

The Dimensions and Trends of the Foreign Trade Activity of the Companies in Dobruja Region

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Abstract

In this paper, the authors have intended to conduct a study of the dynamics of the foreign trade activity in Romania and more specifically in Dobruja region in the current world economy context, and implicitly that of the Romanian economy. The purpose of this paper is to analyze the evolution of the values of CIF (Cost, Insurance, and Freight) imports and FOB (Free on Board) exports and also to identify the situation of the trade balance over the last 5 years, of CIF imports and FOB exports in Romania and especially at the local level, in Dobruja Region. An analysis will also be carried out based on the data identified at the level of the economic indicators analyzed for the period in which the effects of the COVID-19 crisis have been experienced. Based on the evaluation, the expansion of the analysis is envisioned, so as to anticipate the future trends of FOB exports and CIF imports.

Key words: import, export, deficit, surplus, indicator

J.E.L. classification: F13, F40, C10, H60

1. Introduction

International trade has taken historical, economic, and organizational forms ever since the thirteenth century when a part of the national surplus was distributed to another nations. Over time, each country has organized its own foreign trade by signing treaties and joining international organizations which regulate the settlement of disputes and facilitate the implementation of international trade acts. A country's foreign trade, generically speaking, is the measure of all the transactions carried out in the form of imports and exports. The Differences between the value of imports and the value of exports represent the net export, which can take a negative form, i.e., a deficit or a positive one, i.e., a surplus.

Economists have proven that the volume, dynamics and structure of the foreign trade influence the economic growth of a country. The monthly newsletters published at ministry level highlight the fact that Romania's exports and imports are orientated mainly toward the European countries (over 80%) and only to a small extent towards the rest of the world. The analysis of the evolution of the imports and exports over the last years at the country level and then in the two counties, Constanța and Tulcea, will allow us to outline the tendencies of the foreign trade activity of the companies in this region of the country.

As they appear in the methodological specifications of INSSE, the goods which are the object of international trade are classified according to the Combined Nomenclature (C.N.), which is the basis of the common customs tariff (insse.ro).

FOB (Free on Board) value is the price at the border of the exporting country, which includes the value of the good, all the transportation costs up to the point of boarding, as well as all the taxes incurred in order for the goods to be loaded on board (insse.ro).

CIF (Cost, Insurance, Freight) value is the price at the border of the importing country, which includes both the components of the FOB value and the costs of the insurance and international

transport (insse.ro).

This paper starts from an analysis of the data recorded by the Romanian imports and exports in the 2015-2019 period and continues with a more detailed analysis of their evolution over the last period of time. Moreover, we have used a series of data and graphs so as to highlight the dimensions of the international exchanges made by Romania and especially Dobruja Region in the economic context generated by the COVID-19 crisis.

2. Literature review

Anghelache, Stoica and Dumitru (2020) published in The Romanian Statistical Review an article on the evolution of Romania's international trade in goods and services within the first quarter of 2020 and its perspectives. Manole, Carp, Nicola and Popovici (2017) published an article in The Romanian Statistical Review which suggests a study on how Romania's foreign trade activity has evolved in terms of quantity and value.

Anghelache, Manole and Sacală (2014), Anghelache et.al (2014) studied the evolution of Romania's foreign trade and suggested a model by which the correlation with the GDP is analyzed.

Anghel, Anghelache, Niță (2017) carried out an analysis of the correlation between the international trade and economic growth. Based on the series of data published by Eurostat on per capita gross domestic product, imports, exports, and coverage ratio of imports by exports, the authors analyzed the correlation between these statistical variables.

Anghelache, Anghelache and Dumbravă used structural analysis to tackle the issue of international trade.

Atkeson and Burstein (2008) addressed the relative costs and prices associated with international trade.

Bernard et al. (2012) conducted an empirical study on international trade in Romanian Statistical Review - Supplement no. 3/2017,

Büthe and Milner (2008); Bostan (2010) discussed the international trade agreements and the importance of foreign direct investment in reference to the developing countries.

Etro (2015) analyzed the international trade and the endogenous market structures.

