

ROMANIA'S FOREIGN TRADE IN A EUROPEAN CONTEXT

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ABSTRACT: *The main economic argument for EU single market expansion was to enlarge the free trade area and thus create a larger single market where domestic production could capitalize on scale economies. As a result, unit production costs were reduced, productivity increased, and citizens had access to a wider range of products. Intra-community trade represents the most important part of our country's trade with the countries of the world. As a member state of the European Union, Romania benefits from countless legislative and commercial advantages. Romania's imports from European Union countries in the last ten years have increased in value much more than our country's successful exports. This evolution led to a strong deepening of Romania's intra-community trade deficit during the mentioned period.*

Keywords: *International trade, European Union, imports, exports*

JEL Classification: *F10, O24*

1. INTRODUCTION

The statistics of the international trade of goods represent an important element both in the calculation of the balance of payments, the Gross Domestic Product (GDP), and for the realization of short-term economic studies, at national and international level. Foreign trade statistical data are important elements considered by the Government both for establishing global trade policies and for generating initiatives regarding new trade markets. These statistics are also used by associations from various branches of the national economy, international organizations or private firms and companies for monitoring to explore new markets and find development opportunities.

The European Union (EU) occupies a leading position in world trade. The openness that characterizes its trade agreements has made the Union the biggest player on the world trade stage and a reliable trading partner.

The value of goods exported and imported daily by the EU is hundreds of millions of euros. It is the largest exporter of manufactured goods and services worldwide and the largest export market for approximately 80 countries. Together, EU countries account for 16% of world imports and exports [6].

2. THE RECENT TRENDS OF ROMANIA'S INTRA-COMMUNITY TRADE

The mitigation of trade deficits, in the conditions in which the process of globalization of markets and the growth of interdependencies between economies intensifies, and international value chains offer new opportunities for specialization and cooperation between

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economic agents, depends on the diversification of the geographical orientation on Romania's commercial partners, aiming at target markets to which foreign trade is to be carried out as a priority, corresponding to the technological advances and the modernization of the structures of the Romanian economy, as well as maintaining its attractiveness for foreign investors, who can make a major contribution to balancing the country's trade balance.

Romania respects the trend announced by the European Commission, which shows that EU member states have reversed their EU trade balance. On average, EU member states export more between themselves than outside the common area. This after in 2022, the balance was negative, with exports worth 436 billion euros more outside the borders of the European Union. Over 70% of Romanian exports and imports go to the other 26 member states of the European Union.

In 2023, Romania's exports reached 93.09 billion euros, registering a modest increase of 1.3%, while imports registered a value of 122.04 billion euros, down 3.2% compared to 2022 [3].

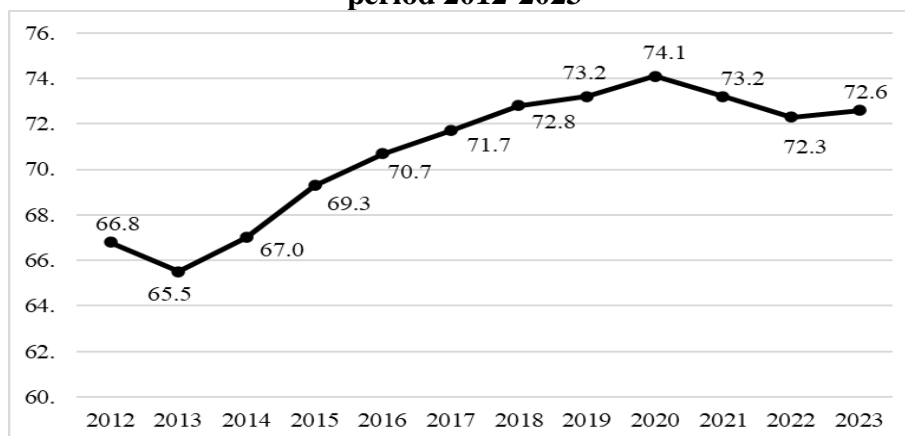
Out of exports of 93 billion euros, the value of exchanges of goods within the European Union was 67.574 billion euros, representing 72.6% of total exports. Of the 122.04 billion euros of imports recorded last year, the goods brought from the common European area were 89.500 billion euros for imports, representing 73.3% of the total imports.

The common market of the 27 member states of the European Union have become the main source of exports, but also the source of imports. In 2023, Romania's trade balance deficit recorded a value of 28.947 billion euros, reflecting a decrease of 5.142 billion euros (-15.1%) compared to the level of 2022, according to data provided by the National Institute of Statistics [6].

In 2023, the product groups with significant weights in the structure of exports and imports were machinery and transport equipment, which represented 44.8% of total exports and 36.8% of total imports, and other manufactured products, which contributed 29.8% to exports and 28.7% to imports.

