

## ROMANIA IN THE EU SINGLE MARKET – AN ANALYSIS OF THE POST-ACCESSION AGRIFOOD TRADE PERFORMANCES

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**Abstract:** *The requirements of the Single Market imposed in the post-accession period important changes and improvements in the Romanian domestic agrifood production and processing. For the last two decades, Romania was unable to achieve self-sufficiency for most agrifood products, thus needing continuous and increasing imports, larger than exports, resulting in an increasing trade deficit. The economic crisis reversed the upward trend in imports, the exports intensified, and the result was the reversal of the agrifood trade balance trend. Consequently, in 2007-2012, the deficit diminished three times, and since 2013, Romania became again a net agrifood exporter, after 25 years. The present paper is analyzing the changes in the trade performances with its main partners in the EU in the post-accession period.*

**Key words:** *intra-EU trade, agrifood products, Romania*

### INTRODUCTION

At the time of its accession to the EU, Romania was presenting itself with an agrifood sector far less developed and efficient as compared to the Old Member States, and even to the New Member States that joined the EU in 2004 [2]. The opportunities offered by the free access on the Single Market and the support from the Common Agricultural Policy were well put to work and the development efforts resulted in important efficiency gains in the product chains, as well as in total agrifood output and exports.

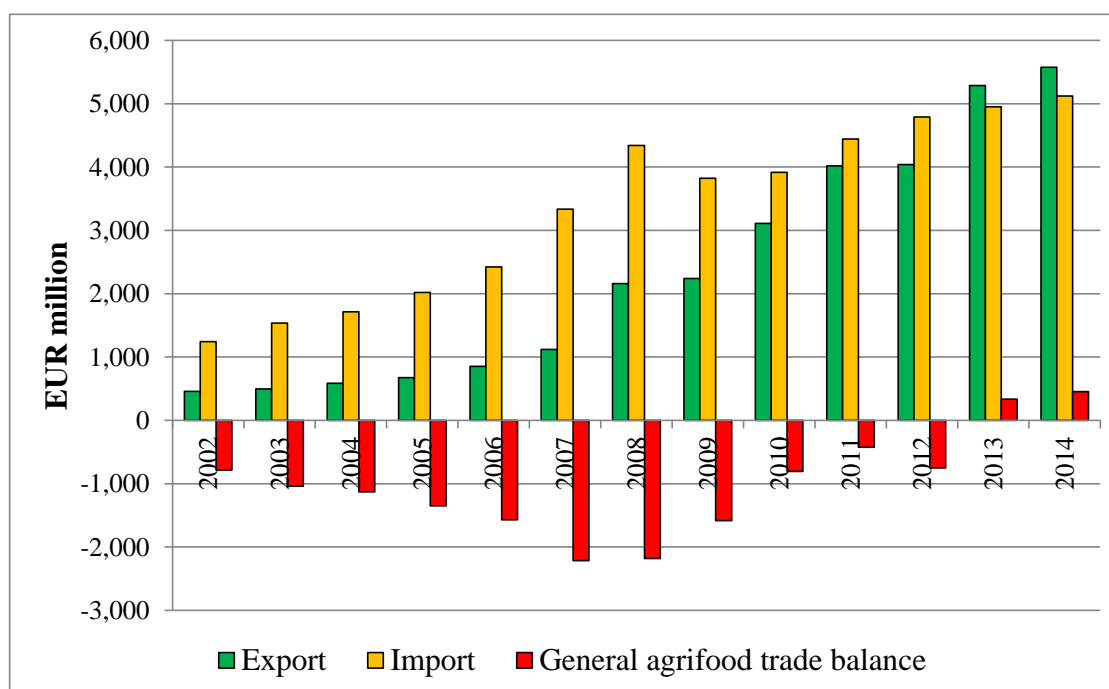
### MATERIALS AND METHODS

The source for the data was Eurostat trade database (Comext) [3], in the Combined Nomenclature, in order to ensure data consistency and comparability with other countries. Intra-community trade (dispatches and arrivals) was separated from the extra-community and general trade. EU trade as a total and by country was calculated with the contributions of each new member country since the first year of accession: EU-25 for 2004-2006, EU-27 for 2007-2012 and EU-28 for 2013-2014.

