
Aspects regarding the influence of European integration on Romania's trade structure (2002 – 2013)

Camil-George Stoenescu¹

In the following paper I intend to briefly analyze and discuss some of the major elements and influences that Romania's integration into the European Union had on its external trade during the time frame beginning in 2002 and ending with the year that has just passed (2013). In order to achieve these goals and to emphasize certain relevant aspects of Romania's economic changes in recent history, I want to synthetically analyze both the structure of Romania's international trade (consisting of inflows and outflows, compared) as well as the evolution of the commercial balance of net exports versus imports, for the purpose of gaining insight into the evolution and changes that Romanian economy experienced during the aforementioned thirteen-year period. Subsequently, the 2002 – 2013 time span can be logically divided into two major periods, the one before (2002-2007) and the one after (2007-2013) Romania's accession to the European Union, each with its own traits and peculiarities but, also, both sharing sufficient similarities between them. Therefore, my main hypothesis to be tested in the upcoming article is that the European Union integration substantially influenced (and, one could say, altered for the better) Romania's economic outlook, and, consequently, those changes can be

¹ **Camil-George Stoenescu**, Economics and International Affairs Doctoral School, Bucharest University of Economic Studies, Bucharest, Romania, email: camil.stoenescu@gmail.com

highlighted and quantified, among others, by a number of relevant indicators linked to the area of foreign trade, as detailed below.

Keywords: foreign trade, exports, imports, European Union, Romania, foreign trade structure

JEL Classifications: F10, F14, F15

INTRODUCTION

In the current paper I briefly intend describe the evolution of Romania's foreign trade during the past decade (2002-2013), a period of time when the influence and economic ties with the European Union became substantially stronger, both from the quantitative point of view (volume of trade), as well as from the qualitative one (structural changes). Accordingly, the present article is just an introduction, an outline, of a larger theme-project, an endeavor aimed to show how the processes of accession, followed by economic integration – an ongoing process – influenced and shaped (and, in return, was influenced) by Romania's economic diplomacy during the aforementioned period. It's beyond doubt that Romania's accession to the European Union – understood here as both as political framework and unique market – instilled many positives effects on Romanian economy and society in general. One of the many areas in which the progresses that were achieved can be measured is, therefore, the area of foreign (international) trade. Thus, in order to achieve the desire outcome and to highlight the important role that European Union plays in Romanian trade, I chose to briefly summarize the evolution of Romanian foreign trade in the recent past through a couple of key indicators, as shown below.

METHODOLOGICAL CONSIDERATIONS

Key notions required for an easier understanding of the upcoming concepts:

The value of exported and imported goods is set up based on actual FOB prices for exports and on actual CIF prices for imports.

The FOB price (Free on Board) represents the price at exporter country border, including the value of goods, as well as the cost of transport and its insurance until the border of exporting country, according to Incoterms 2010 rules.

The CIF price (Cost, Insurance, Freight) represents the price at importer country border, including both the components of FOB price, as well as the insurance and international transport costs till the border of importing country, according to Incoterms 2010 rules.

Goods which are subject to international exchanges are classified according to the Combined Nomenclature (CN), on which the community customs tariff is also based.

All the values, expressed in the Euro currency (€), are inflation adjusted.

Consequently, in order to fulfill the proposed goals of the present paper, in the overall quantitative analysis of Romanian foreign trade I use the following indicators:

Value of exports (FOB prices);

Value of imports (CIF prices);

Trade balance (Exports FOB - CIF Imports);

Also, regarding the qualitative approach, we have:

Structure of exports/imports by goods, according to the CN;

Geographical orientation (top ten trading partners);

In order to positively summarize the structural changes that Romania's foreign trade encountered during the aforementioned period, I used four time snapshots: one for the year 2002, one for the year 2006, one for 2009 and the last one for 2013.

ROMANIA'S FOREIGN TRADE IN 2002

In the year 2002, FOB exports of Romanian economy accounted for 13659.69 million €, an increase by 21.8% compared to 2001.

