
ANALYSIS OF THE EFFECT OF THE HEALTH CRISIS ON THE EVOLUTION OF INTERNATIONAL TRADE IN GOODS IN THE FIRST HALF OF 2020

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Abstract

International trade is an important activity in the national economy. Exports represent the possibility of capitalizing on surplus products, goods and services, which can be traded on the intra- or extra-Community market. Of course, this range of products and services can be achieved in the context in which there is a quality accepted by the international market and a competitive price, compared to the offer of other competing economic entities on the market. Imports, in turn, are a necessity of the national economy, when these imports are development imports, ie they ensure the completion of some shortcomings that exist in the national economy so that certain activities can be completed. For example, Renault or Dacia cars import a series of subassemblies from France, which are absolutely necessary to complete the finished product.

This activity of imports and exports was analysed in both the intra-Community and non-Community markets. In the intra-Community market, it appears that trade takes place without the collection of taxes, VAT and so on, being ultimately a direct sale on the markets of the Member States of the European Union. On the other hand, a number of goods and services are exported to non-EU markets in Europe or other countries around the world, but the comparison shows that the highest share is in intra-Community trade.

The analysis performed is for a longer period of time, but also for shorter periods, to highlight how this activity has evolved. It should be noted that the external balance of payments deficit has increased negatively in the sense that, although imports have decreased, they have fallen by a smaller percentage than the decrease in exports, which recorded a higher percentage.

The analysed data highlight in particular the situation in the first half of 2020, but also in July 2020, when this activity of international trade

continues to disadvantage the growth of Gross Domestic Product and as a consequence of economic growth. The data subject to analysis are provided by the National Institute of Statistics or Eurostat and aimed to highlight in the end the effects of the health crisis, coronavirus, combined with the economic and financial crisis, which has emerged and is developing, on the economic results obtained. of Romania.

Keywords: import, export, economy, statistical data, crisis

JEL classification: E01, H12

Introduction

In this article on international trade, the study focused on the analysis of imports and exports made by Romania, in a longer or shorter period of time, to highlight the effect of trade through the net export indicator (exports minus imports), which over time it is negative and you make a contribution in this regard to the realization and modification of the Gross Domestic Product.

Imports and exports on the intra-Community market and then on the non-Community market were analysed in turn. It follows that on the intra-Community market trade increases from one period to another, as a result of the European Union Directive on the free movement of goods and services in the Member States of the European Union, and due to the qualitative capacity of the Romanian market, exports are much reduced compared to growing imports.

It should be noted that a number of such issues cannot be encouraged to increase or decrease, as they are simply limited to competition in the intra-Community market in terms of the quality of similar products and prices.

At the same time, the analysis referred to recent periods, the first half of 2020 and June 2020, highlighting the negative effect of the coronavirus pandemic on changing trade, which fell in both imports and exports, but at a faster pace of exports. It was also followed and it was suggested that in the immediate future the economic and financial crisis that has already begun to manifest itself, combined with the health crisis, will have much more serious effects on the results that Romania will achieve.

The data subject to the study, provided by the National Institute of Statistics and Eurostat, highlight a series of aspects that must be taken into account in formulating the strategy to be followed, which Romania will have in the next period.

Literature review

Amiti, Itskhoki, Konings (2014) studied the influence of the activity of importers and exporters on the evolution of the exchange rate. In their work Anghelache, Anghel, Căpușneanu, Topor (2019) approaches an analysis of the correlation between the Gross Domestic Product and the economic aggregates

using statistical-econometric models. Regarding the effects of crises on economic evolution are analysed in their paper by Anghelache, Anghel, Iacob, Haşegan (2020). An analysis of the evolution of consumer prices in Romania is treated by Anghelache, Iacob (2020), and regarding the evolution of the Gross Domestic Product is approached in their work by Anghelache, Iacob, Grigorescu (2020). In another order of ideas, Anghel, Anghelache, Stoica (2019) approach the concept and indicators of the efficiency of the economic potential. Chor, Manova (2012) addressed a number of issues regarding lending conditions in international trade during the global crisis. Hummels (2007) analyzed the impact of transport costs on international trade. This theme is developed by Kehoea, Pujolàs, Ruhle (2016) who emphasized the opportunity costs of entrepreneurs in foreign trade activity. Marinescu, Anghelache, Anghel, Badiu (2019) are concerned about the influence of the main macroeconomic indicators on the evolution of the national economy. Nguyen (2012) referred to the failures of companies in export activity.

Some methodological aspects

In understanding the results of the study conducted on the evolution of Romania's international trade in the first half of 2020 they were synthesized from the methodology used by the National Institute of Statistics and Eurostat. In this sense, by INTRA-EU trade we mean the shipments of goods from Romania to another EU member state and the entries of goods into Romania having as country of dispatch another EU member state.

