

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

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Considering the context of the international trade in the period 1989-2006, which has suffered dramatically changes, we have continued to analyse the realities marking the Romanian foreign trade after 1989. As a matter of fact, the EU as we have noticed in previous articles, started even in 1990 to have important weights in Romania's imports and exports, these weights surpassing 50% of the total of imports and exports starting with 1995, since when we can say that Romanian has been performing preponderantly economic exchanges with the European Union countries. Thus, in the present paper we continue our "radiography" concerning the general aspects and tendencies of the Romanian External Trade during the years 1990-2006, and their effects upon the Romania's membership to the European Union, by presenting some relevant indicators, such as: the geographical orientation and the Romania's exports and imports to/from EU etc.

Key words: Romanian foreign trade evolution, imports, exports, EU accession process, geographical orientation, weight of Romania's exports and imports to/from EU, in the total Romanian exports and imports

JEL codes: F14, F15.

Considering the context of the international trade in the period 1989-2006, which has suffered dramatically changes, we have continued to analyse the realities marking the Romanian foreign trade after 1989. 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. As it concerns the methodological approached in this paper, for the analysis on the evolution of the Romanian external trade after 1989, we used a series of general statistic indicators, which are very useful to make general comparisons with other countries.

With respect to the geographical orientation on partners, the statistical data analysed in this paper reflects a growth of the weight of European countries and especially of those in the EU, both at import as well as at export. For exemplification we present these weights only for the EU (see *Graph 1*), because only for this region the trend to grow is obvious. With the other areas, the growth is slow or there has not been recorded any growth, the weights being relatively low and insignificant.

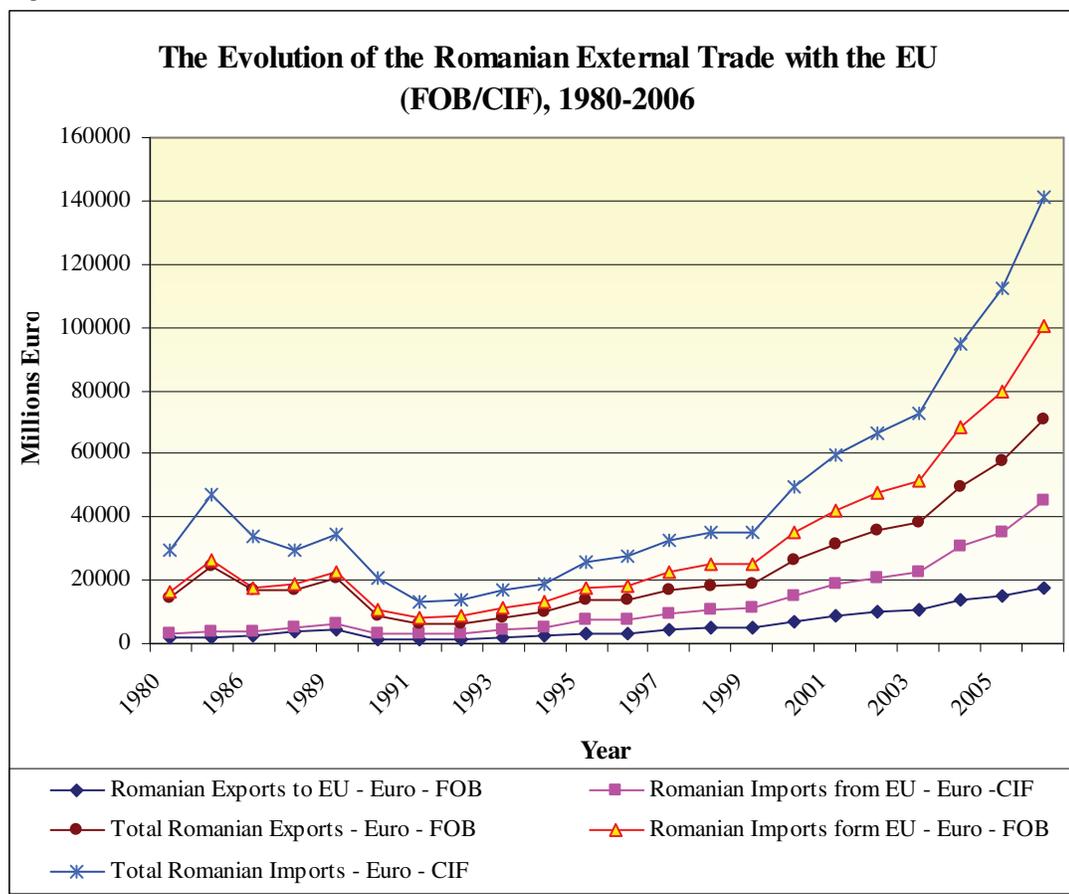
Therefore, the trend to intensify the commercial exchanges with the European Union is clear. As a matter of fact, the EU as we have noticed previously, started even in 1990 to have important weights in Romania's imports and exports, these weights surpassing 50% of the total of imports and exports starting with 1995, since when we can say that Romanian has been performing preponderantly economic exchanges with the European Union countries. We must mention here

