

UNIVERSITY OF CRAIOVA
FACULTY OF ECONOMICS
THESIS FOR DOCTOR'S DEGREE
“ A RETROSPECTIVE AND PERSPECTIVE ANALYSIS OF
ROMANIAN FOREIGN TRADE”

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The thesis for doctor's degree entitled “A retrospective and prospective analysis of Romanian foreign trade” is a complex paper that presents the evolution of Romanian foreign trade since ancient times until at the present day and its perspectives under the terms of Romania integration in European Union.

The paper is divided into five sections.

The first section covers the evolution of Romanian foreign trade from antiquity up to the Great Union in 1918 and it emphasizes the progress achieved by the development of commercial exchanges and of goods which were importing and exporting by that time of our national history.

In this section, we related that since ancient times, the Black Sea and the Danube played an important role in the development of commercial exchanges between the Geto-Dacians and the antique people, making the connection both with Asia Minor, South Europe and North Africa and with Central and North Europe. Until 1st century before Christ, the product exchanges of the autochthonous people were directed mainly towards the Greek world and later towards the Roman one.

Dacia conquest by the Romans had as result a quickly increase of foreign trade, firstly by a wide road network built up by the Romans leading to the development of a great number of towns, of agricultural, of a lots of handicrafts, especially as concerns the indigenuous raw material utilization.

In that time, the export was formed both by agricultural products and by fur, salt, wood, copper, animals, wax, marble and the import was made with arms, luxury articles, fine fabric and silk, sweet wine and oil bought by the rich people, the military and other favoured social categories.

Foreign trade continued after Aurelian's army retreat from Roman Dacia, but it appears to be significant reduced between 4th and 10th centuries due to the migratory people crossing the Romanian territory. In the last centuries of migration, i.e. 10th – 12th ones, the commercial connection with South Danube countries increased as shown by archaeological discoveries of Dobrogea.

After **Romanian independent states setting up** that is Wallachia, Moldavia and Transylvania, the foreign trade entered a new stage, trade activities and facts being now managed by political authority.

Since the middle of 16th century, a preferential sale conditions were imposed by the Turks in Wallachia and Moldavia for those products required by the Ottoman Porte, followed by interdiction to export goods in other countries. These two Romanian countries **became significant supply sources for the Ottoman Empire** due to their economic subordinating depending on the Porte interests, by exporting southwards of Danube high amounts of sheeps, cattle, salt, butter, honey, cereals, flour, suet, timber etc.

In 17th and 18th centuries, Romanian foreign trade showed a decrease process due to Ottoman economic policy imposed to the Romanian Countries. Feeding products (wheat, barley, oat, salt, butter, sheep smoke-dried salt meat, honey) and animals (horses, oxes, cattle, cow skin) as well as wooden materials, particularly timber were contributing to supply the people of Istanbul.

Oriental fabric ready-made clothes, things of great value, seasoning (coffee, spice etc) were instead imported from the Ottoman Empire by means of Turco-Levantine merchants.

At the same time, we pointed out that **1829 was a reference year for evolution of economy in Wallachia and Moldavia generally and especially of foreign trade** because, by the peace treaty of Adrianopolis, **the Turkish monopoly on the foreign trade in Romanian Countries was obviated** and in consequence the Danube and the Black Sea transport was liberalized. It was the year when Romanian trade is to be connected significantly to world-wide trade.

Such of essential changes had as result, besides a quickly increase of amount of products and their value for import and export activities, a change of structure so that vegetal products, particularly wheat, became the main exported article for both Romanian Countries.

Development process of foreign trade recorded a spectacular increase, strengthened after the War of Crimea and **constitution of national state**.

Cereals and cattle became more conspicuous at export. Wool, suet, skin, timber and wine played an important role among the exported goods. Volume of exported products increased after 1859 and some new products added, such as rape, black oil, silk "seed" and cocoon; cereals export was still prevailing (about 70% of whole export).

After the modern state setting up, the Ottoman Empire was the country with the highest volume of export, followed by Austria, Great Britain, France, Russia etc.

Import activity increased as well, its rate being constantly below the export one. During the modern state setting up, the most important goods imported were taken from Austria, Great Britain, Ottoman Empire and France.

From independence up to Great Union, an increase both of export and import activities may be seen, but with some fluctuations particularly

for export due to economic crises or drought. Between 1900 and 1913 this increase was about two times higher.