Regarding the exchange of goods with non-EU27 states, the value of exports was 25.523 billion euros, and the value of imports was 32.544 billion euros, representing 27.4% of total exports and 26.7% of total imports. Romania's export and import are mainly carried out with European countries (88.3% of total export, respectively 87.4% of total import). Intra-community trade (Romania with the 26 EU member countries) represents a share of 72.6% for export and 73.3% for import [1].

Figure 1. The share of Romania's intra-community export in total exports, in the period 2012-2023



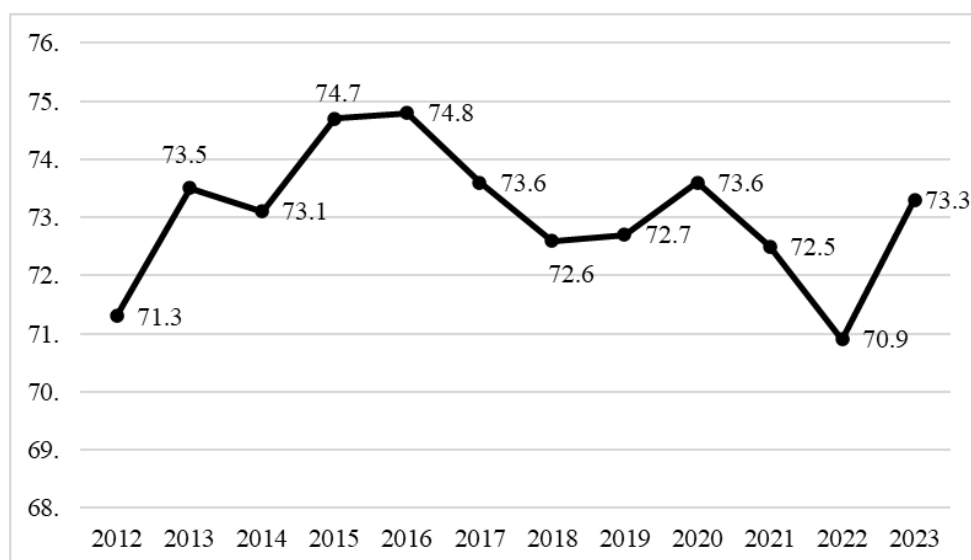
Source: Author owns processing based on Eurostat data (2024)

Analyzing the data presented in Figure 1, we can see that the share of Romania's intra-community export in the total of our country's exports has increased constantly in the last 10 years, except for the years 2021 and 2022, years marked by the COVID-19.

Romanian companies export increasingly large quantities to Europe, recording a 20% increase in the volume of goods transported to foreign markets in 2023 compared to the previous year. According to data provided by DSV Road, part of the Danish DSV group, the third largest freight transport services company in Europe, the most transported goods are in the categories of food, clothing and footwear and light industry. Thus, a significant increase in the exports of Romanian SMEs can be observed from year to year. This demonstrates not only the ability of these companies to adapt to the European competitive environment, but also their desire to contribute to the development of the Romanian economy by expanding their activity on international markets.

According to the DSV Road report, Romanian SMEs carry out monthly transports with quantities between 2000 and 5000 tons of goods, totaling 900 transports per month. The main destinations of goods exported by Romanian SMEs are Germany, Italy, Poland, Slovakia, the Czech Republic and Hungary, which indicates a diversification of markets and the ability of Romanian companies to adapt to international requirements [5].

Figure 2. The share of Romania's intra-community import in total imports, in the period 2012-2023



Source: Author owns processing based on Eurostat data (2024)

The share of Romania's intra-community import in total imports had a fluctuating evolution in the last 10 years, with a significant decrease during the Pandemic period.

The common market of the 27 member states of the European Union has become the main source of exports, but also the source of imports. The data shows us that EU imports exceed exports. Of the 122.04 billion euros of imports recorded last year, the goods brought from the common European area were 89.500 billion euros for imports, representing 73.3% of the total imports [2].

Regarding imports, the main partner countries of Romania from the European Union are Germany, Italy and Hungary. Germany is Romania's most important economic partner, and the way the German economy works directly impacts the local economy. With a direct economic dependence, trade between Germany and Romania increased by 6% in 2023, to over 40 billion euros. Thus, Romania reached the 17th place among Germany's commercial partners,

which means a rise of three positions compared to the previous year, according to AHK Romania data. Imports from Romania are 10% lower than Germany's exports to Romania, but they have a growth rate 3 times higher. Thus, Imports from Romania amounted to 19.4 billion Euros, and Germany's exports to Romania reached 21.5 billion Euros. With such a volume of economic exchanges, Germany remains Romania's first trade partner.

