

THE ROLE OF THE EXTERNAL TRADE IN INCREASING THE ROMANIAN ECONOMIC COMPETITIVENESS IN THE CONTEXT OF ROMANIA'S EU INTEGRATION PROCESS

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Abstract: *This paper presents a series of coordinators of the existing indissoluble relationship between external trade and economic competitiveness, in the context of globalisation and liberalisation of the markets which characterized the Romania's EU integration process. Because of the fact that competitive advantages of the external trade appears as a determinant factor of the Romania's economic competitiveness, this paper retains also a series of computed indicators regarding the comparative advantages our economy in the context of the European integration.*

1. COMPETITION AND COMPETITIVENESS

In a functional market economy, the companies compete each others for gaining new customers, and new markets. This way, competition represents stimulation for the companies, encouraging them to act at a maximum potential in order to produce goods and services at a highest quality and lowest possible price. Competition stimulates the entrepreneurship and new incoming companies on the market, rewarding those efficient companies and sanctioning those less efficient. Under ideal market conditions, the companies react fast and flexible against new incomers and against the changes into the market structure, and these reaction capacities of the companies represent in fact, their efficiency and competitiveness indicators, the competition being the determinant factor of the competitiveness.

Generally speaking, the competition is viewed as a fight behind which the best prepared survives. Being confronted with a wild competition and trying to achieve a bigger profit, the actors existing on the market are often tempted to disturb the competition in order to consolidate, and then, to abuse of their market power. In these conditions, the intervention of the authorities is necessary for assuring the development of a healthy competitive business environment.

Traditionally, the competitiveness is based only onto the relation between costs and prices. In present, it is necessary to make a difference between the static competitiveness, and the dynamic one. In the case of the static competitiveness, the accent falls on the competition based on the price, the companies being built on the basis of the low cost of the labour and resources. This way, the competitiveness is kept only with the purpose of maintaining or reducing the costs of production.

The dynamic competitiveness is usually associated with the fluctuant character of the competition environment, which is accentuating not only the relation between costs and prices, but also the capacity of the companies to learn, to react rapidly to the market conditions, and to innovate. This way, the competitiveness is defined as representing the capacity of the companies to permanently modernize their technologies (including computers, equipments, etc., but also know-how, marketing and development strategies, managerial abilities etc.) in order to produce goods and services capable to compete on the international market.

Because of the globalization and liberalization of the markets, the borders between the national markets became more and more vague, the distinction between the national and international competitiveness disappeared, affecting the SMEs which were no longer isolated by the international competition through the national borders.

Under these new market conditions, the Romanian companies normally competitive on the internal market, but having a reduced capacity to adapt to the market changes, must now confront a wild competition from the part of the EU member states and of some other important international competitors. For this reason, Romania had to adapt its external trade strategies to the EU market conditions, but especially to maximize the benefits resulting from the large portfolio of free trade agreements, as a member state.

Also on the more developed markets, the innovation is seen with some reticently because of the implied high risks and prices. In this context, the competition policy, using the appropriate state aid instruments, may interfere by encouraging the existing companies to research and development policies, raising the adaptability degree to the market fluctuations of these companies.

The market variations, also implies the change of the way in which the companies are organizing their production, marketing and distribution activities on national and international level. In order to adapt themselves and still remain competitive, many companies conclude cooperation with others to access new technologies or to enter production networks for gaining the so necessary know-how.

The fusions and acquisitions represent an often met form of cooperation inter-companies and in the same time, a mechanism which is called by the firms for being capable to face the competition with other competitors. Globalization, the capital market pressure and the exponential development of the technological infrastructure determined the global consolidation of a numerous range of economic sectors, such as financial and banking services, chemical and oil industry, air transports, telecommunications, auto industry etc. In all before mentioned sectors, the consolidation resulted in the fact that the most important three market actors cover aprox. 70-80% of the present international market. Although a bigger market concentration does not necessarily means a lack of competition, and does not always have a negative impact on the economic performances, this development could encourage the anti-competition behaviours and therefore an economy must consolidate its competitive advantages when registered.

