



## THE EVOLUTION OF THE INTERNATIONAL TRADE AND ITS IMPACT ON THE ROMANIAN EXPORTS

TRIPA Simona<sup>1,2</sup>, CUC Sunhilde<sup>2</sup>

<sup>1,2</sup> University of Oradea, Faculty of Energy Engineering and Industrial Management, Department of Textile Leather and Industrial Management, Str. B. Șt. Delavrancea, no. 4, 410058, Oradea, Romania, E-Mail: [tripasimona@yahoo.com](mailto:tripasimona@yahoo.com)

Corresponding author: TRIPA, Simona, E-mail: [tripasimona@yahoo.com](mailto:tripasimona@yahoo.com)

**Abstract:** *This paper analyzes the impact of the financial and economic crisis on the evolution of international trade and implicitly on Romanian exports during 2000-2014. Methods of the research that have been employed in the paper are analysis and summarizing of scientific literature, mathematic calculations and comparative analysis of statistic dates. This paper presents in the first part the quantitative evolution of world exports and highlights the role of international trade in both the financial and economic crisis propagation, and in process of economic recovery in the world in the coming years. It continues with the manner in which international trade evolution and structural changes that have occurred in the world economy in the last two decades or reflected in trade of Romania not only from a quantitative but also structurally. Quantitatively was noted that Romanian exports have followed the trend recorded worldwide and from the structural viewpoint were identified the dominant characteristics of the evolution of trade in Romanian, the past two decades, namely the dynamic growth of trade flows of processed products (in particular Machinery and transport equipment) as well as their share in total trade and increased exports on the markets outside the EU in proportions higher than the growth in intra EU market.*

**Key words:** *economic crisis, trade, market, exports, Romanian*

### 1. INTRODUCTION

The evolution of international trade cannot be dissociated from the structural changes which have occurred in the world economy in the last two decades. This evolution was influenced by a number of factors of which the most important are: progress in information technology and communications; reducing trade barriers as a consequence of liberalization of international trade; liberalization of capital flows and technology and increase the supply of labor in the global market and its liberalization. Global financial and economic crisis which broke out in 2008 and the recession deep and comprehensive from the global economy that followed have determined a strong contraction in world trade (eg. international trade contraction in 2009 was -12.2%). [1]

Several explanations have been proposed for the collapse of trade. The first is that trade may be collapsing because of the transmission of shocks through vertical production linkages. [2] Chor and Manova (2009) demonstrate that credit conditions in exporting countries affected international trade during the current crisis. [3] Another group of explanations points to transmission channels in the real economy. [4] Bénassy-Quéré, Agnès consider the new patterns of the international division of labour may also have played a big role in the collapse of trade. [5]



According to the World Bank, the fall of the international trade had a big contribution the recession in manufacturing, especially on durable goods and equipment. Tightening of the lending conditions by commercial banks caused the decline in sales from this product category, with a big share in the international trade and affected the level of international trade. [6]

Whatever the causes of this financial and economic crisis, the extent of the negative impact on cross-border transactions revealed commercial and financial links, increasing close of the world's economies and the high degree of interconnectivity that currently exist between the financial markets and commodity markets (goods and services) which was a factor of propagation of the negative effects of the crisis on all world regions. The global crisis and prelaunch unequal the international trade, has further accentuated shifting in the global economy - moving the economic and trade weight center from developed countries towards developing /emerging countries and have contributed to the expansion of the system of global production managed by the transnational corporations and increasing the foreign direct investment flow oriented towards developing economies. Moreover, supported by the export successes and by the increase their income, developing countries / emerging have become increasingly important players in the international financial system. [7]

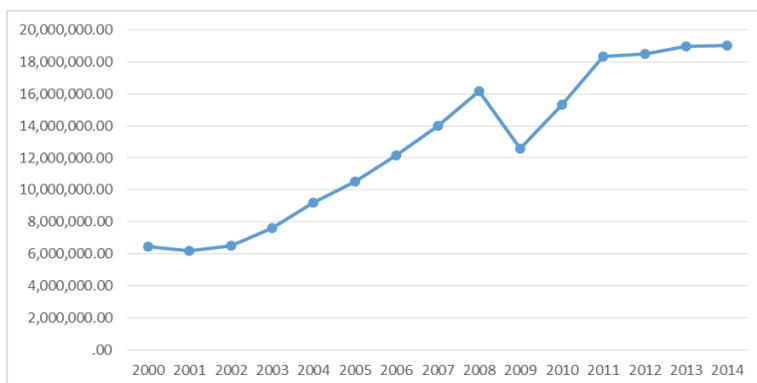
This is why we considered opportune carrying out an analysis on the effective evolution of international trade in the 2000-2014 period and determine how it was reflected in the evolution of Romanian exports both from the point of view of quantity and structurally.

