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Original Research Article

Analysis of Romanian exports. The evolution, in the context of National Export Strategy 2014-2020

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Abstract

Currently there are significant changes in the structure of world trade (the emergence of new trading powers and the growing importance of non-EU markets, developing new logistics, energy and transport corridors) that require redirecting a portion of exports to non-EU target markets and the creation and development of logistics centers and assembly activities (including Value Added Services and Value Added Logistics) promotion and communication platforms. Increasing the capacity to connect markets, and consumers to markets, and further liberalization, take place at the same time with the introduction of new rules and challenges of sustainability in production and world trade, as the international community is increasingly aware of the limited resources of the planet, and take measures for sustainable development. The functionality of international markets will be different and new markets will emerge new markets with renewable resources, organic agriculture, creative industries, communication and knowledge.

Keywords: Agricultural, Exports, Imports, Strategy

INTRODUCTION

Intraregional pronounced character of international trade flows

According to the latest estimates of the WTO, 71% of exports generated by Europe in 2010 remained within the region, being the region showing the highest level of intraregional trade flows. In the same year, intraregional exports of Asia accounted for 53% of its global exports. For North America, 50% of generated exports were oriented to the members of North American Free Trade Agreement (USA, Canada and Mexico). Instead, the main export market for Arica is the EU market, followed by Asia and North America; for the Commonwealth of Independent States (CIS) the main market is Europe, and for the Middle East - Asia (WTO, 2011a). Regarding the prevalence of intraregional trade flows with respect to the inter regional, there are two important observations:

1. A significant part of intraregional trade consist in intermediate goods exchanges among regional partners belonging to global production networks, respectively, regional, which have expanded rapidly in recent decades and have a major influence on trade (illustrative example being Asia);
2. Intraregional trade development reflects another important reality of today, ie, increase, importance and impact of preferential trade agreements on international trade.

Structural changes, the emergence of new markets and new flows

Exporters will face radical changes in how to do international business as new business models based on networking, increasing capacity of association or network cooperation, outsourcing and offshoring will gain points. New international business environment will foster innovative organizations in all respects, able to interact in the network and connect quickly to consumers, to markets and to information and knowledge. Value chains

Of companies will be more flexible, less linear and with a higher degree of internationalization options, both supply (sourcing) and outsourcing. These things will request new management skills, including the organization of networks capable to face efficient value chains, able to cope with competitive force, where intangible assets are becoming increasingly present.

In the past 15 years companies have continually look for new ways to reduce costs, time and risks in the supply chain. Reducing costs in the past led to the transfer of productive activities in locations “off-shore”, especially for products and base components, in countries like China. Last trend, due to increasing awareness of companies that need to assess the total cost of production and delivery of goods (not only production), is a combination of “off-shoring” and “near-shoring” (production and assembly of products to be made closer to the marketplace and in a location with the lowest possible price, eg. Eastern Europe, North Africa). The “near-shoring” led and continues to lead to the postponement of the final configuration of the product (assembly, customization) in supply chains. This activity takes place as close as possible of the selling market of the product. It has a growing scale and has already led to the reconfiguration of supply chains, favoring the development of production facilities in Central and Eastern Europe, in detriment of Far East, identifying Romania as an important target market. The final product configuration has come to represent a combination of: a central position in the major markets outlets, specialized workforce at relatively low cost and efficient logistics solutions. Based on the same principles of cost, time and risk reduction, trade and logistics are always looking for “the road of minimum resistance.”

Romania has made significant progress in increasing exports in recent years. Foreign direct investment contributed greatly to these results, and 50% of export is done by a number of 100 companies, in particular with foreign capital or joint ventures, that have benefited from effective management. However, the decisive factor in Romanian exports continue to remain SMEs, as firms integrating large exporters of Romania depend on Romanian sub-suppliers, especially SMEs, in making their exports (indirect export).

In conclusion, of the results and performance of SMEs and the ability of the company, in public – public or public-private in supporting them effectively, depends, ultimately, the development in a sustainable manner of Romanian exports.