2. THE ANALYSIS OF COMPETITIVE ADVANTAGES OF THE ROMANIAN EXTERNAL TRADE IN THE CONTEXT OF THE EUROPEAN INTEGRATION

2.1. SOME THEORETICAL APPROACHES

In present, the business Romanian environment is the main beneficiary of a normal concurential climate. The national legislation in the field of competition and of state aid is integral harmonized with the EU acquis, and the Competition Council, a solid and independently institution, is an equidistant arbiter applying in a unitary way the relevant rules. For these reasons, it is now up to the Romanian economy to build in its competitive advantages on the international market, by encouraging the domestic production and the external trade with those products where we register or could register comparative, as well as competitive advantages.

For these considerations, the use of the *Indicator of the Revealed Comparative Advantage (RCA)*, proposed by B. Balassa in 1965, was found appropriate for our analysis, being well known that it compares the relative size in a

sector of a certain country in the total of exports made by that country with the relative size of the exports of a certain sector in a certain area given the exports of that particular area. This indicator, referring to the international specialisation of an economy, has the following formula:

$$RCA = \frac{\frac{x_j^i}{\sum_{j=1}^N x_j^i}}{\frac{x_j^{W_i}}{\sum_{j=1}^N x_j^{W_i}}} \quad (1)$$

Where: x_j^i – represents the exports from product j of the country i , and $x_j^{W_i}$ – represents the aggregate world export from product j .

The concept of *Apparent or Revealed Comparative Advantage - RCA* is widely used in practice to determine the weak or strong sectors of a country. If RCA is higher than 1, the country for which the indicator is computed has a comparative advantage in the product (or sector) j , because this product is more important for the exports of that particular country than on the world level.

But considering the entire world a group of reference has certain gaps due to the fact that the results obtained might be unsatisfactory in the case of some comparisons among countries. This is due to the fact that the countries perform external trade in the best conditions with countries in the geographical proximity so that taking into account the world exports could not always be relevant. Due to this reason, Balassa indicator suits much better to the situation when to the denominator is considered a reduced group of countries as reference, a group to which that particular country belongs to. Balassa's apparent comparative advantage represented the starting point in the methodology of internal or external comparative advantage expression which has the import also in its computation formula. *The internal apparent comparative advantage* can be computed thus according to the following formula:

$$RCA = \ln(X_{ir} / M_{ir}) / (X_r / M_r) \quad (2)$$

Where: i - represents the product or the group of products; r - region;
X - Exports; M - imports.

If we follow the efficiency relative to the partner country, then the external apparent comparative advantage can be computed according to the formula:

$$RCA = \ln(X_{ir} / X_r)_{(1)} / (M_{ir} / M_r)_{(2)} \quad (3)$$

Formula no 3 reflects the share of exports of the good i in the exports of that particular country (country 1), in relation to the share of the good in the imports of the partner country (country 2). The analysis of the comparative advantages allows the identification of opportunities and instruments meant to support the exports in the future. Thus, the highest importance in characterising the competitiveness of the foreign trade of a country is represented by the computation of the internal comparative advantage which allows the emphasising of the comparative advantage of the trade from a group compared to the total foreign trade.

In the specialty literature though we found some computations regarding Romania's comparative advantage in the relation with the EU, to whose conclusions we are to some extent reluctant. This reluctance is due to the fact that Romania, in the period analysed in these studies, did not belong to the EU, and Balassa's rationale, regarding the computation of the comparative advantage, was oriented to a comparative advantage of the country in its relation to the "world" from which,

obviously, that particular country belonged to, in order to observe the part-whole relation. The Association Agreement and the higher and higher liberalization of the Romanian foreign trade with the EU at the time can constitute a reason for which, in the specialty literature there are computations regarding this indicator.