TABLE 1
THE STRUCTURE OF EXPORTS BY GOODS, IN 2002

Code of section Combined Nomenclature		mil. Euro	Structure in % as against total exports in 2002	In % as against 2001
XI	Clothing articles made of fabrics, knitted or crocheted, textile matters	3705,3	25,3%	117,8
XVI	Machinery and mechanical devices; electric machinery, appliances and equipment; sound and image records or reproduction apparatus	2292,54	15,7%	129,3
XV	Metallurgical products	1888,36	12,9%	118,0
V	Mineral products (oil products, cement, salt etc.)	1242,33	8,5%	150,0
XII	Footwear and similar	1230, 83	8,4%	118,7

source: Romania's foreign trade <http://www.insse.ro/cms/en/content/romania-foreign-trade>

Also, in 2002, our top ten trading partners for exports (amounting to 74.5% of total exports) were:

Italy (25.0% of total exports); Germany (15.6%); France (7.6%); United Kingdom (5.8%); USA (4.3%); Turkey (4.2%); Netherlands (3.1%); Hungary (3.1%); Austria (3.0%) ; Greece (2.8%).

Regarding CIF imports, those amounted in 2002 to 18849,46 million Euro, 14.8% more than in 2001.

TABLE 2
THE STRUCTURE OF IMPORTS BY GOODS, IN 2002

Code of section Combined Nomenclature		mil. Euro	Structure in % as against total imports in 2002	In % as against 2001
XVI	Machinery and mechanical devices; electric machinery, appliances and equipment; sound and image records and reproduction apparatus	4318,97	22,9%	116,0
XI	Clothing articles made of fabrics, knitted or crocheted, textile matters	3091,73	16,4%	117,2
V	Mineral products (oil products, cement, salt etc.)	2306,48	12,8%	101,8
VI	Chemicals and similar	1520,85	8,4%	123,3
XV	Metallurgical products	1338,15	7,4%	116,1

source: Romania's foreign trade <http://www.insse.ro/cms/en/content/romania-foreign-trade>

Needless to say, at the beginning of the first decade of the 21th century, the relatively cheap-labor existing in the Romanian economy

has created a comparative advantage for exporting goods domestically manufactured, in industries as textiles, wood processing or footwear [Zaman, 2000].

ROMANIA'S FOREIGN TRADE IN 2006

In 2006 FOB exports amounted to € 25850.5 million, a value with 16.2% bigger than that the one from 2005.

TABLE 3
THE STRUCTURE OF EXPORTS BY GOODS, IN 2006

Code of section Combined Nomenclature		mil. Euro	Structure in % as against total exports	In % as against 2005
XVI	Machinery and mechanical devices; electric machinery, appliances and equipment; Sound and video recorders	5245,3	20,3%	133,1
XI	Clothing made of fabrics, knitted or crocheted, textile materials	4168,9	16,1%	98,8
XV	Metallurgical products	3877,1	15,0%	117,6
V	Mineral products (oil products, cement, salt etc)	2701,6	10,4%	109,6
XVII	Transport means and materials.	2545,1	9,8%	144,0
XII	Footwear and similar	1384,3	5,4%	107,3

source: Romania's foreign trade <http://www.insse.ro/cms/en/content/romanas-foreign-trade>

For the first time, the exports of machinery, electric machinery, mechanical devices and equipment, together with transport means and materials (vehicles and related products) have surpassed clothing, textiles and footwear, after a decade (the '90s) when the latter occupied the top spot in Romania's exports. It's an important milestone, as machines are products in which their manufacturing includes higher levels of added-value and know-how. Also, the value of exports to the European Union countries (UE-25) has increased by 16.3% in 2006, as compared to 2005, and, in the meantime, the weight of exports to the European Union countries in the total value of exports was of 67.7% [INS, 2014].