**The main aim of this paper** is determining the impact of the international trade evolution on exports Romanian, both from the point of view of quantity and structurally, in the 2000-2014 period.

**Methods of the scientific research** that have been employed in the paper are scientific analysis and summarizing of literature, mathematic calculations and comparative analysis of statistic dates. The paper is organized in three parts: the first part shows the quantitative evolution of world exports in the 2000-2014 period and the main factors which led to this development. The second part shows the quantitative evolution of Romanian exports and the third part presents the structural changes recorded in Romania's exports in this period .

## 2. THE QUANTITATIVE EVOLUTION OF WORLD EXPORTS IN THE 2000-2014 PERIOD

The volume value of international trade in goods amounted to 19.002 billion dollars in 2014, equivalent to an increase of 2.94 times compared to 2000 when it was \$ 6.458 billion. (See Fig. 1).



*Fig. 1: The evolution of world exports, 2000-2014*

Source: Made by the authors based on the data from Eurostat

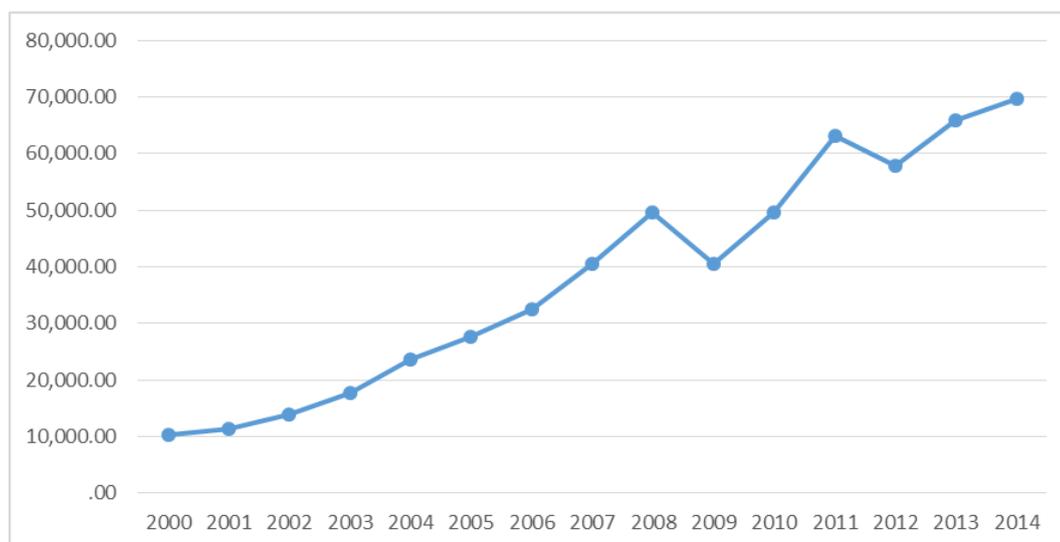


Except the decline from the year 2009 (while the value of world trade declined by 23.31%) as against that of 2008 can observe as its evolution over the analyzed period is one ascending. From the multiple factors that have influenced the flows of international trade, in 2009, could be considered: weaker global demand and, implicitly decreased the basic commodity prices, decreased activity of the global networks production and the negative multiplier effect on the regional and international trade, limited access to credit, etc. [8]

In 2010, international trade has recovering from the losses incurred in previous year and reached 94.68% of the 2008. As the unprecedented decline of trade in 2009 WAS one of the major channels through Which financial and economic crisis spreads, trade has been a major factor Also supporting the process of economic recovery in the world.[9] The recovery of trade in 2010 was constrained by a number of factors among which stands out: the reduction of tax incentives in many countries; High and persistent unemployment in developed countries - with its influence on domestic consumption of these countries and the high price of crude oil which caused increases in energy for households and businesses. [10] The World Bank assumes that the delay recovery of trade was generated mainly by lack of financing imports and the decrease in investment but also because declining of demand worldwide. [6] In addition, the European level has made a transfer of powers of the Member States to a Commission subject of a weak democratic control, so that the European Central Bank which sets monetary policy at European level has conserved a dominion over its monetary policy in outside democratic control, with influences on the evolution of trade of these countries. [11]

