THE EVOLUTION OF INTERNATIONAL TRADE – THE TRADE BALANCE DEFICIT IS INCREASING

Assoc. prof. Ștefan Virgil IACOB PhD *(stefaniacob79@yahoo.com)*
Petroleum – Gas University of Ploiesti / Artifex University of Bucharest
Assoc. prof. Mădălina-Gabriela ANGHEL PhD *(madalinagabriela_anghel@yahoo.com)*
Artifex University of Bucharest
Daniel DUMITRU PhD Student *(dumitru.teticdaniel@gmail.com)*
Bucharest University of Economic Studies

Abstract

International trade is an objective necessity of every country and it is achieved through import and export. Participation in international trade depends on the quality of domestic production and the level of prices charged.

In this article we aim to present the fact that Romania has a lower export than import, which affects the net export indicator, economic growth. Therefore, there are few possibilities that our country can undertake in the desire to get more from exports. Basically, the indicator covering imports by exports is sub-unitary and quite substantial.

Imports, however, also increase as a result of the liberalization of the European Union market and due to the causes mentioned earlier, but they bring damage to our country in the tendency to return to macrostability.

In creating this article, we used the data provided by the National Institute of Statistics, the data contained in the Statistical Yearbook 2022, but also by Eurostat.

We used a series of data, indicators that we processed, we compared them to highlight what is happening in terms of Romania's economic evolution. Of course, logical and interpretive analysis is at the fore in the analysis performed in this article.

Keywords: international trade, prices, goods and services, macrostability.

JEL classification: C10, H10

Introduction

This article started from the fact that in the period 2019 – 2021 Romania's net export, i.e. the difference between export and import, increased constantly from one month to the next. This is how it ended up that in the year 2021 - 2022 and the beginning of 2023 the balance of external commercial payments was over 2.53 billion euros deficit, from one month to the next. In

this context, it is necessary to study how imports have evolved, the possibility of taking some measures to reduce these imports, but it is particularly difficult as long as there is the European Union directive that mentions the free movement of goods and services.

In the article I presented the evolution of exports and imports, I presented the structure by commodity groups, I presented the structure by country groups, by product groups, by geographical destinations and other structures, which highlight a restriction of the activity of international trade at the level of the Union European.

I have presented graphs and tables that are telling from the point of view of the standard of Romania's exports and imports at the moment.

I also suggested the fact that there are few prospects for these imports to be moderated and exports to increase in the next period, since Romania's industry, first of all, has too few branches that are specialized and that can cope, qualitatively and at the price level, with the products similar ones made by the other member countries of the European Union.

Also, in agriculture there are great difficulties for the population owning land and specialized companies to reach a competitive level with other European states.

It is found that on the domestic market we import almost the entire range of consumer products, but going further also in other areas where, once, Romania was recognized as a producing country.

We used data and statistical indicators to highlight the evolution of international trade in total, by import and export and by different criteria for the presentation of suppliers-beneficiaries at import - export as well as groups of imported or exported goods, in order to understand more clearly and easily where the deficiency is.

Literature review

A significant number of researchers have turned their attention to the activity of international trade. Thus, Amiti, Itskhoki and Konings (2014) addressed aspects regarding the participants in the foreign trade activity. Bardsen, Nymagen and Jansen (2005) presented aspects of macroeconomic modeling. Bernard AB, Jensen JB, Redding SJ, Schott PK. (2012) dealt with the analysis of the role of large international corporations in the international trade of goods. Elgstrom O. (2007) pays attention to the activity of international trade in terms of the content and technique of negotiations, and Fajgelbaum P., Grossman G., Helpman E. (2011) is a study on income, production quality and international trade, in which elements related to foreign trade are addressed today. Harrison, McLaren and McMillan (2011) studied inequalities in trade

activity. Hill C., Smith M. (2011) published an extensive paper on international trade relations and relations with the European Union, and Hummels D. (2007) published a paper dealing with the cost of transport in international trade in the age of globalization. Staiger R., Sykes A. (2011) published an analysis of international trade, national treatment and domestic regulations in countries involved in such transactions.