Due to comparability reasons between the comparative advantage with the EU and the comparative advantage with the world at a whole, we have also reduced the reference group, in this view coming to our mind the arguments of those who criticised the computation of a global indicator, due to the fact that it would not take into consideration the basic criterion in the external commercial exchanges, that is the criterion of geographical proximity. Indeed, it is difficult to refer to a comparative advantage with the entire world as long as in our country, as the official statistics also suggests, we perform the highest part of exchanges with the European Union countries (e.g. the share of the Romanian foreign trade with EU was about 71.5% out of total in 2007, according to the official statistic published by INSSE in March 2008).

The comparative advantage indicator reflects this way the extent to which Romania capitalised its cost relative advantages. Based on this indicator, we can draw conclusions regarding the apparent capacity of Romania to capitalise its advantages in comparison with other of its sectors and those of the EU, but also regarding the weight of the main sections of products in generating the commercial deficit. One must point out however that the comparative advantage indicator does not take into consideration the implications of the other factors of production, such as: technological or energetic intensity, the labour force consumption, the supply with domestic raw materials, investment efforts. In spite of all these, the indicator is relevant to the extent to which it reflects the sections of domestic products we are specialised in and which we export preponderantly. Based on the results then should not be difficult anymore to draw out some objective conclusions regarding the labour force consumption that they require and the technological equipment.

2.2. The analysis of the Romania's External Trade Comparative Advantages during 1991-2006

In what follows we are going to present the results we obtained regarding Romania's comparative advantage during 1991-2006, while trying to join the EU, for all the sections of products classified upon the Combined Nomenclature (CN). The computations were made based on the official statistic data stated in ECU/Euro, for the entire period taken into consideration. As it regards the interpretation of the results below, we remind the fact that the results obtained from the computation formula of the comparative advantage (*Formula no 2*) are favourable if the value of the indicator is positive, and if the group of products or the product considered is more efficiently commercialised, compared to the trade in total, and unfavourable if the indicator's value is negative, case in which the group or that particular products register comparative disadvantages. In *Table 1*, we marked as bold figures the sections of products which register comparative advantages, the positive values of the indicator, respectively.

It can be noticed therefore only a few sections of products for which the results are positive in the entire period considered. Principally, the section of *Wood and articles of wood products (Section IX)*, *Textiles and textile articles (XI)*, *section of Footwear (XII)*, *section of Base metals and articles of base metal (XV)*, respectively—excepting the year 2006, when it has a negative value, and the *section of Miscellaneous manufactured articles, mainly furniture (XX)* registers positive values of the comparative advantage. For the rest of the sections, even though it registers positive values, too, these are small and most of the times the trend is descending so

that they become negative. If for the section of *Wood and articles of wood products (Section IX)*, the tendency is ascending until 1999, only at the end of the period–2000-2006 – noticing lower values, descending, for section XX (mainly furniture), the trend is continuously descending, an explanation residing in the fact that at exports, the price of furniture highly depends on the raw material prices which, if ascending, are reflected in the unfurling of the internal producers; activity which diminishes the domestic production of furniture. Moreover, the domestic production did not correspondingly re-adapt to the tendencies registered by the market demand. As for example, the years 2000-2005 were dominated by a preponderant demand for synthetic wood furniture (PAL), but the domestic industry did not have the necessary technology to produce a sufficient quantity from this material; as a result, it was massively imported and as used to satisfy the internal demand for such furniture, due to which the exports registered reductions in the comparative advantage and competitiveness, our country being mostly specialised and externally well-known for its traditionally production of massive wood furniture.

The evolution of Romania's external trade apparent comparative advantage, 1991-2006

