

## THE EVOLUTION OF THE ROMANIA'S INTERNATIONAL TRADE DURING THE HEALTH CRISIS

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### **Abstract**

*The analysis based on data recorded on May 31, 2021 shows that both imports and exports increased compared to previous periods, only that the balance deficit remained quite high, becoming higher by over 1.477 billion euros. In May alone, we have a deficit of 1.2778 billion euros.*

*From this point of view, imports create some difficulties on the domestic market, both due to putting Romanian producers in delicate situations, but especially from the point of view of the circulation of European Union products which are certainly competitive (qualitatively and price) compared to Romanian production.*

*In fact, the National Recovery and Resilience Program had to provide several aspects that would contribute to the allocation of resources in this European Union program aimed at agriculture and the agri-food industry in Romania. However, the situation is becoming more and more delicate and we find that Romanian producers cannot sell on the domestic market, but to discuss the situation of exporting.*

*Analysed through the prism of intra and extra-community trade, we find that both Romanian imports and exports are mostly located on imported products, which are even more expensive and harder to procure by Romanian citizens.*

*The article is based on a study that uses the statistical methodology of comparability, data based on the index method, dynamic series and highlights, based on certain indicators, how Romania's international trade in goods and services has evolved in the first five months of 2021.*

*The view on this period is not encouraging, in the sense that although imports and exports will increase, the share of imports in absolute terms will be higher and there is no possibility to curb this prospect.*

*The main objective of this article is to highlight the fact that the activity of international trade in goods and services continues to bring losses in the realization of the Gross Domestic Product quarterly and total, annually.*

**Keywords:** imports, exports, trade, deficit, evolution.

**Classification JEL:** H12, H60.

### **1. Introduction**

In this article based on a large volume of data, the authors set out to present successively the situation recorded in the first five months of 2021 compared to the situation in 2020 and, in many circumstances, in 2018-2019.

It is noteworthy that both imports and exports have increased, but in absolute terms imports have increased more, leading to an increase in the external balance of payments deficit. The article presented with precise data the situation of imports, exports, the situation of the balance of external payments resulting in these predictions that in the next period Romania's international trade in goods and services will have a negative effect on the growth of Gross Domestic Product.

Also, the structure of exports and imports was presented through graphs and tables, by product groups in order to highlight the way in which this activity was carried out and the effect it has.

The following are a number of views, views, on intra-Community trade in goods and services, as well as those with non-EU goods, showing that we have a large share, both in imports and exports, with European Union countries, 74.1% for exports and 73.4% for imports. The difference, of course, is with non-EU countries.

So we presented a graphical evolution of exports, imports and balances of trade balances between January 2016 and May 2021 in Romania's exchanges with European Union member states and other states.

## **2. Literature review**

Foreign trade, i.e. imports and exports, is a necessity in the current context of development in each country. Under the current conditions, the development of the economy is also required on the basis of external orders to ensure the sale of products made on the basis of firm export contracts. It is also necessary to carry out imports of supplementation, technologicalization or to supply the market with products that are made in sufficient quantities to meet the demand of the internal market. Of course, these exchanges can result in surpluses or deficits in the external balance of payments. International trade is studied by a number of specialists in this segment of activity. Thus, Anghelache et al. (2017) published a study on the interconnections between the external balance of payments and the macroeconomic aggregates of results, Anghel and others (2018) refer to international trade, and Anghel and others (2018) analyse this aspect in an article dedicated to the economic evolution of Romania in the centenary year. Anghelache et al (2020), Anghel et al (2020) studied and disseminated a series of studies on the evolution of international trade in goods, the analysis of international trade or international trade as a factor of economic growth, the analyses being accompanied by the use of statistical-econometric models, on the basis of which estimates and forecasts. Bernard et al (2012) dealt with the analysis of the role of large international corporations in international trade in goods. Elgstrom (2007) pays attention to the activity of international trade in terms of the content and technique of negotiations. Hill and Smith (2011) published an extensive paper on international trade relations and relations with the European Union, and Hummels (2007) launched a paper on the cost of transport in international trade in the era of globalization. Staiger and Sykes (2011) published an analysis on international trade, national treatment and domestic regulations in the countries involved in such transactions.