Romanian exporters of SME face a multitude of challenges regarding access to foreign markets. They are related of these market conditions and rigors, of their own internal challenges and lack of management skills, by the national business environment and the limited capacity of the public sector or financial support. As a continuation of the old strategy that identified and attempted to simultaneously address all of these challenges, the new strategy will focus more on the key challenges and will identify solutions that allow maximum sustainability, assuming that success can be ensured by long-term strategic response, and not ad hoc or accidental solving.

The national context

The global financial crisis and economic requirements of sustainability, require adjustments in environmental protection and natural conservation, and will continue to change their business models, will change or create new markets, which increases the need for a new strategic approach. Strategic response cannot be determined at random, but only through a process that requires consistent strategic consulting, analysis, focus, responsibility and determination to continue changing the way in wich trade and exports are directed. The path to a new culture of export was opened by previous strategy 2005-2009, but the road to quality, innovation and creativity is long and requires a permanent reversal of policy cycles. 2005-2009 period, where such a strategy was developed and implemented is therefore part of a cyclical process at the end of which Romania will integrate more intense and beneficial in world trade, through export, for the benefit of the whole society.

However, the decisive factor in Romanian exports continues to remain SMEs under the following:

- large integrated firms, importing from Romania, are dependent of Romanian subcontractors, in particular SMEs, in making their exports (indirect export)
- The vast majority of exporting firms are SMEs

In conclusion, of the results and performance of SMEs and the ability of the company, in public – public or public-private to support them effectively depends, in the last analysis, the development in a sustainable manner of Romanian exports.

Romanian exporters, from SME category, face a multitude of challenges to access foreign markets. Some relate to the conditions and the rigors of these markets, some of their own internal challenges and lack of management skills, others of national business environment and the limited capacity of the public sector or the national currency of financial support. As a continuation of the old strategy that identified and attempted to address all of these challenges simultaneously, with greater or less success, the new strategy will focus more on the key challenges to identify solutions to led to top sustainability, on the assumption that long-term strategic response and not the ad hoc or accidental solutions will ensure success.

Moreover, strategic response is not the product of a small group but is based on intensive consultations with business environments in the years 2009, 2010 and 2011.

Romania is among the countries with medium to low degree of export orientation, as a percentage of GDP.

Also, technological intensity of exports is relatively small at EU scale, and exporters basis is reduced at SMEs, with exports concentrated in a small number of large firms in the proportion of about 50%. The average of Romanian entrepreneurs per 1,000 inhabitants is half that in the EU, and the number of exporting firms felt during the crisis of 2008 – 2009.

Romania occupies one of the last places in the world in terms of sophistication and innovation in business (rank 102) or in terms of availability of the latest technologies (No. 115).

Contribution of clusters and conglomerate of exporters or of innovative firms is relatively small at European and even global scale. At the global scale, the degree of development of clusters ranks Romania on 116th place.

Romanian exports is regionalized and concentrated on large EU countries or countries in South-East Europe, Middle East and CIS countries. Here are the main export growths.

After similarity index of export portfolio, Romania competes with countries such as Bulgaria, North African countries (Tunisia, Egypt), Italy, Ukraine and Turkey, placing (after Geneva ITC studies) on an average to poor position, as performance, compared to these countries.

In the EU Competitiveness assessments of member countries, Romania is part of Group No. 4, with the lowest competitiveness, both in the GDP/capita and in terms of technological intensity, which highlights the substantial gap in competitiveness that Romania still has in the EU economy.

Other direct influence on export vulnerabilities is related to infrastructure, including ports, where the place of Romania in the world's indicator of Portuar infrastructure development is 128, and in the road indicator 139. Romania's collaboration between universities and business environments place is 115 in the world, which substantially reduces the practical basis for the development of export clusters and innovation.

In addition to addressing these vulnerabilities, export strategy should aim to capitalize also the strengths that Romania has, namely the education enrollment rate (place 23), simplification of business procedures (place 40), the quality of education in accurate sciences (place 45) or penetration of broadband Internet connection rate (place 42).

