

## **AN OVERVIEW OF THE GENERAL EVOLUTION OF THE ROMANIAN FOREIGN TRADE AFTER 1989, WHILE TRYING TO JOIN THE EU (I)**

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*Those 17 years (since 1990 until the accession date to the EU) of institutional and economic-social reforms which, with all the good and bad things, brought Romania to the European Union starting with 1 January 2007, and should make us now be able to emphasise a few elements connected to the Romanian foreign trade. Thus, we consider that the present paper is of a significant importance for the specialists in the foreign trade problems, as well as for the Romanian and all other EU economic operators because we will try to realise a “radiography” of all the general aspects and tendencies of the Romanian External Trade during the years 1990-2006, and their effects upon the Romania’s current and future membership to the European Union, as part of the Common Trade Policy, by presenting some relevant indicators, such as: the volume of foreign trade, volume of exports and imports, GDP growth etc.*

*Key words: Romanian foreign trade evolution, imports, exports, balance sheet, EU accession process, GDP growth*

*JEL codes: F14, F15.*

We couldn't start our analyze on the Romanian foreign trade during 1990-2006, without considering the context of the international trade in the same period, which has suffered dramatically changes in the last few years and it might continue changing, such as: the liberalization and globalization inducing a higher mobility and a rapid delocalization of the factors of production, a higher fragmentation and specialization of the activities on the value chains of products and services. The area of service trade has also been expanded. The value retain at the national level is becoming more and more difficult to achieve due to the proliferation of global value chains in the attempt to minimize the costs and maximize the profits. The international competitively is, therefore, more dynamic and the competitive advantages are more volatile and less sustainable, the only perennial advantages being the absolute ones, due to the natural resources (see, for example, the OPEC countries). Even though, competitiveness was and remains fundamental for the so much claimed sustainable economical development, being highly necessary an assembly approach, so much the more the successful economies continuously create and recreate competitive advantages. Moreover, the macro-, mezzo-, and microeconomic strategic reasons, just like the different public or private interested institutional entities cannot be separated one from another, which through their activity generate an impact on the foreign trade, thus a coherent and unitary approach regarding the development of the trade being absolutely necessary.

It is also important to understand the fact that the competitive advantages do not come from protectionism, quota or preferential access to the market. On the contrary, they lead to stagnation, low levels of entrepreneurial abilities and low motivations of the private sector towards efficiency, quality, innovation and product development.

In this international economic context, Romania of the 90's, as an economy in transition, was clearly marked by the dramatic way in which the change of the role of the state in economy has been made favouring the increase of the role of the private sector. This change was though in accordance with the market oriented approach of the WTO and European Community, realities

marking the Romanian foreign trade after 1989. Therefore, once defined the direction of the Romanian economy, in the following years the state enterprises and its agencies, left as a result of the late privatization, had to – due to economic and legal reasons – adapt their way to develop business, including in what the goods and services purchase was concerned. But the evolution in this period of the Romanian foreign trade was influenced by the fact that there were numerous hesitations regarding the privatization of the state sector, as well as regarding foreign investments. Where the privatization of the state monopolies succeeded, though, the role of the state was simply transformed into a regulating one and as a result, positive evolutions have been registered. Regarding the private sector, the non-interventionist approach of the state towards the competition was justified by considerations regarding the market for a part of this sector, while on the other side, a pro-active policy would have been necessary to ensure the benefits of the economic liberalization.

As it concerns the methodological approach in this paper, for the analysis on the evolution of the Romanian external trade after 1989, we used a series of general statistic indicators, such as: *the volume of foreign trade, the volume of export, the volume of import (in prices CIF and FOB), balance of trade (exports FOB - imports CIF), balance of trade (exports FOB - imports FOB), and export per capita*. With these indicators' help, we can notice the evolution in time of the foreign trade in a particular country and they are very useful to make general comparisons with other countries. The terms of these comparisons could be easily considered superficial and irrelevant enough in the conditions of contemporary world economy complexity because the data presented by them are not sufficiently processed and, taken as such, can determine serious errors of economic interpretation (for example, comparison of the Romanian foreign trade's volume with that of the USA and the presentation of this comparison without interpretation and without taking into account the other factors specific to each country). In spite of all these, the analysis allows though the observation of an ascending or descending evolution in the case of exports or imports and can raise the interest for the identification of causes on which these phenomena are based. From this point of view, our analysis will be based on the unitary system of general indicators- *the volume of foreign trade, volume of export, export per capita* etc., as well as on a series of computed indicators (such as: *the degree of openness, the degree of concentration*), which we consider complex and eloquent enough in our attempt to determine and quantify the strong and weak points of the Romanian foreign trade in the context of European integration.

