

# ASYMMETRIES OF ROMANIA'S FOREIGN TRADE. DESCRIPTIVE ANALYSIS FOR 2012-2022

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**Abstract:** *This study analyses Romania's foreign trade dynamics from 2012 to 2024, focusing on export-import trends, trade balance, and the impact of EU integration as major indicators for assessing the country's economic competitiveness and integration into global value chains. It highlights the growth in exports and the persistent trade deficit driven by higher imports, which have an impact on industrial development and competitiveness, and the country's reliance on external markets. The paper suggests the need for strategic policies to promote sustainable growth and balanced trade, ultimately supporting Romania's economic resilience and convergence with the EU, needed for fostering long-term economic stability.*

**Key words:** *trade balance, foreign trade, trade relations*

## 1. Introduction

Over the past 17 years, since Romania has been a member of the European Union, the country has undergone political, legislative, and social changes. To maintain its member status, the entire Romanian system has had to align with the EU regulations, bringing both advantages and disadvantages. Trade relations have changed, where imports and exports contributed to Romania's economic landscape.

Regarding the topic of this article, the focus is on Romania's trade relations, analysing their impact in terms of import and export volumes which should provide insights into the country's economic structure, sectoral performance, and integration into global and regional markets.

## 2. Literature review

### 2.1. Trade Relations and Economic Transformation of Romania

Trade relations refer to the exchange of products, services and capital between two or more countries. Their importance for any country is mirrored in economic growth and stability, employment creation, improving standards of living and know-how transfer.

Romania's trade transformation post-EU accession is marked by a trade deficit due to

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higher imports than exports. The study emphasizes the role of trade policies in enhancing competitiveness, supporting innovation, and driving economic modernization aligned with EU standards. Trade relations with the EU are crucial for Romania's economic convergence with other member states (Russu, 2014). Complementing these findings, Zaman (2014) analyses Romania's situation before and after EU accession and notes a significant trade deficit post-accession, exacerbated by the 2008 financial crisis, which reduced export competitiveness. The trade deficit impacted external debt, while foreign investments failed to offset the crisis's effects, highlighting low economic performance and dependence on imports, thus exposing Romania's vulnerability. Exports are also mentioned as one of the problems faced by European SMEs, due to lack of capital and knowledge of foreign markets, resulting in decreased competitiveness (Nicolau, 2015). Petre et al. (2023) argue that EU integration strengthens Romania's competitiveness through common market access, aiding poverty reduction, environmental protection, and social development. The achievement of these goals depends on adopting policies that support green technologies and sustainable trade practices.

## **2.2. The Impact of Exports and Structural Adjustments on Economic Growth**

The impact of exports on Romania's economic growth is explored, focusing on the transition from a centrally planned economy to a market-oriented one. This shift redefined trade directions and, consequently, the overall health of the economy (Chisăgiu, 2012). Although export values increased after EU accession, Romania's economy requires additional structural adjustments to achieve durable economic convergence with other EU countries (Dumitriu and Ştefănescu, 2015). Between 2005-2017, including two years prior to EU accession, positive effects of imports and exports on the economy can be noticed, such as generating jobs, balance of payments equilibrium, and overall economic stability. However, Romania remains dependent on imports of goods not produced domestically to meet internal demand. The article suggests formulating policies to manage this dependence and promote competitive exports to avoid trade deficits (Moraru and Popovici, 2017).

Romania's structural deficiencies are highlighted by Belu (2021) in an analysis of the COVID-19 pandemic period (2020-2021), which reveals that both imports and exports were impacted by disruptions in supply chains and changes in international trade strategies. Due to mobility restrictions, operational activities were affected, and demand for goods decreased, leading to a decline in export volumes.

## **3. Descriptive statistics of Romanian trade indicators**

The purpose of this research is to present an analysis of Romania's external trade flows, where the main objective is the analysis of import, export and trade balance trends in order to assess the performance of Romania's foreign trade activity. To gain a comprehensive overview of Romania's trade situation, a 10-year analysis period (2012-2022) was selected, using data provided by the National Institute of Statistics. This

research contributes to the understanding of Romania's position on global markets, changes in demand and the impact of the EU on trade relations. The analysis of trade indicators contributes to understanding a country's economic position and the state of its business environment, encouraging the evaluation of policies aimed at economic stability. The indicators analysed in this article provide insights into the country's competitiveness, production capacities, and vulnerabilities. For companies, this analysis helps in identifying market trends and making informed strategic decisions.