**TABLE 4
THE TOP 10 PARTNER COUNTRIES FOR EXPORTS IN
2006 (REPRESENTING 69.0% OF TOTAL EXPORTS)**

Rank	Country	Value (€ Million)	% of total exports
1	Italy	4637,2	17,9%
2	Germany	4060,2	15,7%
3	Turkey	1995,2	7,7%
4	France	1938,3	7,5%
5	Hungary	1276,0	4,9%
6	United Kingdom	1216,8	4,7%
7	Bulgaria	728,5	2,8%
8	Austria	685,2	2,7%
9	USA	664,2	2,6%
10	Netherlands	637,4	2,5%

source: Romania's foreign trade

<http://www.insse.ro/cms/en/content/romanias-foreign-trade>

Regarding imports, CIF imports in 2006 totalized € 40745.8 million (€ 37609.2 million in FOB prices), and their value being 25.1% larger than the corresponding value of the year 2005.

TABLE 5

THE STRUCTURE OF IMPORTS BY GOODS, IN 2006

Code of section Combined Nomenclature		mil. Euro	Structure in % as against total imports in 2005	In % as against 2005
XVI	Machinery and mechanical devices; electric machinery, appliances and equipment; sound and image records and reproduction apparatus	9881,3	24,3%	129,5
V	Mineral produces (crude oil, oil products, ores, coal, cement, salt)	6032,9	14,8%	118,9
XVII	Transport means and Materials.	4710,7	11,6%	141,5
XV	Metallurgical products.	4030,4	9,9%	140,1
XI	Clothing made of fabrics, knitted or crocheted, textile materials	3385,1	8,3%	101,6
VI	Chemicals and similar.	3111,1	7,6%	127,7

source: Romania's foreign trade <http://www.insse.ro/cms/en/content/romanas-foreign-trade>

Accordingly, in 2006, the value of imports coming from the European Union countries has increased by 25.9% compared to 2005. The weight of imports from the European Union countries was 62.6% in total imports.

TABLE 6

THE TOP 10 PARTNER COUNTRIES FOR IMPORTS IN 2006 (66.6% OF TOTAL IMPORTS):

Rank	Country	Value (€ Million)	% of total exports
1	Germany	6176,8	15,2%
2	Italy	5954,9	14,6%
3	Russian Federation	3123,5	7,9%
4	France	2664,7	6,5%
5	Turkey	2019,8	5,0%
6	China	1742,7	4,3%
7	Austria	1535,3	3,8%
8	Hungary	1331,6	3,3%
9	Kazakhstan	1297,4	3,2%
10	Poland	1128,4	2,8%

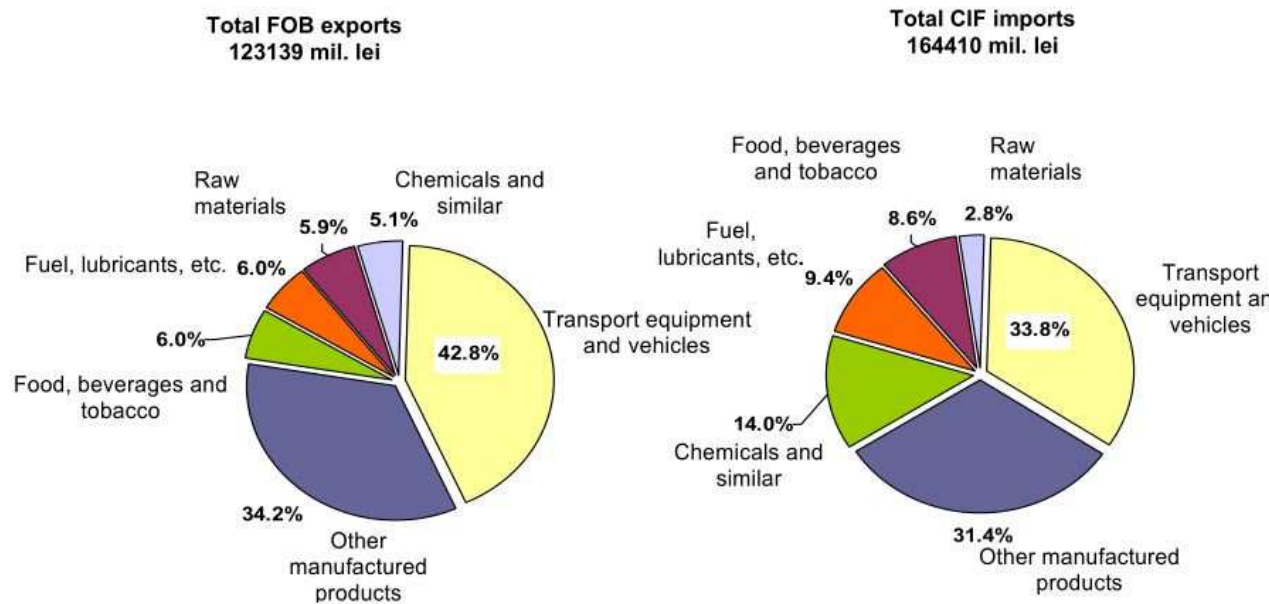
source: Romania's foreign trade <http://www.insse.ro/cms/en/content/romanias-foreign-trade>