### RESEARCH RESULTS

**General agrifood trade.** The Romanian agrifood trade increased continuously since 2002. In the pre-accession period (2002-2006), the export value increased by 85%. A more accelerated growth started immediately after accession: in the first year, exports increased by 30% as compared to 2006. Then, all along the post-accession period, exports continued to expand significantly: in 2014, the export value was 6.5 times higher than in 2006, last year before accession (figure 1).

Imports increased as well during the pre-accession period, by 95% between 2002 and 2006. The first two years after accession meant a massive penetration of agrifood imports, which increased by EUR 0.9 billion in 2007 as compared to 2006 and by another EUR 1 billion in 2008 as compared to 2007.



Source: author's calculations using Eurostat data [3]

**Figure 1. Romanian general agrifood trade**

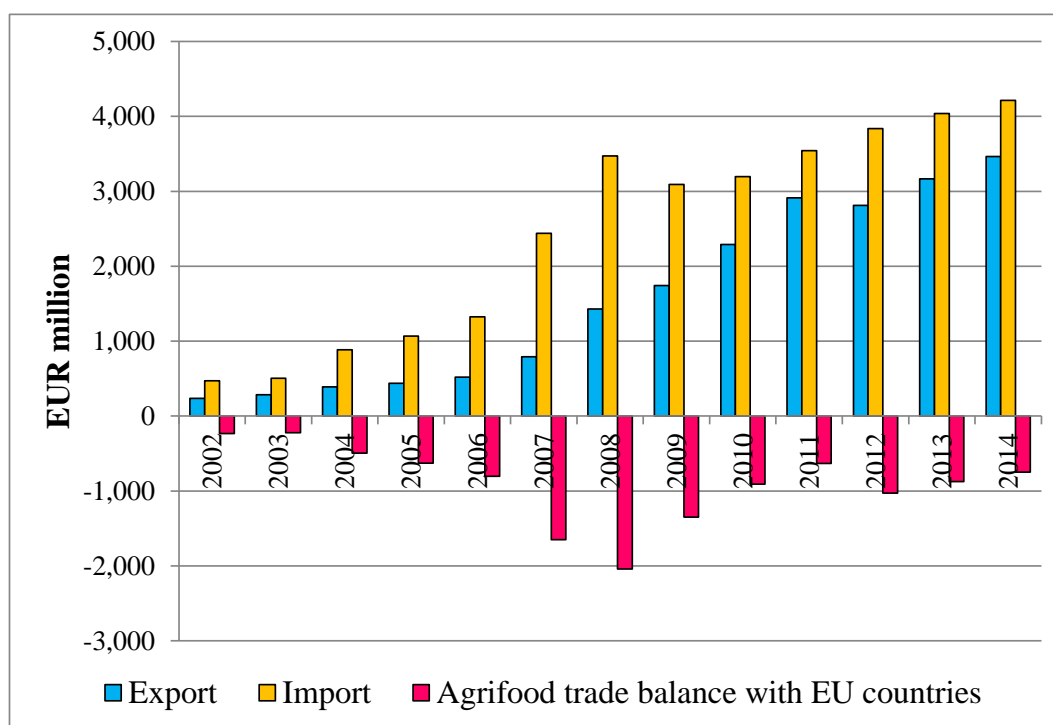
The pace of the imports growth in the post-accession period proved to be slower than the one of exports: the import value was in 2014 only 2.1 times higher than in 2006.

