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# INTERNATIONAL TRADE WILL PARTICULARLY AFFECT ECONOMIC GROWTH

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## Abstract

*International trade is important for any country in the sense that by making exports it complements the economic results of a country.*

*The economic strategy of a country takes into account the international exchanges, which have the effect of importing where it is needed to ensure the raw materials, materials and technology necessary to continue the production cycle, but also exports that must represent the external capitalization of the goods and services that Romania can produce in addition to internal needs.*

*In this article, the authors set out to highlight that imports grow faster than exports and exemplify by the fact that in March net export, that is, the difference between export and import, is 2.571 billion euros.*

*Also, for the period of the first three months of this year, the trade balance deficit (FOB/CIF) was 7.168 billion euros. This is an increase of almost EUR 2 billion compared to the same period in the previous year.*

*By using the statistical-econometric methodology (indices, indicators, tables, databases, dynamic series, comparative analyses, statistical-econometric methods) it is aimed at documenting this aspect that will have an unpleasant end, in the sense that it will seriously affect the economic growth in 2022.*

**Keywords:** exports, imports, goods and services, deficit, statistical-econometric methods and models.

**JEL classification:** H10, H60

## Introduction

In this article we started from the analysis, based on the data provided by the National Institute of Statistics and Eurostat, of how the international commercial activity has evolved.

In the case of Romania, it is found that both import and export has increased, but more actively and faster the import, which determines a negative and harmful net export for the national economy.

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At the same time, it was found that the coverage of imports through exports has degraded as the deficit of the balance of foreign trade payments has increased, amounting to over 2 billion euros in the last two months.

The destination structure of imports, as well as exports, shows some consistency, but nevertheless, the effect still remains negative.

Consequently, certainly, international trade will affect even more deeply the level of results obtained by Romania, which will have to consume, by paying imports, to consume from the currency obtained from exports, particularly important amounts.

Romania must structure its industry in particular and identify those areas that are competitive and comparable at European level in terms of prices, so as to try to reach as important a coverage of imports as possible through the exports made.

### **Literature review**

In recent years, the share of imports has remained higher than exports, thus increasing the deficit of the balance of foreign payments in Romania, and this phenomenon has been carefully studied by a number of economists and researchers. In this respect, Anghelache C., Stoica R., Dumitru D. (2020) and Anghelache C., Anghel M.G. (2017) studied and disseminated a series of analyses on the evolution of international trade in goods, the analyses being accompanied by the use of econometric statistical models, on the basis of which estimates and forecasts were made. Internationally, Elgstrom O. (2007) pays attention to international trade activity in terms of the content and technique of negotiations, and Hill C., Smith M. (2011) published an extensive paper on international trade relations and relations with the European Union. At the same time, Hummels D. (2007) presented a paper dealing with the cost of transport in international trade in the age of globalization, and Karacovalia B., Limao N. (2008) examines issues related to the liberalization of trade in the European Union. Staiger R., Sykes A. (2011) published an analysis of international trade, national treatment and internal regulation in the countries involved in such transactions.

### **Methodologies**

In order to ensure the possibility of a correct interpretation of the data under study, we have summarized the main methodological aspects used by the National Institute of Statistics and Eurostat. Thus, the international trade in goods are established by summing up the data from the INTRASTAT and EXTRASTAT statistical systems: the INTRASTAT system for intra-EU trade (the exchanges of goods between Romania and the other member

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states of the European Union) and the EXTRASTAT system for extra-EU trade (the exchanges of goods between Romania and the states that are not members of the European Union).

In the first place, it is necessary to specify the scope of the following:

- For intra-EU trade: the shipments of goods from Romania to another EU Member State and the introductions (inputs) of goods into Romania having as the country of dispatch another EU Member State are included.

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

- The introductions (entries) into 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 the statistical territory of Romania.

- For extra-EU trade: it includes the exchanges of goods between Romania and non-EU member states, having as object: direct import of goods for consumption, imported goods removed from customs warehouses or free zones to be released for consumption, export of goods of national origin, as well as the export of imported goods, declared for domestic consumption.

