ROMANIA'S FOREIGN TRADE POST-ACCESION EVOLUTIONS: QUALITY INDICES OF THE AGROFOOD FLOWS

EVOLUȚII POST-ADERARE ALE COMERȚULUI EXTERIOR AL ROMÂNIEI: INDICI DE CALITATE A FLUXURILOR AGROALIMENTARE

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Abstract: *The paper presents EU accession effects of Romania's integration in the common market upon the external performances of the agricultural products; the assessments on intra-Community agri-food trade highlighted the existing opportunities of the products with expressed export potential and the areas affected by the net imports, by commodity groups. The method of calculation of relative unit value indices of flows provided the bases for assessment of the quality of Romanian agricultural trade flows, resulting empiric evidences upon the level of integration of the agricultural trade flows and changes in the post-accession evolution of their terms of trade.*

Key words*: agricultural trade, competitiveness, EU accession, unit value indices.*

INTRODUCTION

The analysis of Romania's agricultural foreign trade sensitivity during the post-accession period was made in the double context of disproportions created by the world crisis affecting the economies and of its recent integration into the EU common market.

The paper examined the post-accession trends of Romania's agri-food trade that revealed the performance or deficiencies in the face of foreign competitiveness, including sensitive areas of the Romanian food sector which can be particularly exposed to the global crisis. Since the importance of the EU has continuously increased, the assessments on intra-Community agri-food trade highlighted the existing opportunities of the products with expressed export potential and the areas affected by the net imports respectively, by commodity groups.

The method of calculation of relative unit value indices of flows provided the bases for assessment of the quality of agricultural trade flows and the vertical or horizontal integration of the traded products. Export and import indices can be used for the calculation of the terms of trade of a given country, representing a critical variable in many open macro-economic models. Being defined as ratio of export prices to import prices, the results that indicate growth reveal an improvement of the terms of trade of the country. The terms of trade are a significant determinant of the aggregated trade and their quantification helps to explain the global disequilibria at world level.

MATERIALS AND METHODS

The analyses based on EUROSTAT trade statistics database concerning Romania's agricultural trade flows in the period 2007-2009. The assessments of the agri-food trade unit value indices have been made on products aggregated by sections of the Combined Nomenclature (C.N.).

The quality of exports is evaluated in relation to imports, by the range of the relative unit values within the classification thresholds of +/- 15% [1]. In this way, when the unit value indices are lower than 0.85 the products are considered as having low quality, while when these are higher than 1.15 the products are considered of high quality, traded at higher average prices. Similarly, when the unit value index ranges from 0.85 to 1.15, it is considered that the products are horizontally integrated (homogenous); the products are vertically differentiated when the unit values of the trade flows do not fall into the +/- 15% margin.