The coverage of imports by exports varied around 35% in the pre-accession period, resulting in a negative trade balance. Since the imports grew faster in both real and relative terms than exports, the deficit increased continuously. The shock of accession resulted in a maximum value of the deficit (EUR -2.2 billion). The year 2009 showed the effects of the crisis by a 12% reduction in imports, but the exports managed to remain on an upward trend. As a result, the increasing trend of the deficit was reversed since 2009. It diminished rapidly, by 81% in just four years: from the maximum of EUR -2215 million in 2007, down to EUR -425 million in 2011, went a bit up in 2012 due to a very bad agricultural year (EUR -750 million), and eventually in 2013 it turned to surplus (EUR +337 million) for the first time after 25 years. The surplus increased in 2014, reaching EUR 455 million.

**Romanian agrifood trade with EU countries – main trends.** It has been facilitated by the enforcement in 1995 of the Trade Agreement between EU and Romania, which provided increasing opportunities for Romanian products to enter the EU market, as the moment of accession came nearer.

The Romanian agrifood trade with the EU countries increased significantly during the post-accession period. In value terms, exports multiplied 6.7 times (2014 as compared to 2006, last year before accession). Imports expanded as well, but at a slower pace, only 3.2 times between 2006 and 2014. In the years immediate post-accession, the Romanian trade deficit with the EU countries reached its maximum values, since it took a couple of years to adapt to the new condition of EU member state, but it happened the same with other recent member states. Anyway, the Romanian intra-EU trade deficit contributed to the general agrifood trade deficit by 74% in 2007 and by 94% in 2008. In the subsequent years, the trade deficit with the EU countries diminished significantly (figure 2): from the peak of 2008 (EUR -2 billion), it was less than half in 2010-2014 (EUR -0.8 billion).

Yet, the Romanian agrifood products are still not competitive enough on the Single Market, thus the trade balance remained negative.



Source: author's calculations using Eurostat data [3]

**Figure 2. Romanian agrifood trade with EU member countries**

The share of exports going to the other EU member countries (technically called „dispatches”) increased by 9% as compared to the pre-accession period, while, due to the community preference principle, the share of imports originating from the EU (technically called „arrivals”) increased by 30.9% as compared to the pre-accession period, thus taking 82% of the total Romanian imports in 2014 (table 1).

**Table 1**

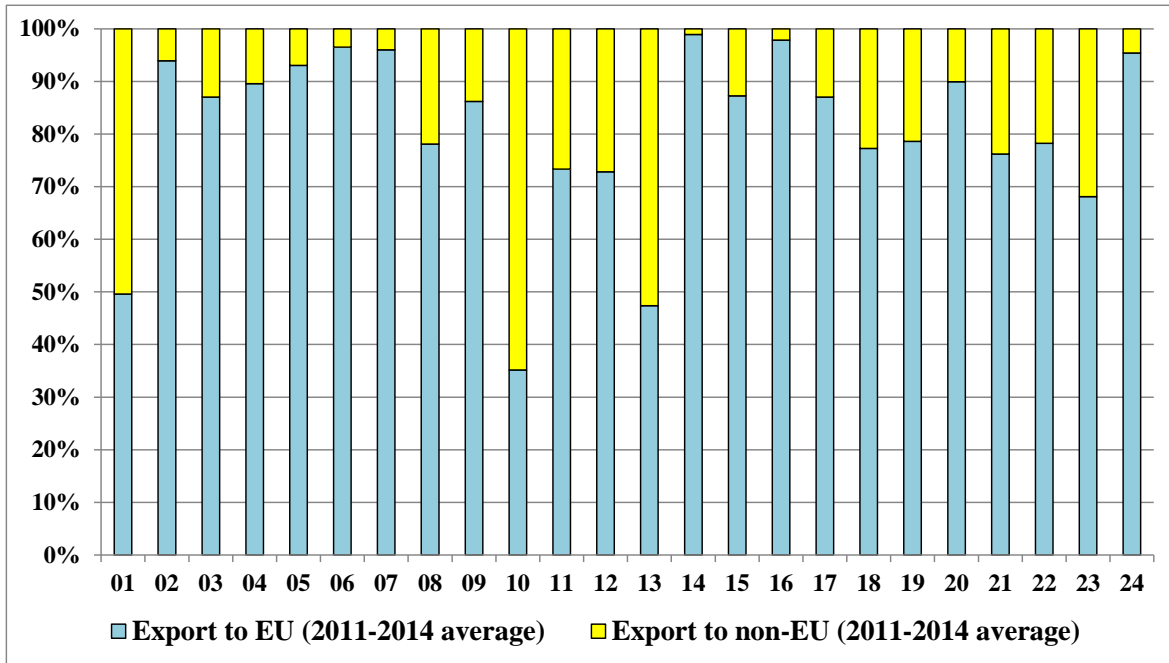
**Share of EU in the Romanian agrifood trade (%)**