Table 1

Sections of CN	Year	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
I		1,69	1,10	1,16	0,92	0,35	1,04	1,49	-1,12	-0,07	-0,20	-1,05	-0,92	-0,44	-0,92	-1,78	-1,91
II		-2,28	-3,10	-2,83	-0,91	0,39	1,15	-0,04	-0,33	0,15	-1,05	-0,85	-0,59	-1,70	-1,34	-0,67	-0,44
III		-1,08	-2,57	1,42	0,52	1,35	1,64	1,74	0,31	0,66	-0,69	-0,42	-2,50	-0,97	0,29	0,09	-0,41
IV		-3,11	-3,19	-2,87	-2,04	-2,73	-2,44	-1,86	-2,47	-2,34	-2,37	-2,40	-2,09	-2,34	-2,55	-2,68	-2,87
V		-1,97	-1,82	-1,58	-1,14	-1,59	-1,92	-1,77	-1,71	-1,14	-1,05	-1,42	-0,85	-1,18	-1,32	-1,06	-1,14
VI		-0,51	0,03	-0,53	-0,17	-0,33	-0,51	-0,70	-1,59	-1,36	-0,92	-1,21	-1,46	-1,45	-1,38	-1,31	-1,71
VII		-0,47	-1,06	-1,23	-0,54	-0,86	-1,19	-1,17	-1,53	-1,19	-1,18	-1,63	-1,30	-1,23	-1,07	-1,18	-1,32
VIII		0,46	-1,63	-1,57	-1,14	-1,79	-2,28	-1,91	-2,27	-1,91	-1,63	-1,74	-1,65	-1,72	-1,66	-1,83	-1,92
IX		1,60	2,24	2,35	2,44	1,99	2,48	2,51	2,65	2,47	2,40	2,15	1,85	1,86	1,73	1,40	1,38
X		-0,79	-2,42	-2,19	-1,63	-1,32	-2,21	-1,84	-2,72	-2,12	-1,61	-1,63	-1,56	-1,79	-1,80	-2,35	-2,75
XI		0,68	-0,30	0,23	0,41	0,34	0,36	0,29	0,24	0,15	0,20	0,24	0,23	0,31	0,34	0,35	0,33
XII		0,89	0,80	1,61	1,79	1,81	1,99	1,67	1,60	1,59	1,60	1,85	1,79	1,89	1,86	1,87	1,90
XIII		0,02	0,66	0,61	0,55	0,37	0,06	0,07	-0,05	0,04	-0,14	-0,40	-0,47	-0,70	-1,06	-1,58	-2,09
XV		1,31	1,43	1,66	1,29	1,25	0,81	1,13	1,00	0,80	0,77	0,39	0,39	0,29	0,40	0,20	-0,06
XVI		-0,26	-0,84	-1,29	-1,19	-1,52	-1,86	-1,69	-1,76	-1,17	-1,00	-1,01	-0,81	-0,96	-0,88	-0,97	-1,00
XVII		1,68	0,68	0,48	0,19	0,10	0,09	0,21	-0,18	0,09	-0,11	-0,40	-0,34	-0,52	-0,98	-0,93	-0,97
XVIII		-2,68	-2,60	-3,08	-2,72	-3,41	-3,34	-3,15	-2,83	-2,57	-2,70	-2,61	-2,47	-2,53	-2,16	-2,10	-2,18
XX		3,47	2,80	2,21	1,57	1,50	1,43	1,23	1,18	1,10	0,99	1,09	1,02	1,05	1,09	0,84	0,64
XXII		0,70	-1,03	0,40	0,06	-0,86	-1,61	-1,92	-1,66	-0,09	0,25	0,48	1,18	1,24	0,71	0,43	0,18

Source: Personal computations based on statistic data on Romanian foreign trade published by the National Institute of Statistics – Romania (INSSE), National Customs Authority in Romania (ANV) and Foreign Trade Department of Romania (DCE).

The comparative advantage is positive and ascending for the *section of Footwear (XII)*, a group whose exports and production register increases every year. This sections' comparative advantage was given by the cheap and skilled labour

force which attracted foreign investors in our country (preponderantly Italians) and who brought with them performing technological lines. The disadvantage consists in the fact that their investments are not on long term, and in case of not necessarily major changes in the market conditions, they can easily relocate the production to other countries, determining thus losses for the Romanian comparative advantage for this group of products, as a result of the fact that the production technological lines do not belong to us (see as argument the tendency of section XVI, technology intensive - *Machinery and mechanical appliances; electrical equipment; parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles*). The section of metals (group XV) registers comparative advantages, too, highly due to the restructuring in the field, but as it can be noticed in the table, the values are on a descending trend, registering even a negative value at the level of 2006.