3. Research methodology

This paper uses a descriptive and exploratory research method. Cause-effect relationships have been presented and explained, with the presentation of solid statistical data and, as an inductive nature, the different interconnection relationships with direct and indirect involvement factors have been pursued.

For data collection, studies and reports published by various national and international institutions, bodies and organizations have been analyzed, in order to obtain a comprehensive description of the addressed issues (both qualitative and quantitative).

4. The analysis of Romania's foreign trade

The data published by INS over the years show that the balance of Romania's international trade has always been negative. After joining the EU it was even larger than before accession, which in theory is not necessarily a negative thing, if it is corrected in time. An analysis of the categories of goods which are the object of imports and exports can bring more information in this regard.

Table no. 1- Romania's International Trade in the 2015-2020 period

	2015	2016	2017	2018	2019
TOTAL EXPORT	54598,30	57392,24	62641,91	67723,43	69003,40
TOTAL IMPORT	62967,68	67364,43	75598,44	82839,89	86284,97
BALANCE	-8369,38	-9972,18	-12956,53	-15116,46	-17281,57

Source: www.insse.ro

Figure no. 1 Romania's International Trade in the 2015-2020 period



Source: www.insse.ro

As can be seen in the graph and table above, we performed an analysis of the results recorded in the 2015-2021 period based on the data published regarding FOB exports and CIF imports, resulting in both exports and imports having an upward trend. But the increase of the two analyzed indicators is not equal, hence the finding that in the analyzed period the trade deficit is also increasingly high, reaching in 2019 almost a double value than the one recorded in the year 2015. The consequence of this deepening of the trade deficit is the negative effect on our country's economy, more specifically on the Gross Domestic Product indicator.

Following the analysis which was carried out, we wanted to see what would be the evolution over the last months taken into account in the above analyzed table.

Table no. 2 Total EU27 foreign trade in 2019-2020, per month

		FOB Export		CIF Import		Balance FOB/CIF
		mil. euro		mil. euro		
2019	January	5509.2		6782.2		-1273
	February	5893.9		7047.2		-1153.3
	March	6129.8		7426.2		-1296.4
	April	5530.9		6923.7		-1392.8
	May	6270.8		7753.6		-1482.8
	June	5560.7		6692.1		-1131.4
	July	5849.5		7628.4		-1778.9
	August	5002.7		6363.7		-1361
	September	6100.1		7288.2		-1188.1
	October	6330.5		8298.3		-1967.8

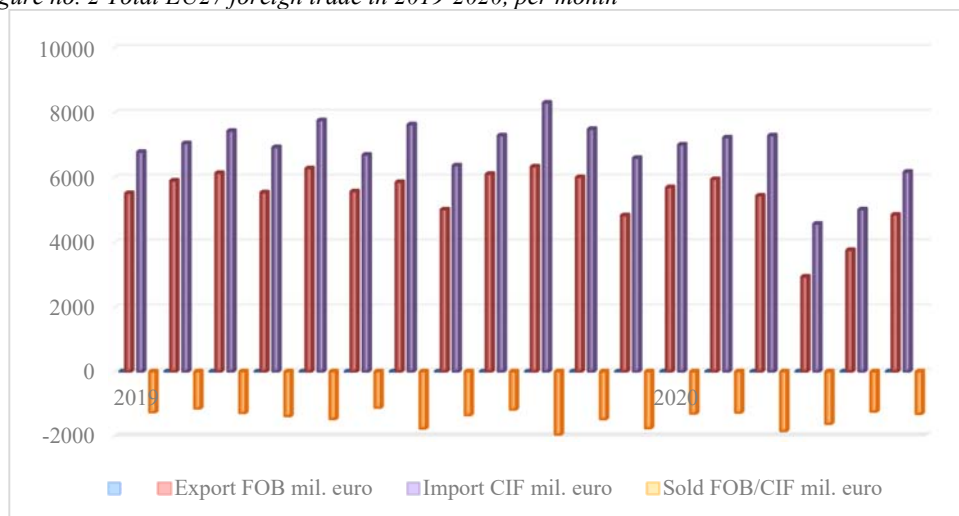
	November	5998.8		7486.4		-1487.6
	December	4826.5		6595		-1768.5
2020	January	5689.5		7004.5		-1315
	February	5939		7223.9		-1284.9
	March	5429.7		7288.6		-1858.9
	April	2932.8		4566.8		-1634
	May	3755.7		5007		-1251.3
	June	4843.3		6164.6		-1321.3

