
INTERNATIONAL TRADE - A BRAKE ON ECONOMIC GROWTH

Prof. Constantin ANGHELACHE PhD (*actincon@yahoo.com*)

Bucharest University of Economic Studies / Artifex University of Bucharest

Dana Luiza GRIGORESCU PhD Student (*danaluiza2004@yahoo.com*)

Bucharest University of Economic Studies

Abstract

The economy of a country must be oriented to produce, efficiently capitalizing on the factors of production (capital, labour, resources) in order, in this way, to ensure the increase of the living standard.

No matter how well it is planned, forecasted as a structure and evolutionary trend, a country's economy can produce more than domestic needs and then it exports or if it cannot produce the whole structure of goods and services and then resorts to imports.

International trade ends periodically through net exports, ie the difference between exports and imports. This balance of international trade can be positive or negative, ie a country has deficits or surpluses.

In cases where imports are higher than exports, what is produced in the country must be used to pay for imports by foreign exchange and thus bring a disadvantage to economic growth.

The purpose of this article is to highlight that in recent years international trade has run growing deficits. They have made a negative contribution to economic growth and, in this way, to ensuring the distribution of national income for investment and consumption by reducing the quality of life.

The methodology used for this article consisted of building databases, graphical representations, using the method of indices and dynamic series as well as statistical-econometric methods and models to highlight the trend in which this deficit of the external balance of payments has increased. .

The article is just a sequence of a complex analysis that must be the basis for analysing the evolution of the national economy over a period of time.

Keywords: net export, export, import, production, deficit, surplus, national economy.

JEL classification: H10, H60

Introduction

In this article, the authors have used a very extensive database to establish the possibilities of the national economy in terms of developments in international trade in goods and services.

One by one, aspects were presented regarding the results obtained in August 2021 compared to the previous month, compared to December 2020 as well as compared to August of the previous year. Exports, imports and also trade balance balances are analysed both in August by comparing, as we have shown, with other reference periods, but also in the first eight months by comparing them with the situation recorded in the same period last year. or in previous years.

In order to better highlight the way in which imports and exports increased and the way in which the foreign trade deficit widened, we used a series of data between January 2016 - August 2021. Through graphical representations and data series we ensured a good representation of the places where the activity of international exchanges was deficient.

In another graphical representation, comparing the indicators calculated in the same periods, we made a structure on a series of product groups to highlight the areas in which Romania made mistakes, so to speak, in making exchanges to ensure macrostability.

To better highlight the situation, we used graphical representations that are expressive and show how the difference between import and export has evolved month by month and, consequently, the deficit that has also been recorded month by month, within time.

We find that in the last period of time this deficit has worsened and it is burdening economic growth, because this deficit is part of the debt that must be covered by other profitable activities, producing gross value added.

Literature review

Many researchers have paid attention to the activity of international trade, which has a particularly important role for any national economy. Thus, Anghel M.G., Iacob S.V., Haseganu D.A. (2020) and Anghelache C., Anghel M.G. (2017) studied and disseminated a series of studies on the evolution of international trade in goods, analysis of international trade or international trade factor of economic growth, the analyses being accompanied by the use of statistical-econometric models, based on which estimates were made and forecasts. Bernard A.B., Jensen J.B., Redding S.J., Schott P.K. (2012) dealt with the analysis of the role of large international corporations in international trade in goods. Elgstrom O. (2007) pays attention to the activity of international trade in terms of content and negotiation technique, and Fajgelbaum P.,

Grossman G., Helpman E. (2011) fsc a study on revenues, production quality and international trade, in which elements related to foreign trade are currently being addressed. Hill C., Smith M. (2011) published an extensive paper on international trade relations and relations with the European Union, and Hummels D. (2007) published a paper dealing with the cost of transport in international trade in the era of globalization. Staiger R., Sykes A. (2011) published an analysis on international trade, national treatment and domestic regulations in the countries involved in such transactions.

Methodology

We further summarized the main methodological aspects used by the National Institute of Statistics and Eurostat to ensure the possibility of a correct interpretation of the data under study. Thus, the balance of the FOB / CIF trade balance is calculated on the basis of the value of the FOB export and the CIF import, as the difference between them. The negative balance of the trade balance is called the deficit, and the positive is called the surplus.

The FOB (Free on Board) price represents the price at the border of the exporting country, which includes the value of the good, all transport costs to the point of embarkation, as well as all the taxes that the good must bear in order to be loaded on board. .

The CIF price (Cost, Insurance, Freight / Cost, Insurance, Shipping) represents the price at the border of the importing country, which includes both the components of the FOB price and the cost of insurance and international transport.

Regarding the statistics on international trade in goods, they are established by summing the data from the INTRASTAT and EXTRASTAT statistical systems: the INTRASTAT system for INTRA-EU trade (trade in goods between Romania and the other Member States of the European Union) and the EXTRASTAT system for trade EXTRA-EU (exchanges of goods between Romania and states that are not members of the European Union).