Shipments from Romania to other Member States of the European Union include goods in free circulation that leave the statistical territory of Romania to another EU Member State and goods that have been placed under the customs procedure of inward processing (within the country) or processing under customs control in Romania and which are intended for other Member States.

At the same time, entries into Romania from the Member States of the European Union include goods in free circulation in an EU Member State entering the statistical territory of Romania and goods that have been placed under the customs procedure of inward processing or processing under customs control in another state EU member and entering the statistical territory of Romania.

EXTRA-EU trade activity includes trade with other non-member European countries or in any other geographical area. Trade includes the exchange of goods between Romania and non-EU member states, having as object: the direct import of consumer goods, the imported goods removed from customs warehouses or free zones for consumption, the export of goods of

national origin, as well as the export of imported goods, declared for domestic consumption.

It also includes temporary imports of foreign goods for inward processing (within the country), exports of compensating products resulting from inward processing, temporary exports of goods for inward processing (processing in other countries), imports of compensating products resulting from inward processing. goods imported or exported under the financial leasing system (at the full value of the goods) and quasi-exports, for which, at the national border, export customs declarations related to the international transactions of non-resident economic operators are drawn up.

In the analysis we paid attention to the analysis of INTRA-EU trade and EXTRA-EU trade, in order to notice the volume of exchange activity with the two groups of states. We also performed an analysis of total international trade.

Value data are expressed in FOB prices for exports and in CIF prices for imports. The FOB (Free on Board) price represents the border price of the exporting country, which includes the value of the good, all transport costs to the point of embarkation, as well as all the taxes that the good must bear in order to be loaded on board. The CIF price (Cost, Insurance, Freight / Cost, Insurance, Shipping) represents the price at the border of the importing country, which includes both the components of the FOB price and the cost of insurance and international transport.

Value data are expressed in euros and lei. The conversion into euros of the value data expressed in lei is done using the average monthly exchange rate lei / euro communicated by the National Bank of Romania, for the INTRASTAT system and the exchange rate lei / euro communicated by the National Bank of Romania for the penultimate day of Wednesday month, for the EXTRASTAT system.

The data on the basis of which the volume of international trade is calculated are, for INTRA-EU trade, the INTRASTAT statistical declarations collected by the National Institute of Statistics (INS) directly from economic operators that have achieved a value volume of intra-Community shipments of goods and / or value of intra-Community supplies of goods above the INTRASTAT statistical threshold established for each flow and reference year and customs declarations collected and processed by the National Agency for Fiscal Administration (ANAF) for intra-Community trade in goods for internal processing or processing under customs control ; goods moving from / to parts of the statistical territory of the EU but not belonging to the fiscal territory of the EU.

For EXTRA-EU trade the data are provided by the National Agency

for Fiscal Administration (ANAF), which collects and processes the export and import customs declarations. Economic operators authorized for simplified customs procedures send export / import data to the NIS using a pre-established form.

In particular, data on international trade in electricity and natural gas are collected on statistical forms from importing / exporting companies and from network operators (CN Transelectrica SA and SNTGN Transgaz SA) by the INS. Import and export do not include the physical quantities of electricity and natural gas transported through pipelines transiting the national territory.

Data, discussions, results

Romania, like the other European states (members or non-members) or in the world, feels the effect of the health crisis, which is connected with the economic-financial crisis, which will last. The analysis aims to identify the effect of the crisis that will become more pronounced in the next period.

International trade is a particularly important activity for the national economy. In this direction, a special domestic production activity ensures, through exports, the obtaining of additional values, which increase the level of the Gross Domestic Product. Imports, on the other hand, have a negative effect. In the statistics, for the calculation of the Gross Domestic Product, the net export is taken into account, respectively the algebraic difference between export and import. In general terms, net exports have always been negative.

Emphasized by the strategy imposed by the COVID-19 crisis, it will be difficult to rectify the situation in the future, as modest increases in exports and more pronounced increases in imports are to be expected. Even if we record decreases, they will be much more pronounced on exports and lower on imports. Thus, the value of the net export with effect will increase negatively in the level that will be registered by the evolution of the Gross Domestic Product.

Imports and exports take place in a similar way on those two intra-Community and non-Community markets. Imports also have a slightly negative effect when, due to the elimination of import duties imposed by the position of a member country of the European Union, which has a directive on the free movement of goods and services, because producers can no longer be stimulated and are no longer competitive. In many circumstances, imports are used in this way. Sometimes these imports are represented by products that do not have much significance for the national economy, being consumer products that replace the consumer products made by domestic producers.