For the technology intensive group of products, *section XVI - Machinery and mechanical appliances; electrical equipment; parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles* - respectively, the fact that Romania registers a comparative disadvantage is not at all surprising. Section XVI is the technology intensive group of products, and if the comparative advantage indicator registered positive values, it would mean a more advantageous trade for this group compared to the total trade. This situation would be a desirable one for Romania, having in view the fact that the sections where we have comparative advantages are preponderantly intensive in labour force. Therefore, the evaluation of the *apparent comparative advantage* shows that Romania is slightly competitive in the traditional branches and non-performant in the industries based on high technology.

Next, we will make this analysis based on Romania's external trade with the EU, the results being presented in *Table 2*. It results that on the relation with the EU the comparative advantage is maintained for sections IX, XI, XII, XV and XX, but they are maintained partially, because in the last year there were negative values, too (for section XV, even in the last two years). For sections I and II from the Combined Nomenclature (*Live animals; animal products* and *Vegetable products*) positive values are registered (which can be explained based on the Asymmetric Concessions of the Association Agreement with the EU), but also negative values. The situation is different though towards the end of the period analysed, when the first group registers negative values, and the second group positive values, which can be explained by the cancellation of the barriers in the trade with agricultural products with the European Union, which had an unfavourable impact on the Romanian agricultural sector connected to cattle rearing, but, in exchange, a favourable one in the trade with cereals.

Therefore, we find interesting the fact that the accession of many of the main CEFTA member countries to the EU in 2004 led to a surplus of agricultural products compared to 2003 and 2004, the explanation residing only in the fact that the accession determined these countries to restructure their economy, their imports, respectively, which could lead to an increase of our country's exports to these countries, being affected also by the natural calamities that both these countries, as well as our country faced in the reference years. For *sections III and IV*, the negative values for the entire period in the case of the Romanian total foreign trade (excepting 1993-1999 and 2004-2005), but also in the case of the external trade with the EU demonstrate that we do not own comparative advantages at all for these sections. For the products of section V (*Mineral products*) the situation on the relation with the EU is strongly contrasting starting with 2001 compared to the global one, because in the commercial exchanges with the EU we registered systematically positive values

in the last years, which reflects the restructuring by sector, but also the fact that the main investor in this sector is an European one. For the group of chemical products (Section VI), it clearly results that on the relation with the European Union, the values are unfavourable, a proof of the fact that the much awaited restructuring leaves much to be desired, its lack being reflected in the unitary cost of labour force in the chemical industry, which surpasses the average labour cost on the total of industry.

The comparative advantage of Romania's external trade with the European Union, 1991-2006