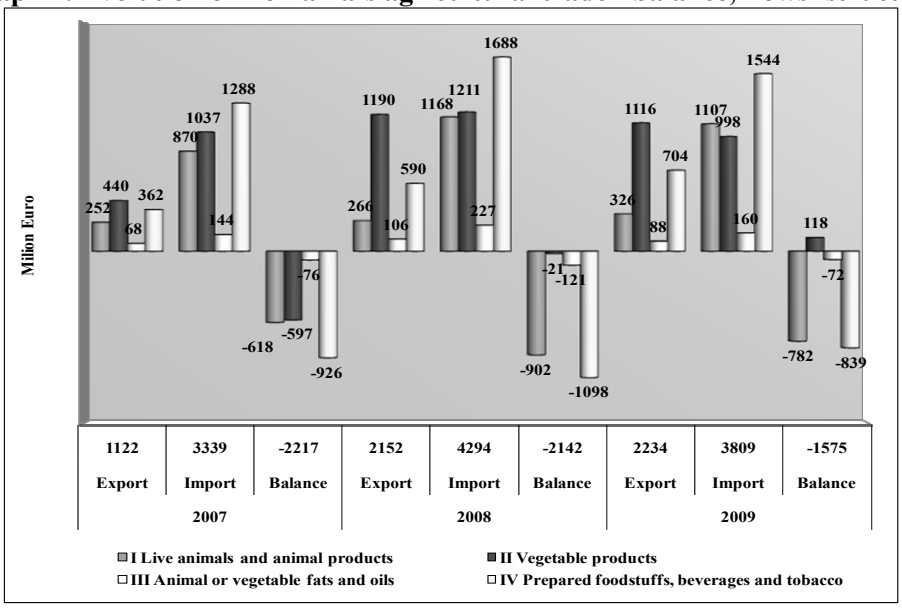
RESULTS AND DISCUTIONS

During the last two decades, the performance of the Romanian agri-food sector has been influenced by changes in the sector brought about by the internal reforms of political transition to market economy, restructuring and institutional adjustments needed for CAP adoption and integration into the common market resulting from EU membership. In the period 1999-2006, Romania intensely prepared for the accession to the EU. In this period, the agri-food trade between Romania and the EU countries evolved under the influence of the European Agreement on Agriculture and EU became Romania's main trade partner. As a general feature, the yearly variation of trade in the years previous to accession revealed a greater

increase of imports compared to exports, increase of European products competition as a result of the first enlargement to the Central and East-European countries, as well as a trade creation effect on the common internal market [2].

In the year 2007, Romania became a EU Member State, thus, the period 2007-2009 was influenced by the post-accession effects occurred in Romania's economy and was reflected in total agri-food trade by a 44% increase compared to 2007, from 4.5 billion euro to 6.5 billion euro in 2008, to reach 6 billion euro in the year 2009. At the same time, a continuous increase of agri-food opening to the foreign markets was noticed after 2006, significantly larger compared to the evolution of indicators obtained at national level. Romania is highly dependent on the agri-food foreign markets, estimated at 83% for the year 2009, this indicator reflecting the low potential compared to the foreign competitiveness [3].

Graph 1. Evolution of Romania's agricultural trade - balance, flows' structure



Source: author's calculations

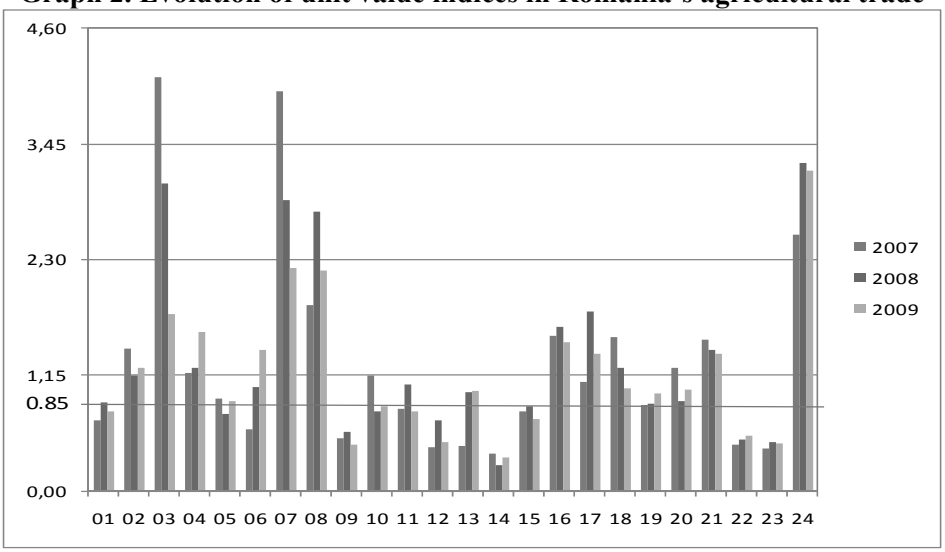
The imports also significantly increased, from 3.34 billion Euro in the year 2007 – up by 37% compared to 2006 – at the record historic value of 4.29 billion Euro in 2008; yet a slight attenuation trend was noticed in the year 2009, when imports totaled 3.8 billion Euro, down by 11.3% compared to previous year (Graph 1).

As a consequence, the balance of trade drastically deteriorated, summing up a significant deficit down to over -2.2 billion Euro in 2007; however, an attenuation trend of the trade deficit was noticed, from -2.1 in 2008, to -1.5 billion Euro in the year 2009. The agri-food trade and balance structure reveals that, except for 2009 when a net export of crop products was noticed, in the remaining investigated period the agri-food trade balance was negative for all the chapters of aggregated products according to C.N..