During World War I, Romanian foreign trade passed through two distinct stages. Thus, in the first stage, **during years of neutrality**, cereals and their derivatives were the most exported products, but mineral oil export increased very quickly, too; **for import**, the structure was almost constant, prevailing semifabricated products for individual consumption and military products import increased, as well; important changes as regards geographical orientation of foreign trade happened.

The second stage **after Romania assumption of the war**: foreign trade activities ceased almost fully; during German and Austro-Hungarian occupancy, high amounts of products left Romania for being exported in Germany, Austro-Hungary, Turkey and Bulgaria.

The second section of this doctorate thesis presents "Evolution of Romanian foreign trade between 1918 and 1944" mentioning that changes occurred in the Romanian economic structure during **inter-war time**, as well as commercial policy put into practice by the governments which ruled our country that time led to deep mutations in foreign trade activity, particularly in evolution of value and physical capacity, in export and import structure and in geographical orientation of these ones.

By studying the statistic data, we are found that value and physical capacity of the Romanian foreign trade had an oscillatory evolution **between the two world wars**, with significant increase and decrease stage-to-stage. Thus, **after the Great Union** in 1918, foreign trade recorded a fast and continuous increase until 1926 when it reached the peak level of value capacity for whole inter-war time, followed by a permanent decrease up to 1933 in order to show a new increase during 1934-1937.

At the same time, **Romanian export and import activities** recorded frequent oscillations with significant increase and decrease rate caused both by the effects of economic crises from 1929-1933 and 1936-1937 and by the influence of other internal and external factors.

With reference to **trade balance** of Romania during inter-war time, the statistic data related an excedent, excepting for years 1919-1921, 1925, 1928-1929.

Within inter-war time, **the main products exported** by Romania were firstly the cereals and leguminous plants, wood and mineral oil products and also living animals together with animal, feeding and non-feeding products, vegetables, seeds, fruits and many other ones. Most of the products exported by our country, about 90-95% were base products, non-processed or with a low degree of processing. Finite products, raw materials, semifabricated and feeding products were the most important in **the Romanian trade structure**.

As concerns the **geographical orientation of foreign trade** within inter-war time, the main exchange partners for Romania were Germany, Czechoslovakia, Austria, Great Britain, France as well as other West

European countries. At the same time, Romania had good relationships with the countries within Small Agreement and Balkan Agreement.

During World War II, a decrease of commercial activity was present in foreign trade both for import and export . Romanian foreign trade was directing 87% towards Germany and Italy, and the remaining of 13% was performed with those countries finding under influence of Germany. Romania exported to Germany , under unfavourable conditions for the Romanian state, high amounts of products, particularly strategic raw materials and feeding products when DM exchange rate was progressively increased in an artificial manner in comparison with Romanian currency.

The third section entitled “Romanian foreign trade between 1945 and 1989” emphasizes mainly the new regulations applied in commercial policy field in which was applied the state monopol on external commerce and the valutary state monopol, fact that triggered new regulations of commercial politics.

State was responsible for foreign trade activity , being excluded the private sector, but there were only certain companies qualified in performing foreign trade operations and authorized for such activity.

It was forbidden for manufacturing enterprises to make directly import or export activities. At the same time, a precise list including export and import products was given to the foreign trade companies, avoiding thus the competition between them. The State was collecting and holding the foreign currency from export, by distributing foreign currency necessary for import activities to the qualified economic units; it was forbidden to any physical or legal person to hold foreign currency.

Main instruments used to regulate the foreign trade activities were: foreign trade plan and foreign currency plan as integral parts of general plan for economic and social development of the country. Export and import activities were planned annually and for the next 5 years , being considered as compulsory responsibilities both for the companies qualified in foreign trade activity and for the manufacturers of export goods or beneficiaries of import goods.

Destination of export goods, origin of import goods and their prices were settled by the plan. too. Foreign currency exchange in Romanian monetary unit and foreign currency allocation for import activity were done at a fixed exchange rate, stated by law, with no reference to real purchasing power of national currency,

Some positive evolutions took place in this period: Romania gave adhesion to GATT, FMI, BIRD, UNCTAD and concluded agreements with European Communities and EFTA, having as result elaboration of its commercial policy in accordance with agreements signed in this way.

At the same time, we mentioned that **between 1950 and 1989, total value volume of Romanian foreign trade** has increased 36 times, export 42 times, import 29 times, while the mean annul rate of increase / total foreign trade was about 10%.

