

ROMANIA'S EU ACCESSION. GAINS AND LOSSES (II)

Caba Stefan

University of Oradea Faculty of Economics

This paper is a continuation of "Romania's EU accession. Gains and losses (I)" where we have been presented statistics on Romania's trade with major trading partners to whom, before, or after EU accession, the legal status has changed. In this paper we try to identify the benefits and costs of accession to the EU in terms of trade. In the first part we analyze the dynamics of trade with new partners, resulting from the accession. The last part is devoted to conclusions. The main idea that emerges from this work is that, unfortunately, Romania governors, did not know to take advantage of the opening to the biggest economic market although the financial and institutional support offered by the EU.

Keywords: bilateral agreement, comparative advantage, international trade, EU accession, EU integration.

JEL Classification: F13, F14, F15.

Romanian trade agreements after 2007

With the accession to EU Romania was bound to abandon its trade agreements, instead became part of the union agreements with third countries or regions. In this paper we try to identify any correlations and, obviously, the effects that these legal changes over Romania's trade. For this we analyze the dynamics of trade with the signatory states of the Euro-Mediterranean Association Agreement with the EU, and the trade dynamics with South Africa, Chile and Mexico. These are countries with which Romania has not concluded bilateral agreements before accession. Obviously, this analysis does not include all countries in the category with which Romania has not concluded trade agreements until accession; to name, as an example, EU agreement with ACP countries. In the latter case, however, for example, Member States are to 79 (of which 78 have signed the Cotonou Agreement), and an analysis of trade relations between Romania and each of them exceeds the objectives of this paper.

Table 1. The dynamics of trade balance between Romania and the main countries involved in regional agreements with the EU (thousand euros)

| <i>Country/Year</i> | <i>1991</i> | <i>1992</i> | <i>1993</i> | <i>1994</i> | <i>1995</i> | <i>1996</i> | <i>1997</i> |
|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| South Africa | -30243 | -15654 | -32777 | -6458 | 41162 | -4267 | -26008 |
| Algeria | -454 | 797 | 445 | 17050 | 69576 | 35594 | 50296 |
| Chile | 708 | 1658 | 930 | 1013 | 6819 | -3206 | 13107 |
| Egypt | -207567 | -63910 | 12340 | 29477 | -155874 | -5641 | 108621 |
| Jordan | 19081 | 28807 | 33328 | 27463 | 16707 | 27522 | 19713 |
| Marocco | 15681 | 3280 | 13155 | 23556 | 30212 | 28396 | 24143 |
| Mexico | -1082 | -1947 | 816 | 3382 | -2790 | 1758 | 6796 |
| Tunisia | 5661 | 460 | -1111 | 3341 | 35440 | 41273 | 23385 |
| <i>Country/Year</i> | <i>1998</i> | <i>1999</i> | <i>2000</i> | <i>2001</i> | <i>2002</i> | <i>2003</i> | <i>2004</i> |
| South Africa | -9425 | -8559 | -10931 | -43308 | -31142 | -34977 | -30113 |
| Algeria | 32070 | 34791 | 23865 | 20343 | -1720 | 45051 | 48322 |
| Chile | 9118 | 5056 | 6601 | 11081 | 7858 | 1138 | -789 |
| Egypt | 124502 | 112372 | 168245 | 82919 | 104183 | 80021 | 130616 |
| Jordan | 19265 | 17663 | 15832 | 18672 | 22099 | 10510 | 28692 |
| Marocco | 19730 | 12441 | 14653 | 23544 | 29398 | 19756 | 4025 |
| Mexico | 32228 | 12362 | 21102 | 12563 | 4323 | -14817 | -17218 |
| Tunisia | 18605 | 14738 | 33108 | 27280 | 14507 | 9521 | 18197 |

| Country/Year | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|--------------|--------|--------|--------|--------|--------|--------|---------|
| Țara/Anul | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| South Africa | -16451 | -20143 | -41678 | 26248 | 12736 | 80347 | 127471 |
| Algeria | 55726 | 67304 | 75218 | 103698 | 97207 | 173269 | 181007 |
| Chile | 11771 | -3378 | 2203 | 22832 | -2253 | 106 | 32249 |
| Egypt | 94715 | 53687 | 85268 | 121436 | 158562 | 152946 | 218058 |
| Jordan | 23768 | 23203 | 26867 | 27067 | 43142 | 55737 | 116509 |
| Marocco | 34468 | 42666 | 73543 | 45197 | 66706 | 120625 | 149480 |
| Mexico | -55613 | -14752 | -23306 | 20115 | -32565 | -31631 | -122309 |
| Tunisia | 23804 | 44791 | 24480 | 26083 | 28682 | -2301 | 30390 |