Methodology

In order to facilitate the understanding of the content of the indicators used, we have presented below some clarifications from the methodology used by the National Institute of Statistics. Thus, the balance of the FOB/CIF trade balance is calculated based on the value of the FOB export and the CIF import, as the difference between them. The negative balance of the trade balance is called a deficit, and the positive one is called a surplus.

The FOB (Free on Board) price represents the price at the border 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 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, as well as the cost of insurance and international transport.

As regards the statistics of international trade in goods, they are established by summing up the data from the INTRASTAT and EXTRASTAT statistical systems: the INTRASTAT system for INTRA-EU trade (the exchange of goods between Romania and the other member states of the European Union) and the EXTRASTAT system for trade EXTRA-EU (exchange of goods between Romania and countries that are not members of the European Union).

Intra-EU trade includes shipments of goods from Romania to another EU member state and introductions (entries) of goods into Romania with another EU member state as the country of shipment.

Shipments from Romania include goods in free circulation that leave the statistical territory of Romania with the destination of another EU member state and goods that have been placed under the customs procedure of active processing (within the country) or processing under customs control in Romania and which are destined for other countries members.

Introductions (entries) into Romania include: goods in free circulation in an EU member state that enter the statistical territory of Romania and goods that have been placed under the customs procedure

of active processing or processing under customs control in another EU member state and that enter on the statistical territory of Romania.

EXTRA-EU trade includes the exchange of goods between Romania and non-EU member states, having as its object: the direct import of goods for consumption, the imported goods removed from customs warehouses or free zones to be put into consumption, the export of goods of national origin , as well as the export of imported goods, declared for domestic consumption.

They also include: temporary imports of foreign goods for active processing (within the country); exports of compensatory products resulting from active processing and temporary exports of goods for passive processing (processing in other countries). For imports, the imports of compensatory products resulting from processing outside the country and the goods imported or exported in the financial leasing system (at the full value of the goods) and quasi-exports, for which customs declarations of export related to international transactions of non-resident economic operators.

International trade does not include: goods in transit, goods temporarily admitted/taken out of the country (except for processing), goods purchased by international organizations for their own use in Romania, goods for and after repairs and related spare parts.

Data, Results and Discussion

International trade in goods in January 2023 recorded the following evolution: FOB exports totalled 7,160.2 million euros, and CIF imports totalled 9,498.2 million euros. If we refer to the month of January 2022, we find that exports from January 2023 increased by 6.0% and imports increased by 6.8%. Percentage wise, we note that the trade balance deficit has increased. In absolute figures, the trade balance deficit (FOB/CIF) in January 2023 was 2,338.0 million euros, higher by 203.6 million euros (+9.5%) than the one recorded in January 2022. Based on the data regarding exports, imports and the balance of the trade balance between January 2018 and January 2023, chart number 1 was drawn.

Exports, imports and trade balance between January 2018 and January 2023

Chart 1
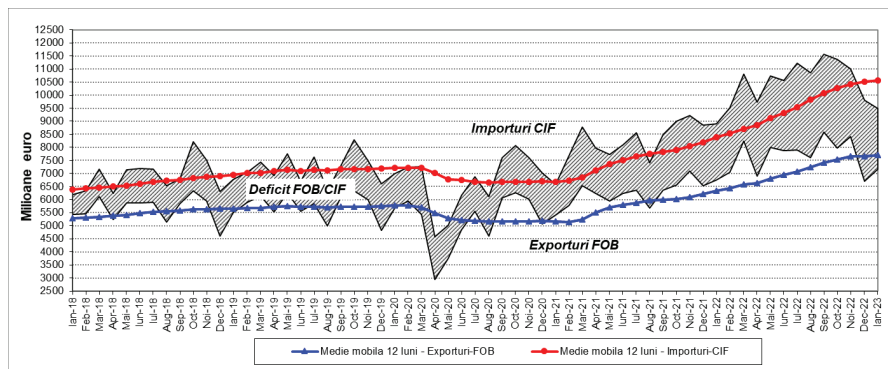
From this graphic presentation, it follows that from January 2018 until now, the balance of the trade balance has increased, the trend being slightly upward.

Table number 1 shows the data highlighting the evolution of international trade by product groups according to CSCI Rev.4, in the month of January 2023.