Source: www.insse.ro

From the analysis of the table and graph above, it can be seen that in the analyzed period the value of the imports, although on the decrease, exceeds that of the exports, also on the decrease, thus representing a negative balance which means an unfavorable contribution of the FDI enterprises. This phenomenon produces other effects on the gross domestic product, the deficit impeding a healthy growth of the Romanian economy.

The data recorded in the first three months of 2019 show a constant increase in both imports and exports. This trend is maintained in 2020 but at lower volumes than in the previous year. However, the analysis of the two years taken into account shows a substantial decline in April and June. In April the lowest values for both indicators in all the analyzed results are recorded.

Figure no. 2 Total EU27 foreign trade in 2019-2020, per month



Source: www.insse.ro

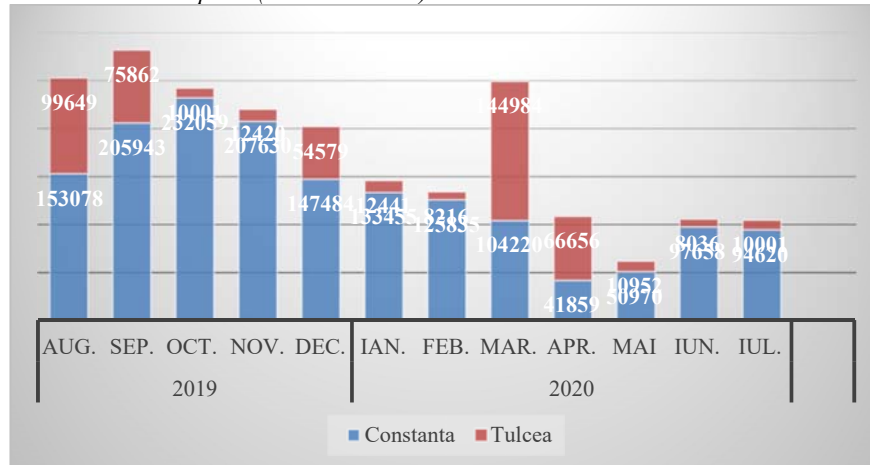
The monthly foreign trade developments, however, show a rebound. In April, the recovery process intensified. Thus, compared to April, exports and imports of goods increased significantly.

5. The foreign trade activity in DOBRUJA REGION

Next, we have analyzed the results recorded between August 2019 and July 2020 of the situation of imports and exports in Dobruja region.

As can be seen from the graph below, Dobruja region is part of the same trend noticed throughout the country for the same period. 2020 was a year in which the values of the exports of the organizations operating in Dobruja region had half of the values recorded in the months analyzed for 2019. It can also be noticed that the downward trend in exports is has occurred ever since the last months of the year 2019.

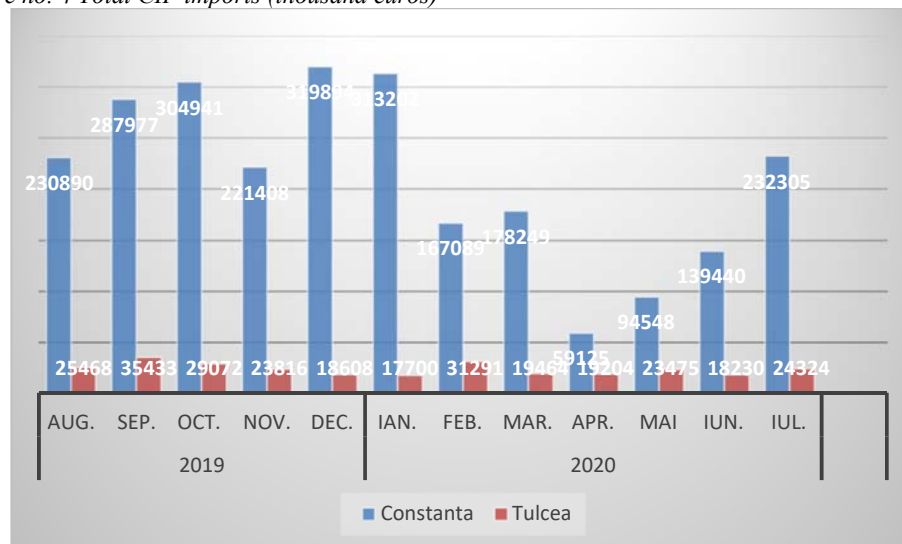
Figure no. 3 Total FOB exports (thousand euros)