We would also like to state that, we started our analyze considering that, under normal circumstances, a deficit of the commercial balance does not necessarily involve a low level of efficiency in economy, because the way in which this deficit is financed matters, generally agreeing that there are countries which are net exporters and countries which are net importers, the difference being covered by foreign loans. As the foreign loans though did not have a correct destination and were not used efficiently, the pooling of direct foreign investments was affected, being important that at the government level to be correct investment policies so that they should cover both the initial loans as well as the commercial deficit. Form this point of view, Romania was permanently confronted with an insufficiency of financial resources coming from abroad<sup>59</sup>, while the national potential was also more below the productive investments' needs of the Romanian economy.

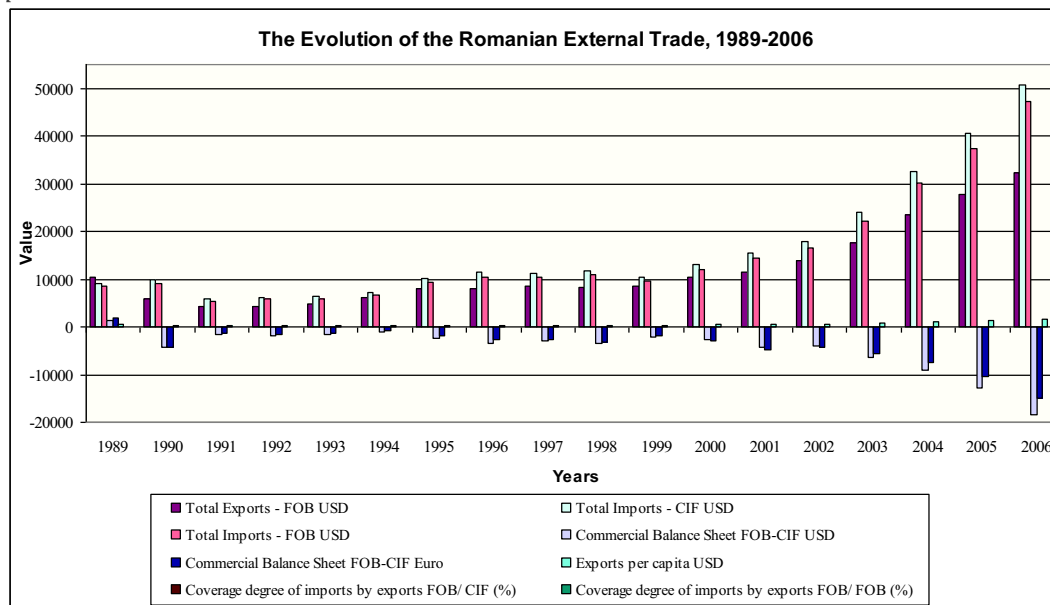
The computed statistic data clearly suggests that since 1990, Romania was a net importer, while Romania's exports were quite low at the beginning of the transition period, registering in 1990 only approximately 5727 millions of Euros. Analyzing these data, we notice that for a 7 year period we have witnessed a growth in the exports' value of almost 5.6 times and in that of imports of 5.09 times. The ascending trend is obvious; no matter it is the case of exports, imports

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<sup>59</sup> We mention that fact that the financing of the commercial deficit of the commercial balance is made by current private transfers, but this manner of financing is considered illusory, due to the fact that these transfers depend on exogenous factors and their use in the current consumerism can, actually lead to import stimulation.

or balance of trade, of its deficit respectively. We can notice also an ascending trend of the export per capita, due to actually the growth of the total exports during the entire analyzed period. *Graph 1* presents the evolution of exports and imports, of the balance of trade respectively, and it confirms the tendencies noticed based on the statistic figures, that are a deepening of the commercial deficit of Romania.

*Graph 1*



Source: Statistic data provided in the annexes of the book: Giurgiu, Adriana, *Comerțul intraeuropean. O nouă perspectivă asupra comerțului exterior al României (Intra-European Trade. A New Perspective onto the External Trade of Romania)*, Economica Publishing House, Bucharest, 2008.

*Table 1* provides the indicators of evolutions which, through the way they are computed and interpreted, are suited best for the general analysis of the foreign trade activity and reflect the fact that Romania was among the countries in transition with an inferior evolution of exports compared to the evolution recorded by imports. The computation made based on the data in US dollars of the *Annex 1*, reflects a more accentuated evolution of exports than if we consider an increase of 17.19% compared to the previous year, but if we express the data in Euro, the increase is more modest, around 16,15% (a clearer exemplification comes from the comparison of data for 2004). Obviously, the explanation resides in the more rapid depreciation of the European currency compared to the US dollar as against the national currency, during the same year. The same situation happens in the case of imports, a reason for which our analysis, concentrated also on the values stated in USD (US dollars), is not affected from the point of view of comparisons between exports and imports.