Strictly in terms of pro-export policies and instruments, stimulation and promotion of exports (national system of support and export promotion), Romania has notable performance in terms of institutional aspect, and of public private partnership. Thus, Romania has a legislative package, relatively uniform (EO 120), and a transparent and institutionalized co-decision frame of the private sector in achieving promotion tools through Export Council. However, compared to advanced countries with instruments of support and promotion (Finland, England, Holland, Germany), Romania is at a low level in the following aspects:

- Small volume of budgetary resources provided to instruments and to public sector to promote and support activities;
- Duplication and non-coordinating in activities of support and promote the public sector, including the identity and competitive branding;
- Lack of modern support tools (integrated databases, strategic planning lines of export, export passport, upgrading internal and external networks of support from the public sector, country branding);
- Unconnection at national level of export support with regional one, the latter being highly fragmented and total uncoordinated between counties belonging to a development region;
- Misunderstanding of the strategic goal of pro-export activities, which is not a simple promotion of the rigid offer existing, but concentrates export activities of development, both externally and internally. Only by promoting existing supply, Romania will not go up in the hierarchy of exporters, requiring an effort to continue its adaptation.

Practical, there in no country in the world that does not focus on supporting national exports, and the most advanced ones are developing more integrated services, to meet the needs of advisory, consultancy, support for companies. The current context requires radical changes in the involvement in international trade and in the export, both at company level, groups of companies, as well as in the manner in which supporting institutions support companies to implement the best solution for creating and maintaining of sustainable competitive advantages. Public institutions of support, remodeled in public-public and public-private partnerships, are becoming increasingly concerned to provide network services to businesses and to integrate domestic and external networks for targeted branding and internationalization of companies and groups companies located in the national territory.

Best practices indicate both the diversification of these solutions, and their efficiency and their application on target groups, as exporting customers well defined.

It is becoming increasingly clear that the main challenge is to increase the capacity of countries, development regions of sustainable exports, at all levels where possible (national, regional, sectoral, public, private or mixed public-private). The export of high added value, in small or medium-sized economies and opened, is the safest competitiveness. Thereby, Romania's capacity to develop sustainable exports is the fundamental challenge for the country's competitiveness.

The development of capacity and capability to export, or otherwise, the motivation of the capacity of companies to add, capture, create or retain value on the national chain value, must be at the core of all those who can contribute to exports promotion. If we look carefully at international best practices in export promotion, we see that the central challenge can be dissected into several

