

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

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EU accession has brought, as expected, many changes in economic, social and cultural domains. An important chapter is the trade dynamics and how this dynamic has been modified over time by changes in the legal status of Romania's relations with certain trading partners. In this paper we present data on trade with countries with which Romania has concluded trade agreements before accession. Data presentation and analysis continues in "Romania's EU accession. Gains and losses (II)".

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

JEL Classification: F13, F14, F15.

Introduction

As a result of national will and political interests, the accession process and then, the integration of Romania into the EU is too often regarded as controversial. If the accession and integration option is not contested, how governments have managed this process is considered unprofessional. EU had fulfill its role of providing training support for accession and quickly integration, but governments did not know or did not want to get maximum profit for the citizens. Five years after accession Romania does not yet feel the benefits of EU membership. Many of the actions taken by representatives of political and administrative power are, though, against national interest and appear to show resistance to the EU's democratic institutional system. An important factor, among others, is the opening to the biggest economic market. If the governments knew and wanted to take advantage of Romania's foreign trade this would have grown strong with January 1, 2007. This in fact happened but not in the desired direction: trade volume increased, but trade deficit with the EU also increased. This supports the idea that in the economic relations with a majority of partners, comparative advantage is on their part and not Romania's one. Romania's main comparative advantages are cheap labor and low price of exported natural resources. Neither of these two components do not contribute to economic development in Romania but to its devaluation. To justify these assertions we will analyze (in part (I) and part (II)) commercial advantages or disadvantages of EU accession by studying the dynamics of commercial balance with countries with which Romania has changed, during time, the legal status.

Romania before 2007

Romania has concluded trade agreements wich, with the accession, were closed. The main agreements were concluded with the CEFTA, EFTA and that bilateral agreements with Albania (2004), Bosnia (2004), Israel (2001), Macedonia (2004), Moldova (1995), Slovenia (2004) and Turkey (1998).

We present statistics on trade with these countries with highlighting, if any, the effects of termination of these contracts, on the one hand, and the accession, on the other hand, on the volume of these exchanges. Note that data for 2010 are provisional and those for 2011 are obtained by interpolating the data for the period January-October 2011 (according to INS (Institutul National de Statistică) monthly statistical bulletin issued).

First we present data on those CEFTA countries which joined the EU before Romania. It's about Czechoslovakia (Czech Republic and Slovakia) (1992, 2004), Poland (1992, 2004), Slovenia (1996, 2004) and Hungary (1992, 2004). Since the effective separation of Czechoslovakia took

place on January 1, 1993 to 1991 and 1992 data were mentioned on the behalf of Czech Republic. Dates in the brackets represent the year when the country joined CEFTA, and the year when the country joined the EU and therefore the output of the CEFTA.

We are not doing here an analysis, because we return in Part II, but already seen a steady growth of trade volume with these countries.

Table 1. Romania's trade with selected CEFTA countries during 1991-2011

	Imports (thousand euros)					Exports (thousand euros)				
	Czech Republic	Poland	Slovakia	Slovenia	Hungary	Czech Republic	Poland	Slovakia	Slovenia	Hungary
1991	81146	119595	0	0	100717	57890	72581	0	0	67156
1992	60592	46552	0	0	137321	20450	40694	0	0	62345
1993	30776	28260	19846	8419	143239	8166	17203	4976	10183	99931
1994	42290	25141	26822	10641	140939	63783	11818	6332	14613	136051
1995	47817	44121	37610	16892	243622	16254	30249	12445	17010	134888
1996	65659	68333	47190	20024	230449	14064	42206	23969	17256	136824
1997	93006	80026	64229	24913	308864	15347	90990	21691	14442	162322
1998	173126	129400	94723	41033	486173	11342	72815	19048	29259	194906
1999	162965	150692	82866	43918	389414	13910	112707	11264	40720	255245
2000	214150	210196	124685	60314	559869	22353	110012	28655	57561	386743
2001	307350	307755	155860	74952	670664	40371	112234	35849	72703	414196
2002	367911	367759	171353	90421	675349	54972	112387	36449	86190	455850
2003	433022	491382	213307	103698	766090	84901	149519	41409	61988	545372
2004	568374	658473	269872	133195	832102	135482	250424	63403	96331	724183
2005	747695	939968	354848	151894	1077309	212633	325063	93003	102818	922598
2006	1007389	1128437	461642	192019	1331563	294468	468266	180435	92632	1276028
2007	1240034	1732047	676940	480366	3565377	407042	637319	267244	164372	1691176
2008	1422607	1933814	839148	476847	4293159	533731	667700	443407	161127	1726398
2009	916677	1383502	538369	263562	3291382	478846	647232	308898	169089	1266330
2010	1114049	1742690	729386	310469	4043721	573615	982258	460724	183029	1774513
2011	1311013	2099237	893270	363264	4559739	738989	1073195	692335	200907	2418095

