

## THE ROMANIAN EXTERNAL TRADE IN LIVE ANIMALS AND ANIMAL PRODUCTS

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### Abstract

*In terms of foreign trade, in Romania there were some major changes over the past 20 years. In this paper we have focused on the Romanian external trade. The products which have been taken into account were live animals and animal products. Thus, we have made an analyse on the Romanian imports and exports at the global level and at the European level. Focused on the animal products, on the global level, there were registered major differences during the first seven years in the analysed period. Breaking by branches, we have pointed out huge distinctions between imports and exports, where the balance of trade was completely negative. Meanwhile, to have a good view on the international trade there were made links, based on some indexes between imports, exports, GDP and investments.*

**Key words:** live animals, trade, salary, exchange rate

### INTRODUCTION

International trade is one of the most important activities of the national economy. In the past 20 years, in Romania have been generated a series of economic measures for trade orientation, which determinate major changes in structure and weight of economic sectors. But, however, Romania has remained until now a net importer of food and agriculture. This was caused by poor economic restructuring and the specific products sold. Thus, Romania exports mainly low-processed products, which have incorporate a small amount of labor and import processed products, so they incorporated in the price a greater amount of labor used to produce these products. With this article we do an analysis for the dynamic of the Romania's international trade and livestock industry, for a period of 20 years. The purpose of this study was to determine the main orientation in foreign trade and to make recommendations for policies and measures that lead to improved trade performance of Romania. In the '80s and '90s, countries with socialist economy could be compared, in terms of goods exports, with developing countries (Krugman and Obstfeld,

1997). Disappearance of the communist regime and the CMEA agreement (Council of Mutual Economic Assistance) caused a major decline in exports, mainly due to characteristics of Romanian products exported (less processed products, poor quality and delivered under conditions that did not fit to new destinations, especially, that were produced based on low efficiency criteria). However, the imports and exports, showed an increasing trend during the analyzed period. International trade liberalization in the '90s and sudden orientation to countries with market economies, allowed a rapid increase in foreign trade volume of these economies in transition, their degree of openness and diversification is today close to the level existing in Western Europe (Havrylyshyn and Al-Atrash, 1998). Thus, it was found that in some studies, the evolution of international trade during the transition was characterized by two general trends, namely: a reorientation of trade towards Western countries' markets, mainly the European Union, was a continuous increase balance of payments deficit, (Zaman C., 1999), a phenomenon particularly evident in the years after 2000. However, the last five years have shown that

the trade share of EU markets in transition countries is already comparable with that of Western European countries like Greece or Spain (Brenton, 1999). For these reasons, it was tried different methods of recovery and to encourage exports, on different branches. Still, other authors (Kaminski, Wang and Winters, 1996) argue that alone trade liberalization does not improve overall performance of the economy, even if it is accompanied by significant changes in the national currency. Therefore, it is estimated that improving trade conditions depend on: i) price liberalization (bringing the price of the products analyzed in this document has been felt since 2006, especially in import prices for the "live animals" and the export prices for the same period, have shrunk since 2008, but in 2010, reappeared largest differences between prices in the categories mentioned), ii) reducing inflation and iii) the reduction of state control over economy thus encouraging private initiative (Zaman C., 1999).

## MATERIAL AND METHOD

Regarding the methods used in this paper, we mention the analysis of the dynamics of Romania's total imports and exports, but also with EU countries and their balances that these exchanges are present (a strongly negative balance was recorded since 2005 and reaches a maximum in 2008). Also it was made an analysis of imports by country breaking down by origins and destinations of their exports and gross domestic product (GDP). At the same time, were calculated and analyzed a series of index that make considerations in trade. Here we mentioned, the average rate of growth for imports, exports and some investment categories, and also we have shown the degree of dependence between these items. There were calculated and interpreted indices such as the index of openness of the economy in Romania, which allowed us to do analysis of the permissiveness of the Romanian economy to foreign trade. Then other indices were taken into account, such as specialization index (Is) for "Live animals" category, which is calculated as a ratio between share of country's product categories ( $X_{ij}$ ) in total exports of the

country (total  $X_{ij}$ ) and the share of this specific category ( $X_j$  EU) in total EU exports ( $X_j$  EU total). Also, it was calculated and analyzed the index of the geographical reorientation for the EU regions and four other trading partners. For trade analysis, we used indicators reflecting the extent to which Romania's foreign trade experienced a geographical realignment, expressing the cumulative changes in the quantities imported / exported between two consecutive periods in relation to total imports / exports corresponding to the previous period. These changes are expressed in absolute terms in order to reflect the cumulative effect of moving from one market to another (C. Zaman, 1999). Geographical reorientation of international trade of a country corresponds to a low level of the index. This reorientation is done when the transition shows stability after a number of periods during of which the quantitative exchanges were significant. Thus, more the index value decreases faster, more the geographical stabilization is faster. (Socol M. and C. Dinu, 2006)