For INTRA-EU trade are included the shipments of goods from Romania to another EU member state and the introductions (entries) of goods in Romania having as country of dispatch another EU member state.

Shipments from Romania include goods in free circulation that leave the statistical territory of Romania to another EU Member State and goods that have been placed under the customs procedure of inward processing (within the country) or processing under customs control in Romania and which are destined for other states member.

Introductions (entries) in Romania include: goods in free circulation in an EU Member State entering the statistical territory of Romania and goods

that have been placed under the customs procedure of inward processing or processing under customs control in another EU Member State and entering on the statistical territory of Romania.

The EXTRA-EU trade includes the exchange of goods between Romania and the non-EU member states, having as object: the direct import of goods for consumption, the imported goods taken out of the customs warehouses or the free zones to be put for consumption, the export of goods of national origin, as well as the export of imported goods, declared for domestic consumption.

Also included are: temporary imports of foreign goods for inward processing (within the country); exports of compensating products are resulting from inward processing and temporary exports of goods for outward processing (processing in other countries). For imports, account shall be taken of imports of compensating products resulting from processing abroad and goods imported or exported under the financial leasing system (at full value of the goods) and quasi-exports, for which customs declarations are made at the national frontier. export related to the international transactions of non-resident economic operators.

Not included in international trade: goods in transit, goods temporarily admitted / removed in / from the country (except for processing), goods purchased by international organizations for own use in Romania, goods for and after repairs and related spare parts.

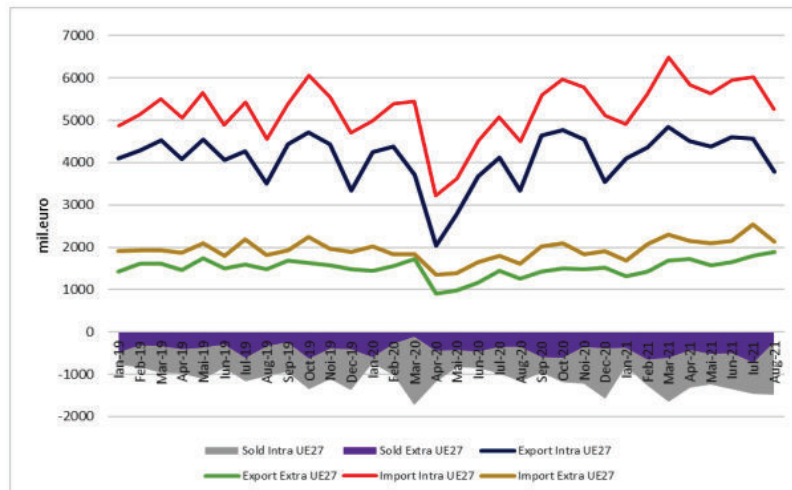
Data, results and discussions

Analysing the data series we find that in the first eight months of 2021, respectively the period January 1 - August 31, 2021, FOB exports amounted to EUR 48184.7 million, and CIF imports amounted to EUR 62787.0 million. In the same period compared to the same period of 2020, exports increased by 24.4% and imports increased by 24.9%.

Graph number 1 shows the evolution of exports, imports and the balance of Intra-EU27 and Extra-EU27 trade balances between January 2019 and August 2021

Exports, imports and balances of Intra-EU27 and Extra-EU27 trade balances during January 2019 - August 2021

Chart 1



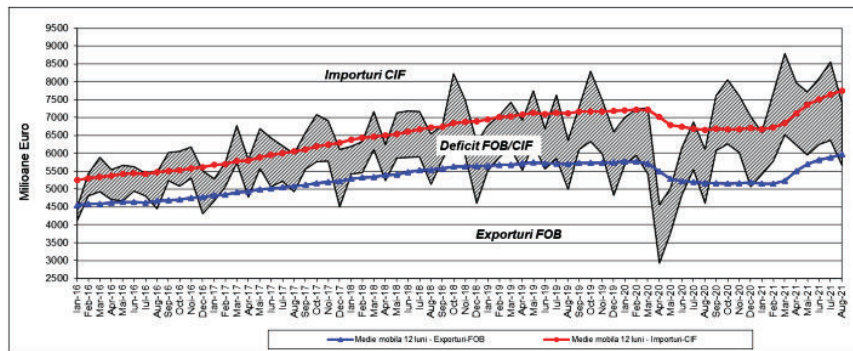
Interpreting the data presented graphically, we find that in August 2021, FOB exports amounted to 5672.0 million euros, and CIF imports amounted to 7401.3 million euros, resulting in a deficit of 1729.3 million euros.

Exports from August 2021, compared to August 2020, increased by 23.3%, and imports increased by 21.1%.

Graph number 2 shows the evolution of exports, imports and the balance of trade over a longer period of time, namely January 2016 - August 2021.

Exports, imports and trade balance between January 2016 and August 2021

Chart 2



The trade deficit (FOB / CIF) in the period 01.01-31.08.2021 was 14602.3 million euros, higher by 3087.7 million euros than the one registered in the similar period of 2020.