Trade balance of Romania until 1980 was adverse on the whole, excepting years 1956, 1959, 1960, 1965 and 1976. Since 1981 up to the communist regime collapse, the balance of trade was in excess, minimum point being recorded in 1982 and maximum point in 1988.

Despite the progress achieved, Romania was classified in 1988, according to data published by GATT, on 38th position for export activities with a contribution of 0.5% of the world export and on 45th position for import activities with a contribution of 0.3, much behind some countries with similar economic potential.

Between 1950 and 1989, predominant goods **exported** were: fuel oil, mineral raw materials and metals; transport means and equipment; consumer industrial goods, non-feeding raw materials and semifabricated products; feeding goods and raw materials used to produce these; chemical products, fertilizer and rubber; construction materials and accessories.

As resulted from statistic data, major changes were recorded in Romanian export in above period given the previous time. So, **export of manufactured goods** has increased significantly (from 7% in 1950 to 60% in 1989), **export of transport vehicles, machines, and equipment** (from 4.2% to 29.3%), **export of consumer industrial goods** (from 1.3% to 18.1%). Oil, chemical, metallurgical products and textile industry products had a significant contribution. Export of animal and feeding products was considerably reduced.

As regards the **export of manufactured products**, electromechanical articles played the very important role. Goods included in this category were metal-manufactured products, transport machines and materials, scientific, medical, optical apparatus and instruments, measurement and control devices, sound recording and reproduction apparatuses.

Taking into account other statistic data, **the most competitive 10 Romanian industrial products** exported in the advanced countries at the beginning of 1980 were: furniture, fertilizer, clothes, footwear and skin products, siderurgical products, agricultural machines, mineral, glass, porcelain and faience-manufactured products, chemical elements and wood processing machines, wooden and paper products.

Romanian import structure between 1945 and 1989 was characterized by the following groups of products: fuel oil, mineral raw materials, metals; transport vehicles, machines and equipment; non-feeding raw materials and semifabricated products; chemical products, fertilizer, rubber; consumer industrial goods, feeding goods and raw materials for their production; construction materials.

As shown in statistical data, the contribution of **fuel oil, mineral raw materials, metals** group has increased from 23.5% in 1950 to over 56% in 1989, meaning that national industry was developing having required more and more raw materials. The second group including **transport vehicles,**

machines and equipment had a different evolution, i.e. it has increased constantly between 1950 and 1970 when reached 40.3% , decreasing afterwards to 25.5% in 1989.

Geographical distribution of foreign trade had the following structure in above described period of time:

- between 1950 and 1960, over 83% of commercial exchanges of Romania were performed with the socialist countries;
- between 1961 and 1970, volume of foreign trade with socialist countries has decreased to 56.0% while contribution of non-socialist countries increased to 44%;
- between 1971 and 1980, contribution of non-socialist countries exceeded the socialist countries one, having reached 59.0% , only 41.0% belonging to socialist countries;
- between 1981 and 1989, foreign trade with socialist countries has increased again, having reached 61.9%.

In the fourth section entitled “Evolution of Romanian foreign trade in transition to market economy” we related that the process of economic reform started in our country after 1989 had as result the adoption of new regulations of commercial policy corresponding to the **transition to market economy** and removing of old instruments specific for the centralized planned economic system. In this way, monopoly of state on the foreign trade and foreign currency monopoly have been suppressed.

All companies, irrespective of the nature of capital, i.e. state or private, or irrespective of their structure, have obtained the right to perform operations of foreign trade provided that such activities be included in legal statute of the company. Thus, the possibility of a direct connection between the Romanian manufacturing or commercial companies and foreign companies brought forth, with all favourable consequences involved.

The instruments used in centralized system were replaced by instruments of commercial policy in market economy, thus the companies are allowed to develop export or import activities based upon a commercial grounds: price, quality, delivery term etc.

Thus, an effective customs tariff has been introduced for import, free of charge customs policies have been put into effect to promote and stimulate the export activities. At the same time, the companies have the right to manage freely the foreign currency gained from export , have a free access to foreign currency necessary for import and the exchange rate of national currency is freely settled in the market, depending on demand and offer.

The whole commercial policy of Romania as well as the instruments used are in accordance with the principles and rules of the international trade ratified by GATT– OMC to which our country is a contracting party.

