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Non-competitive evolutions of the foreign trade in Romania

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Abstract

An analysis of statistic data and information provides evidence in support of the opinion that, apart from minor exceptions, Romania’s foreign trade during the transition period (1991-2012) consisted mainly in the export of raw materials or barely finished products, and the import of manufactured goods. In other words, Romania practised a non-competitive, unproductive export, selling either raw natural produce or products with a rudimentary level of processing, obtained from derelict industrial facilities that were abandoned for lack of competitiveness. One direct effect of such practices was the loss of a huge number of salaried jobs, and the payment of labour at the lowest rates.

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1. Introduction

Economic theory says that international economic exchanges are fundamental in fostering the economic growth and the development of some nations.

When importing and/or exporting, each company, or a national economy as a whole, pursues to maximise its gains, for the benefit of a better living standard. For this purpose, every exporter will try to sell goods for which its domestic manufacturing costs are lower than those of other manufacturers, and to buy foreign goods whose manufacturing costs at home are higher than those offered by other, foreign, manufacturers.

This is, in essence, maintained by the well-known theory of comparative costs, which lies at the core of the

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concept of competitiveness.

In a free market, the theory will prove its validity in practice only if the concept is shared and equally well known by all the entities involved in the exchange of goods and services.

Only when business entities have the requisite economic culture (now so vast), the access to and the knowledge to master market information, and, no less, the practical skills of trading, will they be able, armed with such complex software, to turn to their advantage the benefits deriving from the exceptionally generous principle of the free circulation of goods, services, capital, and labour.

Absent these fundamentals, all of which form what we call economic culture, international exchanges may lead to great deficits, and to the emergence of deeply non-competitive, sometimes mock, economic structures and operations.

Economic theories and principle do not suffice, in themselves; they cannot guarantee the attainment of performance and competitiveness, without knowledge, skills, and practical experience.

The data reflecting the course of Romania's foreign trade after 1990, when the country's economic structures changed so drastically, seem to indicate a lack of the economic culture that serves as a foundation on which an economy can perform (Chivu, and Ciutacu, 2014). This lack has been at the root of the incapacity of the newly emerged economic framework to reach a level of performance capable to narrow the gap between the earnings of the Romanian citizens and the other citizens of the European Union.

2. Data regarding Romania's total imports and exports

All statistic data regarding imports and exports during the timeframe 1991-2012 reveal a constant and spectacular growth of the foreign trade volumes.

Expressed in current prices in euro, exports increased from the annual 3.5 bn. euro in 1991, to 11.3 bn. euros in 2000, to 25.9 bn. euros in 2006, and to 33.7 bn. euros in 2008.

Due to the world disruptive economic evolutions, in 2009 exports dropped to 29.1 bn. euro, but resumed the ascending curve in 2010, with a total of 37.4 bn. euro worth of exports, and reaching over 45 bn. euro in 2012.

Imports grew from 4.7 bn. euro in 1991, to 14.2 bn. in 2000, 40.7 bn. in 2006 and 57.2 bn. euros in 2008. In 2009, imports declined abruptly to 39 bn. euro, to then start rising again to 55.0 bn. euro in 2011, and 54.7 bn. euro in 2012, without catching up on the 2008 worth of imports.

Every single year of the 22-year reference period, the balance of trade operation – export (FOB) and import (CIF) – was marked by a deficit that grew from 1.2 bn. euro in 1991, to 3.0 bn. euro in 2000, 14.9 bn. euro in 2006, and to 23.5 bn. euro in 2008. Since 2008, the annual average level of the deficit has been a constant 9.5 to 9.9 bn. euro.

The share of the trade deficit in the gross domestic product (GDP) fluctuated from 5% in 1991, to 17.5% in 2007, and 7.3% in 2012.

Multi-annual data on export and import volumes, the GDP, and the magnitude of the trade deficit are illustrated in Table 1.

	1991-1994	1995-2000	2001-2006	2007-2012	1991-2012
Exports	16.2	46.7	110.1	220.1	393.0
Imports	21.1	61.8	157.1	304.0	544.0
Excedent/Deficit	-4.9	-15.1	-47.0	-84.0	-150.9
% exports in GDP	18.4	23.1	28.6	28.6	27.2
% imports in GDP	24.0	30.6	40.8	39.5	37.6
% excedent/deficit in GDP	-5.6	-7.5	-12.2	-10.9	-10.4

Source: Authors' own calculations based on information from Tempo online, the NationalStatistic Institute (Institutul Național de Statistică, INS).

Spectacular as it was, the growth of the worth of exports and imports was not able to at least maintain the number of salaried jobs in the national economy.

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