

THE TENDENCIES OF ROMANIAN TRADE AFTER THE ADHERATION TO EUROPEAN UNION

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Romania has considerably changed its views in commercial politics concurrently with his adhesion to the European Union, thus becoming member to a huge community market with neo-liberal views. The concept of free exchange was not completely new to Romania at the time of its adhesion due to its having signed several regional agreements of free commerce. Also, the importance of the phenomenon entailed by its inclusion as a full right member on to the unique market would result in an economic endeavour considerably bigger than the previous regional agreements.

Keywords: liberalization of commerce, exterior trade, commercial politics, economic growth, customs fee, European Union market

Introduction

According to O.C.E.D., the liberalization of commerce represents a strong stimulus of the economic growth and a key factor to including individual economies into the world economy²³⁶. Therefore, free commerce is thought to be crucial for a developing economy since it stimulates economic growth, ensures access to the world market and also improves access to several goods and services.

The paper presents the Romanian EU integration concerning commerce and is structured into three chapters:

1. Problems concerning the EU adhesion.
2. Lining up to the European customs fee - consequences.
 - The impact of adopting the unique customs fee on the corn trade;
 - The impact adopting the unique customs fee on the live stock trade;
3. Disadvantages following the European Union adhesion.

In keeping with the economic theory, the views are divided. There are views according to which free trade brings benefits only for those industries which have reached the maturity stage and so can fight against competition on their own²³⁷.

According to Mihail Manoilescu, a practical protectionism, achievable through the customs fees collection, offers the possibility to maintain high salaries, thus increasing labour productivity, which also means high rate salaries, increased profitability as well as substantial particular

236 ***, OCED Work on Trade, Organization of Economic Co-operation and Development, Paris, 2008

237 Shafaeddin, S.M., Trade Liberalization And Economic Reform In Developing Countries: Structural Change Or De-Industrialization, UNCTAD, 2005, page 13

capital, which eventually causes the appearance of a vicious circle in productivity as well as in benefits. Even if commercial policies inescapably affect the volume of commerce, there are no solid grounds to assert that they will exert any influence on the economic growth, influence which is similar to the change in volume occurred in external trade because of factors such as the decrease in the transportation costs or the increase in the global request.

Regarding Romania's trade balance, it is a known fact that in the countries where the customs protection is extensive and the strategies for the substitution of imports do not succeed in achieving their goals, the abolishment of the customs fee will inevitably result in a significant increase in imports. The free circulation of funds also has the tendency to increase the payment insufficiencies which discourages investments in any industry that produces commercial goods. With reference to Romania in its first year from the European Union adhesion and the liberalization of the international trade, although the absolute increase in imports is net superior to that in exports, the commercial deficit for 2007 is the biggest as compared to the one recorded from 1991 up to the present; within relative values conversely, the situation is somehow different, in the sense that the forwarding of exports to imports reached the lowest values in 2007 as compared to 2006, i.e. 13,65% as compared to 16,15% in exports and 24,88% as compared to 25,11% in imports.

On a short term, the effects of the exterior trade liberalization can be easily identified in a reduction of the good production, both agricultural and industrial, as a consequence of the competition on the European Union market. This decline is to be observed in the competitive intensity of the traditional key areas in exterior trade, while the presupposed allotment of productive resources in new categories of products to which Romania would have got comparative advantages is not very obvious.

1. Problems concerning the European Union Adhesion

Romania's adhesion to the European Union does not imply its full integration into the community's structures. The integration is a gradual phenomenon, which is to be decided not so much at the level of the international treaties' board, but rather at the level of companies, provided that the proper amount of resources is ensured so as to create competitive areas in keeping to the European standards and mechanisms of commercial policies used by the member states.

As far as the Romanian commercial policy is concerned, the European authorities have been concerned with the precarious use of non-tariffary barriers (anti-dumping, anti-subsidy taxes). The critiques were mainly directed against the legislative system vacuum in Romania and against the reluctance to use invisible barriers as an essential part of its commercial policy²³⁸. Paradoxically enough, the Romanian authorities prove the European Union fears concerning a possible increase in the protectionism level, under certain circumstances only and provided the conditions imposed by the enforced legislation and observed. Romania's stand is somehow justified if one is to consider the tricky combination of precarious data used in employing the non-tariffary European protection mechanisms of the local business environment, and of the considerable lack of experience in exploiting them, considering the short period of time from the European Union adhesion.