	Pre-accession period	Post-accession period		
	2003-2006 (average)	2007-2010 (average)	2011-2014 (average)	2007-2014 (average)
Export to EU countries	62.3	72.0	67.5	69.0
Export to non-EU countries	37.7	28.0	32.5	31.0
Import from EU countries	48.0	78.9	81.0	79.9
Import from non-EU countries	52.0	21.1	19.0	20.1

Source: author's calculations using Eurostat data [3]

The coverage of imports by exports to the EU grew slower than the coverage for the general agrifood trade and even slower than the trade with non-EU countries. It went over 100% (thus passing from trade deficit to trade surplus) for the extra-EU trade since 2010 and for the general agrifood trade since 2013.

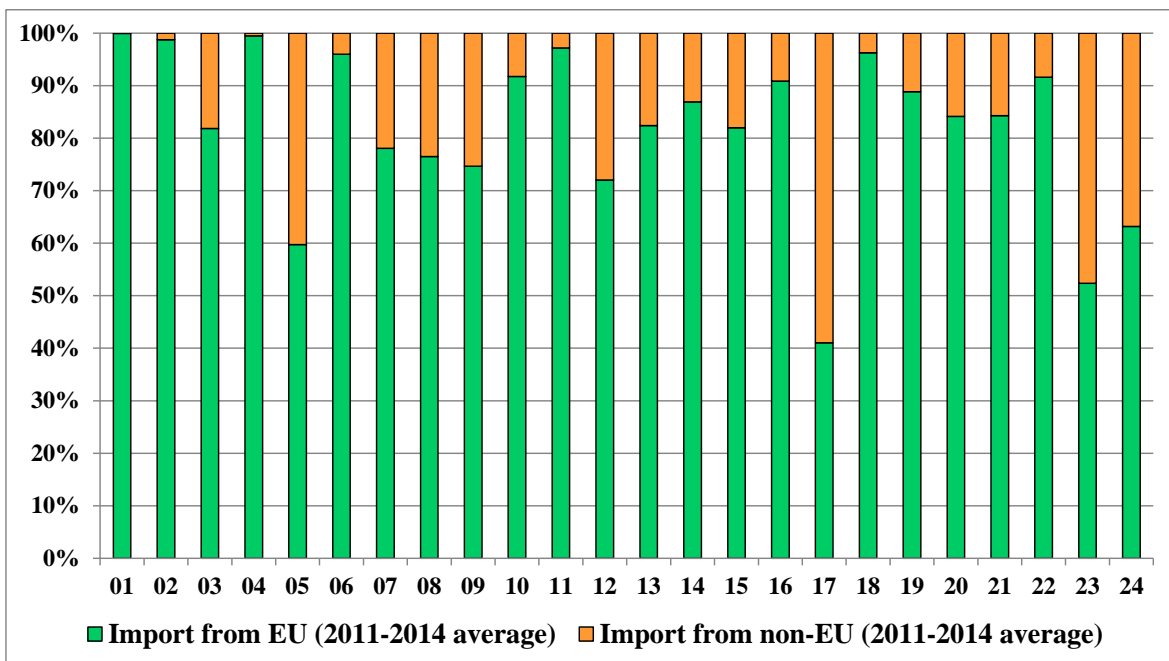
Most of the agrifood products exports, as mentioned above, are going mainly to the EU, but there are some important exceptions, such as (figure 3): live animals; cereals; lacs, gums and resins.