Noticeably, the decrease in imports of textile products for inward processing (the so-called "lohn") has resulted in Italy losing its first place as top importer in favor of Germany, after a long period of time.

ROMANIA'S FOREIGN TRADE IN 2009

In the year 2009, FOB exports amounted to 29036.0 million Euro and CIF imports amounted to 38774.4 million Euro, while the FOB-CIF commercial deficit had a value of 9738.4 million Euro, with 13777.3 million euro less than in the previous year.

FIGURE 1
THE INTERNATIONAL TRADE STRUCTURE BY
PRODUCT GROUPS IN 2009



source: Romania's foreign trade <http://www.insse.ro/cms/en/content/romania-foreign-trade>

TABLE 7

EXPORTS (FOB) VS. IMPORTS (CIF) AND THE FOB/CIF BALANCE OF INTERNATIONAL TRADE IN 2009

		YEAR 2009 ^(e)							
		FOB Exports			CIF Imports			FOB/CIF Balance	
		2008	2009 ^(e)	2009/2008 - % -	2008	2009 ^(e)	2009/2008 - % -	2008	2009 ^(e)
Intra-community Trade (EU27)	Mil.lei	87350.5	91403.3	104.6	146521.7	120398.7	82.2	-59171.2	-28995.4
	Mil.euro	23764.6	21561.7	90.7	39838.1	28403.9	71.3	-16073.5	-6842.2
Extra-community Trade (EU27)	Mil.lei	36461.9	31735.4	87.0	63611.4	44010.9	69.2	-27149.5	-12275.5
	Mil.euro	9960.0	7474.3	75.0	17402.2	10370.5	59.6	-7442.2	-2896.2
TOTAL	Mil.lei	123812.4	123138.7	99.5	210133.1	164409.6	78.2	-86320.7	-41270.9
	Mil.euro	33724.6	29036.0	86.1	57240.3	38774.4	67.7	-23515.7	-9738.4

source: Romania's foreign trade <http://www.insse.ro/cms/en/content/romanias-foreign-trade>