The data regarding the results of international trade by product groups according to CSCI Rev.4 for the period 01.01-31.08.2021 are structured in the following table.

International trade by product groups according to CSCI Rev.4 in the period 01.01-31.08.2021

Table 1

	Exporturi FOB 1.1-31.VIII 2021			Importuri CIF 1.1-31.VIII 2021		
	Milioane euro	Pondere în total export (%)	în % față de 1.1-31.VIII 2020	Milioane euro	Pondere în total import (%)	în % față de 1.1-31.VIII 2020
TOTAL	48184,7	100,0	+24,4	62787,0	100,0	+24,9
din care, în relație cu UE 27	35134,3	72,9	+24,3	45694,3	72,8	+24,2
Alimente și animale vii	3607,0	7,5	+22,6	5182,6	8,3	+12,1
din care, în relație cu UE 27	1609,1	3,3	+25,1	4445,9	7,1	+11,2
Băuturi și tutun	964,9	2,0	-6,4	532,0	0,8	+13,3
din care, în relație cu UE 27	762,9	1,6	+0,7	399,9	0,6	+13,7
Materiale crude, necomestibile, exclusiv combustibil	1973,6	4,1	+50,0	1940,7	3,1	+40,0
din care, în relație cu UE 27	1011,3	2,1	+37,9	1132,3	1,8	+34,5
Combustibili minerali, lubrifianți și materiale derivate	1626,1	3,4	+56,1	4173,0	6,6	+51,2
din care, în relație cu UE 27	784,8	1,6	+75,7	1033,1	1,6	+31,0
Uleiuri, grăsimi și ceruri de origine animală și vegetală	184,8	0,4	+67,1	141,5	0,2	+11,1
din care, în relație cu UE 27	135,6	0,3	+74,6	125,0	0,2	+23,5
Produse chimice și produse derivate nespecificate în altă secțiune	2491,5	5,2	+24,4	9327,6	14,9	+22,2
din care, în relație cu UE 27	1723,7	3,6	+35,6	7476,3	11,9	+24,7
Mărfuri manufacturate clasificate în principal după materia primă	8500,8	17,6	+33,5	11860,2	18,9	+25,0
din care, în relație cu UE 27	6302,7	13,1	+35,6	8591,0	13,7	+28,9
Mașini și echipamente pentru transport	22525,9	46,7	+23,5	22583,0	36,0	+24,8
din care, în relație cu UE 27	17645,0	36,6	+22,6	17425,2	27,8	+25,0
Articole manufacturate diverse	6236,3	12,9	+11,2	7029,8	11,2	+24,2
din care, în relație cu UE 27	5129,7	10,6	+10,2	5054,9	8,1	+23,6
Bunuri necuprinse în altă secțiune din CSCI	73,6	0,2	-3,5	16,6	*)	+16,4
din care, în relație cu UE 27	29,4	0,1	+144,0	10,8	*)	-8,8

Source: INS communiqué number 258/11 October 2021

Interpreting the data presented in the table, we find that the value of intra-EU trade in goods between 01.01-31.08.2021 was 35134.3 million euros for shipments and 45694.3 million euros for introductions, representing 72.9% of total exports and 72.8% of total imports.

Also, the value of extra-EU27 exchanges of goods in the period 01.01-31.08.2021 was 13050.4 million euros for exports and 17092.7 million euros for imports, representing 27.1% of total exports and 27.2% of total imports.

At the same time, we mention that some important shares in the structure of exports and imports in the period 01.01-31.08.2021 are held by the groups of products machinery and transport equipment, respectively 46.7% for export and 36.0% for import and other manufactured products, respectively 30.5% for export and 30.1% for import.

Conclusions

From the study of this article, as well as from the more extensive analysis of the presented data, a series of theoretical and practical conclusions can be drawn. First, the export activity must be carried out at a faster pace and not the other way around exports should be lower than imports.

Exports of industrial products, manufactured, are made through external orders, based on contracts, based on commitments of the contracting parties.

It is true that the issue of liberalizing the movement of goods and services has been raised in the European Union. From this point of view, export and import VAT are no longer applied within the 27 Member States, with trade practically becoming sales / purchases.

It is easy to understand that from this it can be deduced that the Romanian industry has narrowed its activity a lot in the context in which the production for export is more and more reduced and more difficult to achieve.

It follows that in order to balance imports with exports, on the basis of the indicator, the coverage of imports by exports raises the issue of quality and price competitiveness. From the analysed data it results that Romania is far enough from this desideratum.

Another conclusion that derives from this is that a series of activities that are also dedicated to exports do not bring the gross added value that we would expect due to the system of multinational companies.

In this context, we give only one example, namely, the banking system in Romania (and not in Romania), has its reporting base in the countries where the capital holders make the strategy, not in accordance with the requirements and needs of Romania.

As a last conclusion, we can show, based on the analysis of the trend, that in the next period Romania will register increasing deficits with negative effects on real economic growth.

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