Source: compiled by author based on data from the INS website (www.insse.ro)

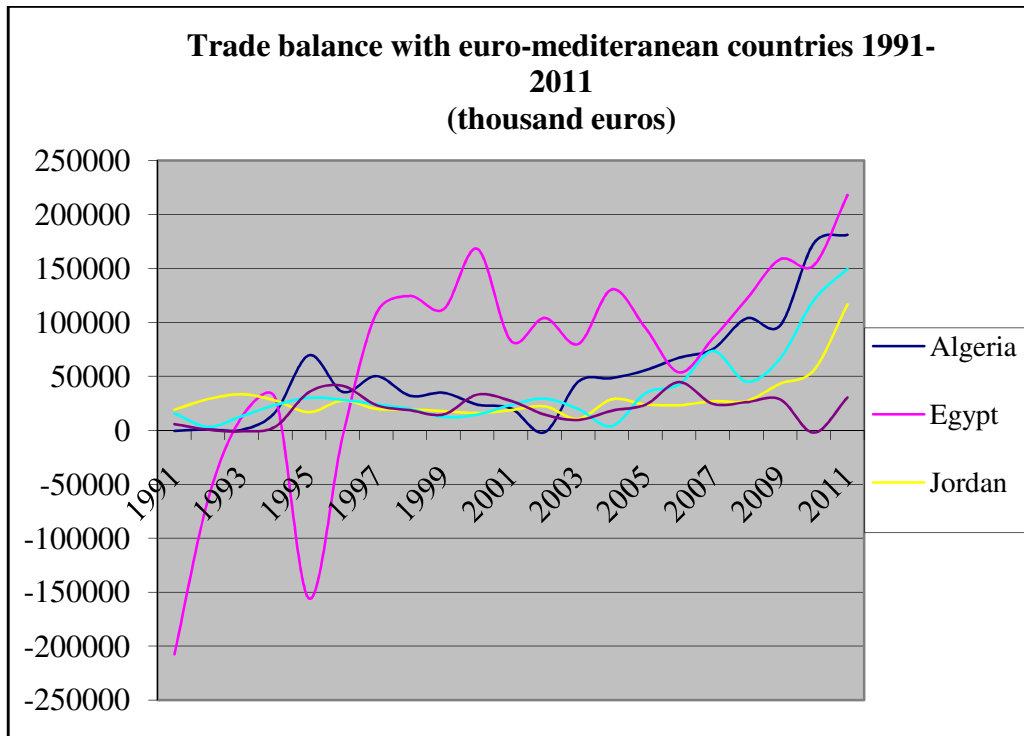


Figure 1.

Source: Graphic made by author based on data in Table 1.

After analyzing the trade balance Euro-Mediterranean countries, that are parts of the agreement with the EU, an increase, beginning with the 2000-2003 period, is seeing but it does not contribute significantly to analysis efficiency. However, after 2007, it seems that there is a sharp rise in trade surplus.

