Romania and the European Union

Tim Allen

Over the past decade, Romania imported more than it exported. Trade relations with the EU accounted for 60% of overall trade throughout the period, while Italy and Germany were its main trading partners in 1999. The same year, its exports amounted to the equivalent of a fourth of its GDP, which was small in comparison to many other Eastern European countries. In 1999 imports declined for the first time in the past ten years. Romania ranked 31st among EU export markets in 1999.

Fig. 1: Romania's foreign trade

Exports stand at a fourth of GDP

Romania's economy has seen volatile growth and high inflation during much of the 1990s. Real GDP contracted in particular over the past few years - first figures for 1999 seem to confirm this trend -; while its GDP per capita was one of the lowest of all candidate countries and its inflation rate stood at almost 46% (see table bottom of page 3). Reflecting this contraction in GDP, Romania's imports declined in 1999, while export growth resumed after stagnating in 1998. EU data for 1999 show an increase in Romanian exports together with almost unchanged import figures vis-à-vis the EU.

Considering the whole decade (see figure 1), imports and exports evolved in a more or less stable manner. Imports gained more pace in 1995 and almost doubled by 1998. Throughout the period, Romania imported more than it exported while its trade gap was narrowest in 1994 - although it narrowed again substantially in 1999. Its trade deficit was mostly with non-EU countries.

Overall, Romania imported goods worth around 10 bn euro while it exported roughly 8 bn euro worth in 1999. Both imports and exports represented the equivalent of less than a third of GDP. In terms of exports, this was less than the top exporting nations among the emerging economies of Central Europe managed in 1998, such as Estonia (exports reaching 63% of GDP), Hungary (48%) or the Czech Republic (46%).
EU favourite trading partner

In 1999, roughly 60% of Romania’s trade was carried out with the EU (see table 1). When ranked in importance as export markets, four EU Member states were among the top five destinations, while in particular Italy was the single most important partner. In a similar manner, four out of five top importing nations where from the EU. Trade figures vis-à-vis Russia were on the decline - as most other candidate countries experienced, as well - probably due to the Russian financial crisis, which has seen Russian demand and supply of traded goods dry up.

Only a small fraction of Romania’s exports was in primary products, while manufactured goods represented the bulk of sales abroad. The proportion of primary versus manufactured products traded between 1991-98 changed quite substantially since trade in manufactured goods increased almost fourfold over the period (see figure 2).

Similar to Luxembourg

How would Romania’s external trade statistics feature amongst those of EU Member states? For example (see ratios in figure 3), Romania exported a little more than Luxembourg (EU intra + extra exports) in 1999, slightly less than Greece and substantially less than most other EU Member states. Its imports and cover ratio were close to those for Luxembourg. In general, Romania’s trade figures in 1999 compare closest to Luxembourg among EU Member States. Among candidate countries, its trade figures compare to those of Slovenia, but are substantially lower than those of the Czech Republic, Turkey, Hungary and Poland.

Tab. 1 Romania’s trade by main partners, 1999

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Imports</td>
<td>10 559</td>
<td>9 751</td>
<td>100.0</td>
<td>-7.7</td>
<td>10.3</td>
</tr>
<tr>
<td>EU-15</td>
<td>5 941</td>
<td>5 888</td>
<td>60.5</td>
<td>-0.9</td>
<td>16.3</td>
</tr>
<tr>
<td>Italy</td>
<td>1 820</td>
<td>1 911</td>
<td>19.6</td>
<td>5.0</td>
<td>22.4</td>
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<tr>
<td>Germany</td>
<td>1 781</td>
<td>1 867</td>
<td>17.1</td>
<td>-6.4</td>
<td>9.8</td>
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<tr>
<td>Russian Fed.</td>
<td>947</td>
<td>663</td>
<td>5.8</td>
<td>-30.0</td>
<td>-4.2</td>
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<tr>
<td>France</td>
<td>685</td>
<td>653</td>
<td>6.7</td>
<td>-4.5</td>
<td>17.4</td>
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<tr>
<td>Utd Kingdom</td>
<td>348</td>
<td>410</td>
<td>4.2</td>
<td>17.6</td>
<td>18.2</td>
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<tr>
<td>Total Exports</td>
<td>7 405</td>
<td>7 980</td>
<td>100.0</td>
<td>7.8</td>
<td>9.1</td>
</tr>
<tr>
<td>EU-15</td>
<td>4 764</td>
<td>5 229</td>
<td>65.5</td>
<td>9.8</td>
<td>16.2</td>
</tr>
<tr>
<td>Italy</td>
<td>1 629</td>
<td>1 859</td>
<td>23.3</td>
<td>14.1</td>
<td>22.8</td>
</tr>
<tr>
<td>Germany</td>
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<td>1 404</td>
<td>17.6</td>
<td>-3.0</td>
<td>11.2</td>
</tr>
<tr>
<td>France</td>
<td>438</td>
<td>495</td>
<td>6.2</td>
<td>13.0</td>
<td>13.4</td>
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<tr>
<td>Turkey</td>
<td>268</td>
<td>399</td>
<td>5.5</td>
<td>63.8</td>
<td>15.8</td>
</tr>
<tr>
<td>Utd Kingdom</td>
<td>266</td>
<td>391</td>
<td>4.9</td>
<td>47.1</td>
<td>19.4</td>
</tr>
</tbody>
</table>