Source: author's calculations using Eurostat data

Notes: chapters HS (Harmonized System) 01-24, which are covering all agrifood products: 01-live animals; 02-meat; 03-fish and seafood; 04-dairy products, eggs and honey; 05-other animal products; 06-live plants; 07-vegetables; 08-fruit; 09-coffee, tea and spices; 10-cereals; 11-products of the milling industry; 12-oilseeds; 13-lacs, gums and resins; 14-other vegetable products; 15-oils and fats; 16-meat and fish preparations; 17-sugar and confectionery; 18-cocoa and cocoa products; 19-cereal baking and pastry products; 20-vegetable and fruit preparations; 21-miscellaneous edible preparations; 22-beverages; 23-animal feed; 24-tobacco and tobacco products.

Figure 3. Share of group products in agrifood exports to EU and non-EU countries



Source and notes: same as for figure 3

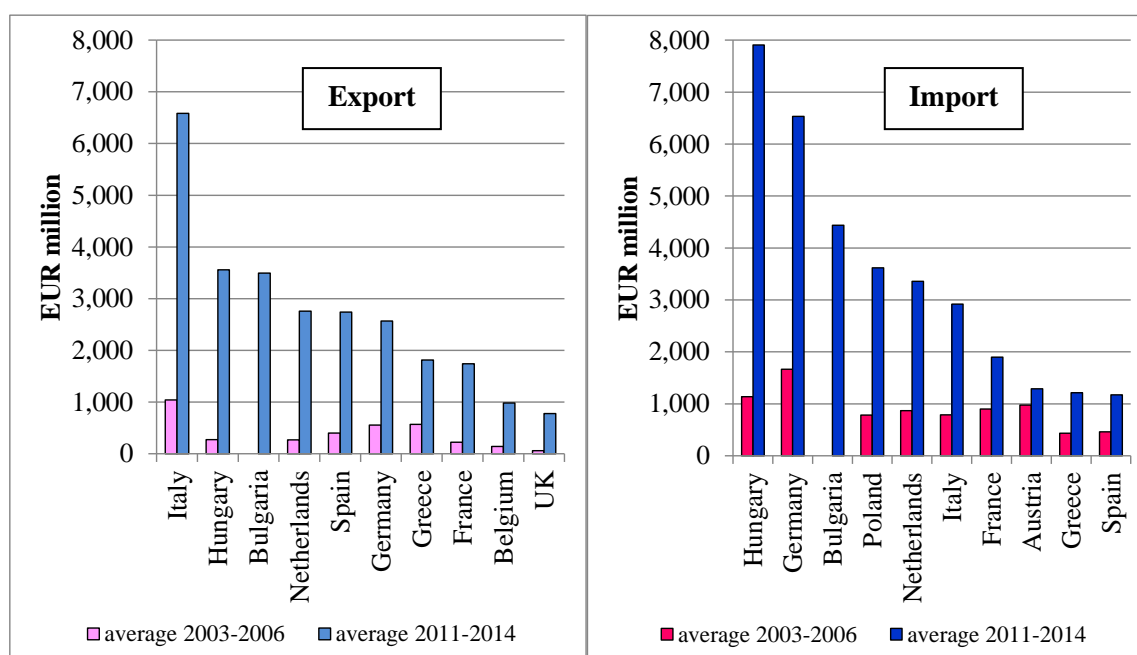
Figure 4. Share of group products in agrifood imports from EU and non-EU countries

More than 50% of the total exports of these groups of products went to non-EU countries: live animals were exported in Lybia, Jordan and Israel; cereals went mostly to Egypt, Saudi Arabia and Jordan.

In imports, again most of the products are originating mainly from the EU, while the notable exceptions are: sugar and animal feed (soy cakes) (figure 4). Sugar originating from the non-EU countries is imported from Brazil (half of the quantity), but also from Zimbabwe, Moldova, Serbia and Cuba. Of the total imports of animal feed (mostly soy cakes), 44% is coming from Brazil, Argentina and the USA.