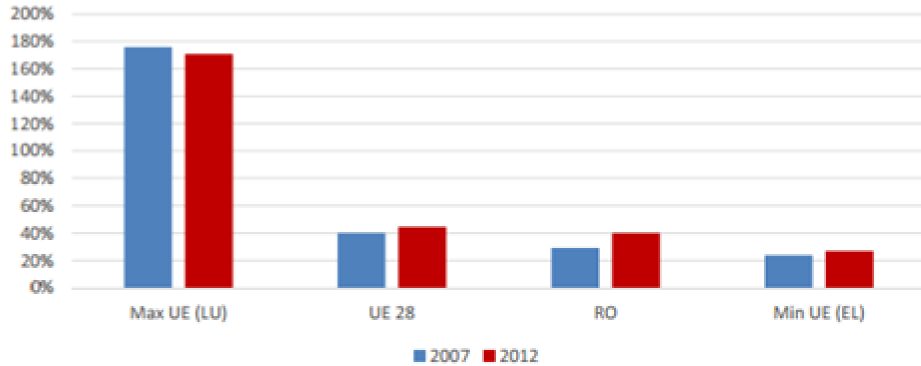


Figure 1. The share of goods and services in GDP

Source: Data processed by the author using Eurostat indicators

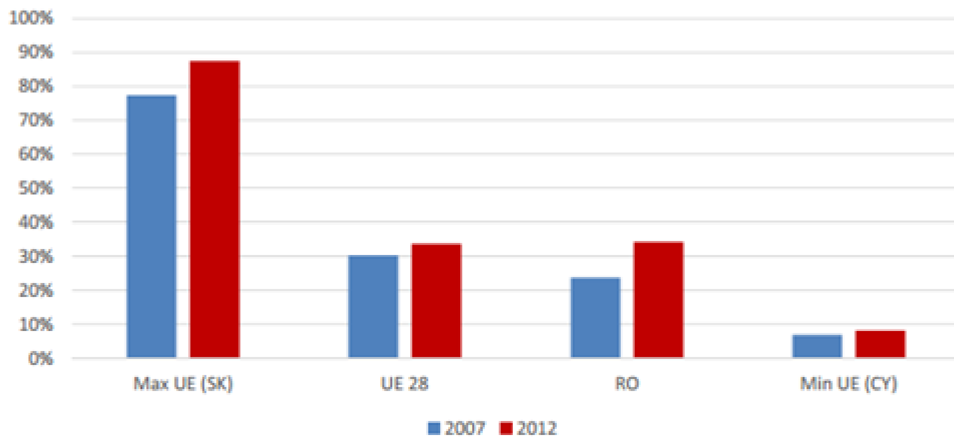


Figure 2. The share of exports of goods in GDP

Source: Data processed by the author using Eurostat indicators

strategic reasons, or otherwise, specific challenges without it cannot be spoken of sustainable development of export.

Export performance in the period 2008-2013

Exports are the most relevant activity, essential, for assessing national competitiveness. The share of exports in GDP is an indicator of the intensity of the internationalization of the economy. In the period 2007-2012, Romania has increased the share of total exports in GDP, from 29.3% in 2007 to 40% in 2012 (Figure 1), but is still positioned below the EU average (40.1% in 2007 and 44.7% in 2012). Regarding the share of exports of goods only, in GDP (Figure 2), Romania is below the European average in 2007, with a value of 23.7% compared to the EU average of 30.3%, but in 2012 exceeds the average of European Union (33.7%), accounted for 34.2%.

In terms of geographical orientation, during the reviewed period, it was found that the general trend is that Romanian exports to re-orient towards non-EU countries, which shows that Romanian exporters find increasingly more profitable to go outside EU.

Besides the re-orientation to non EU, second significant trend in foreign trade and in Romanian exports is regionalization, and increasing export volume with countries in the region, members or non members of EU states.

The figure 3 below shows the predominance of the countries in immediate proximity as trading partners of Romania, in the top 10 export destination countries. If to this we add the permanent growth of Romanian exports in Moldova and Russia, we will have a more complete picture of the geographic concentration of Romanian exports.

Evolution of foreign trade in the period 2008-2012 and the first 5 months of 2013 indicate, as shown below, a sustained rhythm of growth of exports, comparing with imports.

