

THE IMPLICATION OF EXTERNAL DEMAND IN PROCESS OF ECONOMICAL GROWTH IN ROMANIA

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International economical trade, external trade with consumption goods and investment goods creates the important factors of even growth of economy, and of the evolution of the macroeconomics indicators and of the external Balance of payments. Import and export play an important part in the overall evolution of national economy, in convening variants necessities of production or direct consumption, each of them creating both a premise but also a consequence of the effect of the economical-social progress. The commercial deficit, which is high, reflects, practically, the low competition of Romanian products and services outside Romania, this showing that there are good opportunities for offer growth, and for economical growth.

Keywords: external demand, economical growth, competitively, commercial balance.

1. Economical activities

Some specialists have an opinion that there is a law of external constraint that takes the shape of certain competitive conditions and underlines at the spur of the moment the nature of relations between the exchange partners. The determinants of this global demand size, called the determinants of external balance, are export and import, and are for talking into consideration the fact that in the vast majority of cases, the same factors, but with different sense influences, are determining the size of exports and imports.

The volume and structure of economical activity and competitively are two main categories of determinants of external balance, which because of theoretical consideration can be analyzed separately.

Industrial activities and even the ones in service market need important intermediary consumption. Imports can relate to an area of resource unavailability, as far example: energy is certain raw material, or can be related to the effects of international labour division, which takes shape in specializing certain economics; in producing certain components and/or pre-made products.

Usually, when the production level increases, and so does the gross domestic product imports, components of intermediary consumption are missing as well.

Even more, the export induces himself frequently the amplification of these imports. Import for intermediary consumption is a main reason of the existence of direct relation between the level of national production and the level of imports. National production, is in the same time a process of distribution of became between employers and enterprise. The wages paid and the saw operation revenue buying of end user merchandise and of equipment merchandise for enterprises. This can be considered the second reason of the existence of positive relation between the economical activity and import, knowing that a part of final consumption of householders and the demand of equipment for enterprises is satisfied by importing.

One of the aspects that need to be analyzed is the effect of differences in the economical growth level, and this thing has to be taken into consideration as long as the different growth levels belong to different phrases of the economical cycle through which one or another economy passes.

If we admit that an economy wants an independent relaunch, and it neglects so-called the feed-back effects, the effect of an isolated relaunch will be creating of a commercial deficit for the country where it freelanced itself in

Imports are driven by internal activity; the exports are destructed or determined by external conjunctive. If we suppose that this commercial imbalance is not income of national factors which operates abroad, for example the subsidence's which operate abroad, made even by a surplus from certain tourism services, commercializing same patents, not even by a surplus of foreign investments in balance its local investments abroad, in this case, the commercial imbalance is as well an imbalance in payment balance of national economy with the rest of the world. This phenomenon corresponds to the so-called external restriction. If the local gross domestic product that backs up the commercial balance, then the reabsorption of unemployment can not be made only by sacrificing the external balance. As this type of sacrifice can not be accepted on a long term bases because it would concretize by an accumulation of commitments for the rest of the world, in these circumstances, in the end, the external balance will determine a restraint of the possibilities of internal growth.

The exchange partners are usually constrained in the same way. What is difficult is the intensity of the constraints which he have to satisfy, and from here one of the empiric reason of growth different. The difference of gross domestic product growth offers the possibility of formulating same conclusion quite superficial, just by the correlation that is supposed to exist between the growth level, the factors in which the growth is based on and the national economical conjuncture, but the world one as well.

2. Product competitiveness

Competition can be looked at under two aspects: competitive price and a competitive those overalls the price.

First aspect refers to the relative evolution of the product price, on foreign markets, while the second aspect has to be looked at as a final affect and this because its role seems to become more and more important.

Competitive price takes into consideration the own price evolution, scaled with the ones on the international market, and it is obvious on its behavioral forms. A close study separates the competitive external by using the price, as long as the process of internationalization the commercial relations is being mentioned, in the competition conditions, in other words prices and quantities are different from country to country, for the faces of its own market mechanism to attenuate the differences.