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

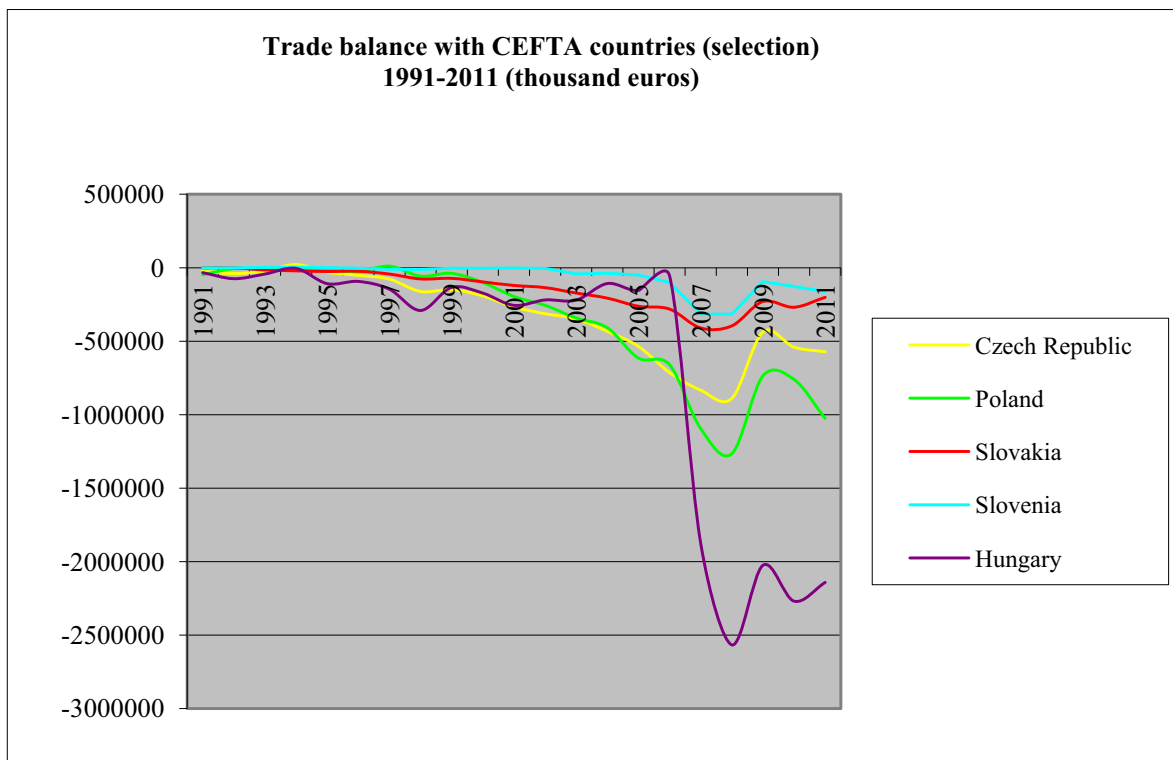


Figure 1

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

A first conclusion following the analysis of the graph showing trade with CEFTA countries mentioned is that the inclusion of Romania, in 1997, in to the Central European Free Trade Agreement has led to a growing trade deficit with these countries, the deficit widened in 2004, year that all states accessed EU. Moreover, following the accession to the EU, trade deficit rises sharply with values 2-3 times higher than the previous. Things were changed in 2008-2009, but not to the values of the period 1991-2000. It is important to note, and we return to this issue in analyzing the advantages and disadvantages of accession (from trade point of view), that deficit reduction is mainly based on the growth of value of exports to these countries.

An interesting development is the dynamic trade with EFTA signatory states (Norway, Switzerland, Iceland and Lichtenstein).

Table 2. Trade between Romania and EFTA Member States during 1991-2011

	Imports (thousand euros)				Exports (thousand euros)			
	Switzerland	Norway	Iceland	Liechtenstein	Switzerland	Norway	Iceland	Liechtenstein
1991	105743	2220	0	1968	54673	4021	0	579
1992	96728	5236	0	932	50406	3962	89	25864
1993	126208	6820	2215	2658	102035	5700	18	391
1994	124263	9440	1601	3062	38090	8899	0	278
1995	153618	18091	1067	7217	48964	8633	302	1934
1996	153688	15400	119	1292	29593	19257	14	4050
1997	132222	13882	147	1336	38704	54729	372	2167
1998	120865	18256	332	2374	44746	41893	908	2248
1999	119343	15713	1320	1230	53781	38838	447	208
2000	166569	29504	1066	923	63075	46445	534	732