In the context of international trade, the problem gets a major significance, since it concerns both the competitiveness of imports and the promotion of exports. Eventually, the responsibility to support its own interests, even on the common market place is entirely left in the hands of the Romanian authorities.

238 Developing A Romanian Response To EU Policy Requirements Regarding Both Customs Tariffs And Trade Policy, page 7

2. Lining up to the European customs fee - consequences

Concerning the mutations induced by the implementation of the unique customs fee in the internal market, one needs to take into consideration the graphic pattern of the impact of a customs import fee on a small country, like Romania, esp. on its trade with agricultural food products such as corn and livestock. Due mention should be made to the fact that the phrase “small country” means the power to influence, through its trade, the demand and offer on the global market; however, as it is well known, the power is rather weak.

The impact of adopting the unique customs fee on the corn trade

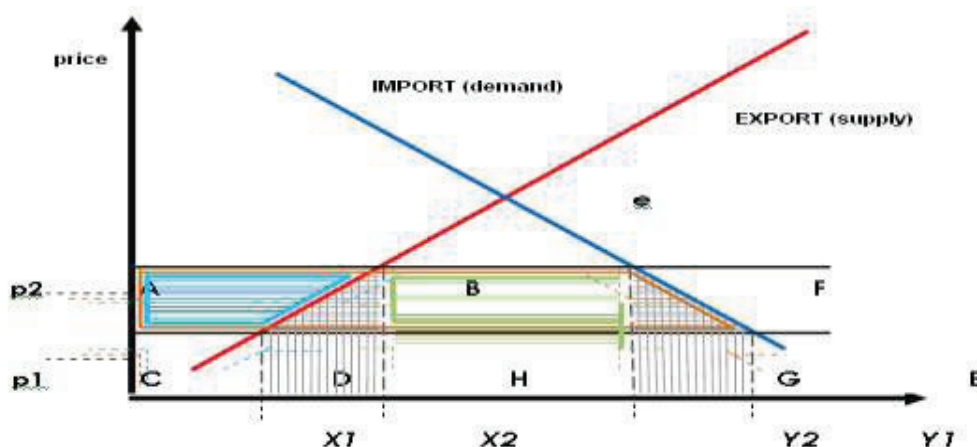


Figure no. 1 The community customs fee impact on the trade corn

p1	p2	X1	X2	Y1	Y2
14,2	47,3	37962,89	75689,94	9753,8	127113,87

$$A_{ABCD} = (75.689,94 + 37.962,89) \cdot 33,1 / 2 = 1.880.954,34 \text{ EURO (benefit of the producers)}$$

$$A_{CEFA} = (127.113,87 + 9.753,8) \cdot 33,1 / 2 = 2.265.159,94 \text{ EURO (consumers' loss)}$$

$$A_{HGFB} = (127.113,87 - 75.689,94) \cdot 33,1 = 1.702.132,08 \text{ EURO (benefit of the state)}$$

$$A_{DHB} = (75.689,94 - 37.962,89) \cdot 33,1 / 2 = 624.382,68 \text{ EURO (net loss)}$$

$$A_{GEF} = (127.113,87 - 9.753,8) \cdot 33,1 / 2 = 1.942.309,16 \text{ EURO (net loss)}$$

$$A_{DHB} + A_{GEF} = 2.566.691,84 \text{ EURO (entailed net loss)}$$

The common customs fee increases the internal price from 14,2 unities to 47,3 unities, so that the surplus of the producer increases with the area of the trapeze $ABCD$. The difference of 33,1 unities will be allotted to the sampling form of the State Budget, the total of revenues being given by the area of the rectangular $HGFB$. In such a case, those who lose are the consumers, due to the fact that they will be forced to pay a higher price than the one previous to the adhesion period, consequently reducing the use of this product; the authenticity of this situation is supported by the value increase in the exported quantity in 2007.