Table 2

Sections of CN	Year	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
I		0,57	0,32	0,24	0,44	0,24	0,44	0,88	-0,41	0,38	-0,03	-0,46	-0,74	0,14	-0,73	-1,37	-1,60
II		-1,61	-3,15	-2,99	-0,03	0,47	-0,06	0,25	0,10	0,73	-0,14	0,31	0,40	-0,41	-0,41	0,10	0,34
III		-0,87	-2,57	0,13	-1,96	-0,62	-3,22	-2,90	-3,30	-1,00	-3,34	-2,31	-5,12	-2,17	-0,05	-0,37	-1,15
IV		-1,92	-2,70	-2,31	-1,56	-2,13	-1,87	-1,71	-2,38	-1,88	-1,60	-1,34	-1,49	-1,66	-2,04	-2,25	-2,61
V		0,45	-0,41	0,72	0,79	-0,31	-0,38	-0,92	-0,42	-0,64	-0,84	0,07	1,52	1,10	0,78	0,31	0,20
VI		-1,17	-1,70	-1,94	-0,89	-1,21	-1,49	-1,65	-2,28	-2,30	-1,82	-2,25	-2,37	-2,23	-2,19	-1,38	-1,80
VII		-0,74	-1,31	-1,51	-0,85	-0,69	-0,98	-1,02	-1,20	-1,17	-1,09	-1,43	-1,34	-1,31	-1,31	-2,25	-2,63
VIII		0,74	-1,81	-1,66	-1,13	-1,84	-2,18	-2,03	-2,15	-1,81	-1,59	-1,64	-1,52	-1,53	-1,45	-0,20	-0,18
IX		0,88	1,61	1,19	1,15	0,83	1,21	1,38	1,99	2,02	1,90	1,78	1,56	1,73	1,02	-0,52	-0,69
X		0,43	-2,11	-2,48	-1,55	-1,40	-2,19	-2,21	-2,77	-2,26	-1,78	-1,50	-1,70	-1,80	-2,21	-2,94	-3,61
XI		4,73	2,50	2,85	2,10	2,36	2,55	2,61	2,55	2,24	2,31	2,45	2,45	2,68	2,79	0,44	0,47
XII		0,91	0,81	2,19	1,82	1,87	1,79	1,72	1,70	1,58	1,61	1,73	1,74	1,80	1,90	2,23	2,44
XIII		0,43	1,98	1,80	1,31	1,28	1,15	1,12	1,25	1,23	0,97	0,68	0,64	0,60	0,19	-1,35	-1,93
XV		1,96	2,01	1,99	2,02	2,50	2,21	3,00	2,85	2,47	2,48	2,01	1,58	1,42	1,33	-0,38	-0,71
XVI		-1,06	-2,17	-2,19	-1,28	-1,42	-1,47	-1,14	-0,86	-0,37	0,06	-0,07	0,04	0,05	0,19	-0,69	-0,72
XVII		-1,31	-1,97	-2,01	-1,09	-1,30	-1,02	-1,30	-1,31	-0,66	-0,88	-1,04	-0,84	-0,72	-0,73	-1,03	-1,08
XVIII		-1,34	-3,15	-3,02	-2,50	-2,82	-2,83	-2,72	-2,47	-2,22	-2,02	-1,83	-1,72	-1,86	-1,85	-1,71	-1,85
XX		5,82	6,02	4,71	2,70	2,57	2,44	2,32	2,34	2,18	2,01	2,23	2,14	2,11	1,96	1,06	0,96
XXII		-1,61	2,11	0,60	-1,72	-2,37	-3,66	-4,28	-3,00	-1,32	0,06	0,61	1,05	1,20	0,44	-0,37	-4,91

Source: Personal computations based on statistic data on Romanian foreign trade published by the National Institute of Statistics – Romania (INSSE), National Customs Authority in Romania (ANV) and Foreign Trade Department of Romania (DCE).

Section IX (Wood products, exclusively furniture) registers descending values of the comparative advantage starting with 1999, which means that on the EU oriented trade relation it was not advantageous to perform exchanges with wood products, in raw form, a thing confirmed as a matter of fact by the negative values registered in the last two years. We must mention here that the descending started together with the drastic enforcement of some trade barriers of non-tariff type (contingents etc.) for the export of such products, a thing we cannot appreciate as being negative and it could be transformed into an advantage if the descending tendency of this group were found in an increase of the group XX (furniture); but unfortunately it did not happen like this, and this group registered clearly descending tendencies towards 2006, even though they maintain themselves positive. Yet, the situation of this section on the relation with the European Union is good, the values