Figure 1 provides a graphical summary of the evolution of imports, exports, and the national trade balance over the analysed period. Noteworthy aspects include the absolute volume of the indicators, with imports consistently exceeding exports, as well as the dynamics of these indicators and the FOB/CIF ratio. This affects economic resilience, policymakers addressing trade imbalances, and industries struggling to compete and modernize. Organizations are affected and need to be flexible and shape strategies taking into account external factors.

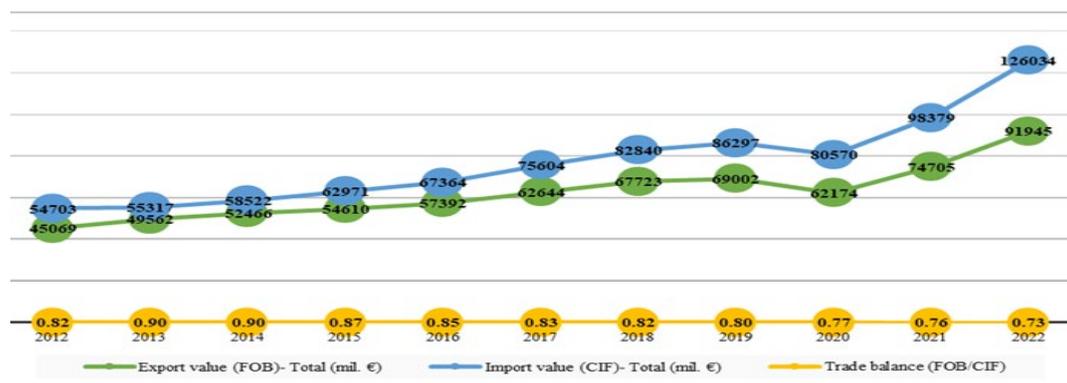


Fig. 1. Imports, exports and trade balance for Romania, 2012-2022

Source: Elaborated by the author based on INSSE data

Where: **FOB** (Free on Board): The FOB price represents the cost at the border of the exporting country. It includes the value of the goods, all transportation costs up to the point of shipment, and any taxes required for the goods to be loaded onto the shipping vessel; **CIF** (Cost, Insurance, Freight): The CIF price represents the cost at the border of the importing country. It encompasses all components of the FOB price, along with the cost of insurance and international transportation; **FOB/CIF**- trade balance.

The observations are as follows:

**1. Export Values** increased from €45,069 million in 2012 to €69,002 million in 2019, marking a growth of 53.10%. In 2020, a decline was observed, with exports dropping from €69,002 million in 2019 to €62,174 million, reflecting a decrease of 9.90%. As noted by Belu M. (2021), the COVID-19 pandemic negatively impacted supply chains and demand. Subsequently, exports resumed an upward trend, increasing by 8.26% in 2021 compared to 2019 and by 20.15% compared to 2020. A further 23.07% growth was recorded from 2021 to 2022.

**2. Import Values** rose from €54,703 million in 2012 to €86,297 million in 2019,

showing a growth of 57.76%. Following a similar pattern to exports, in 2020, imports experienced a temporary decline, dropping from €86,297 million in 2019 to €80,570 million, a decrease of 6.64%. Starting in 2021, import values rose again, showing an overall increase of 28.11% by 2022.

**3. Trade Balance:** throughout the analysed period, Romania consistently recorded a trade deficit, with trade balance values below 1. The most favourable years for the trade balance, nearing a value of 0.90, were 2013 and 2014, indicating a stabilization trend. However, starting in 2015, the situation began to deteriorate. A decreasing trend is evident when the FOB/CIF ratio drops to 0.87, signalling an increasingly unbalanced trade deficit year by year, culminating in 2022 with the most unfavourable ratio of 0.73. The persistent trade deficit and its downward trend reflect significant weaknesses in the Romanian economy, including structural deficiencies, a drastic decline in production volumes, low productivity, outdated technology (in some areas), poor competitiveness of Romanian products, a shortage of skilled labour, and inadequate professional training levels. A thorough analysis of these aspects is both necessary and urgent to facilitate the adoption of macroeconomic decisions aimed at balancing the trade deficit and transitioning to a trade surplus.