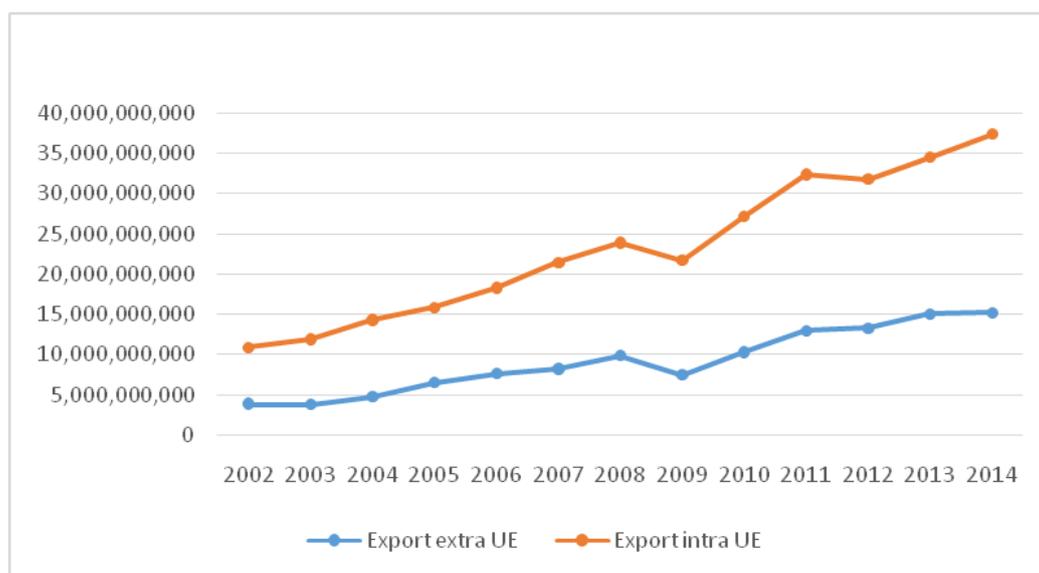
### 3. THE QUANTITATIVE EVOLUTION OF ROMANIAN EXPORTS IN THE 2000-2014 PERIOD

The evolution of Romanian exports in the analyzed period broadly follows the evolution recorded worldwide, just that it decrease of the Romanian exports was not so great in 2009 compared to 2008, the reduction being only by 18.11% compared to 23.31% as it was worldwide. (See Fig. 2)



*Fig. 2: The evolution of Romanian exports, 2000-2014*  
Source: Made by the authors based on the data from Eurostat

The 2009 crisis has made its mark on the Romanian exports, both extra EU markets - these decreased in 2009 with 24.53% over the previous year and on the intra EU market - these decreased with 9.15%. Given the fact that Romania's exports are predominantly oriented to the EU market, even if in percentage share the decrease was lower than that recorded on markets outside the EU, in absolute value the decrease was approximately equal on the two markets, respective in the EU market the decrease was 2,184,165,835 Euro and extra EU market the decrease was 2,410,243,610 Euro. (See Fig. 3)



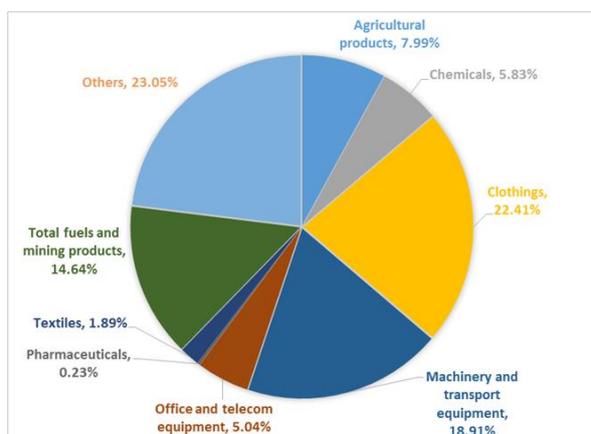
*Fig. 3: Evolution of Romanian exports during 2000-2014 , intra and extra EU markets*  
Source: Made by the authors based on the data from Eurostat

The years following the crisis from 2009 are characterized by annual increases of world exports - in different rhythms, namely: in the first two years the annual increases are significant - of 21.87% and 19.84%, succeeding thus at the end of 2011 the world exports to be above the one registered before the crisis. After this year, the annual growth is continuous, but in the rhythms much lower: 0.86%, 2.47%, 0.25%.