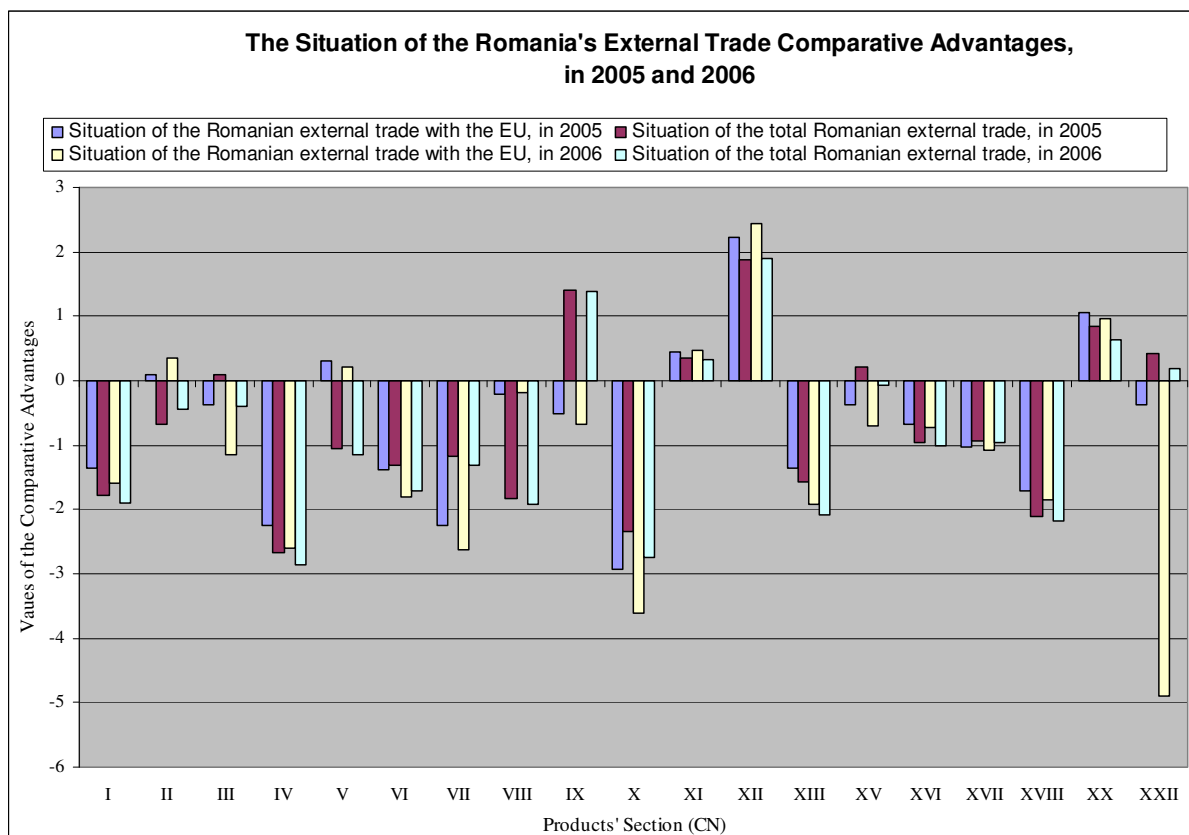
being higher than those at the global level, which means that furniture represents one of the sectors bringing profit on the relation with the European Union countries.

For section XI, the comparative advantage registered again high values, which means that in this sector the trade with the EU was more favourable than the global trade, but the tendency is clearly descending towards 2006. It can be noticed that section XII (footwear) registered the best comparative advantage on the relation with the EU in the analysed period, with values in continuous increase since 1999 onwards. Therefore, the situation of this section, just like that of the previous one, is otherwise explainable by the reduced labour force cost in this sector (light industry), and actually, to the export mainly in lohn – for section XII. It is worth noticing that the difference of results between a lohn type activity and one induced by direct foreign investments: while in the first case the tendency of the comparative advantage is more and more descending, in the second case is reversed, and the tendency is ascending.

Section XIII (*Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware*) registers also comparative advantages, but these have gone on a descending slope since 1998 onwards, reaching negative values in 2005 and 2006. This trend is given by the explosive growth of the real estate constructions sector in our country, thus accelerating the imports. An important role is held in this situation the proliferation of real estate credits in the last years. For the technology intensive group of products (*Section XVI – Machinery and mechanical appliances; electrical equipment; parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles*) the negative trend is also maintained, except for the years 2000 and 2002-2004 when we registered positive values. But the situation is much better compared to the global foreign trade situation, a proof that where it is desirable to maintain a comparative advantage, especially with the EU, even though we have comparative disadvantages. The situation can be improved and it would have been improved if another instrument of banking policy had not interfered – the consumption credits which reached very high values in 2005 and even 2006, leading to an increase of the demand for products from this category which was covered by the Romanian imports from EU. The trade relation with the European Union generally reflects comparative advantages or comparative disadvantages similar to those registered on the global market, exceptions being registered for sections II, V, IX, XI and XXII respectively, as it is emphasised in *Graph 1*.