	Imports (thousand euros)				Exports (thousand euros)			
	Switzerland	Norway	Iceland	Liechtenstein	Switzerland	Norway	Iceland	Liechtenstein
2001	188651	34719	631	762	60216	81954	138	843
2002	163273	47360	1247	4111	74995	119685	478	80
2003	189986	46887	1835	864	93868	100555	174	153
2004	262024	65620	1387	782	114053	79480	878	206
2005	323772	89700	1608	923	150171	137969	2718	107
2006	421338	110828	2090	1589	157459	264965	2372	263
2007	357053	96765	1652	2781	221621	308037	4081	2365
2008	411444	95473	1910	1435	302288	323772	2595	1145
2009	354042	83148	1099	12366	254450	398794	1616	385
2010	428291	87102	3074	11330	259676	312492	1152	2180
2011	389352	122559	3802	35108	296128	328794	971	361

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

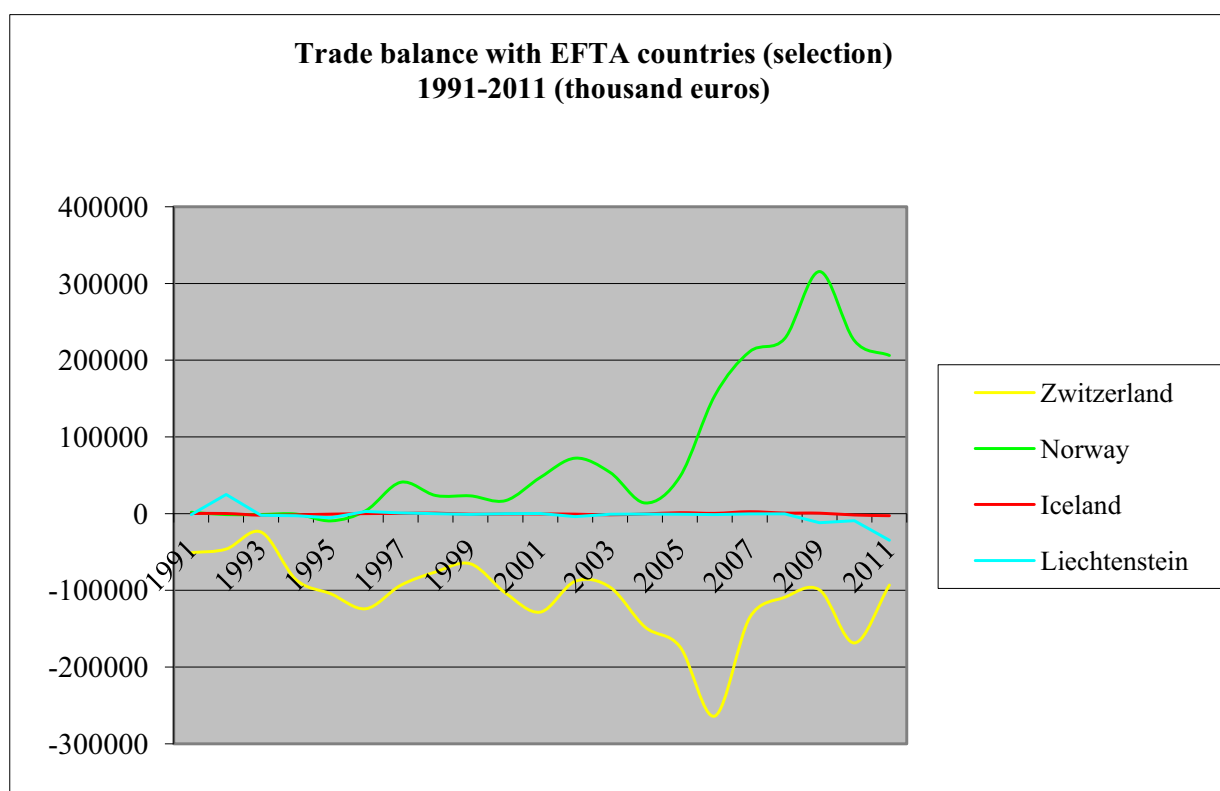


Figure 2.

Source: Graphic made by author based on data in Table 2.

If, regarding Iceland and Lichtenstein, trade does not record (in absolute values) significant changes (even if the relative values can vary over 15 times) regarding Switzerland and Norway a mirroring behavior is observed. This suggests that European free trade association has a lesser role in the individual Member States trade with other countries and probably more influenced relationships between EFTA.

Another category is the Romanian relations, before and after accession, with the states with which our country had concluded bilateral agreements. It is, as mentioned earlier, Albania

(2004), Bosnia (2004), Israel (2001), Macedonia (2004), Moldova (1995), Slovenia (2004) and Turkey (1998).