The investigations upon the quality of agricultural foreign trade by using the method of assessment the unit value index, provided empiric evidences concerning the level of integration of the agricultural trade flows and changes in the evolution of their terms of trade, during the period 2007-2009, by groups of products aggregated on sections of the CN [3]:

Accordingly, the agri-food products in which low average values of exports were found in 2009, indicating a low quality, as Graph 2 indicates, are those included under the following sections:

Graph 2. Evolution of unit value indices in Romania's agricultural trade



Source: author's calculations based on EUROSTAT statistics

01- *Live animals*; 09 - *Coffee, tea, mate and spices;* 10 - *Cereals*; 11 - *Products of the milling industry, malt, starch*; 12 - *Oleaginous seeds and fruits, medicinal or industrial plants, straw and forage;* 14 - *Plaiting materials and other products of vegetable origin;* 15 - *Animal or vegetable*

fats and oils; 22 - *Beverages, spirits and vinegar*; 23 - *Residues and waste from food industries.*

At the same time, products sold at high prices on foreign markets, revealing high-quality exports and specialization level, were those placed in the sections: 03 - *Fish and crustaceans*; 07 - *Edible vegetables, roots and tubers*; 08 - *Edible fruits*; 24 - *Tobacco and manufactured tobacco substitutes*, in which the indices had the highest values. The products aggregated under the following sections also fall into this interval: 02 - *Meat and edible offal*; 04 - *Milk and dairy products, birds' eggs, natural honey;* 06 - *Live plants and flower products*; 16 - *Preparations of meat and fish*; 17 - *Sugar and sugar confectionery*; 21 - *Miscellaneous edible preparations*. The above-mentioned products accounted for 32% of Romania's agri-food exports, falling into the vertical integration range, while the share of lower quality products was double, i.e. 63%.

The results of the analysis of products corresponding to horizontal trade integration were identified the following groups of products included in this interval: 05 - *Other products of animal origin*; 13 - *Gums, resins and other vegetable saps and extracts*; 18 - *Cocoa and cocoa preparations*; 19 - *Preparations of cereals, flour, starch; pastry*; 20 - *Preparations of vegetables, fruits*. These categories of products that mainly include processed agri-food products had a very low share in exports, i.e. 5%.

As a result of the applied theory, the horizontal integration corresponding to the trade with goods having similar qualities as well as other important characteristics for consumers is mainly determined by the economies of scale and by the consumers' preferences. On the other hand, the vertical integration corresponds to the trade with final goods having different qualities and prices or trade with final and intermediary goods produced in the same sector, being determined by the endowment in factors, which creates comparative advantages.

As shown in Graph 2, an improvement of the terms of trade was noticed in the period 2008-2009, for the products under the sections 04, 06, 19, and 22, respectively: milk and dairy products, birds' eggs, natural honey; live plants and flower products; preparations of cereals, flour, starch; pastry; beverages, spirits and vinegar. At the same time, although indices were down in 2008 compared to 2007, in the year 2009 the values increased for the products under the sections 02, 05, 10, 14 and 20, namely the groups meat and edible offal, other products of animal origin, cereals, plaiting

materials and other products of vegetable origin, and preparations of vegetables and fruits. By contrast, for the products aggregated under the sections 03, 07, 18, 21, i.e. fish, vegetables, cocoa and cocoa preparations and miscellaneous edible preparations, a deterioration trend of the terms of trade can be noticed in the period 2008-2009.

CONCLUSIONS

The assessments of the quality of agricultural foreign trade provided empiric results upon the level of integration of the agricultural trade flows and changes in the post-accession evolution of their terms of trade: deterioration of the terms of trade was evidenced for fish, vegetables, cocoa and cocoa preparations and miscellaneous edible preparations, while an improvement of the terms of trade was revealed for dairy products, live plants and flower products, cereals, preparations of cereals, beverages, meat and preparations of vegetables and fruits.

Romanian agricultural external evolution indicates a trade disadvantage compared to the EU products, dependence on imported processed products and of animal origin, the low competitiveness of the processing sector being the main disadvantage in obtaining higher revenue from exports. The influences on food markets were reflected by attenuated import flows, narrow supply ranges, and also by the diminution of foreign agri-food trade deficit, however through less competitive exports rather than on the basis of imports.

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