From a geographical perspective, 87.7% of total exports and 86.9% of total imports occur with EU countries. Regarding the destination of Romanian exports, the top ten countries are Germany (20.8%), Italy (10.2%), France (6.3%), Hungary (5.7%), Bulgaria (4.2%), Poland (3.7%), the Netherlands (3.4%), Turkey (3.3%), Spain (3.2%), and the Czech Republic (3.4%) (INSSE, 2023). The primary countries from which Romania imports goods are Germany (19.4%), Italy (8.7%), Hungary (6.5%), Poland (6.3%), China (5.5%), Turkey (5.2%), Bulgaria (4.7%), the Netherlands (4.3%), France (4.3%), and Austria (3.5%) (Statista, 2024).

The ranking of the main categories of goods exported by Romania shows that the highest value share belongs to machinery and electrical equipment, followed by vehicles, mechanical appliances, and nuclear reactors. Among food products, cereals rank mid-way in the list and represent the only category of this type. The remaining categories include iron and plastic products, medical and optical instruments, measuring devices, and furniture (Statista, 2024).

Based on the data provided by the National Institute of Statistics (INS), the foreign trade activity of Romania in 2023 is compared with that of 2022 (The Romanian Agency for Investments and Foreign Trade, *Informative monthly bulletin no.12/2023*). Regarding the dynamics and structure of the product groups, the following observations are made: Romania's foreign trade activity in 2023 totalled €215,143.8 mil., 1.3% lower than in 2022. Exports increased by 1.3%, reaching €93,098 mil., while imports decreased by 3.2%, amounting to €122,045.7 mil. The trade balance deficit decreased from €-34,089.5 mil. to €-28,947.7 mil., a 15.1% reduction. Total intra-community trade increased by €157,075 mil. (+0.8%). Exports recorded a growth of €67,574.5 mil. (+1.7%), while imports rose by €89,500.8 mil. (+0.2%). The trade balance deficit in relation to the EU declined in 2023 compared to 2022, decreasing from €-22,880.3 mil. to €-21,926.3 mil. (-4.2%). Extra-community trade in 2023 reached €58,069.5 mil., a 6.6% decline compared to 2022. The trade balance deficit in this segment decreased from €-11,209.2 mil. in

2022 to €-7,021.3 mil. in 2023, a reduction of 37.4%. Romania's trade deficit in August 2024 amounted to €2,880 mil., with exports of €9,420 million. The FOB/CIF ratio reached a record low of 0.69, the lowest value recorded between 2012 and 2024.

Despite these trends, the trade balance deficit has worsened year after year, impacting the economic stability and business environment. Exports of industrial and agricultural products significantly influenced GDP growth, demonstrating Romania's dependence on export activities (Chisăgiu, 2012). While exports had a short-term impact on GDP (2007-2014), they were insufficient to sustain long-term growth (Dumitriu and Ștefănescu, 2015).

#### **4. Conclusion**

The trade balance deficit has exhibited an upward trend throughout the reporting period, indicating that import values have grown more significantly than export values. These results highlight Romania's increasing dependence on imported goods and the inability of exports to outpace imports. This situation poses challenges for the business environment, including the need for innovation, improved productivity, and enhanced competitiveness. Competitive disadvantages can be mitigated through investments in technology, professional skill development, and product differentiation. The business environment can be supported by legislative measures that facilitate the activity of Romanian organizations through digitalization and the use of appropriate tools, a process that has already begun, especially within the accounting area (Anton, 2023). The ideal state is for the trade balance to become balanced or in surplus, meaning that exports are greater than or equal to imports. This will enable Romania to work on reducing the trade deficit, enhance the industrial sector, and increase domestic production and the overall economy. In this way, Romania would be able to decrease its reliance on foreign markets and contribute to the sustainable development of the economy. This can only be done if there is promotion of competitive exports and if the import of goods that can be produced locally is minimized.

Limitations of this study refer to the fact that the findings are based on statistical data, which may be inaccurate or incomplete. The study also does not include qualitative factors such as political, legislative changes or global market conditions that may influence trade. The analysis could provide a general picture of Romania's trade relations without distinguishing between different regions or sectors.

Future research can be directed to the analyses of the sectoral structure of trade relations, assess the effects of policies which support innovation and sustainability, compare Romania's trade with other EU members and enrich the analysis with qualitative data collected from organizations to identify the factors that affect trade performance.

Identifying the factors causing the balance deficit and implementing legislative measures, both national and international, could improve the situation, contributing to a favourable business environment for the organizations. As a complementary action, organizations should consider reviewing production and export strategies, by identifying factors in the external environment and rethinking internal structures.

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