## RESULTS AND DISCUSSIONS

From the analysis made in this paper, some statements have been emphasised. First, we will present the dynamic of the trade and the balance registered in the last 20 years, with a specific regards on the private sector.

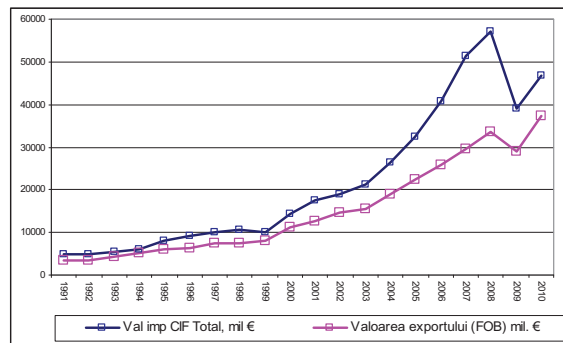


Fig. 1: Dynamic of foreign trade of Romania, 1991-2010

Source: Romanian Statistical Yearbooks

By adding the Gross Domestic Product in the data series, it was drawn in the figure below the picture of these elements.

Concerning the balance of the international trade in Romania, on the Live animals, we put

in the picture below data which shown the positive balance in this branch.

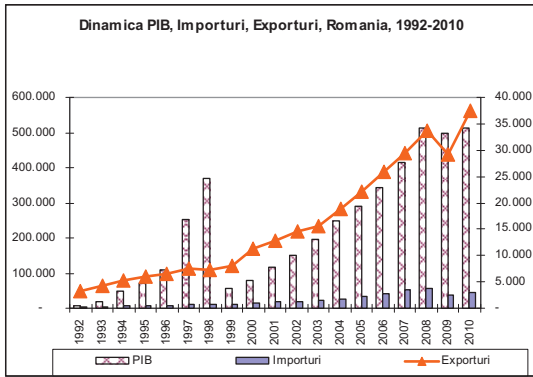


Fig. 2: GDP, Imports, Exports, Romania, 1992-2010  
Source: Romanian Statistical Yearbooks

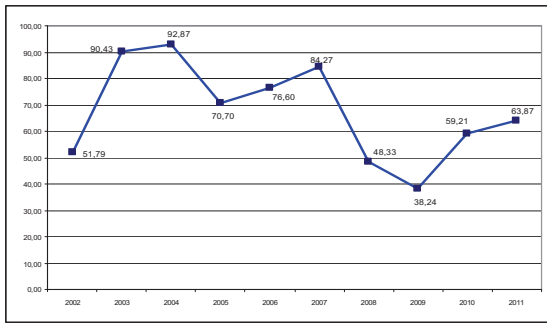


Fig. 3: Romania's foreign trade balance, Live Animals, 2002-2011  
Source: Romanian Statistical Yearbooks

So, we conclude that for these products, during the whole period, exports have exceeded the imports.

In the trade sector, investments are also very important, in order to do explanations on the support for the imports and exports. More information was drawn in the figure below.

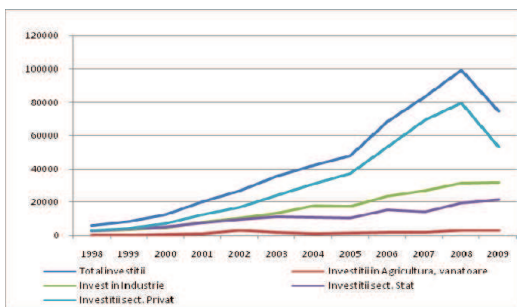


Fig.4: The dynamics of investment in Romania, 1998-2009  
Source: Romanian Statistical Yearbooks, 2010

To be continued the idea, we did analysis, and presented the results below, for the European trade from Romania, breaking down by destination. Thus, we have identified the main destination partners for the Romanian exportations. The first three destinations were Italy (with 421.991 \$mil) and Greece (with 397.120 \$mil), then Bulgaria (with 205.443 \$mil). In term of importations, the countries from where the goods arrived were (period 2002 – 2011) Hungary (with 288.932 \$mil), Holland (with 172.069 \$mil) and Germany (with 45.748 \$mil).