## **3. Methodology**

In order to facilitate the understanding of the aspects studied and presented in this article, we have further extracted some methodological aspects used by the National Institute of Statistics and Eurostat. Thus, the international trade in goods statistics are established by summing the data from the INTRASTAT and EXTRASTAT statistical systems: the INTRASTAT system for INTRA-EU trade (trade in goods between Romania and the other Member States of the European Union) and the EXTRASTAT system for EXTRA-EU trade (exchanges of goods between Romania and non-member states of the European Union).

For INTRA-EU trade are included the shipments of goods from Romania to another EU member state and the introductions (entries) of goods in Romania having as country of dispatch another EU member state.

Exports include goods in free circulation that leave the statistical territory of Romania to another EU Member State and goods that have been placed under the customs procedure of inward processing (within the country) or processing under customs control in Romania and which are destined for other Member States.

Imports include goods in free circulation in an EU Member State entering the statistical territory of Romania and goods which have been placed under the customs procedure of inward

processing or customs control in another EU Member State and which enter the statistical territory of Romania.

The EXTRA-EU trade includes the exchange of goods between Romania and the non-EU member states, having as object: the direct import of goods for consumption, the imported goods taken out of the customs warehouses or the free zones to be put for consumption, the export of goods of national origin, as well as the export of imported goods, declared for domestic consumption.

It also includes temporary imports of foreign goods for active processing (within the country); exports of compensating products resulting from inward processing; temporary exports of goods for passive processing (processing in other countries); imports of compensating products resulting from out-of-country processing and goods imported or exported under the financial leasing system (at full value of the goods) and quasi-exports, for which export customs declarations relating to the international transactions of operators are made at the national border non-resident economic workers.

Value data are expressed in FOB prices for exports and in CIF prices for imports. The FOB (Free on Board) price represents the price at the border of the exporting country, which includes the value of the good, all transport costs to the point of embarkation, as well as all the taxes that the good must bear in order to be loaded on board. . The CIF price (Cost, Insurance, Freight / Cost, Insurance, Shipping) represents the price at the border of the importing country, which includes both the components of the FOB price and the cost of insurance and international transport.

Value data are expressed in euros and lei. The conversion into euros of the value data expressed in lei (collected through INTRASTAT statistical declarations and customs declarations), is done using the average monthly lei / euro exchange rate communicated by the National Bank of Romania, for the INTRASTAT system and the lei / euro exchange rate communicated by National Bank of Romania for the penultimate Wednesday of the month, for the EXTRASTAT system.

The database for calculating indicators on international trade is the specific documents for each activity and area of trade (INTRA or EXTRA-EU). In order to move goods in the EU, the INTRASTAT statistical declarations collected by the National Institute of Statistics (INS) directly from the economic operators that have made a value volume of intra-community shipments of goods and / or a value volume of intra-community goods entries are used and summed higher than the level of the INTRASTAT statistical threshold established for each flow and reference year and the customs declarations collected and processed by the National Agency for Fiscal Administration (ANAF), for intra-Community trade in goods for internal processing or processing under customs control; goods moving from / to parts of the statistical territory of the EU but not belonging to the fiscal territory of the EU.

In the case of EXTRA-EU trade, the data provided by the National Agency for Fiscal Administration (ANAF), which collects and processes the export and import customs declarations, are calculated. Economic operators authorized for simplified customs procedures send export / import data to the NIS using a pre-established form. The data regarding the international trade with goods with electricity and natural gas are collected on statistical forms from the importing / exporting companies and from the network operators (CN Transelectrica SA and SNTGN Transgaz SA) by INS. Import and export do not include the physical quantities of electricity and natural gas transported through pipelines transiting the national territory.

The degree of data collection through INTRASTAT statistical research was over 95.0% for both introductions and intra-community shipments of goods, compared to the total volume of introductions and intra-community shipments of goods, respectively. For the rest of approx. 5.0% representing the value of trade below the INTRASTAT statistical thresholds and non-responses, data estimates were made.

