

Imports vs Exports. Case Study: Romania

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Abstract

Exports have an important role in a country's economy as it influences the level of economic growth, employment and balance of payments. On the other hand, no country in the world can produce all the goods and services, which is why each country has to import in order to satisfy its own demand. In the present paper, we have analyzed the international trade of Romania from 2005 until September 2017. In this regard, indicators such as the value of imports and exports, the analysis of international trade by product groups and the situation of the trading partners are presented.

Key words: goods, deficit, imports, exports

J.E.L. classification: F13, F40

1. Introduction

International trade is simply known as the exchange of goods and services between the nations of the world.

The theory of comparative advantage highlights the fact that countries of the world are mutually changing goods and services because of the concept of differentiation in natural resources, human resources, financial capital and technical capabilities to endow of the nations. Some countries are more endowed with these resources than others or some countries, even if they have good resources, do not have the capacity to manage and channel them into their advantage.

Therefore, international trade suggests that economies need to export goods and services to generate revenue for the purpose of financing imported goods and services that can not be produced internally.

Trade balance is the largest component of a country's balance of payments. Trade balance is the difference between export and import, and its balance may be positive (when export is higher than the imports, the case of trade surplus), negative (export value is lower than the one of import, the case of trade deficit) or balanced (export is equal to import). (Manole, Carp, Popovici, 2017, p.133)

2. Evolution of international trade in Romania during 2005-2017

Throughout the analyzed period, Romania recorded a trade deficit, which means that since 2005 our country imports more products and services than exports.

Year 2005 was characterized by a faster growth of import than exports, driven by the need for raw material and materials of the industry and the purchase of capital goods (machinery, cars, installations and equipment for endowing new and modernization of existing ones). This year, sectors such as electronics, aviation, IT & C or pharmaceuticals had a poor export performance, products from these sectors accounting 1.3% of total exports.

In 2008, Romania's trade deficit grew to 23,515 million euros, value that ranked Romania on 7th place among EU countries with a high trade deficit.

Table no 1. Exports, imports and trade balance during the period 2005-2017

Year	Exports FOB millions EURO	Imports CIF millions EURO	Trade balance millions EURO
2005	22.255	32.568	-10.313
2006	25.850	40.746	-14.896
2007	29.549	51.322	-21.773
2008	33.725	57.240	-23.515
2009	29.084	38.953	-9.869
2010	37.360	46.869	-9.509
2011	45.292	54.952	-9.660
2012	45.069	54.703	-9.634
2013	49.562	55.317	-5.755
2014	54.466	58.522	-6.056
2015	54.610	62.971	-8.361
2016	57.392	67.364	-9.972
11.2017	46.597	55.485	-8.888

Source: www.insse.ro

Year 2016 marks a new record, as the trade deficit is close to 10 billion euros, but this value is close to half of the deficit recorded before the crisis, with the peak of 2008, while the value of imports exceeded that of exports with 23 billion euros. This period is characterized by tax cuts, low bank interest rates, wage increases that have boosted lending and all these were observed in the strong evolution of consumption. (Geamănu, 2015, p.957)

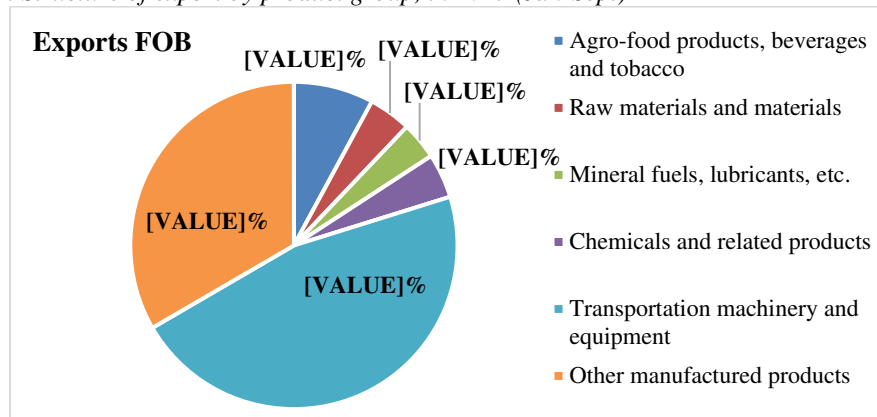
Romania had the best rhythm of growth since 2008 (although it is not a sustainable growth), which is also evidenced by the evolution of the trade deficit. Since 2014 it has grown significantly, and because the surplus of demand has not found a response on the local market, imports have increased.

3. Structure of international trade by product group

In year 2017, the group of transport machinery and equipment held important weight in both export and import structure.

Regarding the structure of exports made by Romania in 2017, the situation is shown in the figure no 1. As it can be seen, the export of Romania is based on the local auto industry. The two existing assembly factory (Dacia at Pitesti and Ford in Craiova), along with other factories that produce components for the automotive industry, contribute largely to exports abroad. Among the best-selling Romanian products are auto parts (small parts for cars), car wiring, Dacia and Ford cars, dashboards, fuel and car seats.