Also, it was calculated the index of average growth in order to find out increase for imports and exports. Thus, imports were up in average with 77,36 % each year during the analysed period; meanwhile, the exports were increased faster, with 80,89% each year.

The next three indexes are described here below and concern the capacity of the trade to opening and orienting itself by using the trade capacity to exchange information.

### a. The index of opening degree

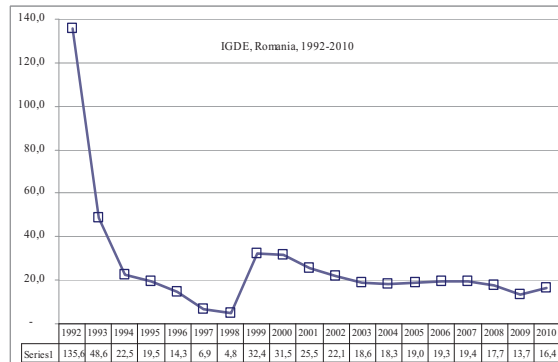


Fig. 5: The index of opening degree of the economy, Romania, 1992-2010  
Source: MADR, 2012

### b. The index of specialisation

Over the period analyzed, the index of specialization for the "Live animals", in the analyzed period (2002-2011) was subunit, which means that Romania exports relatively less in this category, compared to the whole European Union and thus cannot assessing that our country is specialized in exporting the category.

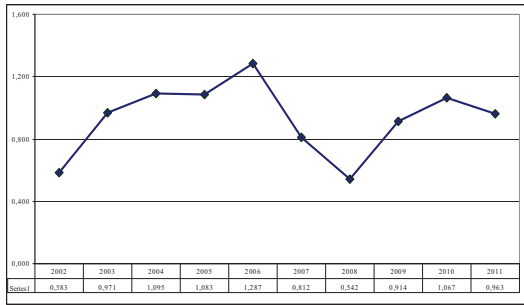


Fig. 6: Index of specialization, live animals, Romania, 2002-2011

Source: MADR, 2012

### c. The index of the geographical orientation

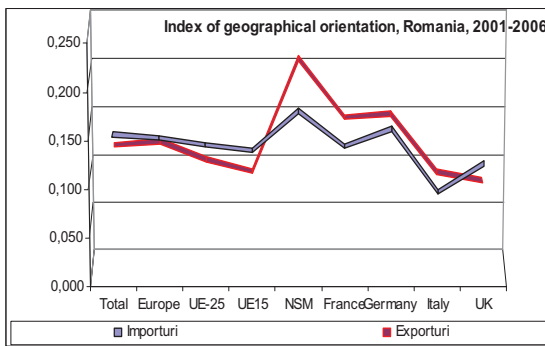


Fig.7: Index of geographical orientation, Romania, 2001-2006

Source: MADR, 2012

The Fig. 8 has been shown the trend of prices in Romania and the European Union, for the live animals category, during the 2002-2011 period.

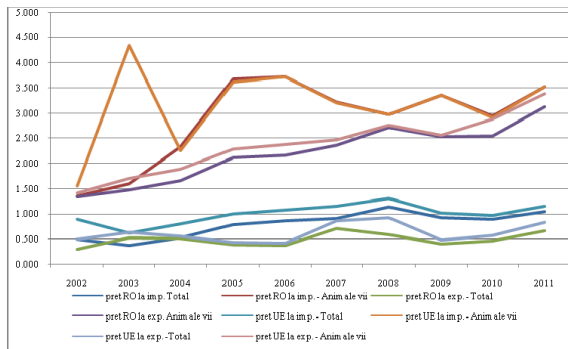


Fig. 8: Price developments in Romania and the EU total and live Animals Romania, 2002-2011

## CONCLUSIONS

It was registered major correlation between the total imports and live animals imports and the total investments and the investments in agriculture. On the opposite there were registered very low connections between on

one hand imports of the live animals and the investments in agriculture sector and the other hand total exports and total investments.

The index of opening degree registers a relatively constant trend during the last 5 years. Concerning specialization index (Is) for "Live animals" category, if it is higher than one, it shows that the country exports relatively more for this specific category, compared with the EU. Therefore, it is considered that country is specialized in the mentioned export category. If the index is subunit it shows the reverse situation. Share of exports of that country is lower than the EU as a whole.

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