#### **4. Data, results and discussions**

In the period 01.01-31.05.2021, FOB exports amounted to 29925.9 million euros, and CIF imports amounted to 38762.5 million euros. In the same period exports increased by 26.0%, and imports increased by 24.6%, compared to the period 01.01-31.05.2020.

The trade deficit (FOB / CIF) in the period 1.I-31.05.2021 was 8836.6 million euros, higher by 1477.6 million euros than the one registered in the period 01.01-31.05.2020.

In May 2021, FOB exports amounted to 5959.0 million euros, and CIF imports amounted to 7731.8 million euros, resulting in a deficit of 1772.8 million euros.

Compared to May 2020, exports in May 2021 increased by 58.5%, and imports increased by 54.2%.

An analysis for the period January 2016 - May 2021 is performed based on the data in figure number 1.

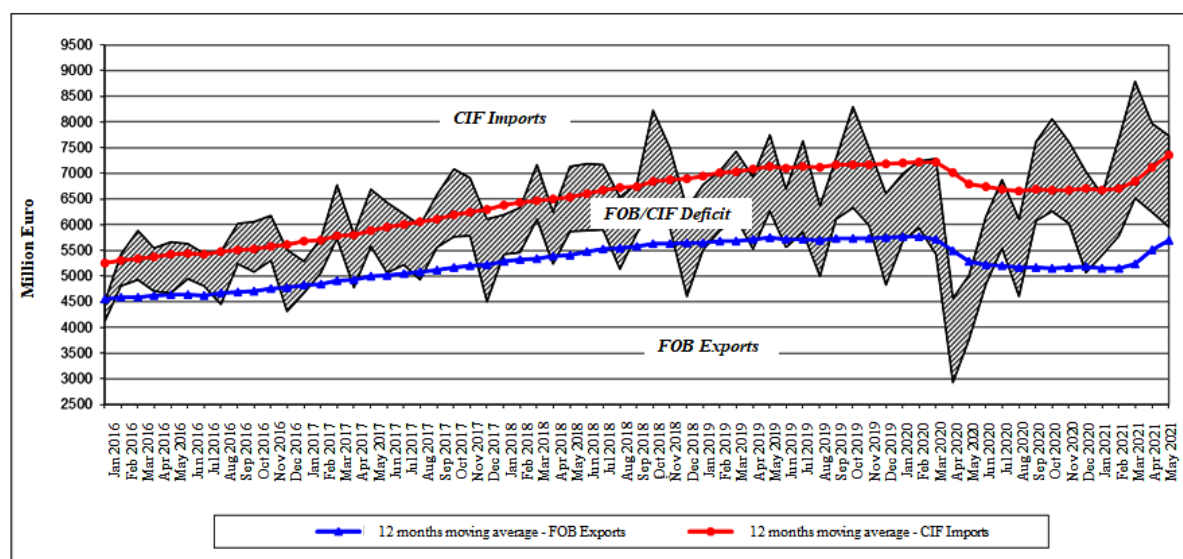


Figure no. 1. Exports, imports and trade balance between January 2016 and May 2021

Table 1 shows the data on the level and structure of INTRA-EU and EXTRA-EU trade, and Figure 2 shows the evolution of imports, exports and balances of INTRA-EU and EXTRA-EU trade balances in January 2019 - May 2021.