that this year - 1995⁶¹ – represents actually the year when Romania officially applied for the accession to the European Union, which determined to a certain extent this important weight held by EU in our foreign trade, because of the fact that by achieving the consensus of the political class regarding our candidature to EU, this consensus was reverberated on the legislation, too and on the policy applied subsequently in the commercial filed.

According to the EU Association Agreement, Romania gradually and asymmetrically reduced the customs duties for the industrial products import from EU, completely cancelling them on 1 January 2002 (while EU eliminated these duties on 1 January 1997), as well as the quantitative restrictions for the trade with merchandise due to be processed (for example, *Lohn* for the export with textiles and clothes which led to the increase of that group's weight in the total exports of Romania towards EU, from 33.4% in 1994, to 36% in 1997), as it can be seen in *Table 1*.

Therefore, starting with 2002, a free trade area was constituted between EU and our country regarding the industrial products. The trade with agricultural products has been partially liberalised, due to this sector's sensibility in EU, by signing reciprocal conventions for a series of agricultural products: tax exemptions and reductions, tariff contingents and reciprocal elimination of the export subventions for some products, following that the complete liberalization should take place when Romania accedes to EU⁶².

Graph 1



⁶¹ more exactly, on June 22, 1995.

⁶² As a matter of fact, Romania is considered as being a country with competitive advantages in trade with agricultural products, if eliminating the external distortions.

Source: the statistical data offered 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. The weight of Romania's exports and imports to/from EU, in the total Romanian exports and imports, 1989-2006

Year	Exports to EU – Weight % in total of exports	Imports from EU – Weight % in total of imports
1989	32,9	11,7
1990	33,9	8,3
1991	36,9	6,3
1992	35,2	13,8
1993	41,3	13,9
1994	48,2	21,8
1995	54,2	28,9
1997	56,5	41,3
1998	56,5	45,3
1999	64,5	48,2
2000	65,5	50,4
2001	63,8	52,3
2002	67,8	52,5
2003	67,2	57,7
2004	67,7	60,7
2005	72,9	56,5
2006	67,6	57,4

Source: Personal computations based on statistic data⁶³

Regarding the other areas (see *Graphs 2 and 3*), the weights are considerably low. The reasons for this orientation of the foreign trade preponderantly towards the EU and significantly to a smaller extent towards the other areas are:

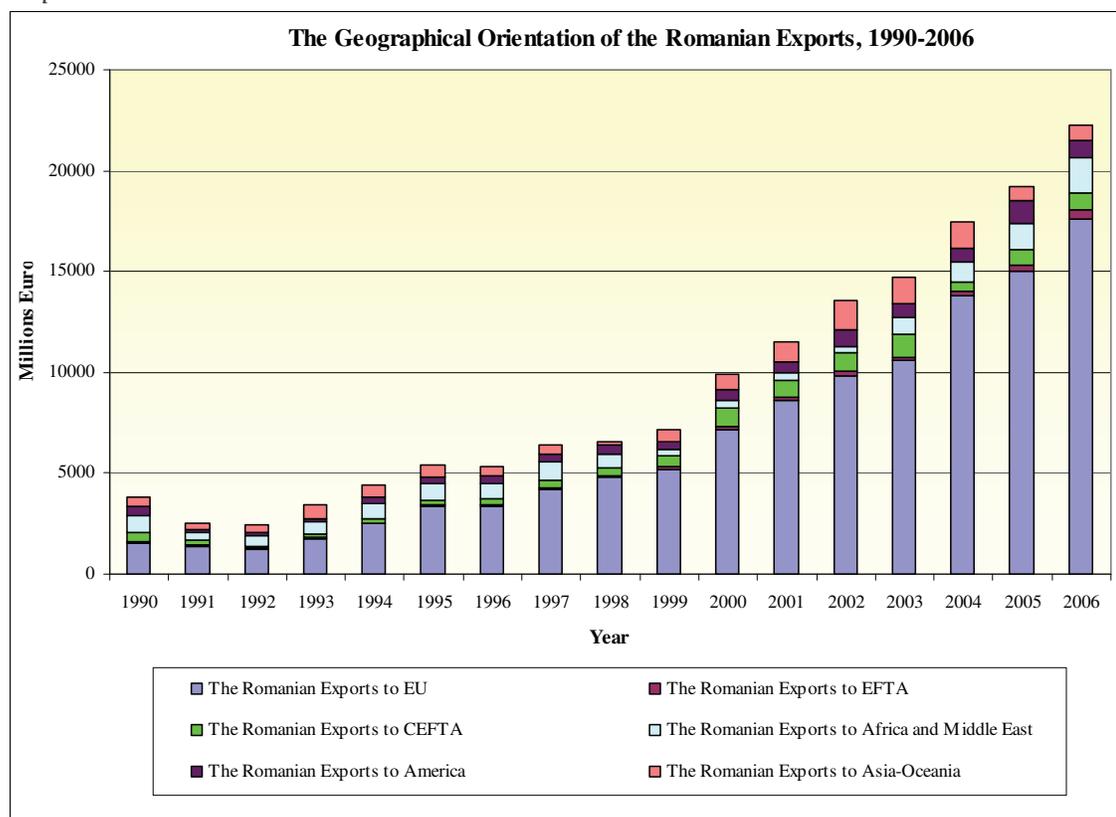
- for example, with Africa and Middle East, the weight became lower during 1999-2002 due to the tensions and long crises in the Middle East; moreover, the traditional relationships with this area did not manage to be maintained in the first years of transition, being reconsidered on other bases after 2002, when Romania became a USA partner in the military operations in the area, thus registering a considerable sudden change of the commercial exchanges with the countries in this region (for exemplification, the Romanian exports raised from 335 million Euro in 2001, to 1749 Euro in 2006; the CIF imports in the same years raised from 137 million Euro, to 750 million Euro) and an annual surplus of the balance of trade on this destination. Therefore, this market should still be considered by Romania because it seems that our products are in demand in the region, being competitive for the purchasing power of that particular population. Obviously, an analysis of the structure of our exchanges on this direction is necessary to be able to realise if the situation is conjectural or not;
- with the EFTA countries, the level of commercial exchanges, yet reduced as value, recorded also a negative balance of the Romanian balance of trade in the period we are analysing;
- with the Asia-Pacific region, even though the trade has recorded a preponderantly ascending trend since 1990 onwards, Romania's exports towards this region lowered due to some

⁶³ see Annex 2

limitations of imports by this area; in spite of all these, we can notice an increase of the Romania's imports, starting with 2001, when China adhered to the WTO; from the point of view of the negative balance of our balance of trade – which, as a matter of fact, records the similar trend of the EU on this relation – we consider this region as not being beneficial for the Romanian products because it is the most competitive market for Romania – and not only – currently (for example, Romania's exports became lower from 1447 million Euro in 2002, to 733 mill. Euro in 2006, while the CIF imports in the same years increased from 2009 million Euro to 3363 million Euro).

- with the region of America, even though the trade has recorded a preponderantly ascending trend since 1990 onwards, Romania's exports towards this region recorded cyclical fluctuations starting with 2000; in spite of all these, we can notice an increase of the Romania's imports, starting with 2000, year when Romania started its accession negotiations to the European Union; but from the point of view of the negative sold of the Romanian balance of trade – which is opposite compared to that of the EU on this relation – we consider North America – especially if we take into consideration the commercial exchanges with the USA – as not being beneficial for Romania's exports. In exchange, South America can be considered as a market with an important potential for the Romanian products, especially in the present, as EU members and beneficiaries of the free trade agreements of this area with the Latin American countries. We cannot though but notice the fact that the positive trend of Romania's commercial exchanges with the region of America started in 1993 – after a significant previous diminution – when the USA re-awarded Romania the most-favoured-nation-clause.