From the analysis of the two entries, we can notice that there were periods when the evolution of exports surpasses the evolution of imports (1991, 1993, 1994, 1997, 1999, 2002), but in the majority of the cases the situation was reverse (in all the other years). The imports had a higher growth than the exports, and the fact that there was a higher starting basis explains actually the existence of the commercial deficit of the country and therefore, of an under-capacity to export of the Romanian economy compared to imports. The superiority of the growth rate of imports compared to the growth rate of exports demonstrates that the liberalization policies of foreign trade have favoured the imports of merchandise and the quantity of goods exported remained reduced.

The evolution of the foreign trade activity in its whole is important because it actually presents both evolutions, of imports and of exports. We present this evolution, too in what follows (based on data in *Annex 1*) for clarification and on the trend of foreign trade in general, as a result of the two evolutions, of exports and of imports.

The trend emphasized in the following graph (*Graph 2*), for the sums stated in US dollars, a trend which does not appear anywhere on the graph for the values stated in Euro, shows us that there has been a relative stabilization of the volume of transactions for 1996-1997-1998, around the value of 20 billion US dollars. Practically, this stabilization results from the relatively constant level of imports and exports in this period and of the relatively low oscillations from one year to another.

*Table 1. The Evolution of the Romania's exports and imports during 1990-2006*

Year	Evolution of exports (US dollars) expressed in %	Evolution of imports (US dollars) expressed in %	Evolution of exports (Euro) expressed in %	Evolution of imports (Euro) expressed in %
1990	-44,931820	+9,046161	-59,589331	-19,969241
1991	-26,147186	-41,619019	-35,149293	-48,740771
1992	+2,297773	+7,542955	-9,558428	-4,814522
1993	+12,124685	+4,201949	+24,650194	+16,148425
1994	+25,735895	+9,000307	+23,381896	+6,978404
1995	+28,596976	+44,577296	+18,312040	+32,615949
1996	+2,199747	+11,257054	+5,579188	+14,844635
1997	+4,292429	-1,355488	+15,744615	+9,464344
1998	-1,530068	+4,946809	-0,923818	+5,253678
1999	+2,228379	-10,821085	+7,797297	-5,618939
2000	+22,151526	+23,662025	+41,318792	+42,953561
2001	+9,819620	+19,126771	+12,853721	+22,493129
2002	+21,809398	+14,795525	+15,351360	+8,675142
2003	+27,350736	+34,335966	+6,398637	+12,228045
2004	+33,146481	+36,088062	+21,269374	+23,961134
2005	+17,697512	+24,095747	+17,533668	+23,924128
2006	+17,193207	+25,389378	+16,158167	+25,108003
<b>Average</b>	<b>+9,060899412</b>	<b>+12,60414194</b>	<b>-9,735594384</b>	<b>+9,735594353</b>

*Source:* Personal computations based on statistic data provided in the annexes of the book: Giurgiu, Adriana, *Comerțul intraeuropean. O nouă perspectivă asupra comerțului exterior al României (Intra-European Trade. A New Perspective onto the External Trade of Romania)*, Economica Publishing House, Bucharest, 2008

The subsequent growth trend is obvious, due to which we can state that Romania's involvement from the point of view of the total volume of foreign trade in the external economic exchanges is more and more intense. This, at a first sight, would seem an extremely favourable to Romania, in the conditions in which in the world, currently, it is promoted the idea of free trade and the advantages that it can bring. Actually, in the foreign trade's volume imports have a considerable weight which negatively affects the situation of the balance of trade and implicitly that of the current account deficit.

In order to identify the causes contributing to the global deficit of the balance of trade and to the increasing imports we have considered necessary to present data afferent to GDP, respectively the growth (or GDP diminution) in the period analyzed, and therefore, we can notice that the GDP evolution is negative at the beginning of the period of transition, some economists naming this phenomenon as *negative economic growth*. Starting with 1993 though, the bringing to a