International trade by product groups according to CSCI Rev.4, in January 2023

Table 1

	FOB exports			CIF imports		
	January 2023			January 2023		
	Millions of euros	Share in total export (%)	in % of January 2022	Millions of euros	Share in total import (%)	in % of January 2022
TOTAL	**7160,2**	**100,0**	**+6,0**	**9498,2**	**100,0**	**+6,8**
of which, in relation to the EU 27	5337,1	74,5	+8,5	6865,8	72,3	+11,0
Food and live animals	**505,4**	**7,1**	**-10,0**	**882,4**	**9,3**	**+32,5**
of which, in relation to the EU 27	262,5	3,7	+18,8	705,9	7,4	+24,7
Drinks and tobacco	**150,3**	**2,1**	**+41,0**	**85,9**	**0,9**	**+57,0**
of which, in relation to the EU 27	87,4	1,2	-0,1	54,8	0,6	+36,0

|						
Raw, inedible materials, fuel only	**260,2**	**3,6**	**-19,0**	**236,9**	**2,5**	**-8,8**
of which, in relation to the EU 27	147,2	2,1	-31,9	170,6	1,8	+23,0
Mineral fuels, lubricants and derived materials	**547,6**	**7,6**	**+46,0**	**823,0**	**8,7**	**-12,5**
of which, in relation to the EU 27	311,9	4,4	+98,4	225,0	2,4	-46,4
Animal and vegetable oils, fats and waxes	**29,9**	**0,4**	**-24,9**	**24,9**	**0,3**	**+10,4**
of which, in relation to the EU 27	15,5	0,2	-59,6	19,4	0,2	+6,1
Chemicals and derived products not elsewhere specified	**360,4**	**5,0**	**+7,8**	**1434,9**	**15,1**	**-2,0**
of which, in relation to the EU 27	268,0	3,7	+10,3	1153,7	12,1	+10,0
Manufactured goods classified mainly by raw material	**1203,1**	**16,8**	**-5,5**	**1721,5**	**18,1**	**-0,2**
of which, in relation to the EU 27	900,2	12,6	-2,3	1195,6	12,6	+7,4
Machinery and equipment for transport	**3161,5**	**44,2**	**+9,1**	**3272,5**	**34,5**	**+13,3**
of which, in relation to the EU 27	2568,0	35,9	+9,9	2587,3	27,2	+17,8
Miscellaneous manufactured items	**925,4**	**12,9**	**+10,5**	**1013,8**	**10,7**	**+17,0**
of which, in relation to the EU 27	771,1	10,8	+10,8	751,4	7,9	+17,1
Goods not included in another section of CSCI	**16,5**	**0,2**	**+44,2**	**2,4**	***)**	**-29,8**
of which, in relation to the EU 27	5,3	0,1	+23,6	2,1	*)	-30,7

*) Below 0.05

Source: INS release no. 59 / March 13, 2023

From the analysis and interpretation of the data presented in table number 1, we find that important weights in the structure of exports and imports in January 2023 are held by the product groups: machines and transport equipment, respectively 44.2% for export and 34.5% to import and other manufactured products, respectively 29.7% to export and 28.8% to import.

Graph number 2 shows the evolution of exports, imports and Intra-EU27 and Extra-EU27 trade balances between January 2021 and January 2023.