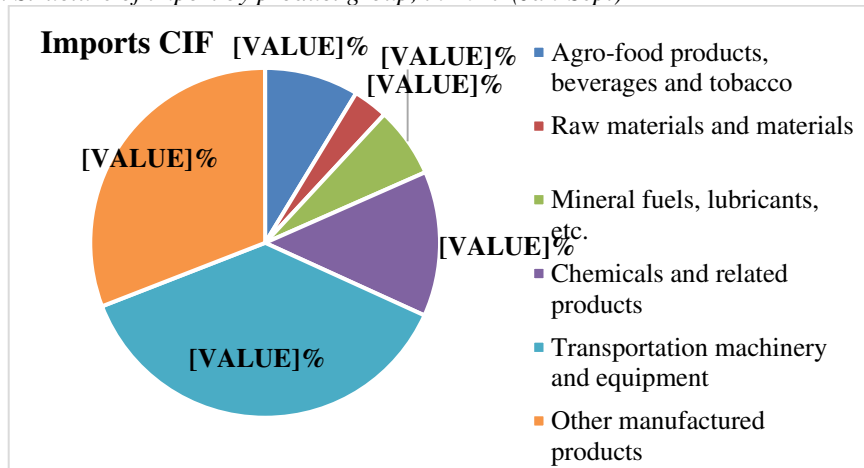
Figure no 1. Structure of export by product group, in 2017 (Jan-Sept)



Source: own processing based on data collected from www.insse.ro

In the first nine months of 2017, our country exported 7.87 million tonnes of cereals to intra-Community and extra-Community countries. The value recorded last year was 5.6% lower than the one recorded in 2016. As for the raw material, the most important export of Romania was represented by wheat. Subsequently, significant earnings were recorded in exports of corn grains, rice and barley. Last year highlighted the fact that the cereals proved to be the cultures with the highest potential in Romania, justifying the old myth that Romania was considered to be the "granary of Europe".

Figure no 2. Structure of import by product group, in 2017 (Jan-Sept)



Source: own processing based on data collected from www.insse.ro

The Machinery and transport equipment sector also has an important share in the structure of imports. Thus, Romania imports various components for cars from abroad even from those branches of concern that are found in Romania. It should be noted, however, that the export of machinery and transport equipment is higher than the import, which indicates a trade surplus for this segment of goods (Toma, Vlad, 2014, p.383)

Concerning the agrifood sector, beverages and tobacco, Romania imported more than exported in 2017, thus the weight of this segment was 8.7% of the total imports. Although the year 2017 was a good year in terms of agriculture, domestic producers could not meet the demand for food, which is why they were massively imported, especially in the winter and spring months. The import value of 2017 was double than the one recorded in 2008.

4. Commercial partners of Romania

As far as Romania's foreign partners are concerned, they come mostly from EU countries. Most of the Romanian goods are destined for export to Germany. Then, Romanian exports are absorbed by Italy, France, Hungary and Great Britain.

Table no 2. Romania's export partners

Romania's export partners	Romania's export (thousands of euros)
Germany	1.2325.202
Italy	6.671.822
France	4.141.355
Hungary	2.980.531
Great Britain	2.489.816

Source: own processing based on data collected from www.insse.ro

The most important goods in the Romania-Germany trade are included in the category of electrical equipment, machinery and equipment and common metals. Romania sends to Italy, the second country as volum of goods exported, electric machines, appliances and equipment, articles of apparel and footwear, vehicles (Slette, Dobrescu, 2017, p.4).

In relation to the main import partners, they are the same as for exports: Germany, Italy, Hungary, France and Poland. According to statistical data, our country has a trade deficit with Germany, Italy and Hungary, but it is in commercial surplus with France.

Table no 3. Romania's import partners

Romania's import partners	Value of Romania's import (thousands of euros)
Germania	13.830.156
Italia	6.911.389
Franta	3.731.356
Ungaria	5.057.900
Polonia	3.459.644

Source: own processing based on data collected from www.insse.ro

Most goods are imported from Germany, so this country is Romania's main trading partner. Among the products we import from Germany are means and materials of transport, vehicles, electrical appliances, common metals.

Italy ranks on 2nd place among the countries from which Romania imports and among the products brought to our country are plastics, electrical equipment, engines and turbines. From Hungary our country imports fuels, mineral oils, pharmaceuticals and electrical equipment.

5. Conclusions

As it has been noticed, the export and import of Romania is made especially with the Member States of the European Union. The value of exports made by Romania places our country on the 16th place in the ranking of exporters in the European Union, following countries such as the Czech Republic, Slovakia or Hungary.

Analyzing the exports by group of goods it was found that the main weightings were held by the products specific to the machine building industry, agri-food products, textile products, wood products, chemicals specific to the chemical industry, common metals.

Regarding the structure of the Romanian imports according to the product groups, in the last years there have been registered increases for the products of the machine building industry, stone, ceramics and glass products, chemical industry products, textile products and agro-food products.

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