Of course, the discrepancies in the values obtained results from the shares of exports, of imports, to, respectively, from the EU, from each group of products, in the total of exports and imports and we explained them when analysing each group individually. What we consider very serious though is the fact that our comparative advantage on the relation with the EU was reduced continuously for all sections of products except for XII (Footwear), so that at the level of 2006 only for 5 sections we still had a comparative advantage in our commercial relations with the EU, more exactly – apart from the exception already mentioned- for sections II (Vegetal products), V (Mineral products), XI (Textile materials and articles) and XX (Furniture). Their values, apart from being descending, are already sub-unitary. These data come to support the idea that a rapid geographical reorientation of our foreign trade is necessary, so that, until we manage to completely reform our economy so that to be able to produce competitive products to be delivered on the developed markets, to find outlets for our current products. Therefore, the extremely high current share of our trade with the EU in our total external trade must be reduced as soon as possible, so that the markets like those of Africa and South America to become our main

commercial partners at export, and we should import from the EU developed countries mainly the technology necessary to increase our domestic production's productivity.



Graph 1: The situation of Romania's external trade comparative advantages in 2005 and 2006

Source: Data recorded in Table 2

Important to state here is the fact that if the group of products for which we identified the comparative advantage in the Romanian total external trade registers a high weight at export or import to and from the EU, but also in the total export and import, this thing is a first clue that the comparative advantage is maintained. The data convince us again that almost at all sections (with some exceptions) Romania exports, imports respectively, in a quite high weight from and to the European Union. Therefore, we can notice that mainly, for at least one of the components (export or import), for the sections where we found that there were a comparative advantage, the share is above 50% in the total of Romanian exports or imports from that particular section of products.

3. Conclusions

As we have shown in this paper, comparative advantages have higher economic importance if they are "revealed" by trade partners. In Romania, comparative advantages were achieved in primary products and products of lower stages of manufacturing. Exports based on products which belong to these groups and sectors is not a basis for long-term growth of exports and economic growth and development, primarily due to the fact that comparative advantages of these products are easily lost (prices of primary products have a long-term declining tendency, mineral and natural resources are restricted, work-intensive sectors are under pressure of competition from countries with cheaper labor, the climate is becoming increasingly unfavorable and difficult to predict).

On the other hand, if the production and export structure of an economy is based on homogenous products (several products in export structure) it is expected that the volume and character of trade are to be determined by differences in factor availability. At the same time, an export policy like this is faced with smaller export revenues and higher costs. Therefore, a new solution has emerged – the flexibility of production factors instead of their availability. The development of the intensive and innovative informational technology (IIT) in a country like Romania is of high importance in the process of deepening the EU economic integration as it reflects approximately the same production and consumption basis thus reducing accession costs and improving economic competitiveness without significant deviations in the economy. However, the existing position of the economy is of high importance for IIT.

Reality confirms that the Romanian economy has a relatively lower level of competition in the European context and that Romania has attracted lower investment per capita, compared to other countries in the region, because of the absence of a transparent judicial frame and because of the rough regional competition. The competitive difference toward the other EU member states cannot be ignored, given the importance of the European market for Romania. It is very possible that this difference will increase in the perspective of an even higher liberalization and integration into the global trading, thus leaving the Romanian exporters in a critical situation. Though the continuous opening toward the external trading and significant performances of the Romanian exports, these are not enough diversified. This is partly given by the fact that, few companies have innovative activities or the low research in the development of their products and services. A shorter approach on the main exports of Romania quickly shows that most of these sectors are traditional. There has been little innovation, and as a result, there are few industries that use, intensively, a new and advanced technology.

Therefore the strategic priority of Romania should now be the competitive advantages, the development of the capabilities and exporting sector competencies, attracting the local and foreign investors and creating a new economy which will allow the development of a free trade, technological innovation, and this way, competitive advantages on a market which is more and more globalised.

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