What has to be known is that we can not contest the complex behavior of the non-price competitively phenomenon. More than that, there is not a unique hierarchy by the prism of non-price competitively, more sort of different intensities of external constraint in balance with the trade partners.

From the point of view of the competition, the quality of the specialization is one of the decisive factors, this way, a specialization offers the national economy high training skills. Such effects appear if the enterprises in the country are specialized on products for which the global request is dynamic or are orientated towards geographic areas which have a large increase in imports.

The trade intensity of a country depends of induced barriers from the commercial policy area, but of geographic barriers as well. Commercial policy barriers are influenced by economical performance, while the geographic barriers distance from sea, from the other countries, population size are not affected by the economical performance. Frankel and Romer¹ observed that the elements induced by geography in trade, affects the economic growth: the growth by 10% of commerce level in the gross domestic product determines the intensification of the rate of growth with 10-20%. If they are included, however, other variables, the positive results of economic trade growth within gross domestic product disappear.

Rodriguez and Rodrik² state that while commercial policies search to resolve the market failures, the commercial restrictions can consist a factor of growth. Even if, the commercial policies, with the geographic conditions affect the economic growth, the size of the effect of the two categories of factors is very different, because, for example, the technical progress offers another perspective over the distances. In a similar ways, the impact of custom over the commerce changed as long as foreign direct investments developed along with the externalization of the activities.

¹ Crăciun L., Barbu M. C., - *Poziția geografică – determinant al creșterii economice?* în „Revista tinerilor economiști” nr. 5/2005, Craiova, 2005, p. 148

² *Idem*

Most countries that do not have sea exit are poor, with the exception of some countries in Western Europe strongly integrated in the regional economic market and connected from the zones of coast by cheap transport routes. Overall, at a worldwide level, there are 35 countries with a population of over 1 million of habitants without sea exit and 28 of these countries are outside Europe. From the 28 continental countries outside Europe, the best placed country in the richest nations worldwide is Botswana (47 in the world) which owns its riches due to well – managed diamond mines. It is followed by Paraguay on the second place

For national economy, it is obvious that at a certain time the process of degradation of specialization as an effect of certain conjuncture which takes into consideration the traditional preference for certain countries under development or by an insufficient specialization in products for which the request grows very fast on the worldwide market and on the internal one as well.

Insufficient specialization (geographic and sectorial) can be corrected in dynamics, at least by the countries that have the capacity to modify the specialization in the way the global demand heads to.

3. Balance of trade

The effect of dynamic global demand over the external balance is transforming in one of the main problems that have to be paid attention to when we put a solid bases the policy the international economic relations sector.

So, the net export influences the aggregated request and the economic growth, especially when this is negative.

CIF costs include transport and insurance the FOB costs do not include the transport and insurance.

From table 1 we can observe that the whole period taken into consideration when we consider that it began to record economic growth in Romania, we can see the fact that imports increases more than exports each year, and so we can explain the depth of the economic trade deficit, by using an method of calculus. A special situation among other years we record in 2002, when we observe that the growth level of exports was larger than the imports, and even if so, the commercial trade balance was negative and not much lower that in the previous year, both for FOB-FOB relation, but especially FOB-CIP. Starting 2003 we can observe a larger depth of the commercial deficit from one year to another, ending with 2006 when the size of the deficit was 1.5 times longer than in the provides year. So we, observe a constant and important growth of the demand for external goods, which shows that there are major problems concerning developing and sustaining an efficient economic growth.

This increase of the deficit of trading balance can determine in the future a drop in the aggregated demand. The rhythm aggregated demand. The rhythm of export growth (16,2 % in 2006) continued to be significantly exceeded from the import one (25,1%) in 2006, determined by: the effect of the nominal appreciation of the Romanian Level comparing to Euro; the brutal competition of Asian countries, mainly as a consequence of liberalization of world trade with textile goods; ternary activities in the Euro zone, especially in Italy and Germany, the main Romanian product selling markets in Europe. In these conditions, the commercial trade balance managed to head in 2006 at cca 10% from PIB.