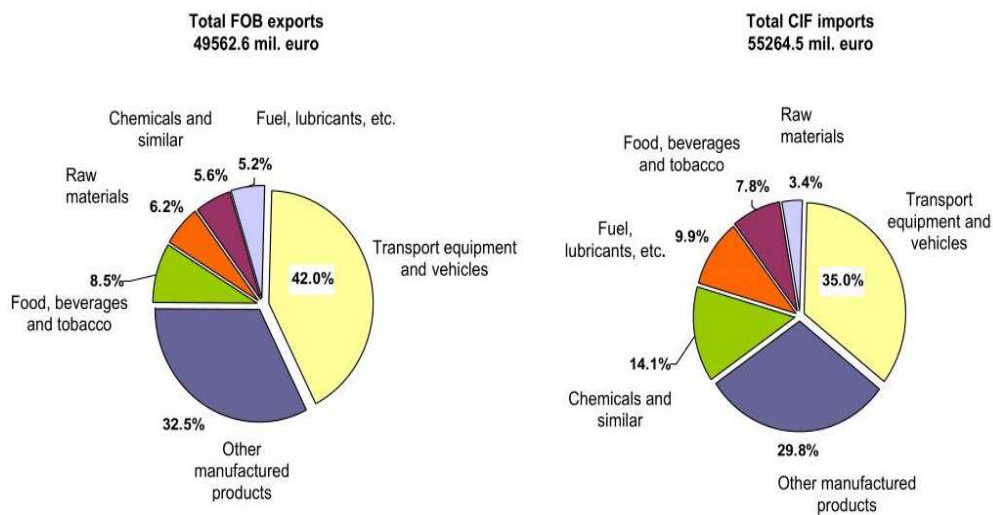
ROMANIA'S FOREIGN TRADE IN 2013

In 2013, FOB exports reached a total value of 49562.6 million Euro, while CIF imports amounted to 55264.5 million Euro. Also, compared to the year 2012, exports have increased by 10.0% (at values expressed in Euro) and imports have increased 1.0% (at values in Euro). Regarding the commercial deficit, in the year 2013 it was of 5701.9 million Euro, 3932.4 million Euro less than in 2012.

Not the least, in 2013, the Intra-community trade of goods (intra EU28) amounted to 34505.4 million Euro for outflows, and to 41861.2 million Euro for inflows, representing 69.6% of the total exports and 75.7% of total imports.

FIGURE 2

**THE INTERNATIONAL TRADE STRUCTURE BY
PRODUCT GROUPS IN THE YEAR 2013**



source: Romania's foreign trade

<http://www.insse.ro/cms/en/content/romanias-foreign-trade>

MAIN TRENDS: THE EVOLUTION OF EXPORTS, IMPORTS AND COMMERCIAL DEFICIT BETWEEN 2002 AND 2013

FIGURE 3
THE EVOLUTION OF EXPORTS BETWEEN 2002 AND 2013 (MIL. EURO)