**Exports, imports and intra-EU27 and extra-EU27 trade balances
between January 2021 and January 2023**
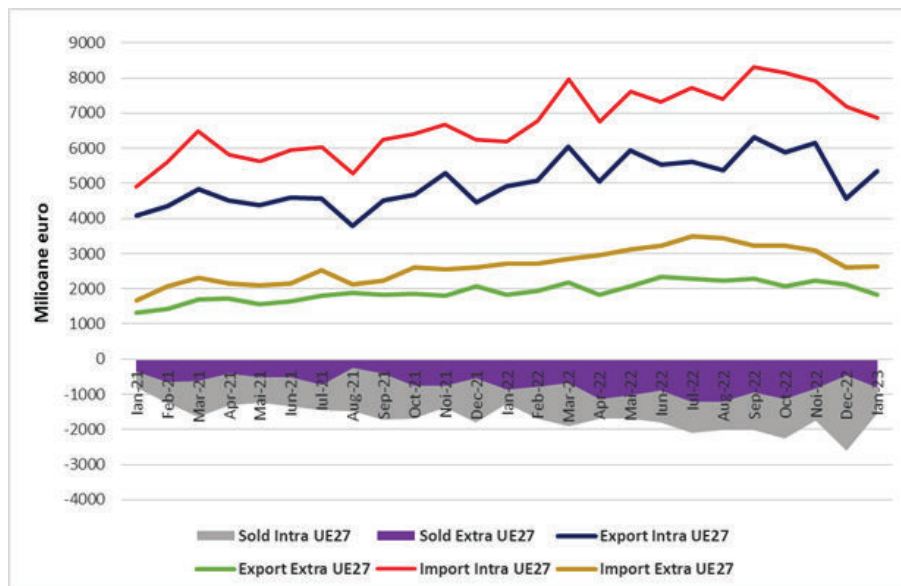
Source: INS release no. 59 / March 13, 2023

We note that the value of intra-EU27 exchanges of goods in January 2023 was 5,337.1 million euros for exports and 6,865.8 million euros for imports, representing 74.5% of total exports and 72.3% of total imports. Also, the value of extra-EU27 exchanges of goods in January 2023 was 1,823.1 million euros for exports and 2,632.4 million euros for imports, representing 25.5% of total exports and 27.7% of total imports.

Conclusions

A few immediate conclusions emerge from the study of this article. First of all, in the international commercial activity of the exchanges we are constantly faced with the recording of deficits in the balance of external payments. They have a negative impact on the growth of the Gross Domestic Product. In this way, it is concluded that measures should be taken to temper unnecessary or less necessary imports and increase production for export.

Due to the crises faced by mankind there are fewer foreign orders in the field of industry and in this way the exports are also reduced. Also, in the field of agri-food products, due to the quality and too high prices, this possibility of exporting agri-food products has also been reduced.

Tourism is also subject to quite delicate situations. The number of visitors decreased, the average duration of their visits in our country, in a context in which the income from this field also decreased.

Another conclusion is that in the PNNR there are unclear provisions or there are too few possibilities to access the funds from this program for agriculture, tourism and other deficient fields in our country. Under these conditions, the Gross Domestic Product will be tempered and, as a consequence, its allocation to the budget for consumption and then for investments will be insufficient. Let's hope that more sustained efforts will be made to record increases in subsidies and amounts allocated from the community budget for Romania's economy.

References
1. Amiti, M., Itskhoki, O., Konings, J. (2014). Importers, Exporters, and Exchange Rate Disconnect. American Economic Review, 104 (7), 1942-1978
2. Bardsen, G., Nymagen, R., Jansen, E. (2005). The Econometrics of Macroeconomic Modelling, Oxford University Press
3. Bernard, A.B., Jensen, J.B., Redding, S.J., Schott, P.K. (2012). *The Empirics of Firm Heterogeneity and International Trade*. Annual Review of Economics, 4 (1), 283-313
4. Elgström, O. (2007). *Outsiders' Perceptions of the European Union in International Trade Negotiations*. Journal of Common Market Studies, 45 (4), 949–967
5. Fajgelbaum, P., Grossman, G., Helpman, E. (2011). *Income Distribution, Product Quality, and International Trade*. Journal of Political Economy, 119 (4), 721-765
6. Harrison, A., McLaren, J., McMillan, M. (2011). Recent Perspectives on Trade and Inequality. Annual Review of Economics, 3, 261-289
7. Hill, C., Smith, M. (2011). *International relations and the European Union*, Second Edition, Oxford University Press
8. Hummels, D. (2007). *Transportation Costs and International Trade in the Second Era of Globalization*. Journal of Economic Perspectives, 21 (3), Summer, 131–154
9. Soderbery, A. (2015). *Estimating import supply and demand elasticities: Analysis and implications*. Journal of International Economics, 96 (1), 1-17
10. Staiger, R., Sykes, A. (2011). *International trade, national treatment, and domestic regulation*. Journal of Legal Studies, 40 (1), 149-203
*** https://insse.ro/cms/ro