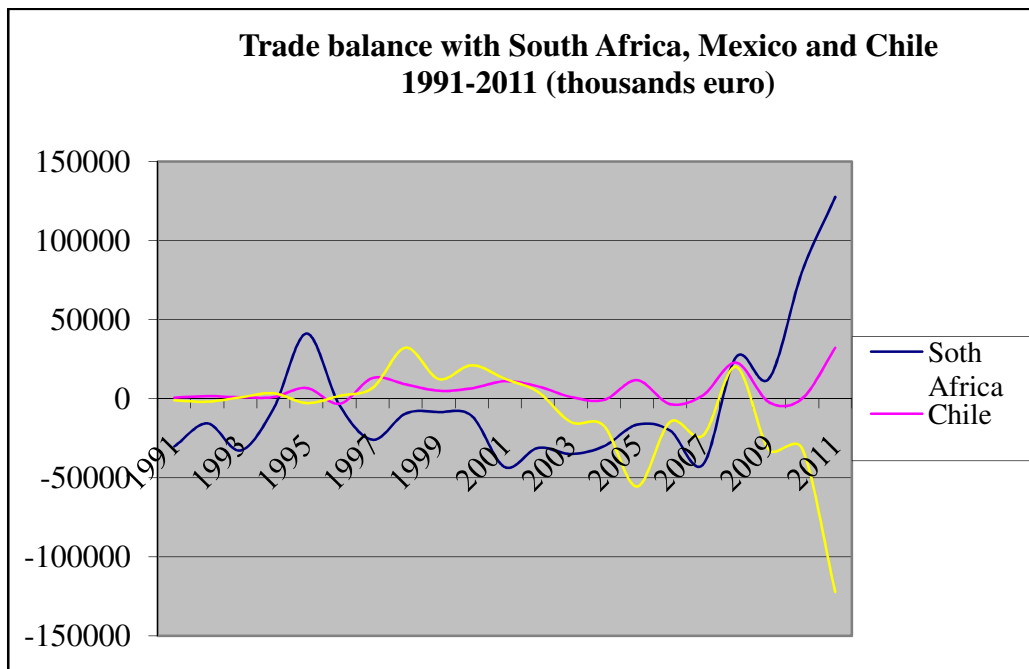


Figure 2.

Source: Graphic made by author based on data in Table 1.

Trade balance with South Africa and Chile is growing after 2009, which seems to be a correlation with the date of accession. However, supporting the EU's willingness to develop trade relations with South American countries, including the reduction or withdrawal of reciprocal custom duties, an increase of trade deficit with Mexico is observed. Mean time low level of trade surplus with Chile is maintained.

Commercial advantages and disadvantages of Romania accession to the EU

We will analyze, based on data presented in the previous paragraph, the dynamic changes in trade, separate for each partner.

a) CEFTA countries

First we will review trade with CEFTA member states that joined the EU, and therefore exit CEFTA, before Romania. We try to identify if the two time points 2004 (exiting CEFTA) and 2007 (Romania accession) has caused or not, fluctuations in the level of trade.

Charts, which are dynamic trade with the Czech Republic, Poland, Slovakia, Slovenia and Hungary, have obvious similarities. Remember, first, that in 1997, when Romania became a member, all these countries were already in CEFTA (Slovenia in 1996, the rest of 1992). In addition, all states listed have become EU members in 2004.

What stands out in these graphs are the two time points (1997 and 2007) which marks an increase of trade but, unfortunately, at the same time with Romania's trade deficit with all five states. This underlines that CEFTA membership, and then the EU membership caused an increase in trade with other Member States, which is natural situation because both moments generated legal status changes and reduction or elimination of customs duties.

The negative trade balance, unfavorable to Romania, increased after 2007, and can only be explained by low competitiveness of Romanian products compared with those of the five countries analyzed. This fact underlines the need for increased integration and obliges governments to identify and implement measures to justify efforts for accession.

b) EFTA countries

A second category of countries analysed is the signatory countries of EFTA. We recall that in 1993 Romania ratified the accession to EFTA agreement. The agreement is, in many aspects, similar to the European Agreement.

Analysis of trade with EFTA Contracting States has a special character determined, on the one hand, by the status of nonUE states and, on the other hand, by the low level of trade with Iceland and Lichstenstein. Perhaps the most important observation is that, although Romania has concluded trade agreements with EFTA since 1993, the year seems to mark a fact boost trade, the highest increases occurring in the periods before and after accession of Romania to the EU.

This rather suggests a trade connection between the EU and EFTA and not between EFTA and Romania. Unfortunately in this case also increasing trade relations implied rising of the trade deficit. This dynamic is justified by the fact that Romania and the EFTA agreement had provisions similar to the Europe Agreement.

c). Countries with which Romania has concluded bilateral agreements

A more interesting is that trade with countries with which Romania has signed agreements before 2007. We emphasize that we not do, in this paragraph, referrals to agreements before 1989.

The evolution of trade with Albania has experienced a pronounced upward trend since 2005 which suggests that there is a direct connection with the signing of bilateral agreement (2004) but not with Romania's EU accession. When analyzing trade relations with Albania we should kept in mind the effects of social tensions in the area have had on this country. However, the trade is very low compared with major trading partners which affects less any assumptions about the influence of accession.