**The geographical directions** for the Romanian agrifood trade with the EU countries, the main destinations for exports were in 2011-2014: Italy, Hungary, Bulgaria, Netherlands and Spain, accounting together for 62% of the intra-EU export value.

Figure 5 is illustrating the effects of the free access of the Romanian agrifood products on the EU Single Market: the value of exports to the main pre-accession destination countries multiplied significantly: to Italy (6.3 times), to Germany (4.6 times), to the Netherlands (10.7 times), to France (7.8 times).



Source: author's calculations using Eurostat data

Note: Bulgaria appears with zero value for 2003-2006, since at the time it was not an EU member.

**Figure 5. The Romanian agrifood trade: top 10 export destinations to EU countries and top 10 import origins from EU countries**

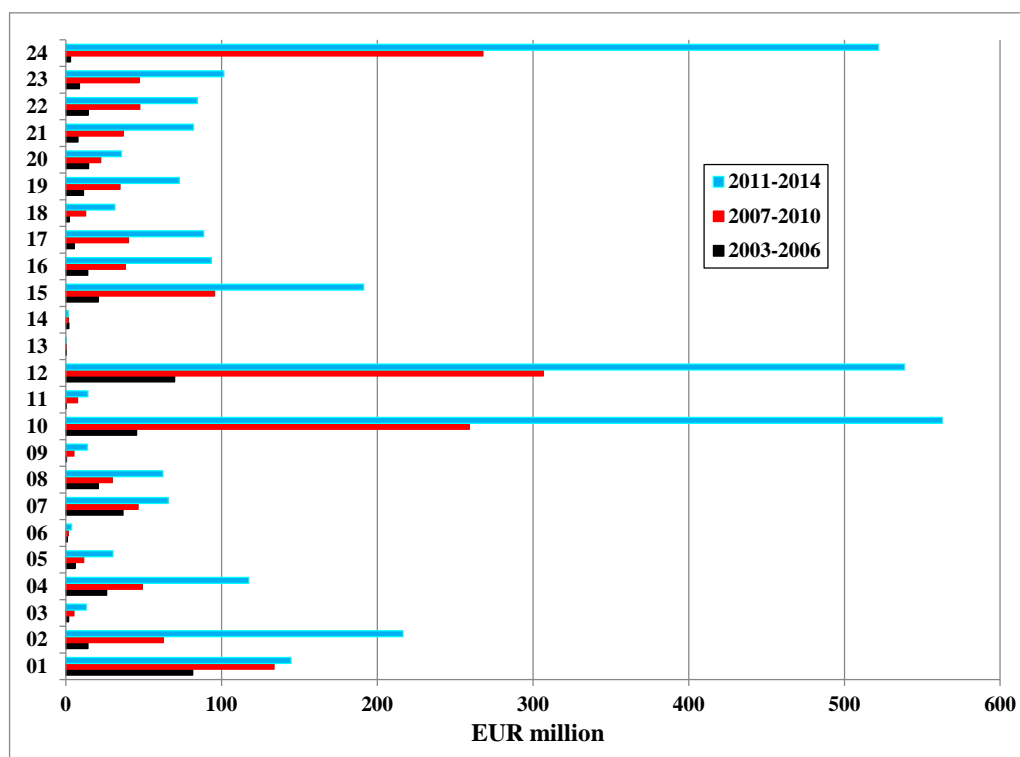
The largest agrifood imports were originating (during the same period, 2011-2014) from Hungary, followed by Germany, Bulgaria, Poland and Netherlands. These first five origin countries accounted together for 2/3 of the total Romanian intra-EU imports.

Consequently, imports multiplied as well; from the main partner, Hungary, Romania imported in 2011-2014 agrifood products worth 6.9 times more than in the pre-accession period (2003-2006). Similarly, imports from Germany and the Netherlands multiplied 3.9 times (each), and from Italy 3.7 times.

The result of these combined evolutions are reflected in the trade balance (average 2003-2006 compared with average 2011-2014): with Italy, Greece and Portugal the balance remained positive, and the surplus increased; with Spain and United Kingdom, the

balance shifted from negative to positive. Trade balance remained negative and the deficit increased between the two analyzed time periods with: Hungary, Germany, Poland, Czech Republic; while the deficit diminished in trade with the Netherlands and France.

