies must rise at the level of quality imperatives applying to all categories of goods and services that enter on Swiss market in order to obtain a competitive advantage in the face of competition exerted by foreign enterprises. Finally, as a corollary of all aspects outlined above it can be assert that for continuing the upward trend of Romanian exports on the Swiss market becomes necessary the transformation of real economy mechanis so as to contribute decisively to improving the efficiency and competitiveness of domestic production destined for export.

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