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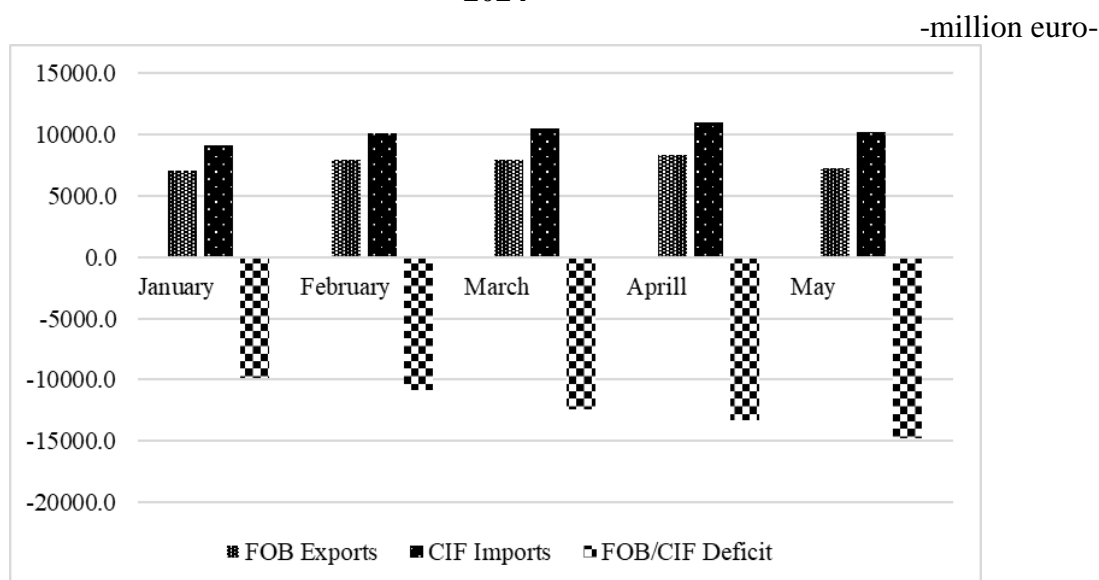
The analysis by product groups reveals a strong dependence on machinery and transport equipment, which constituted 44.8% of exports and 36.8% of imports, followed by other manufactured products, with shares of 29.8% in exports and 28.7% in imports. This structure emphasizes Romania's orientation towards advanced industrial sectors with high added value.

Interaction with the European Union remains the pivot of foreign trade. It highlights not only the importance of the EU bloc as a main commercial partner, but also the deep integration of the Romanian economy into European value chains.

Specific segments such as food, beverage and tobacco have seen impressive growth, reflecting both evolving consumer tastes and the industry's ability to respond to these changes. In contrast, the mineral fuels and raw materials sectors suffered significant declines, illustrating vulnerabilities to changes in the global energy market.

According to the available data provided by the National Institute of Statistics, the trade balance deficit (FOB/CIF) in the period 1 January 1 – 31 May 2024 was 12.288 billion euros, higher by 1.230 billion euros (+11.1%) than the recorded in the same period last year.

Figure 3. Exports, imports and trade balance (FOB/CIF) in the period January – May 2024



Source: Author owns processing based on National Institute of Statistics data (2024)

In the first five months of this year, FOB exports totaled 38,536 billion euros, recording a decline of 2.9%, and CIF imports totaled 50,824 billion euros, after an increase of 0.2%, compared to the period January 1 - May 31, 2023. According to the INS, between January 1 and May 31, 2024, important shares in the structure of exports and imports are held by the groups of products: machines and transport equipment (47.1% for export and 36.5% for import) and other manufactured products (29.6% for export and 28.5% for import). In May 2024, FOB exports totaled 7.241 billion euro and CIF imports totaled 10.213 billion euro, resulting in a

deficit of 2.971 billion euro. Compared to May 2023, exports in May 2024 decreased by 16.2%, and imports decreased by 5.6% [4].

3. CONCLUSIONS

The evolution of our country's international trade was decisively influenced by the integration into the European Union. Romania's trade with EU member states constitutes over 70% of Romania's total international trade, generating a high degree of dependence on these markets, which represents a vulnerability in the event of an economic crisis.

Romania's imports from European Union countries in the last ten years have increased in value much more than our country's successful exports. This evolution led to a strong deepening of Romania's intra-community trade deficit during the mentioned period. The evolution of Romanian exports will depend, to a significant extent, on the way in which the authorities will support the relaunch of the economy. There is a need for a sustained effort by the business environment and the state towards an economic reconstruction on a sustainable and predictable basis, which offers an alternative to imports and a competitive offer to exports

Also, digitization, robotization and new technologies represent an area that must become strategic for Romania, constituting an area with excellent export potential.

Therefore, Romania has an important potential to increase competitiveness on foreign markets, by deepening inter- and intra-sectoral specialization, promoting intelligent specialization policies, identifying export niches that allow the capitalization of competitive and comparative advantages, based on innovative processes, international cooperation and more effective anchoring in global value-added chains, enabling trade deficits to be mitigated.

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