In reality in the field of agri-food production, Romania has become deficient importing a very wide range of products that were previously made in our country and thus domestic production has disappeared or decreased, prices

sometimes become uncompetitive and thus the effects on Gross Domestic Product, through the net export indicator calculated as the difference between total exports and total imports, leads to a decrease in Gross Domestic Product.

In the non-EU market, non-EU countries and countries on other continents, there is also a deficit in imports and exports. An interpretation was also attempted of the indicator on how to cover imports by exports, both in total and by product group or by country. For the most part, this index of coverage of imports by exports is subunit and reveals the fact that it leads to a decrease in Gross Domestic Product, thus having a negative effect on Romania's economic growth.

It should be noted that in June 2020 alone the external balance of payments deficit was EUR 1.32 billion. This is a particularly high level recorded over time in a single month. It is anticipated that in the next period this deficit of the external balance of payments will be higher and consequently have more and more negative effects on the realization and changes of the Gross Domestic Product. We are talking about changing the Gross Domestic Product, because in principle we should use a strategy of more pronounced growth of exports, of decreasing imports, so that the net export leads to the increase of the Gross Domestic Product due to these factors.

Between 01.01-30.06.2020, FOB exports amounted to 28590.0 million euros, and CIF imports, 37255.4 million euros.

Also, in the period 01.01-30.06.2020, compared to the same period in 2019, exports decreased by 18.1% and imports decreased by 12.6%.

Regarding the trade balance deficit (FOB / CIF) in the period 01.01-30.06.2020 it was 8665.4 million euros, higher by 935.7 million euros than the one registered in the period 01.01-30.06.2019.

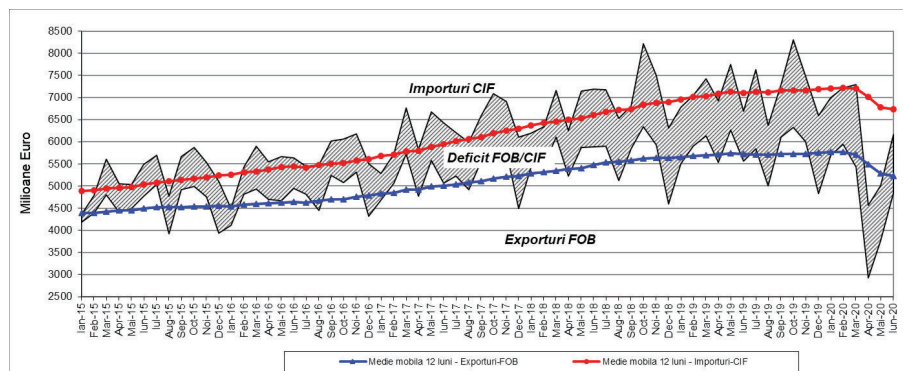
In June 2020, FOB exports amounted to EUR 4843.3 million, and CIF imports amounted to EUR 6164.6 million, resulting in a deficit of EUR 1321.3 million.

Compared to June 2019, exports in June 2020 decreased by 12.9%, and imports decreased by 7.9%.

Data on the evolution of international trade between January 2015 and June 2020 are presented in graph number 1. There is a significant drop starting with March 2020.

Exports, imports and trade balance between January 2015 and June 2020

Chart 1



In the first six months of 2020, exports fell sharply. In June, the balance of the external commercial payments activity was 1321.30 million euros. Exports decreased due to the reduction of production for export, the reduced range of exported goods, the price and quality of goods, etc.

These aspects were stimulated In the period 01.01-30.06.2020, important shares in the structure of exports and imports are held by product groups: transport machinery and equipment (46.6% for export and 35.6% for import) and other products manufactured (31.0% for export and 30.0% for import, respectively). The data are summarized in Table 1.

International trade by product groups according to CSCI Rev.4, during 01.01-30.06.2020

Table 1

	FOB exports			CIF imports		
	1.I-30.VI 2020			1.I-30.VI 2020		
	Millions of euros	Share in total exports (%)	in% compared to 1.I-30.VI 2019	Millions of euros	Share in total imports (%)	in% compared to 1.I-30.VI 2019
TOTAL	28590,0	100,0	-18,1	37255,4	100,0	-12,6
of which, in relation to the EU 27	20827,1	72,8	-18,6	27195,8	73,0	-12,6
Food and live animals	2270,4	7,9	+11,3	3527,9	9,5	+6,2
of which, in relation to the EU 27	956,7	3,3	-2,7	3029,3	8,1	+6,8