Source: www.insse.ro

Regarding the analysis of the data on imports by companies in Dobruja region, one can also notice a decrease in values starting with the first months of 2020, increasing in April, when the lowest value of the entire analyzed period was recorded. In keeping with the trend of the imports at country level, starting with May, the values begin to increase timidly, obviously being well below the values recorded prior to April's fall.

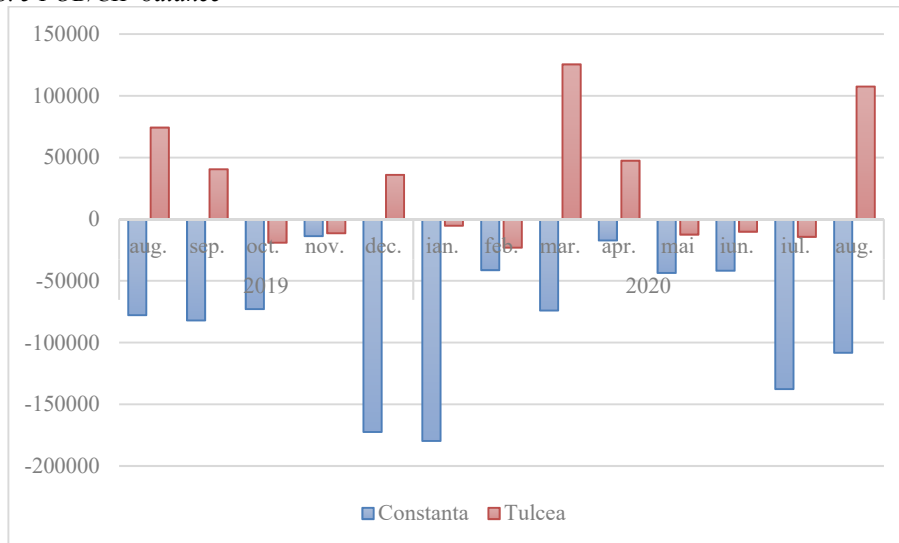
Figure no. 4 Total CIF imports (thousand euros)



Source: www.insse.ro

The graph below shows the balance recorded by Dobruja region regarding the foreign trade of the organizations in this region in the August 2019-August 2020 period. One can see that for Constanta county there is not even a single month in which a trade surplus was recorded. Even if during some months one can notice a surplus in Tulcea County, overall, the result in Dobruja region is a negative one, in line with the trend observed from the analysis of the national data.

Figure no. 5 FOB/CIF balance



Source: www.insse.ro

One can note that the coverage ratio of imports by exports expresses the inefficiency of the foreign trade situation in which the value of the exports of goods does not cover the value of imported goods. The negative balance of the foreign trade, unless it becomes a constant of these indicators, may not necessarily be a negative situation.

6. Conclusions

The table presented by conducting an analysis of the values recorded by the analyzed indicators shows a constant in terms of the negative trade balance (deficit) at the level of Romania and Dobruja region throughout the studied period.

Although this deficit is not always considered to affect the economy, this is true for shorter periods of time and not for years. The growing deficit recorded in the previous year will obviously bring about negative effects on the national and local economy.

Furthermore, we believe that the analyzed indicators entitle us to consider that this economic crisis will continue in the coming months at the level of Romania and Dobruja region.

Organizations in Dobruja region that carry out import - export activities must come up with strategies which would allow them to develop and ensure the fulfillment of the local requirements and a surplus which can become a part of the export of goods.

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