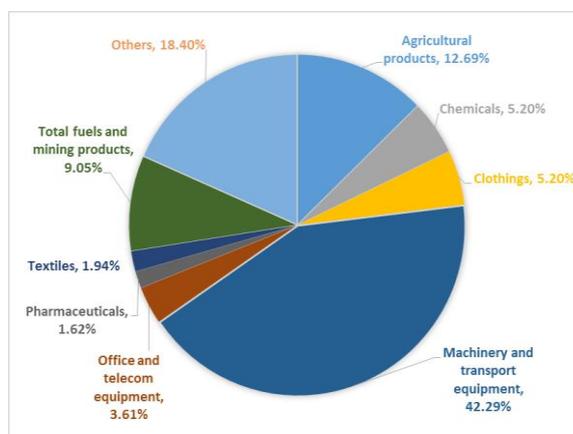
The evolution of Romanian exports after 2009 is increasing in the next two years; they increased with 22.21% in 2010 and with 27.14% in 2011. In 2012 total Romanian exports decreases with 8.24% and then increases with 13.82% in 2013 and with 5.92% in 2014.

#### **4. THE STRUCTURAL CHANGES RECORDED IN ROMANIA'S EXPORTS IN THE 2000-2014 PERIOD**

The evolution of the international trade and the structural changes that have occurred in the world economy in the last two decades was reflected in the Romanian trade, not only quantitatively but also structurally. (See figures 4 and 5)



**Fig. 4:** Structure of Romanian exports in 2000



**Fig. 5:** Structure of Romanian exports in 2014

Source: Made by the authors based on the data from National Institute of Statistics

Thereby can be notice the increasing of the share of the agricultural exports, the share of exports of machinery and transport equipment and the share of exports of pharmaceutical products in total exports. In contrast to them, the share of the garments exports and of fuels and mining products in the total exports was reduced. For all other product categories were not recorded significant changes in shares held in total exports.

Machinery and transport equipment ranks first in Romanian exports in 2014, with \$ 29.492 million. Share of exports of Machinery and transport equipment increased in the period under review from 18.91% to 42.01%, thus reaching in the 2014 to be \$ 29.492 million to and holders of the largest share of total exports of Romania. This evolution is mainly due to applied technologies, the high technological level, the high productivity, the high degree of specialization and not least the high level of products quality.

Agricultural product export is ranked at second in the top of Romanian exports in 2014 and it was of \$ 8847.39 million. The export of these products has steadily increased especially after partial liberalization of the trade between Romania and EU with agricultural products - by concluding conventions reciprocal to a range of agricultural products: exemptions and reduction of duties, tariff quotas and eliminating of export subsidies at some products up to full liberalization that took place when Romania joined the EU (2007).

The export of pharmaceutical products has registered significant growth in the recent years and reached in 2014 at \$1.127 million. Increase the share of pharmaceutical products exported in total exports was from 0.23% in 2000 to 1.87% in 2014.

The highest decrease during the analyzed period was recorded on garment exports, falling from the first place in 2000 (when they was 22.41% of total exports) at the sixth place in 2014 (when they represent only 5, 20% of total exports). Dynamics of exports of this subsector from year to year, was influenced by a series of factors such as: liberalization of trade in 2005, reduction the production type CMT, changing the consumer demand etc. These factors determined essential structural changes in the sector and have led to a reorientation of Romanian producers on the domestic market and to the development some domestic brands internationally recognized.

Total fuels and mining products have one reducing significantly; reaching out to a share of 9.05% of total exports in 2014 compared to 14.64% how it accounted in 2000.

The exports of textile and the chemicals retains it's the share in Romanian exports (in 2014 are like in 2000).



## 5. CONCLUSIONS

Growth in global trade volumes has slowed in recent years, thanks to a tepid economic recovery from the financial crisis and the changing structure of the Chinese economy. Also stands out a new generation of trade agreements (Trans-Pacific Partnership and Transatlantic Trade and Investment Partnership) characterized by less tariff barriers on dismantling tariff barriers and more on tackling tough issues such as intellectual property, labour and environmental standards.

The evolution of the international trade and the structural changes that have occurred in the world economy in the last two decades was reflected in the Romanian trade, not only quantitatively but also structurally. From a quantitative Romanian exports have followed the trend recorded worldwide and from the structural point of view the dominant feature of the evolution of Romanian trade, in the last two decades, has been the dynamic growth of trade flows of processed products (especially Machinery and transport equipment) and growth their share in total trade (the export growth on the extra EU markets was in proportions higher than the growth in intra EU market).

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