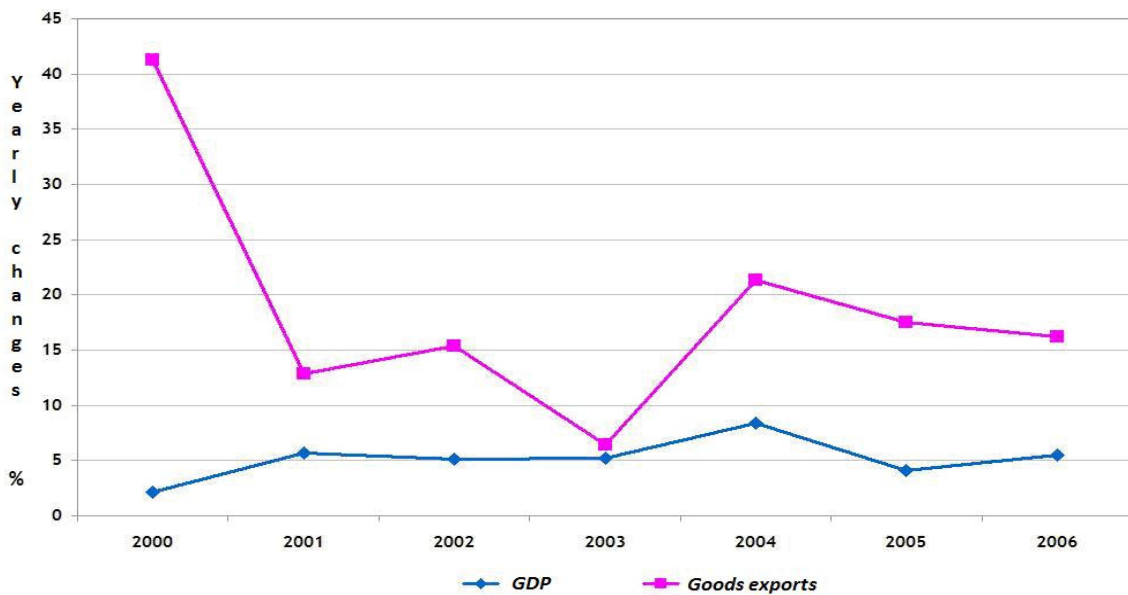
		2000	2001	2002	2003	2004	2005	2006
Goods for export	Mil. Euro	11273	12722	14675	15614	18935	22255	25850,5
	%reported to last year	+41,3	+12,9	+15,4	+6,4	+21,3	+17,5	+16,2
Goods for import (CIF)	Mil. Euro	14235	17383	18881	21201	26282	32569	40745,8
	%reported to last year	+43,4	+22,1	+8,6	+12,3	24,0	+23,9	+25,1
Imported goods (FOB)	Mil. Euro	13140	16045	17427	19569	24258	30061	36608,2
	%reported to last year	+43,4	+22,1	+8,6	+12,3	24,0	+23,9	+25,1

Haunch Commercial balance	FOB-FOB	-1867	-3323	-2752	-3955	-5323	-7806	-11757,7
	FOB-CIF	-2962	-4661	-4206	-5587	-7347	-10305	-14895,3

Table 1 Commercial trade balance in Romania in 2000-2006.

As well, the percentage of lohn in the total exports is big (68% in 2006), the lohn in easily industry being replaced step by step by the one in the machine constructions, chemical industry and the co-production.

From graphic 1 we can observe the bigger rates of increasing the expert, comparable with the one of gross domestic product on whole analyzed period of time, so that the export behaved like a factor of growing national macroeconomics results. The main characteristics of external trade can be presented synthetically like this: Overall economy, the international relations took place with the developed economic countries, their percentage reaching at 73% of exports and at 60% from Romanian imports. The major contribution is being held by the EU member countries with a reach of 68% for imports.