Sources: CNS of Romania, IMF.

Fig. 2: Romanian trade by product group

Fig. 3: Romania in comparison to EU Member states, 1999

1 The import ratios above are calculated by dividing the value of Romania’s total imports by the value of total imports of each Member state - hence a ratio close to one implies that total import values are very similar. Export ratios are calculated accordingly.
As mentioned above, external trade relations with the EU were of considerable importance to Romania. Conversely, Romania was and Germany were the single most important trading partners among EU Member States. Each absorbed due to linguistic and cultural ties) slightly less than a third of EU imports from Romania (see table 3), while exports remained virtually unchanged. Rumania instead had a negative trade balance vis-à-vis the EU and most of its Member States – similar to many other candidate countries. EU imports in consumer goods from Romania (see table 3), while exports consisted of a large share of intermediary and equipment goods. EU imports in consumer goods from Romania became increasingly important over the past years, while their share in total imports (more than 50 %) was exceptionally high in comparison to trade with other candidate countries.

EU-Romanian trade by product saw the EU mostly importing consumer and intermediary goods from Romania (see table 3), while exports consisted of a large share of intermediary and equipment goods. EU imports in consumer goods from Romania became increasingly important over the past years, while their share in total imports (more than 50 %) was exceptionally high in comparison to trade with other candidate countries.

### Tab. 2 EU-Romania trade by Member states, 1999

<table>
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<tr>
<td>EU-15</td>
<td>5 763</td>
<td>100.0</td>
<td>6 299</td>
<td>100.0</td>
<td>0.0</td>
</tr>
<tr>
<td>B</td>
<td>181</td>
<td>3.1</td>
<td>207</td>
<td>3.3</td>
<td>27</td>
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<tr>
<td>DK</td>
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<td>0.3</td>
<td>50</td>
<td>0.8</td>
<td>-7.6</td>
</tr>
<tr>
<td>D</td>
<td>1 709</td>
<td>29.7</td>
<td>1 994</td>
<td>31.7</td>
<td>-3.4</td>
</tr>
<tr>
<td>EL</td>
<td>197</td>
<td>3.4</td>
<td>198</td>
<td>3.1</td>
<td>9.7</td>
</tr>
<tr>
<td>E</td>
<td>110</td>
<td>1.9</td>
<td>71</td>
<td>1.1</td>
<td>-18.8</td>
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<tr>
<td>F</td>
<td>580</td>
<td>10.1</td>
<td>648</td>
<td>10.3</td>
<td>-7.1</td>
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<tr>
<td>IRL</td>
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<td>0.1</td>
<td>27</td>
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<tr>
<td>I</td>
<td>1 942</td>
<td>33.7</td>
<td>1 920</td>
<td>30.5</td>
<td>7.5</td>
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<td>2</td>
</tr>
<tr>
<td>NL</td>
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<td>4.7</td>
<td>277</td>
<td>4.4</td>
<td>-1.8</td>
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<tr>
<td>A</td>
<td>265</td>
<td>4.6</td>
<td>357</td>
<td>5.7</td>
<td>-5.0</td>
</tr>
<tr>
<td>P</td>
<td>26</td>
<td>0.5</td>
<td>8</td>
<td>0.1</td>
<td>-2.5</td>
</tr>
<tr>
<td>FIN</td>
<td>4</td>
<td>0.1</td>
<td>26</td>
<td>0.4</td>
<td>-32.3</td>
</tr>
<tr>
<td>S</td>
<td>50</td>
<td>0.9</td>
<td>143</td>
<td>2.3</td>
<td>0.1</td>
</tr>
<tr>
<td>UK</td>
<td>497</td>
<td>7.1</td>
<td>386</td>
<td>5.8</td>
<td>6.7</td>
</tr>
</tbody>
</table>