Table no. 1. Level and structure of INTRA-EU and EXTRA-EU trade

|                                                     | FOB exports       |                            |                                   | CIF imports       |                            |                                   |
|-----------------------------------------------------|-------------------|----------------------------|-----------------------------------|-------------------|----------------------------|-----------------------------------|
|                                                     | 01.01-31.05.2021  |                            |                                   | 01.01-31.05.2021  |                            |                                   |
|                                                     | Millions of euros | Share in total exports (%) | In % compared to 01.01-31.05.2020 | Millions of euros | Share in total exports (%) | In % compared to 01.01-31.05.2020 |
| TOTAL                                               | 29925,9           | 100,0                      | +26,0                             | 38762,5           | 100,0                      | +24,6                             |
| of which, in relation to the EU 27                  | 22182,5           | 74,1                       | +29,3                             | 28456,6           | 73,4                       | +25,5                             |
| Food and live animals                               | 2079,0            | 6,9                        | +6,1                              | 3321,1            | 8,6                        | +10,5                             |
| of which, in relation to the EU 27                  | 1030,5            | 3,4                        | +31,1                             | 2831,7            | 7,3                        | +9,5                              |
| Drinks and tobacco                                  | 542,0             | 1,8                        | -12,3                             | 309,7             | 0,8                        | +8,4                              |
| of which, in relation to the EU 27                  | 419,8             | 1,4                        | -13,0                             | 238,2             | 0,6                        | +13,1                             |
| Raw, inedible materials, excluding fuel             | 1055,6            | 3,5                        | +33,8                             | 1190,3            | 3,1                        | +29,7                             |
| of which, in relation to the EU 27                  | 446,0             | 1,5                        | +4,7                              | 738,8             | 1,9                        | +30,3                             |
| Mineral fuels, lubricants and derived materials     | 992,1             | 3,3                        | +43,4                             | 2379,8            | 6,1                        | +37,2                             |
| of which, in relation to the EU 27                  | 422,7             | 1,4                        | +41,5                             | 575,4             | 1,5                        | +17,8                             |
| Oils, fats and waxes of animal and vegetable origin | 111,6             | 0,4                        | +62,0                             | 83,2              | 0,2                        | +2,6                              |

|                                                            |                |             |              |                |             |              |
|------------------------------------------------------------|----------------|-------------|--------------|----------------|-------------|--------------|
| of which, in relation to the EU 27                         | 74,6           | 0,2         | +56,4        | 72,7           | 0,2         | +14,9        |
| Chemicals and derivatives not specified in another section | <b>1552,8</b>  | <b>5,2</b>  | <b>+25,5</b> | <b>5697,1</b>  | <b>14,7</b> | <b>+17,6</b> |
| of which, in relation to the EU 27                         | 1081,2         | 3,6         | +36,8        | 4631,2         | 11,9        | +20,4        |
| Manufactured goods classified mainly by raw material       | <b>5170,3</b>  | <b>17,3</b> | <b>+28,9</b> | <b>7198,8</b>  | <b>18,6</b> | <b>+22,1</b> |
| of which, in relation to the EU 27                         | 3840,5         | 12,8        | +31,7        | 5263,8         | 13,6        | +28,2        |
| Transport machinery and equipment                          | <b>14479,7</b> | <b>48,4</b> | <b>+31,6</b> | <b>14189,4</b> | <b>36,6</b> | <b>+29,4</b> |
| of which, in relation to the EU 27                         | 11620,8        | 38,8        | +34,5        | 10953,2        | 28,3        | +30,8        |
| Miscellaneous manufactured articles                        | <b>3897,7</b>  | <b>13,0</b> | <b>+17,0</b> | <b>4383,6</b>  | <b>11,3</b> | <b>+29,9</b> |
| of which, in relation to the EU 27                         | 3229,5         | 10,8        | +16,8        | 3144,9         | 8,1         | +30,0        |
| Goods not included in another section of the CSCI          | <b>45,1</b>    | <b>0,2</b>  | <b>+10,4</b> | <b>9,7</b>     | <b>*)</b>   | <b>+21,7</b> |
| of which, in relation to the EU 27                         | 16,8           | 0,1         | +134,7       | 6,7            | <b>*)</b>   | +2,1         |