In the transition years to market economy, the foreign trade volume of export, import and trade balance have recorded high changes in comparison with the communist regime stage.

As resulted from statistic data, beginning with 1990 , **the Romanian foreign trade** showed a *strong falling-off*, representing in 1991 below 50% related to 1989. Collapse of our foreign trade continued in 1992 in order to record an easy straightening between 1993 and 1994, followed by a more significant increase in 1995, having exceeded the stage of 1990.

After 1995, the Romanian foreign trade volume continued to increase every year and thus in 2003 was over three times higher referring to 1994. The same tendency is evident in evolution of export and import activities during transition to market economy.

A positive achievement in Romanian foreign trade, after the events happened in 1989, is a **high contribution of private sector** which continued to increase until 2003 both in export and in import activities.

In the transition years to market economy, high contribution in export activity was given by the following groups of goods: textile materials and derivate articles; common metals and derivate articles; electric machines, apparatus and equipment; sound and image recording and reproduction apparatus; mineral products; transport vehicles and materials; chemical products; footwear, hats, umbrellas and similar articles.

Now, the export is mainly represented by raw materials or with a low degree of processing , which does not offer competitive advantages in the commodity markets .

In the period above studied, the import structure on groups of products according to NC, is defined as below:

- **mineral products** group, had at the beginning of the period analysed the highest value and contribution of the total of import activities in order to decrease 1.4 times in 2003;
- **textile materials and derivate articles** group recorded the highest increase in import volume about 12 times;
- **chemical products** group recorded an increase both in value and contribution, representing about 8% of the total of import activities;
- **plastic material & rubber** group and **dressed skin & fur** group increased the value over 9 times and the contribution over 4 times, having recorded below 10% in 2003.

After 1989, referring to **geographical structure**, Europe had the highest contribution in Romanian foreign trade , followed by Asia, America, Africa and Oceania.

Main conclusions resulted from statistic data as concerns **geographical structure** of Romanian export and import activities are as follows:

- during transition to market economy, main commodity market for the Romanian products was European Union holding on the whole 53.49% of the total of export activities and 48.3% of the total of import operations;

- Germany held the first position in export and import activities of Romania until 1997 when Italy became the main country in commercial exchange relationships with Romania.
- Romania didn't keep the commodity markets in former state of CAER
- Lost wide external markets of the country, i.e. China, Russian Federation and USA

Now, the commercial exchanges of Romania are directed 70% towards the developed countries and 30% towards the developing and transition countries.

In the fifth section we examined what are the perspectives of foreign trade under the terms of Romania integration in European Union. Methods used for a statistic analysis of Romanian foreign trade and prognosis for the next years 2004 – 2007 paid a special attention.

In this doctorate thesis , we are pointed out that in view of Romanian integration in European Union, our country has to achieve the following actions:

- promotion of equal treatment of the customer with regard to the producer and elaboration of some programs meant to provide the increase of contribution of high processing finite products in Romanian export operations by supporting the actual liberalized export system;
- complying with OMC provisions as regards structure and level of subventions and internal support for agricultural products export;
- Government real help as concerns the access on the externe markets and competitiveness of products , companies and other sectors of Romanian economy, making more efficient the potential of embassies and consulates finding in Romania;
- Utilization of modern techniques for export promotion in accordance with international methods – public resources utilization in order to support the participation in international fairs, show rooms and economic missions;
- Providing the financial resources necessary to promote and support the Romanian export activities, particularly complex installations and objectives;
- Simplification of documentation and reduction of duties for customs formalities fulfillment;
- Reduction of birocracy and of tax policy as instruments for export stimulation;
- Progressive adaptation to instruments of commercial policy applied in European Union ;
- Improvement of export structures by increasing the contribution of high VA products
- Increase of competitiveness of Romanian products by development of infrastructure and improvement of products quality;

- Carrying on the steps for harmonization of multilateral engagements of Romania with those assumed by European Union;
- Taking an account of legal background of commercial relationships of EU with third countries and necessary adaptation in Romanian legislation for being in concordance with community acquis until the time of adhesion;
- Acceleration of rate for EU legislation taking over in the fields such as export credit, double-application products, instruments for commercial security;
- Supporting of business environment to assimilate an adequate behaviour in accordance with the competitive rules existing in European Union;
- An unique market, free circulation of products, capital and manpower, respectively .

At the end of the doctor's degree thesis, this contains bibliography and anexis.