**Composition of the agrifood flows by product groups.** The changes in the Romanian exports of the 24 groups of agri-food products (chapters 01-24 in the Combined Nomenclature) to the EU countries is illustrated in figure 6.



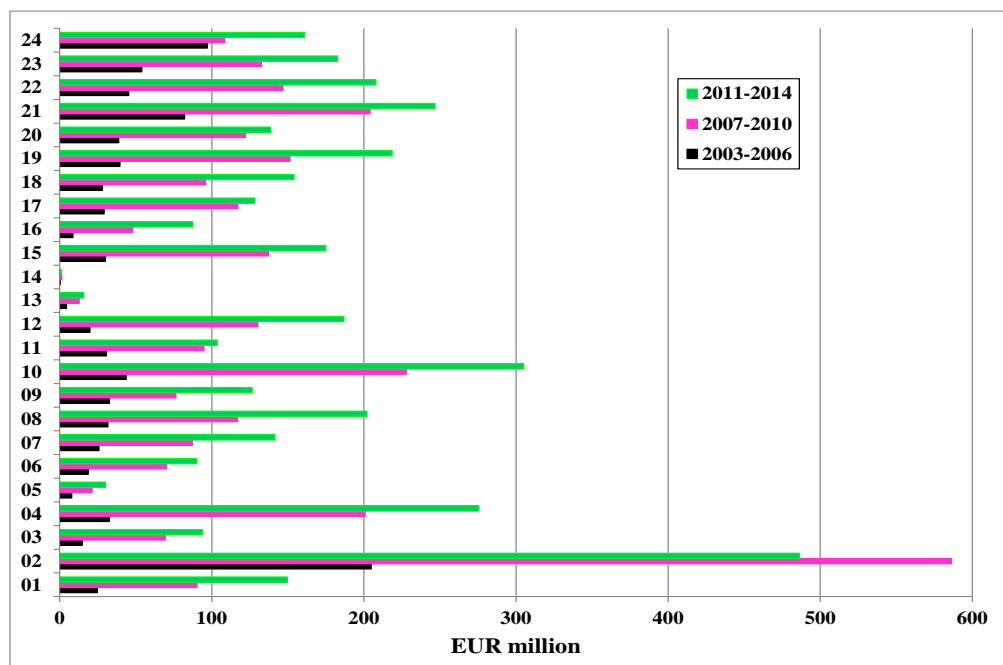
Source: author's calculations using Eurostat data

Notes: chapters HS (Harmonized System) 01-24, which are covering all agrifood products: 01-live animals; 02-meat; 03-fish and seafood; 04-dairy products, eggs and honey; 05-other animal products; 06-live plants; 07-vegetables; 08-fruit; 09-coffee, tea and spices; 10-cereals; 11-products of the milling industry; 12-oilseeds; 13-lacs, gums and resins; 14-other vegetable products; 15-oils and fats; 16-meat and fish preparations; 17-sugar and confectionery; 18-cocoa and cocoa products; 19-cereal baking and pastry products; 20-vegetable and fruit preparations; 21-miscellaneous edible preparations; 22-beverages; 23-animal feed; 24-tobacco and tobacco products.

**Figure 6. Changes in the Romanian agrifood exports by product groups**

The expansion of exports is obvious, for all the product groups (average export values for 2011-2014 are colored in blue). One can observe that export expansion relied basically on very few products, mainly agricultural commodities [1], such as live animals (group 01), cereals (group 10) and oilseeds (group 12). The only group of processed products whose exports expanded spectacularly were the tobacco products (group 24), and it came as a result of an FDI (foreign direct investment) in a large processing unit for tobacco products. The other processed products (groups 15-23) showed a more moderate expansion in exports [1].