- It also includes: temporary imports of foreign goods for inward processing (within the country); exports of compensating products resulting from inward processing and temporary exports of goods for outward processing (processing in other countries). Imports shall take into account imports of compensating products resulting from processing outside the country and goods imported or exported under the financial leasing system (at the full value of the goods) and quasi-exports, for which customs export declarations related to international transactions of non-resident economic operators are drawn up at the national border.

- The following are not included in international trade: goods in transit, goods temporarily admitted / taken out of the country (except for those for processing), goods purchased by international organizations for own uses in Romania, goods for and after repairs and related spare parts.

Value data are expressed in FOB prices for exports and CIF prices for imports. The fob (Free on Board) price is 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 taxes that the good must bear

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in order to be loaded on board. The CIF price (Cost, Insurance, Freight/ Cost, Insurance, Freight) 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.

The value data are expressed in euro and lei. The conversion into euro of the value data expressed in LEI (collected through intrastate statistical declarations and customs declarations) is made using: the average monthly exchange rate lei/euro communicated by the National Bank of Romania, for the INTRASTAT system and the lei/euro exchange rate communicated by the National Bank of Romania for the penultimate Wednesday of the month, for the EXTRASTAT system.

The data used in this analysis have as sources the official documents drawn up when the goods were moved. Thus, for intra-EU trade, the data are collected from the INTRASTAT statistical declarations directly from the economic operators who have achieved a value volume of intra-Community dispatches of goods and/or a value volume of intra-Community introductions of goods above the level of the Intrastat statistical threshold established for each flow and reference year. Also, customs declarations collected and processed by the National Agency for Fiscal Administration (ANAF), for intra-Community trade in goods for internal processing or processing under customs control; goods that move from / to parts of the EU statistical territory but do not belong to the EU tax territory.

Extra-EU trade data are sourced from the National Agency for Fiscal Administration (ANAF), which collects and processes customs declarations of export and import. Economic operators authorized for simplified customs procedures shall send export/import data to the NIS using a form with a predetermined structure.

Regarding the data regarding the international trade in goods with electricity and natural gas, the data are collected on statistical forms from the importing/exporting companies and from the network operators (CN Transelectrica SA and SNTGN Transgaz SA) by the National Institute of Statistics.

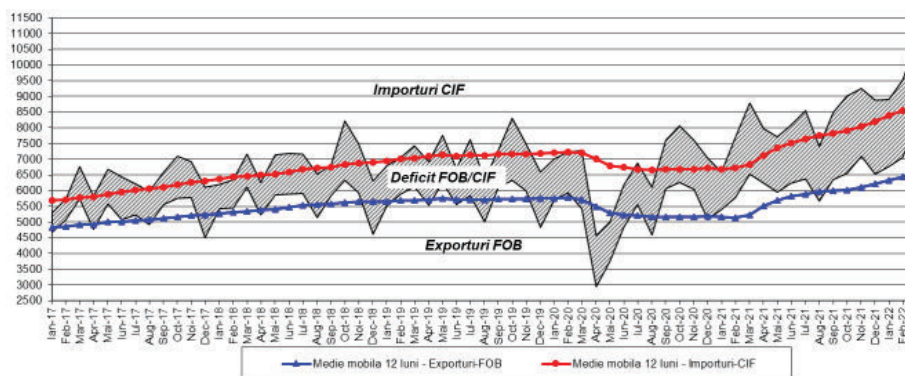
### **Data, results and discussions**

Analyzing the data taken from the National Institute of Statistics, we find that in March 2022, FOB exports amounted to 8.226 billion euros, and CIF imports amounted to 10.797 billion euros, resulting in a deficit of 2.571 billion euros.

Chart number 1 shows the evolution of the export, of the import and the balance of trade in the period January 2017 – March 2022.

**Exports, imports and the balance of trade balance between January 2017 and March 2022 (eur million)**

*Chart 1*



Source: INS press release number 114 / 10 May 2022

Data on international industry by product group according to CSCI Rev.4 in period 1. 01.2022-31. 03.2022 are presented in Table no. 1.