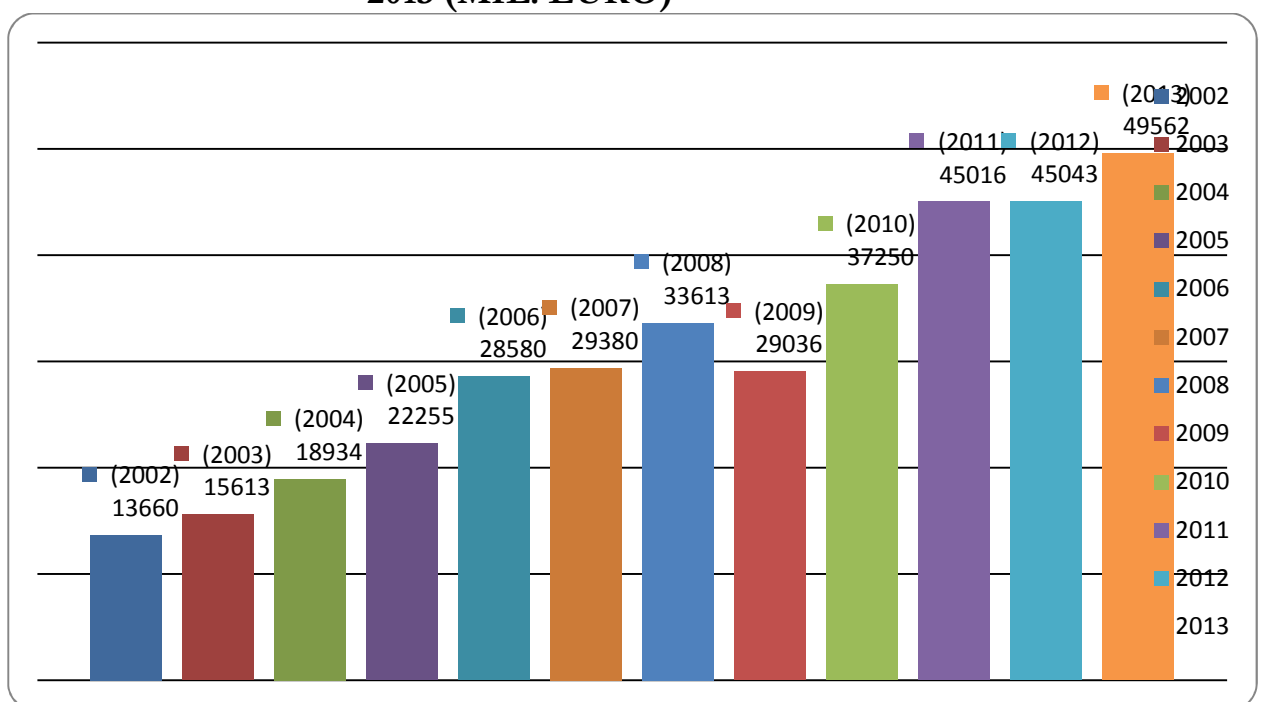
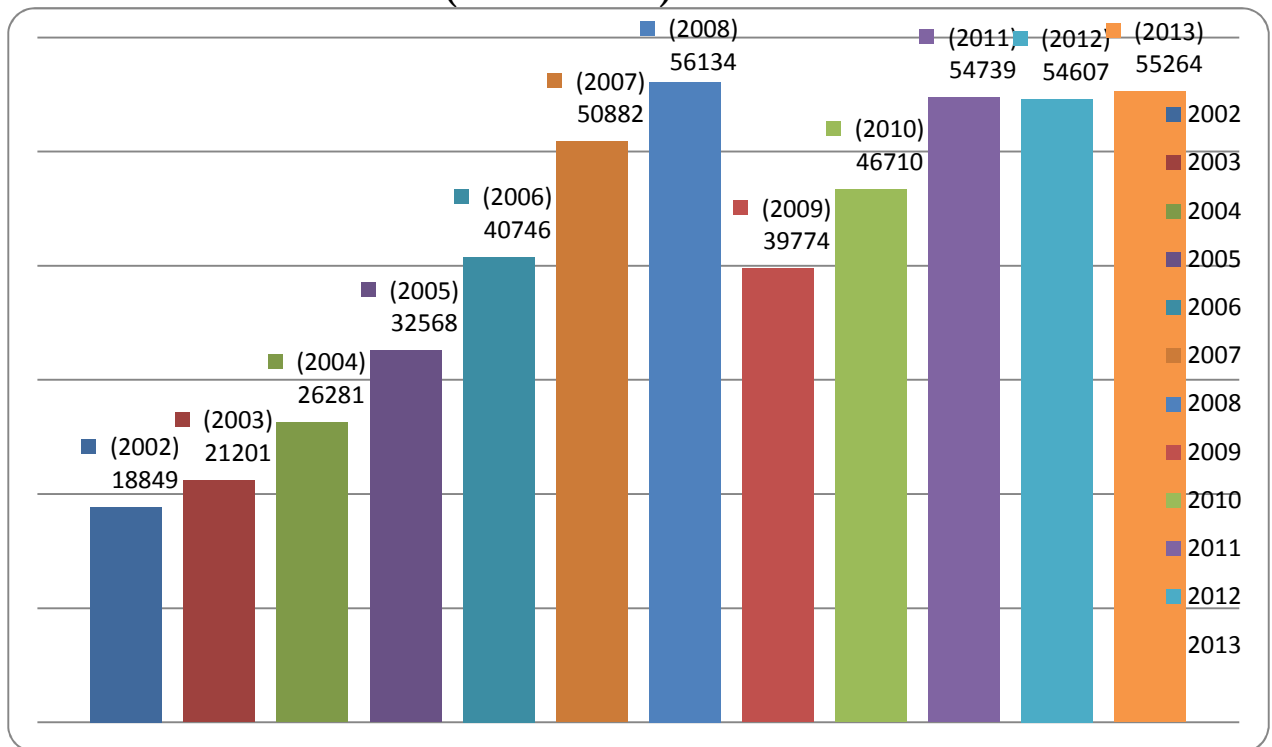
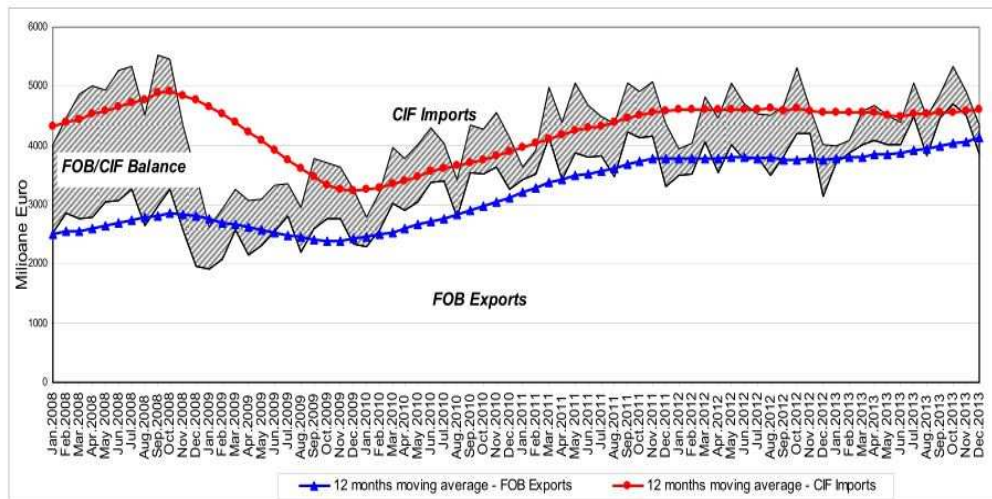