Graphic1. The Dynamics of gross domestic product (GDP) and export

Romanian export orientation towards the developed countries indicates their structure improvement as a result both for overall strategies, conjuncture advantages and for continuous adaptation of national producing for the demands of foreign markets.

In the same time, the import of goods can be defined by high levels, determined both by the necessity of the productive system of economy, reflected in the strong growth of imports of capital goods, and in the unsatisfactory level of covering the consumption demand from internal production, determining extra imports of consumption goods

Structurally, external trade is characterized by the presence of goods export from the equipment construction industry (30,8%) and of the easily industry (22,3%), while the imports are dominated as well by the goods from the equipment industry (37,5%) the mineral ones (14,8%), and the chemical ones (13,8%).

The continuous growth of external trade in definitive costs (22, 8%) in the case of exports an and 22,8% when speaking of imports thing which determined a contribution to the total export of 55%, and for imports of 80%.

In 2005, commercial trades took place in favorable market conditions, so for an increase of the unitary value at import of 103,6% the export managed to have a value of 108,2% resulting a value of external trade of 104,4%.

In real terms, the export growth (7,6%) held close to the head up recorded in 2005 (7,3%), but in exchange the imports increased the physical volume (20,7%), in increase with 3 percent over the last year.

Growth difference influenced the deepening of trade deficit, even if the trade value was favorable. Some phenomenon is reflected as will by the reduction of the import level and exports one from 68,3% in 2005 to 63,4% in 2006.

Export represents one of the engines that drive the economic growth. Romanian export based mainly on products with low taxes. The biggest volume of exports recorded in the textile industry, in which dominant is the activity of active perfecting (lohn), followed by metallurgy industry in which mainly there are produced inferior steel and less special steel. A visible thing is that the progress has been made also concerning export of goods of the equipment industry , radio appliances, television and telecommunications, machinery industry and electric appliances, and also the transportation means (especially automobile- auto industry, branches characterized by products with high taxes).

The most significant commercial deficits (FOB-CIP) in 2006 were recorded for the following products: machinery and appliances, electric equipment and span parts 4636, 0 mil euro: mineral products – civil, gas and coil -3331,3 millions euro; means of transport and spare parts – 2165,6 millions euro; plastic material and products from this – 1435,0 millions euro; products for the chemical industry and related – 2062,2 millions euro; (pharmaceutical products – 1188,0 millions euro); food products – 927,0 millions euro; paper and cardboard – 634,4 millions euro; construction material – 561,6 millions euro.

The trade deficit in the first third of 2007 exceeded 3 millions euro, a growth by 88% since the same time confronted by the previous year.

High trade deficit reflects, practically, the low competitiveness of products and Romanian services, outside the country, this showing that that then are goods opportunities for offer growth, and so for economic growth.

The growth of external deficit is caused by the repatriation of profits and foreign companies revenues from Romania, added to the income chapter in the current balance. This recorded, in the first of 2007, a growth of 59% comparing the first third of 2006. Another cause of maximizing the external deficit this year is represented by payments made to budget of a European Union, which are not yet (in the first trimester) inbounds of European funds. This way, the current transfers (which include, at an entrance rate, the money sent in the country by Romanians abroad) increased only with 13% comparable with the first third of 2006, because of the payments made by Romania to the EU budget.

The growth of the dependable degree of national production for imports has negative impact over the commercial trade balance, over the debiting degree of the country, and, implicitly, over a sustainable development for the country.

Commercial trade is negative with all important commercial partners of Romania. This way, our country does not have to follow gaining exclusively the foreign balance (export of goods, foreign direct investments, structural balance), she has to become a source of investments. An opportunity is the asian market: for example, on the Chinese market it is very hard to sell products because there the products already have a low price (it is known that because of these low prices, the Chinese products become more competitive than the others, even on the countries that have well-developed markets), but we can realize investments, just because the labour is very cheap.

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