Source: National Institute of Statistics, Press Release number 178/12 July 2021

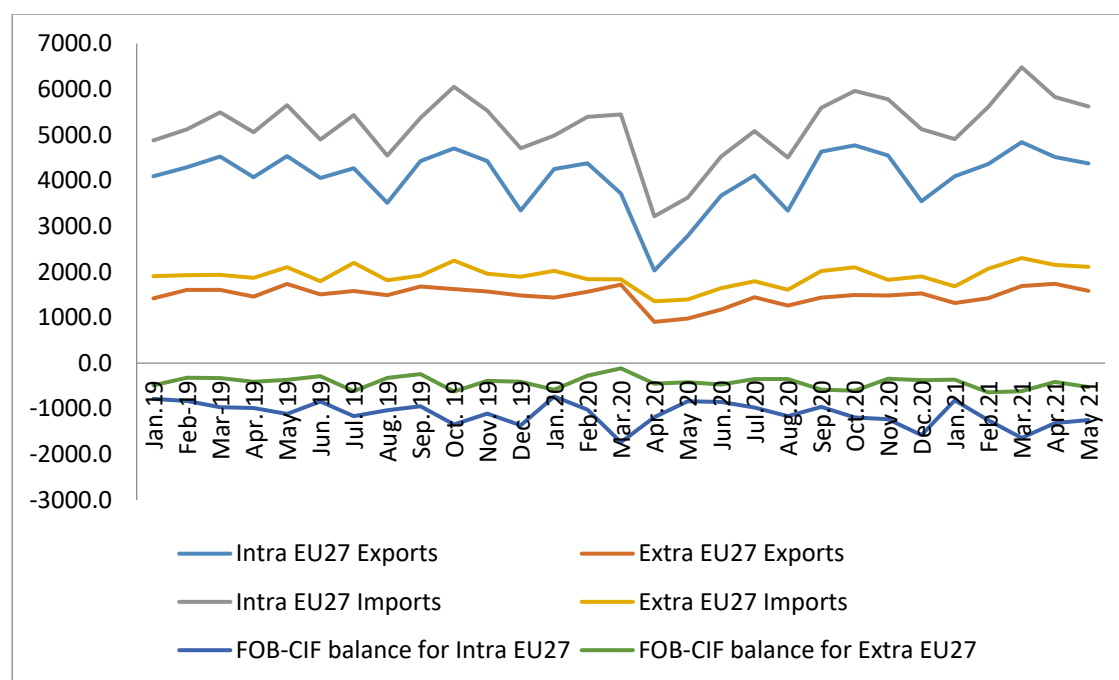


Figure no. 2. Exports, imports and balances of INTRA-EU and EXTRA-EU trade balances during January 2019 - May 2021

We find that in the period 01.01-31.05.2021, important shares in the structure of exports and imports are held by product groups: machinery and transport equipment (48.4% for export and 36.6% for import) and other products manufactured (30.3% on exports and 29.9% on imports).

Also, the value of intra-EU27 exchanges of goods in the period 01.01-31.05.2021 was 22182.5 million euros for shipments and 28456.6 million euros for introductions, representing 74.1% of total exports and 73, 4% of total imports.

At the same time, the value of extra-EU27 exchanges of goods in the period 01.01-31.05.2021 was 7743.4 million euros for exports and 10305.9 million euros for imports, representing 25.9% of total exports and 26, 6% of total imports.

## 5. Conclusions

The conclusions that emerge from this broad analysis reflect the fact that the activity of international trade in goods and services of Romania, an absolutely necessary and recommended process in a presence as a member of the European Union, but also in a broader perspective to deepen, to develop, but to the advantage of both parties.

From our point of view, taking into account the effects of the pandemic and economic and financial crisis, which have reduced production, sometimes not only quantitatively but also qualitatively, exports are more difficult to target.

Also, in the structure of export goods groups we find that we are still in the situation of exporting more products, raw materials that bring low values. We refer only to the export of so-called timber that does not bring the values that would be imposed by the enormous volume that is traded. We are not discussing here the effects that deforestation has on the environment and the environment, in turn, on the economic and social environment in our country.

Another conclusion is that certain measures must be found through which, within the National Recovery and Resilience Program and other measures available to the Romanian government, importance must be given to the development of those sectors, especially in agri-food production by domestic producers, in this way, lead to a decrease in the increase of imports from the European Union and the other non-member states of the European Union.

It is a necessity not to slow down, but to highlight the economic potential of Romanian economic agents, especially in the field of agri-food industry, agriculture and even tourism in order to be competitive and to contribute more consistently to the formation and growth of the Gross Domestic Product.

At the same time, we emphasize that international trade in goods and services is a necessity of the days we go through, but a thought in the sense of balancing them and making it possible to ensure at least the coverage of imports through exports to become a reality.

However, Romania cannot be included in the group of developed countries, of states that obtain special surpluses from international trade, but an effort must be made to get closer to this state.

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