**International industry by product group according to CSCI Rev.4, in period 1. 01.2022-31. 03.2022**

*Table 1*

	Exporturi FOB 1.1-31.III 2022			Importuri CIF 1.1-31.III 2022		
	Milioane euro	Pondere în total export (%)	în % față de 1.1-31.III 2021	Milioane euro	Pondere în total import (%)	în % față de 1.1-31.III 2021
<b>TOTAL</b>	<b>22035,3</b>	<b>100,0</b>	<b>+24,4</b>	<b>29203,7</b>	<b>100,0</b>	<b>+26,7</b>
din care, în relație cu UE 27	16059,4	72,9	+20,8	20930,9	71,7	+23,1
<b>Alimente și animale vii</b>	<b>1967,3</b>	<b>8,9</b>	<b>+65,0</b>	<b>2328,6</b>	<b>8,0</b>	<b>+16,2</b>
din care, în relație cu UE 27	866,3	3,9	+45,4	1971,9	6,8	+15,1
<b>Băuturi și tutun</b>	<b>361,1</b>	<b>1,6</b>	<b>+33,3</b>	<b>213,2</b>	<b>0,7</b>	<b>+20,8</b>
din care, în relație cu UE 27	250,4	1,1	+13,7	154,1	0,5	+13,9
<b>Materiale crude, necomestibile, exclusiv combustibil<sup>3)</sup></b>	<b>1064,7</b>	<b>4,8</b>	<b>+71,6</b>	<b>907,5</b>	<b>3,1</b>	<b>+31,3</b>
din care, în relație cu UE 27	668,1	3,0	+143,7	521,7	1,8	+14,2
<b>Combustibili minerali, lubrifianți și materiale derivate</b>	<b>1055,8</b>	<b>4,8</b>	<b>+92,4</b>	<b>2987,0</b>	<b>10,2</b>	<b>+120,4</b>
din care, în relație cu UE 27	438,8	2,0	+85,7	1246,0	4,3	+278,8
<b>Uleiuri, grăsimi și ceruri de origine animală și vegetală</b>	<b>163,7</b>	<b>0,7</b>	<b>+211,9</b>	<b>73,5</b>	<b>0,3</b>	<b>+47,7</b>
din care, în relație cu UE 27	151,1	0,7	+387,2	58,4	0,2	+39,7
<b>Produse chimice și produse derivate nespecificate în altă secțiune</b>	<b>1100,2</b>	<b>5,0</b>	<b>+20,4</b>	<b>4690,4</b>	<b>16,1</b>	<b>+40,3</b>
din care, în relație cu UE 27	805,7	3,7	+26,3	3522,3	12,1	+29,6
<b>Mărfuri manufacturate clasificate în principal după materia primă</b>	<b>4071,4</b>	<b>18,5</b>	<b>+36,3</b>	<b>5544,6</b>	<b>19,0</b>	<b>+32,7</b>
din care, în relație cu UE 27	3009,5	13,7	+34,2	3982,1	13,6	+29,0
<b>Mașini și echipamente pentru transport</b>	<b>9463,6</b>	<b>42,9</b>	<b>+7,8</b>	<b>9554,2</b>	<b>32,7</b>	<b>+11,5</b>
din care, în relație cu UE 27	7563,5	34,3	+6,5	7327,9	25,1	+10,1
<b>Articole manufacturate diverse</b>	<b>2742,7</b>	<b>12,4</b>	<b>+17,8</b>	<b>2890,5</b>	<b>9,9</b>	<b>+7,6</b>
din care, în relație cu UE 27	2288,3	10,4	+17,3	2136,7	7,3	+14,5
<b>Bunuri necuprinse în altă secțiune din CSCI</b>	<b>44,8</b>	<b>0,2</b>	<b>+80,6</b>	<b>14,1</b>	<b>*</b>	<b>+155,1</b>
din care, în relație cu UE 27	17,8	0,1	+113,1	9,7	*	+157,4

\* Under the 0,05

Source: INS press release number 114 / 10 May 2022

According to the data presented, we find that compared to March 2021, exports in March 2022 increased by 26.0%, and imports increased by 22.9%. Also, in the period 1.01.2022-31.03.2022, FOB exports amounted to 22,035 million euros burn, and CIF imports amounted to 29,203 billion euros.

At the same time, in the period 1.01.2022-31.03.2022, exports increased by 24.4%, and imports increased by 26.7%, compared to the period 1.01.2022-31.03.2021.