Structurally, machines, equipment and other manufac-

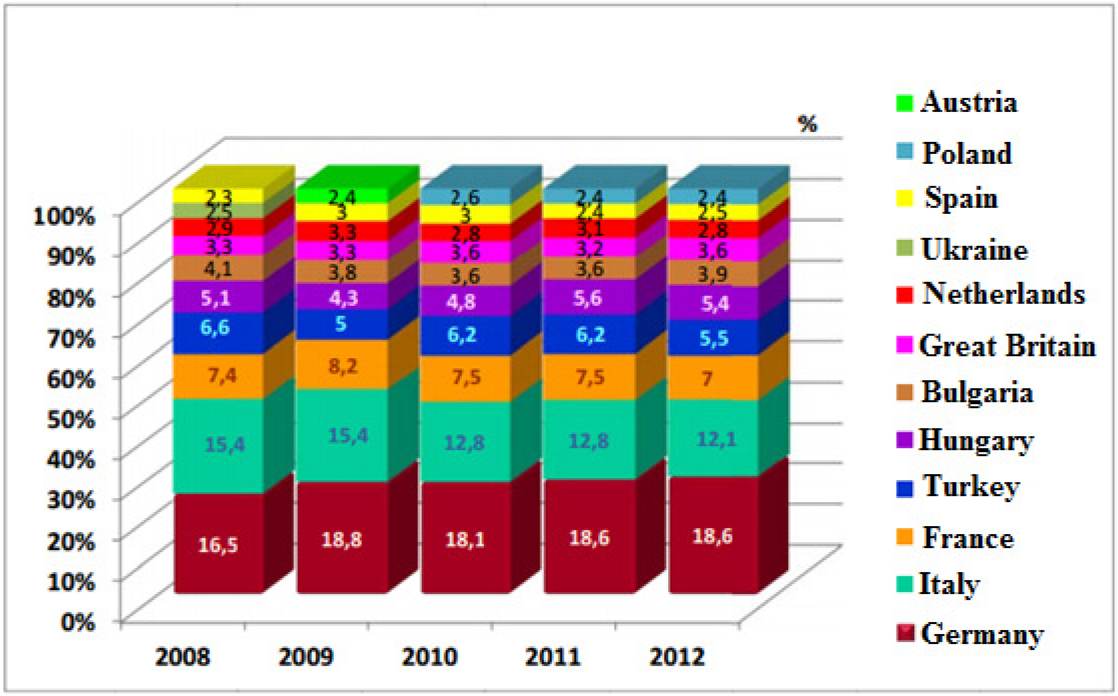
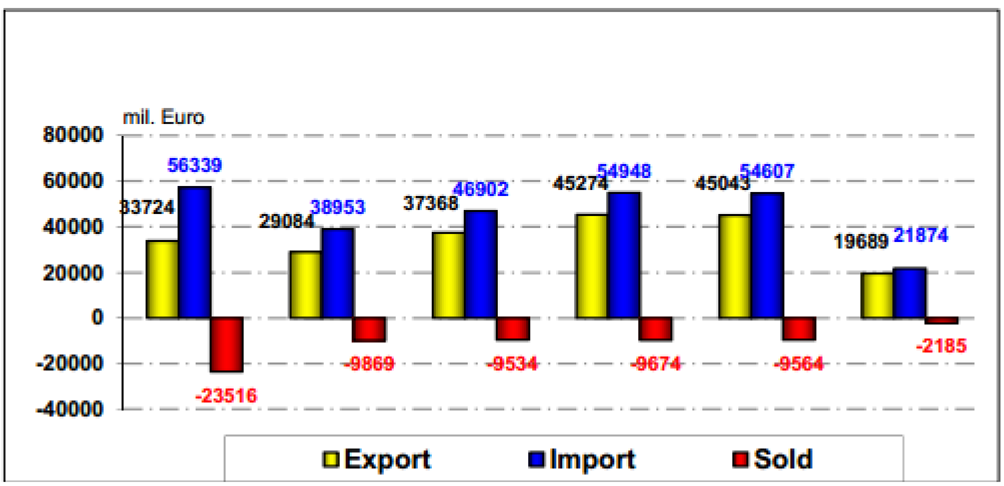


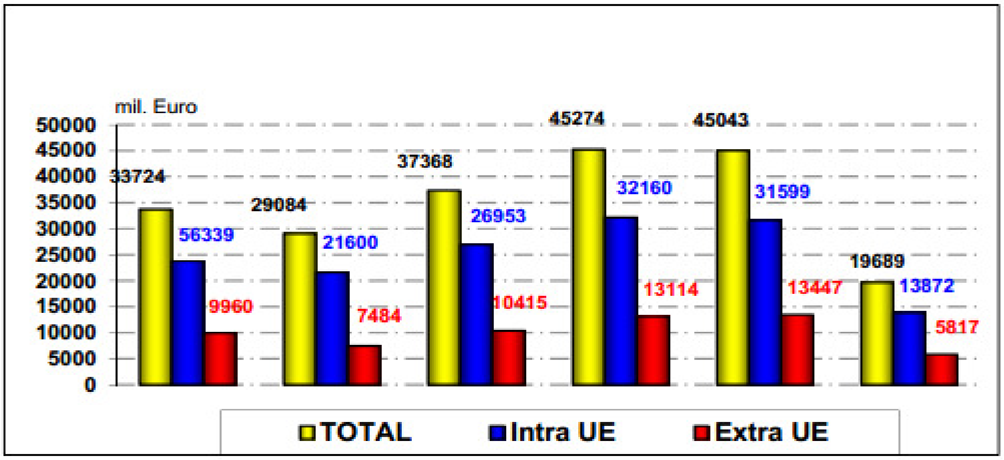
Figure 3. The top 10 destination countries for Romanian exports 2008-2012