Likewise, there appears a reduction in the surplus of the consumer equal to the area of the trapeze $CEFA$. As a result, a percentage of the consumer's loss is transferred to the Government during the process of budgetary cash equal with the area of the rectangle $HGFB$, and, another percentage is transferred to the internal producers, the area of the trapeze $ABCD$ respectively.

Further on there are two amounts to be identified, the areas of the triangles DHB , GEF that are not to be found neither in the budgetary cash nor in the producer's surplus. The two areas represent the net loss in terms of the gain resulted from the alteration in the customs fee, i.e. the costs

continued by Romania as a direct consequence of the price change under the circumstances of a free trade.

The impact of adopting the unique customs fee on the livestock trade

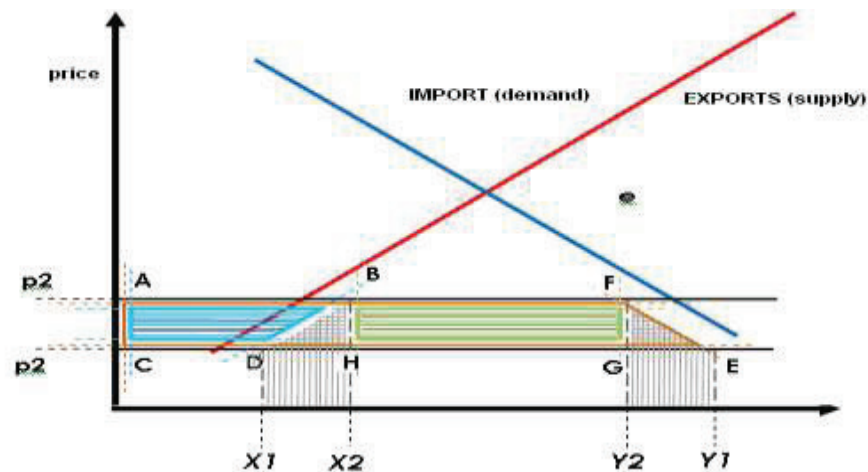


Figure no. 2 The impact of the customs fee on the livestock trade

p1	p2	X1	X2	Y1	Y2
15,4	26,2	41866	56389	21197	24973

$$A_{ABCD} = (56.389 + 41.866) * 10,8 / 2 = 530.577 \text{ EURO (benefit of producers)}$$

$$A_{CEFA} = (21.197 + 24.973) * 10,8 / 2 = 249.318 \text{ EURO (consumers' loss)}$$

$$A_{HGFB} = (41.866 - 24.973) * 10,8 = 182.444,4 \text{ EURO (benefit of the state)}$$

$$A_{DHB} = (56.389 - 41.866) * 10,8 / 2 = 78.424,2 \text{ EURO (net loss)}$$

$$A_{EGF} = (24.973 - 21.197) * 10,8 / 2 = 20.390,4 \text{ EURO (net loss)}$$

$$A_{DHB} + A_{EGF} = 98.814,6 \text{ EURO (entailed net loss)}$$

Similarly to the corn trade, adopting a unique customs fee brings about an increase in the internal price, directly connected with the evolution of the customs fee, and simultaneously entailing an increase in the producer's surplus with the area of the trapeze $ABCD$. The budget of the state will boost in its turn by the customs fee sampling, the area of the rectangle $HGFB$ more exactly.

The increase of the customs fee, and implicitly of the internal price, works to the disadvantage of the consumers, the surplus of which decreases by an equivalent sum to that of the area of the trapeze $CEFA$. Due to the loss suffered by the consumers the trade alteration determined by the appreciation of the customs fee can easily be analysed.

Likewise, a percentage of the consumers' loss is transferred to the government by cashing the revenue brought in by the tax, equal only to the amount of the rectangle $HGFB$, and another percentage is claimed by the local producers, amount which is equivalent with the area of the trapeze $ABCD$.

Apart from the benefits allotted to the economic organizations and to the producers, the consumers' loss takes in the areas of the triangles DHB and EGF , which are not to be found in anybody's gain. Therefore, the two areas stand for the net losses caused by the enforcement of the customs fee or by the quantification brought about by the setting forward of the state's benefit as well as of the producers because of the consumers' loss.