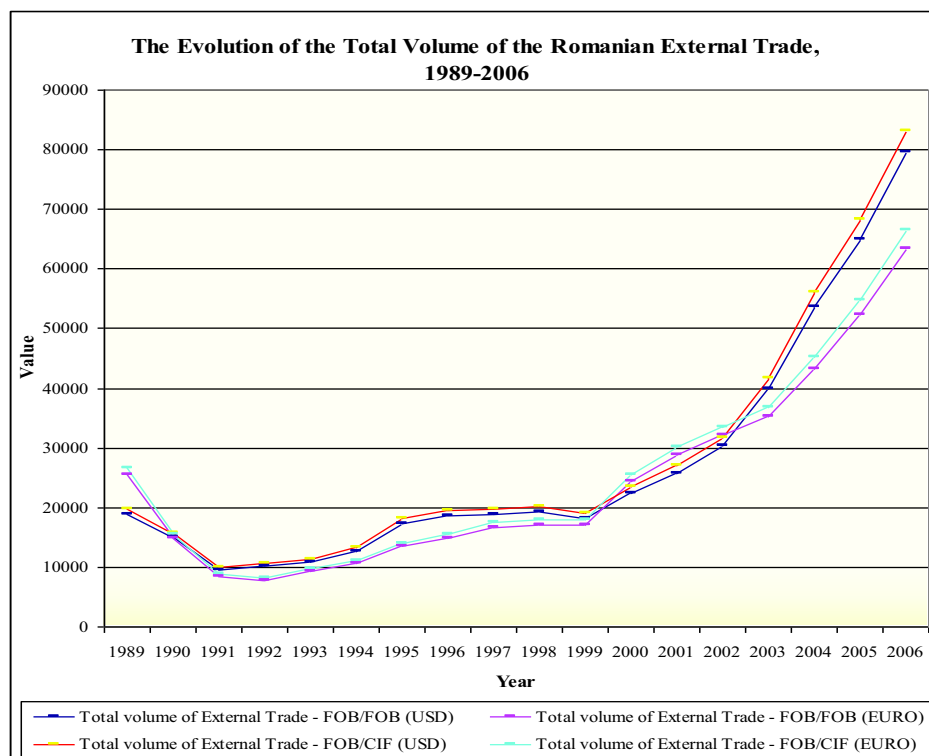
normal state begins; therefore we have negative economic growth during 1997-1999, too. (See Table 2)

Table 2. The rate of GDP growth, 1989-2006, basis in chain

Year	Real evolution of GDP (%)	Year	Real evolution of GDP (%)
1989	-5,8	1998	-4.8
1990	-5,6	1999	-1.2
1991	-12.9	2000	2.1
1992	-8.8	2001	5.7
1993	1.5	2002	5.0
1994	3.9	2003	4.9
1995	7.1	2004	8.3
1996	3.9	2005	4,1
1997	-6.1	2006	7,0

Sources: Personal computations based on statistic data provided in the annexes of the book: Giurgiu, Adriana, *Comerțul intraeuropean. O nouă perspectivă asupra comerțului exterior al României (Intra-European Trade. A New Perspective onto the External Trade of Romania)*, Economica Publishing House, Bucharest, 2008.

Graph 2



Source: Statistic data provided in the annexes of the book: Giurgiu, Adriana, *Comerțul intraeuropean. O nouă perspectivă asupra comerțului exterior al României (Intra-European Trade. A New Perspective onto the External Trade of Romania)*, Economica Publishing House, Bucharest, 2008.

In *Graph 2* we can notice that the highest rate of external trade volume growth was recorded in 2004, the analysts attributing this growth to the internal consumption, which is partially true as a result of the fact that our data relative to foreign trade reflected a high level of deficit in the balance of trade, meaning that, mainly, the consumption of import goods contributed to the country's economic growth. Let us remember that in that year the consumption credits were launched on the market for the population and thus it was recorded an explosion of import with electric appliances and electronics.

In **conclusion**, based on the above analyse and on the data regarding Romania's foreign trade, to be found in the specialty literature<sup>60</sup> there have been identified three stages of the evolution and tendencies in the Romanian foreign trade, that is:

- 1990-1993 – the stage of the accentuated decline of the Romanian foreign trade due to the changes in the system in the conditions of some massive imbalances on the domestic markets, especially on the important exporters' markets; in this period there was a series of external restrictions derived from the localization of Romania in a geographical area unstable from the economic and political point of view;
- 1994-1998 – the stage of the economic macro-stabilization efforts, characterized by attempts to force the exports, in the context of Romania's integration in the WTO structures and of Romania's candidature to the EU, the Romanian currency depreciated compared to its purchasing power, our country's accession to the CEFTA free trade area;
- 1999-2006 – the stage of real privatizations in the industrial sector and of restructuring the inefficient sectors, of the efforts with a higher degree of simultaneity in creating a liberal economic environment and of real facilities given to foreign investors.

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<sup>60</sup> Further references are to be found in the book: Giurgiu, Adriana, *Comerțul intraeuropean. O nouă perspectivă asupra comerțului exterior al României (Intra-European Trade. A New Perspective onto the External Trade of Romania)*, Economica Publishing House, Bucharest, 2008.

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