The trade balance deficit (FOB/CIF) in the period 1.01.2022-31.03.2022 was of 7.168 billion euros, higher by 1.830 billion euros than that recorded in the period 1.01.2022 - 31.03.2021.

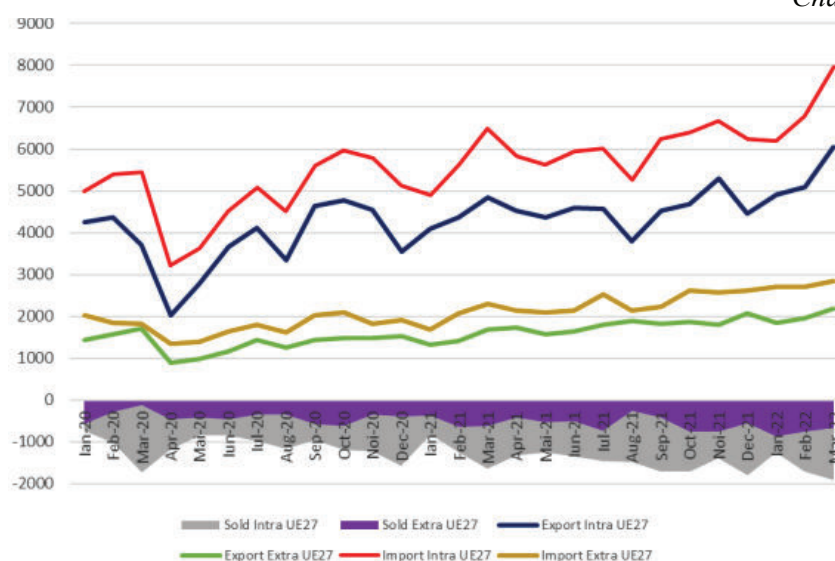
In the period 1.01.2022-31.03.2022, important shares in the structure of exports and imports are held by product groups: machinery and transport equipment, respectively 42.9% for exports and 32.7% for imports

and other manufactured products, respectively 30.9% for exports and 28.9% for imports.

Chart number 2 shows the evolution of the export, of the import or and the balances of the intra-EU27 and extra-EU27 trade balances in the period January 2020 – March 2022

**Exports, imports and balances of intra-EU27 and extra-EU27 trade balances in the period January 2020 – March 2022 (million euro)**

*Chart 2*



Source: INS press release number 114 / 10 May 2022

Interpreting the data presented graphically, we find that the value of intra-EU27 exchanges of goods in the period 1.01.2022-31.03.2022 was 16.059 million euros burn on shipments and 20.930 million euros burn at introductions, representing practically 72.9% of total exports and 71.7% of total imports. Also, the value of the extra-EU27 trade in goods in the period 1.01.2022-31.03.2022 was 5.975 million euros burned in exports and 8.272 million euros burned in imports, representing the difference of 27.1% of total exports and 28.3% of total imports.

**Conclusions**

From this article a number of conclusions can be drawn, as follows. Firstly, the effects of the free market are that it encourages both imports and exports equally.

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From the point of view of the Romanian market, it is necessary, first of all, to supplement imports in order to achieve the increase of production in certain areas of the economy. On the other hand, these imports should also be treated in a slightly patriotic (nationalist) spirit in order to stop or reduce those imports, even if sometimes they are more competitive in price and maybe even quality, than the Romanian ones, in order to enable Romanian companies to get more actively involved in the screening of products.

You will need to increase the number of external orders for industrial products, qualitatively superior in finish and competitive in price.

It must be immediately returned to subsidizing on time and closer to the needs of Romanian farmers, agriculture, which can return under investment conditions, in order to grow through irrigation and the administration of chemical fertilizers, insecticides, fungicides, etc.

In the current conditions, however, it is difficult to stop the growth of the deficit, which will have an effect this year, as in previous years, on the formation of gross domestic product and especially on economic growth.

In particular, if we interpret the two sides of international trade, export and import, compared to the growth of gross domestic product, we consider that both make a contribution in this regard, but returning to the analysis of how net exports, that is, the difference between total exports and total imports influence the formation of gross domestic product, constantly this activity necessary to ensure, on the one hand, of resources and, on the other hand, of the use of surplus production which is obtained for export, which is important and should therefore be given particular attention by the Romanian authorities.

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