3. Disadvantages of the adhesion to the European Union

For the upcoming future, Romania is supposed to spend more than EURO 25 milliards in order to align itself to the European Union standards. Most of this sum will be paid by Romanian physical and juridical persons. The costs of the adhesion that the Romanians are to sustain can be divided as follows: public costs that will be covered from the state budget and private costs that will be covered by commercial organizations and individual costs that will be covered by each Romanian citizen.

The European Union adhesion also involves, except for the economic and social costs, not only a huge increase in prices but also a significant decrease in the population's power to buy. Romania has been forced to adopt the European norms concerning fair competition. As a result, the energy delivery below the market costs is no longer possible, whether we are talking about natural gases, electricity or about the thermal agent. Observing the European norms excludes, all of a sudden or gradually, the direct subventions (un-transparent) or indirect (hidden) allotted to support the energy costs. Likewise, these costs need to be increased. The prices of the energy need to cover the costs, including those connected with the pollution reduction.

Romania's adhesion costs are expected to be higher than in any other country, the most important reason being the current situation in agriculture. The structural reform of agriculture should have a double oriented goal: on the one hand, the reduction of population's number working in agriculture; and on the other hand, the expansion of the farms, which means increasing efficiency in agriculture.

Another issue that needs the attention of the decisional Romanian body is represented by the labour force. The impact of the trade liberalization on the labour force occupation has been until recently ignored by the competent authorities, mainly because the expected results were thought to be positive. However, free trade and the investments in a certain production process can determine the concentration of funds in a field expected to record considerable results to the disadvantage of another, thus affecting in a negative manner the labour force caught up in the disfavoured area. The inequity of income has been amplified both within states and between them, although not completely because of the customs fee eradication. Concerning the developing countries, a substantial percentage of the labour force occupies low productive agricultural areas. When such countries suddenly open their agricultural areas for countries that have a much more efficient organization, these are confronted with a sudden deterioration in the level of prices for agricultural products and implicitly a reduction in the income of the economic agents caught up in specialized activities²³⁹.

These are only some of the risks and obligations and Romania comes up against and that we all need to undertake during the extremely complex process of integration in the European structures for the hope of a better future. The disadvantages of Romania's integration in the European Union are already visible in the daily life and one needs to accept the fact that the advantages of this process are rather to be seen on the long run, in the future.

Conclusions

As compared to the several orientations of the local commercial policy so far, it can be said that the economic environment still needs cohesion, harmonization and concern with the setting up of a neutral, transparent and stimulus-based business environment, which, despite the numerous attempts and efforts made, couldn't be yet accomplished.

The multitude of economic policies needs to consider the rehabilitation of the commercial policies' concept, as interface between local policies and the demand of the market.

However, this rehabilitation process comes up against many obstacles such as the reluctance to cooperate and the political will at the level of the Parliament, of the Government and of the other

239 ***, New Thinking On Trade Policy And Development, Socialist Group in the European Parliament, Geneva, 2007

influential public institutions. Until Romania's alignment to the common policy, Romania has manifested a complete lack in coherent commercial policies, wandering on the transition sea, and the statement that "exports are the country's top priority" has only a hypothetical value.

As a matter of fact, exports have been the weakest link of the economic policies promoted ever since 1990 up to the present, its amount value being constantly surpassed by that in imports, and its quality diminishing from one year to another.

Consequently, although in the developed countries - a status that Romania aims at as well - the external sector has a significant role in sustaining and encouraging the internal economy, in Romania it can be observed a relatively different situation due to the fact that the internal environment makes efforts to support the external one, and the commercial policy that should make up the driving force of the external commerce is most often than not flawed.

An alarming signal is constituted by the deterioration of Romania's trade balance because the issue of the trade balance situation is not exclusively the concern of the foreign trade but of the entire national economy.

The commercial policy needs to be reconsidered from top to bottom in keeping with the alignment to the European norms and regulations. It should not be omitted that, from the point of view of the geographic position or of the production factors, a nation without trade is, undoubtedly, a nation without future perspectives. In consequence, commercial policies are all the more important as they guide the external trade to benefits or losses. That is why the national production power needs to be reassessed, together with the comparative and competitive advantages that can be put to use, with a view to better aligning the national economy to the global economic circuit and to guaranteeing its future progress.

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