Data for Bosnia and Herzegovina are strongly influenced by the wars of 1995 and the changes to the socio-political-administrative associated with these wars. Signing the agreement (in 2004) seems to have led to a sharp increase followed by a positive trade balance in 2007 and a sharp drop timid return after 2008.

Agreement with Israel was signed in 2001 and apparently had a major, but short, effect on trading in the pre-accession period. More important is to note that, after 2007, there is a growing trade balance, which tend to put him on account of Romania's EU accession.

The graph suggest a strong positive effect of the bilateral agreement (signed in 2004) on trade between Romania and Macedonia. As for Albania and Bosnia and Herzegovina should be noted that the wars in the region strongly affected the foreign trade of these countries.

Trade agreement with Moldova was signed in 1995. As shown in graph trade know a positive trend thereafter. EU accession seems to have not caused significant changes in trade relations.

Trade agreement with Turkey was signed in 1998 and, according to INS, had a positive effect for Romania at least for the next two years (1999, 2000). Note that elimination from 1 January 2002 of customs duties on industrial products of Turkish origin caused a steep increase in imports. Fortunately exports grew at the same time, thus avoiding (except in 2008) the trade deficit. 2008 marked the beginning of a trade deficit (based on increased imports from Turkey), but 2010 has led to a positive return generated by an increase of Romanian exports.

d) New partners as a result of Romania integration in EU

d1) Euro mediteranean countries

Except for Tunisia, where the year 2010 marks a decline in exports in all other cases, the year 2007 marked a significant increase in trade volume, together with a positive trade balance. The explanation may be the same as in trade with CEFTA partners with former difference, essential in fact that, in the latter case, Romania has more competitiveness. Unfortunately trade surplus recorded values with the Euro-Mediterranean countries is far from commercial shortfall relationship with former CEFTA member states.

d2) Africa, Chile, Mexic

Commercial relations with South Africa, Chile and Mexico marks, as expected, changes in the before and after accession periods. Even if in the relationship with Mexico, Romania is knows trade deficit, all trade with the three countries generates a trade surplus, which supports the idea that membership was a good solution for Romania.

Conclusions

We emphasize, from the beginning, that we analyze the EU accession only from commercial component point of view. Only mention that Romania, as a candidate for EU membership, has benefited over time, substantial financial and institutional aid from the EU.

All the actions taken by the EU had intended to prepare Romania for membership, a status that brought, among others, another level of commercial competition within the EU, on the one hand, and a different position in relation to third countries. We refer here to the transition from a preferences beneficiary country to a donor one.

It identifies two main components (commercial) of accession. On the one hand, the adoption of common customs tariff and common commercial policy and, on the other hand, the elimination of customs duties on intra-EU imports.

The elimination of customs duties on industrial products has gradually evolved and ended in late 2001. From 1 January 2002 suppression duties on imports of industrial products were extended to signatory countries of EFTA and Turkey. These actions have caused, among other things, an increase of trade deficit. As mentioned in previously published work (Caba 2010: 52) mutual reduction or elimination of tariffs tend to generate trade surplus to the country with most, or most important comparative advantages. Unfortunately for Romania, the comparative advantage in dealing with a large number of trading partners is the cheaper labor and less by the higher productivity or increased competitiveness generated be work quality. This advantage, however, is fleeting and, moreover, is affected by the low cost of labor in the Far East.

Romania and, in this case, Romanian companies should take advantage of free access to the largest global economic market (over 500 million inhabitants). This openness is, however, for the moment, rather a disadvantage. As long as it does not reach higher values of competitiveness and productivity and meanwhile trade is based on export of natural riches and the cheapness of labor Romania will be condemned to laggard positions among EU members. Government policies should be directed to supporting productive industry and to develop export opportunities.

If in terms of exports and imports extra-EU common commercial policy is very little influenced by the decisions of the Romanian political body, intra-Community trade, which represents most of Romania's total trade can be influenced, both in volume and the structure, only by the degree of industrial development that determine the competitiveness of Romanian products to export. From our perspective the EU has done its duty of support, including financial, Romania accession and integrations process. A simple analysis of data provided by the former Ministry of European integration shows a calculated net benefit of over 18 billion resulting difference between the grants made available to Romania and its contributions to 2013 inclusive.

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