Source: Data processed by the author using Eurostat indicators

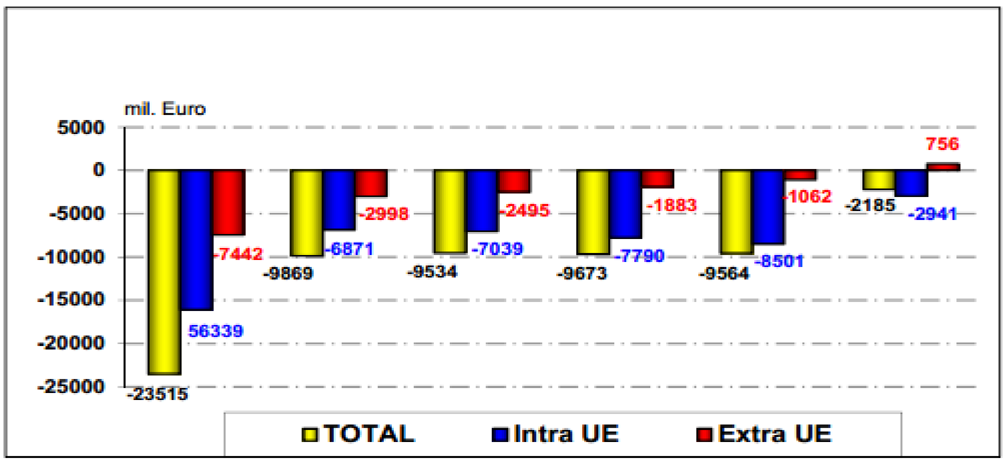


The top 10 destination countries for Romanian exports 2008-2012

Source: Data processed by the author using Eurostat indicators



The top 10 destination countries for Romanian exports 2008-2012
Source: Data processed by the author using Eurostat indicators



The top 10 destination countries for Romanian exports 2008-2012
Source: Data processed by the author using Eurostat indicators