Table 3. Dynamics of the Romanian trade balance with countries with which bilateral agreements have been concluded (thousand euros)

<i>Country/Year</i>	1991	1992	1993	1994	1995	1996	1997
Albania	-1931	1575	2525	3831	5401	8222	2698
Bosnia and Herzegovina	0	20886	-6738	384	559	1279	2713
Israel	2235	-12544	-19444	28922	1820	-9285	-12457
Macedonia	0	7494	45	5393	14362	4776	6173
Moldova	-5619	-37510	6369	-29885	-17488	16614	59330
Turkey	16299	32898	111050	84842	74961	136683	124058
<i>Country/Year</i>	1998	1999	2000	2001	2002	2003	2004
Albania	3540	7288	11382	13533	21622	13156	15261
Bosnia and Hertzegovina	3339	4540	1415	4078	14727	14589	16546
Israel	-12712	-31258	-9032	-31861	45376	-12167	-47668
Macedonia	2084	4878	13404	10870	6258	9100	91483
Moldova	60861	57415	109698	81553	63315	46592	102791
Turkey	44531	219251	385762	81643	19496	-16600	225856
<i>Country/Year</i>	2005	2006	2007	2008	2009	2010	2011
Albania	11014	23299	34230	36664	27429	46119	39882
Bosnia and Hertzegovina	66104	82814	17377	27605	35630	52581	67302
Israel	-47628	-47885	-50052	-25223	-13087	620	20066
Macedonia	44120	65799	41541	63590	67793	58178	33249
Moldova	195362	231270	280531	322620	242824	324605	313696
Turkey	179025	-24625	-694181	-557693	-10600	897504	924048

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

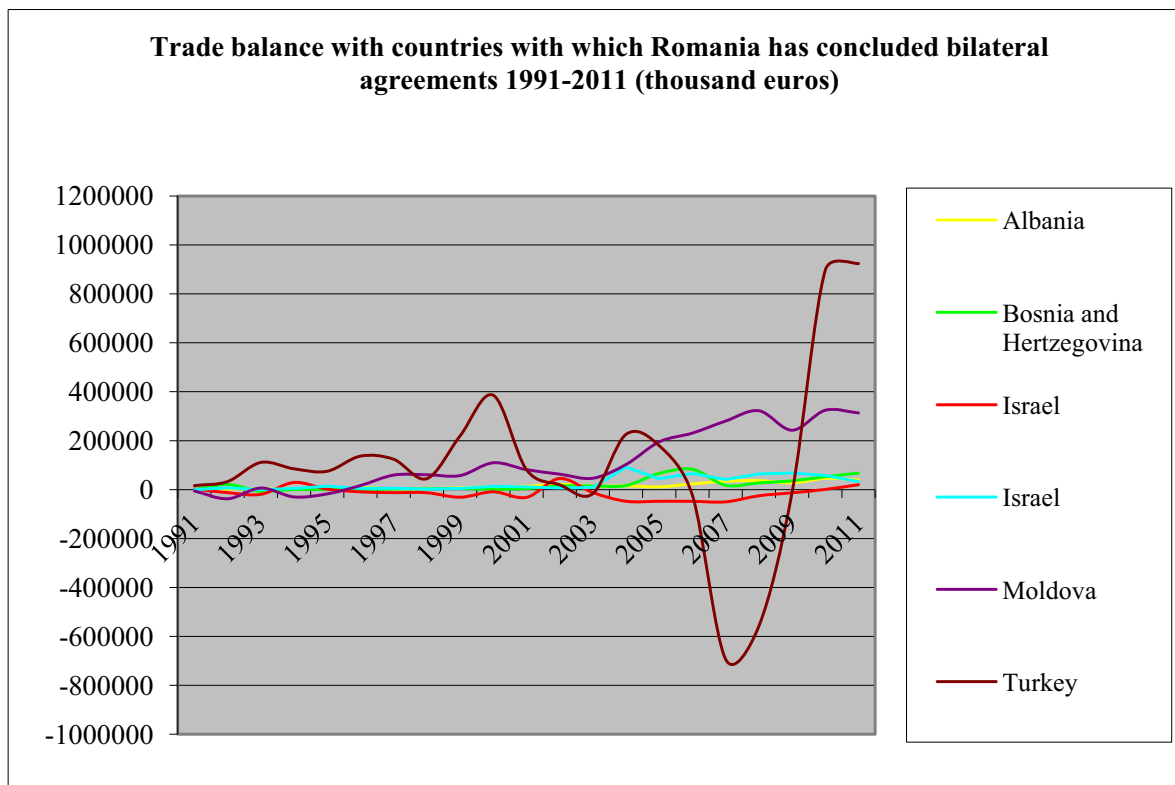


Figure 3.

Source: Graphic made by author based on data in Table 3.

On first examination, except Turkey, do not seem to have been significant changes over time.

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