Source: Eurostat.

### Tab. 3 EU-Romania trade by product classified by type of use, 1999

<table>
<thead>
<tr>
<th>Product groups (CEA)</th>
<th>Imports 1999 (Mio euro)</th>
<th>Share in total (%)</th>
<th>Annual variation 99/96</th>
<th>Exports 1999 (Mio euro)</th>
<th>Share in total (%)</th>
<th>Annual variation 99/96</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural products</td>
<td>203</td>
<td>3.5</td>
<td>37.0</td>
<td>73</td>
<td>1.2</td>
<td>5.4</td>
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<tr>
<td>Food products</td>
<td>68</td>
<td>1.2</td>
<td>4.9</td>
<td>175</td>
<td>2.8</td>
<td>-13.5</td>
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<tr>
<td>Consumer goods</td>
<td>2 985</td>
<td>51.9</td>
<td>18.6</td>
<td>1 303</td>
<td>21.2</td>
<td>18.7</td>
</tr>
<tr>
<td>Automobile</td>
<td>71</td>
<td>1.2</td>
<td>6.5</td>
<td>311</td>
<td>5.1</td>
<td>21.4</td>
</tr>
<tr>
<td>Equipment goods</td>
<td>622</td>
<td>10.8</td>
<td>31.9</td>
<td>1 481</td>
<td>24.1</td>
<td>8.7</td>
</tr>
<tr>
<td>Intermediary goods</td>
<td>1 755</td>
<td>30.5</td>
<td>11.7</td>
<td>2 621</td>
<td>42.7</td>
<td>14.9</td>
</tr>
<tr>
<td>Energy</td>
<td>27</td>
<td>0.5</td>
<td>-17.7</td>
<td>96</td>
<td>1.6</td>
<td>-12.5</td>
</tr>
<tr>
<td>Miscellaneous products</td>
<td>20</td>
<td>0.4</td>
<td>2.7</td>
<td>84</td>
<td>1.4</td>
<td>10.9</td>
</tr>
</tbody>
</table>

Source: Eurostat.

### Essential Information – Methodological Notes

- **The country aggregates**: EU: EU-15, CEECs (Central European Countries): Albania, Bulgaria, Hungary, Poland, Romania, Estonia, Latvia, Lithuania, Bosnia-Herzegovina, Croatia and Slovenia; Czech Republic, Slovakia, Serbia Montenegro and the former Yugoslav Republic of Macedonia.

- **Data sources**: Customs sources. Eurostat Comext database: Phare domain for Romania's trade with the rest of the world. EEC special trade domain for bilateral trade between the EU and Romania. Divergences between the two sources on figures concerning bilateral trade can be partly explained by the use of different methodologies and concepts.

- **System**: Special trade.

- **Classification**: in figure 2: primary products; sections I-V of the Harmonised system (HS); manufactured articles: HS sections VI-XXI. The nomenclature used in table 3 (CEA or Classification for Economic Analysis) facilitates the analysis of macroeconomic issues (production, investment, consumption, employment, etc.) by offering indicators that are less geared to production analysis.

- **Statistical values**: EU: values CIF for imports and FOB for exports; Romania: CIF/FOB.

- **Basic figures for 1999**

- **Population (Mio)**
  - Romania: 22.5
  - EU-15: 375.3

- **GDP/capita (in PPS)**
  - Romania: 5 700
  - EU-15: 21 190

- **Unemployment rate**
  - Romania: 6.8%
  - EU-15: 9.2%

- **Inflation rate**
  - Romania: 45.8%
  - EU-15: 1.2%

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