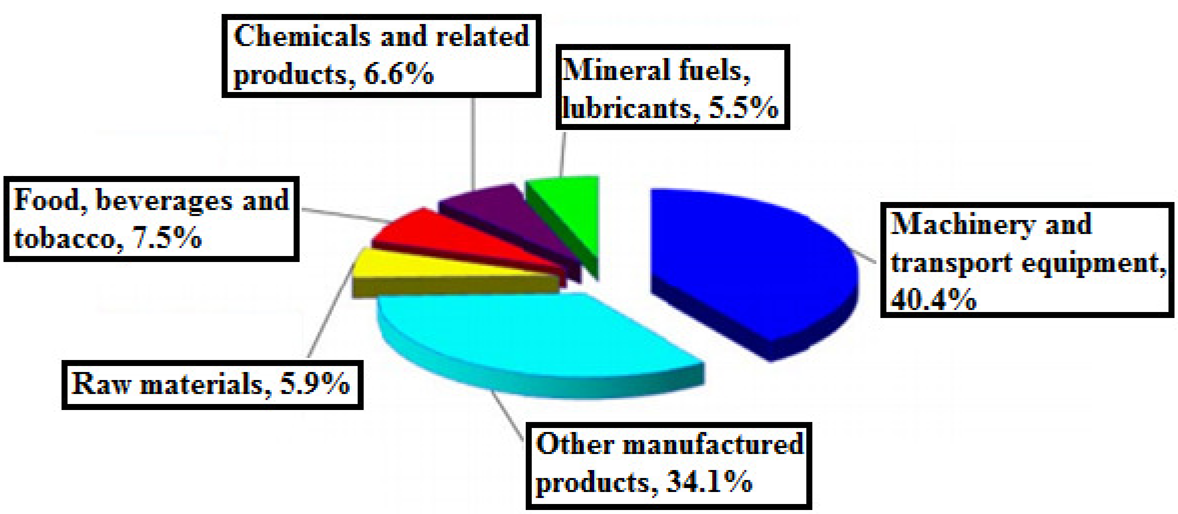


Figure 4. Romanian share of exports in total exports
Source: Data processed by the author using Eurostat indicators

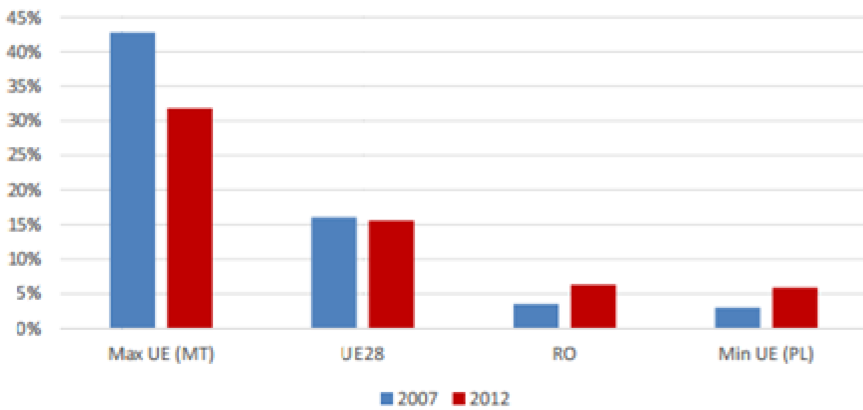


Figure 5. Share of high-tech exports in total exports

Source: Data processed by the author using GEA indicators

tured products dominate the export portfolio of Romania, with almost three quarters of the total, and agri-food products increased permanent as share.

A set of indicators of structural changes, regarding the composition of exports by level of technology, productivity, education and innovation, show that the openness of the economy occurs in less favorable conditions of high competitive performance. Regarding the composition of exports, Romania registered an increase in the share of exports in total exports of high technology, from 3.5% in 2007 to 6.3% in 2011, positioning itself well below the EU average (16.1 % in 2007 and 15.6% in 2008) and being at a level quite similar to the last in the hierarchy, Poland, with a share of 3% in 2007 and 5.9% in 2012 (Figure 5).

Exports evolution in 2013

In the first seven months of 2013, Romanian FOB exports, amounting to 28.19 billion euros, exceeded exports by 7.7% from the same period of 2012. In the month of July 2013 Romanian exports have increased by 11, 4% compared to the previous month and with 18.1% compared to July 2012. In the period mentioned, deliveries to EU countries recorded an increase of 7.0% compared to the same period of year 2012, while exports in the extra community zone, like 2012 year, maintained a more pronounced growth trend, recording a rate of 9.4%. These developments have allowed a favorable evolution of the trade deficit, which, after the first seven months of 2013, was 3.13 billion Euro, lower with 2.23 billion than recorded in the same period in 2012.

In structure, exports consist of over 76% of manufactured goods, of which the building industry machinery and transport equipment have a share of 42.5% of the total, and manufactured goods of light industry, metallurgy, wood processing, 33.6%. Agri-food products have a share of 7.1%, chemicals 6.1%, while raw materials are 6.1% and 4.6% fuels.

Geographical distribution of exports is maintained mainly to EU countries with 70.6% of total exports, although slightly decreasing from 71.1% in the first seven months of 2012. It highlights, thus, the trend of Romanian exports orientation to emerging markets outside the EU, less affected by the crisis.