FIGURE 4
THE EVOLUTION OF IMPORTS BETWEEN 2002 AND
2013 (MIL. EURO)



Source: my own calculations

FIGURE 5
THE EVOLUTION OF THE COMMERCIAL DEFICIT
BETWEEN 2008 AND 2013



source: Romania's foreign trade <http://www.insse.ro/cms/en/content/romania-foreign-trade>

CONCLUSIONS

From the brief look at the evolution of Romania's foreign trade during the past decade, with the aid of the previous indicators, some general conclusions can be carefully drawn:

First of all, the structure of Romania's foreign trade has suffered substantial – and positive – changes during the last decade, changes that can be synthesized by the proposition “from textiles to vehicles”, meaning a gradual shift from labor-intensive, low in know-how and with little added value type of products to products that require a higher level of skill, know-how and investments (like cars).

Secondly, the changes occurring in the foreign trade structure are linked to the structural changes encountered by the national economy, strongly influenced by the level of Foreign Direct Investments (FDI) that Romania benefited during the analyzed period.

Thirdly, Romania's commercial deficit exhibits, on the long term, a significant tendency of reduction (exports \approx imports), which in itself it is considered a good indicator regarding the performance of a national economy on the global (or mostly European, in Romania's case) market.

And, the least but not the last, the European Union remains the main economic area of interest for Romanian foreign trade, EU countries accounting for roughly three thirds of Romania's international trade, both exports and imports.

Also, as a corollary, the strong and ambivalent relations between the FDI and the trade performances of a country remain to be further analyzed and expanded in the upcoming research.

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