Graph 2

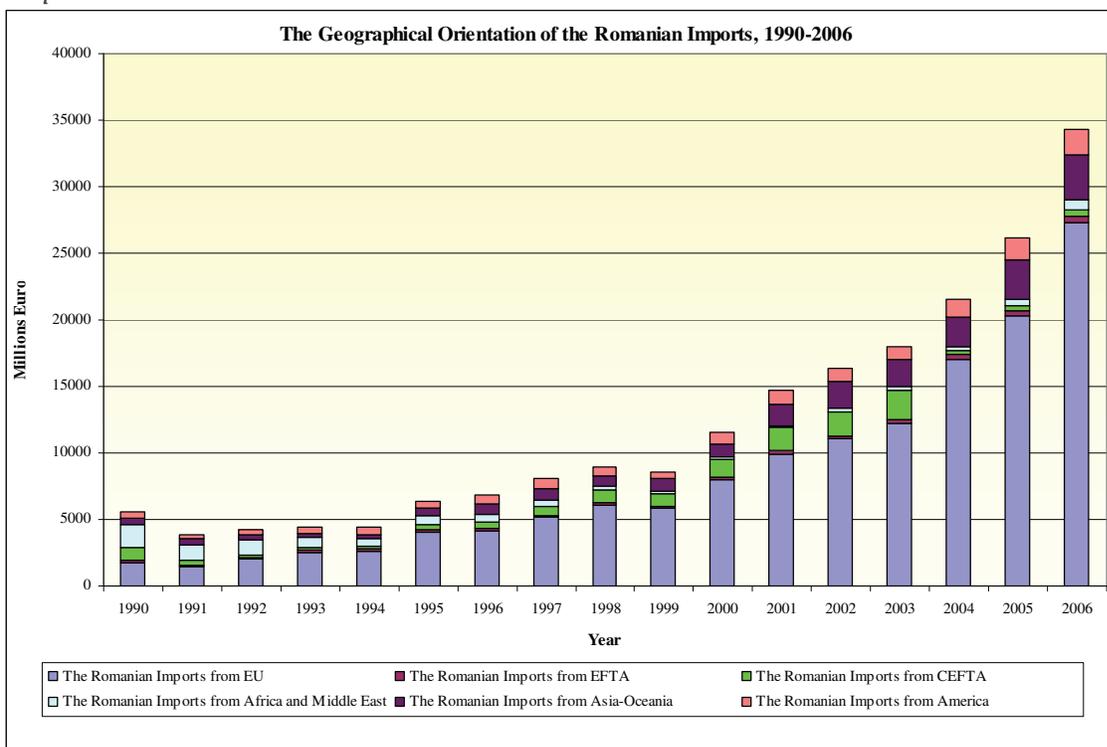


Source: Personal computations based on statistic data provided in the annexes of the book: Giurgiu, Adriana, *Comerțul intraeuropean. O nouă perspectivă asupra comerțului exterior al României* (Intra-

Thus, as a **conclusion**, we appreciate that Romania has readapted its external commerce after the year 1989, according to the existing conjunction on the international markets, but, although it has reoriented from the geographical point of view, actually, the external commercial changes of the country are far from registering the desired efficiency (if we refer only to the commercial balance account), the export levels are still situated almost in all the cases under those of the imports. This fact is, first of all, due to the fact that the geographical reorientation has not been accompanied by great changes in the structure of the exported goods and nor by an increase in their competitiveness. In addition, Romania has guided itself mostly on the markets with which it already had closed agreements of free trading, even if – as we have proved in the regions of Africa and Middle East – there was and still is a huge potential for our exports on other destinations, more efficient, at least on a short and medium term, until we manage to produce intensive technological products.

This geographical orientation of our external affairs – which actually had a meaningful contribution to the commercial deficit of our country – was mainly owed to the used promoting measures by the Romanian commercial politics in the analyzed period, that were mainly focused on the markets of EU states and those with which we had bilateral agreements starting from the year 1990, not having at all any foundation for the aim of efficiency of our external affairs. Even more, the country’s commercial deficit has accentuated in the first months from joining the European Union, fact that clearly shows the necessity to reorient the Romanian exports towards markets with a higher potential.

Graph 3



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-*

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At the same time, one must also underline the important role played by the *Romanian commercial politics reform* in the whole process of the economical reform in our country, which can be explained through the fact that, on a short term, it has been a good substitute for other politics, because it stimulated the competition (reducing the dominant positions in economy and disciplining the application of subsidies), it has eliminated the distortions created by system of administrated prices and created pressures for the modernisation of the fiscal system.

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