The most important products in Romanian exports in the first 7 months of 2013 are

Cars (7.2% of Romanian exports, an increase of 55.8% over the same period in 2012); auto parts and components (7.2% / 18.3%); wires, cables, insulated electrical conductors (5.7% / 3.0%); Wooden furniture (3.4% / 16.9%); product of oil refining (3.4% / decrease -21.1%); rubber tires (2.3% / 9.0%); drug (1.9% / 12.9%); pumps and air or gas compressors (1.7% / 13.8%); Telephone equipment (1.7% / decrease -25.5%), wheat (1.5% / 133.0%), footwear (1.5% / 7.5%); Women clothing (1.4% / 7.5%); low voltage electrical equipment (1.2% / 15.1%), corn (1.2% / -37.0% decrease).

In addition to increasing the value of exports, stands their constantly improvement of structure, mainly high added value products for outside markets, less affected by the crisis.

CONCLUSIONS

Comparative and competitive advantages of the Romanian foreign trade

Nation's competitiveness indicators are classified into four main pillars of the most important academic evaluator IMD (International Management Development) in Lausanne. The first pillar of the nation's competitiveness is called aggression versus attractiveness, assessing the nation's economic relations with the presence of products to foreign markets and attracts foreign investment in the local economy. Indicators of trade represent the grade of country integration into the world economic cycle, and foreign investment indicators in the country consider opening domestic economy through economic, fiscal, political stability and predictability of the business environment.

It should be noted that the two indicators are reflected in current accounts with the same sense of national records, i.e., external payments for exported goods grow the entries for the current account, and foreign investment, in the same way, increase capital inflows related to the current account. The competitiveness of the nation is defined as the ability of the nation to increase domestic welfare and ensure the best conditions for increasing business competitiveness of economic entities (Stephan Garelli, IMD Lausanne).

The ability of the nation was translated by some academic evaluators at productivity indicators (Michael Porter, 1990; OECD 1992) or only at presence of the goods in foreign markets. Given the advance of digital technologies, in the present times, the competitiveness at macro, meso and micro level is identified through products incorporating cutting edge technology, innovative intelligence, results of research activity. These products capture high added value and competitive advantages, even if they are temporary due to the reduction of competitive cycle. In the European single market conditions, the comparative advantage of a Member State to Member States in an economic sector, brings in first place the specialization of the sector to the economic sector of EU, brings information on integration of companies of the country in the production and value chain structures of EU, respectively, can be a measure for assessing the external competitiveness.

The proposed indicators for measuring the comparative advantage of a country or economic sector to a group of countries or economic sector group of countries, starting with those proposed by Balassa (1965) and continuing with the corrected forms through the intake of imports, or trade balance contribution, became well-known in analytical research.

The revealed comparative advantage is used to identify strong and weak sectors of a country in terms of external trade, through empirical economic studies. The index is calculated for a product or a sector of the economy, through the flow of goods exported to a group of countries or parts thereof, considered as reference. The index compares the share of exports in total exports of a country with the share of exports in total exports of the reference group.

Depending on the research objectives, in our case evaluation of Romanian economic sectors, we can calculate the overlap of goods in exports and imports and trade balance by economic sector of the economy. This information, at first glance, reflects the competitiveness of the sector, both in domestic and foreign markets. Deepening the research on groups of products, we can determine differences in quality, technology, value in added values of products exported and imported to an economic sector in order to get the real picture of the competitiveness of the economy.

Another purpose of the analysis was to determine the degree of complexity of the products. A number of studies have shown that most trade intraindustries (EU) has vertical and not horizontal character. The exchange of goods export and import recorded in the same grou of products does not refer to the same products, with different quality, in particular regarding the complexity and degree of assembly, and quality of their use (ex. Agricultural products). In this sense, it can be accepted that the same group of goods exported and imported, have a different value from this point of view of complexity. It is known that the final product with high complexity have the greatest added value and the final access on the market sales.

This sustained growth in exports led to a decrease in the negative balance of trade balance.

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