Drinks and tobacco	783,3	2,7	+46,7	346,3	0,9	-0,3
of which, in relation to the EU 27	590,6	2,1	+31,4	256,8	0,7	+2,0
Raw materials, inedible, excluding fuel	918,1	3,2	-14,6	1065,7	2,9	-15,0
of which, in relation to the EU 27	483,6	1,7	-15,5	659,4	1,8	-15,0
Mineral fuels, lubricants and derived materials	802,5	2,8	-43,0	2010,3	5,4	-35,6
of which, in relation to the EU 27	344,8	1,2	-37,0	575,8	1,5	-16,7
Oils, fats and waxes of animal and vegetable origin	77,3	0,3	-19,9	95,7	0,3	+23,7
of which, in relation to the EU 27	50,8	0,2	-43,1	75,0	0,2	+19,4
Chemicals and derivatives not otherwise specified in this section	1493,6	5,2	-7,2	5787,7	15,5	+1,7
of which, in relation to the EU 27	954,0	3,3	-7,5	4543,7	12,2	-2,7
Manufactured goods classified mainly by raw material	4776,4	16,7	-18,0	7063,2	19,0	-14,0
of which, in relation to the EU 27	3488,3	12,2	-18,4	4963,3	13,3	-18,7
Transport machinery and equipment	13315,1	46,6	-20,9	13253,0	35,6	-16,8
of which, in relation to the EU 27	10533,6	36,8	-19,6	10132,4	27,2	-17,0
Miscellaneous manufactured articles	4101,1	14,3	-24,4	4096,2	11,0	-12,2
of which, in relation to the EU 27	3415,6	11,9	-24,3	2952,2	7,9	-15,5
Goods not included in another section of the CSCI	52,2	0,2	-5,6	9,5	*)	-2,0
of which, in relation to the EU 27	9,0	*)	-30,2	7,8	*)	-3,4

Note: The differences between the total data and the values obtained from the sum of the various structures used are due to rounding.

*) Under 0.05

Source: INS communicated no. 20 / 08.10.2020

The value of intra-EU trade in goods between 01.01-30.06.2020 was 20827.1 million euros for shipments and 27195.8 million euros for imports, representing 72.8% of total exports and 73.0% of total imports.

The value of EXTRA-EU27 exchanges of goods during 01.01-30.06.2020 was 7762.9 million euros for exports and 10059.6 million euros for imports, representing 27.2% of total exports and 27.0% of total imports.

Conclusions

The article based on the study conducted on the evolution of international trade leads to some theoretical and practical conclusions. First, it appears that exports and imports continue to be in imbalance, in the sense that

imports increase or decrease, but in a different percentage. When imports are reduced, they are reduced by a smaller percentage, and exports are reduced by a much higher percentage.

Another conclusion is that the external balance of payments deficit remains negative and will continue to increase, especially as a result of the effects of the health crisis (COVID 19), on export production, on the need to import, the needs of the national economy. Theoretically, it results that a strategy of support through subsidies or other aids granted to Romanian enterprises specifically in the production activity for export is required, so as to balance this relationship between exports and imports, so that at least to cancel or at most a deficit languishing.

We also conclude that the statistical indicator on the coverage of imports by exports is maintained and will be maintained in a subunit manner in the following periods.

Basically, we find that the effects of the health crisis caused by the pandemic coronavirus had negative effects on Romania's international trade activity, both in imports and exports.

It was found that exports decreased by a higher percentage than imports which decreased by a slightly lower percentage. It turns out that in the next period, the aspect highlighted on the analysis performed on the data we have available will also be negative, as the effects of the health crisis will continue to manifest, which are already combined with the effects of the economic and financial crisis.

In the second quarter of 2020, the decrease in Gross Domestic Product is 12.3%, the largest quarterly decrease in Gross Domestic Product since 2000 and until now. The economic and financial crisis will impose, in addition to the decrease of exports, at the same time but more reasonably, also the imports with the affectation of other macroeconomic indicators. Thus, the number of unemployed population will increase, the number of unemployed will probably increase, the unemployment rate will increase, inflation will also increase, because the lower supply on the market requires influencing the price at a higher demand, but also other indicators such as attracting investment direct foreign exchange, which fell sharply in the first half of 2020 to just over 200 million euros. This is the lowest level registered by the foreign direct investments attracted by the Romanian market.

Another conclusion is that the effects of the economic and financial crisis that will start and manifest more pronounced in the next period, will have increasingly negative effects on the net export indicator, with a direct effect in reducing the Gross Domestic Product as a result of the total national economy. In other words, based on the change in international trade, it is

anticipated that in the next period and primarily at the end of 2020, the Gross Domestic Product will be reduced by a double-digit indicator compared to 2019.

A final conclusion is that compared to the effects of the economic and financial crisis from 2008-2010, in 2020 and beyond the effects will be clearly superior, but with a negative sign on the national economy. The recovery based on the estimates is expected to be much slower and longer-lasting, so that the effects of the economic and financial crisis that has erupted will lead to a non-V-shaped resumption, perhaps a U-shaped or even more negative resumption of L, ie to reach a negative level, which should be capped for a period of time.

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