The changes in the Romanian imports by product groups is illustrated in figure 7. Imports increased as well for all products, but at a more moderate rate. Meat (group 02) is a product that stands out, in the sense that in the first post-accession years (2007-2010),



Source and notes: same as for figure 7

**Figure 8. Changes in the Romanian agrifood imports by product groups**

imports literally exploded, up to a value almost triple as compared to any other product, but subsequently diminished in 2011-2014. The reason is not in a consumption regression, but an expansion in the domestic production, due to important investments in the animal husbandry sector through pre-accession funding programmes (such as SAPARD), and CAP together with domestic funding through the National Rural Development Programme. Other important imports are milk and dairy products (group 04), cereals (in bad agricultural years), fruits (group 08) and miscellaneous edible preparations (group 21).

The balance by products (figure 9) shows that few product groups have a constant positive balance all along the studied periods: live animals, cereals and oilseeds. After accession, tobacco products shifted to strong surplus. The main imports are those for which deficit is large: meat, milk and dairy products, miscellaneous edible preparations, fruit and cereal and pastry products.

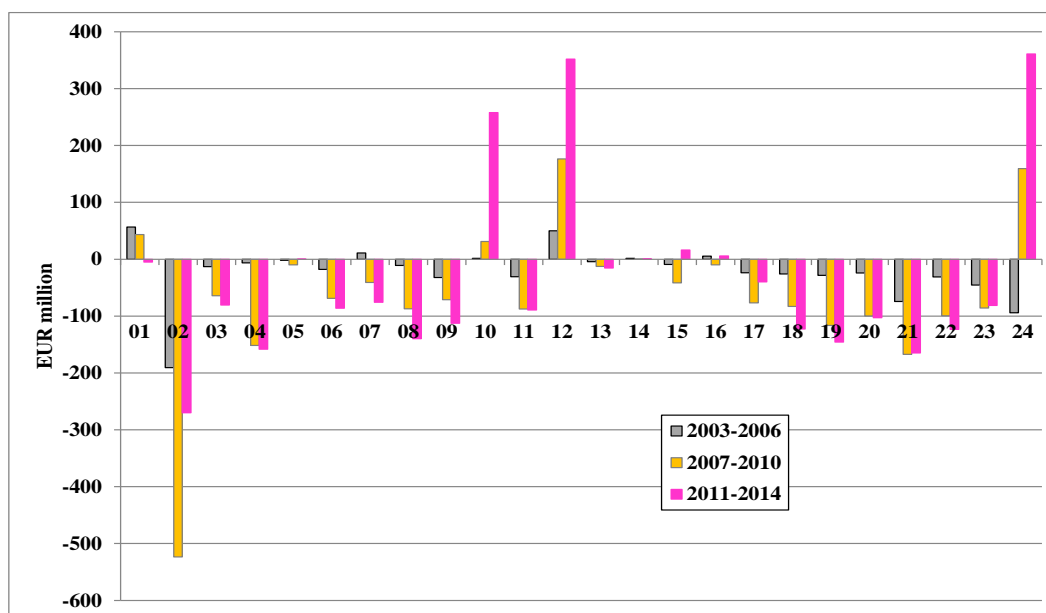
## CONCLUSIONS

The general Romanian agrifood trade (export+import value) increased continuously for the last 15 years. In the pre-accession period, exports expanded slower than imports, due to a delayed adaption to the EU quality, sanitary and veterinary requirements, as well as to the barriers to trade (tariffs and quotas). After accession, imports expanded even more, resulting in a peak of the trade deficit. The economic crisis reversed temporarily the upward trend of imports, but allowed for exports to expand. The result was a very rapid diminishment of the general agrifood trade balance, and its shift to surplus since 2013.

Trade with EU countries followed the same general patterns, but since the gap in competitiveness could not be surpassed in the 8 years since accession, the Romanian intra-EU trade balance remained negative, although is diminishing in value.

For most product groups, the largest share is traded with EU countries, the few exceptions are: live animals; cereals; oilseeds; lacs, gums and resins, for which more than half is exported outside the EU; while for sugar and animal feed, more than half of imports

are coming from extra-EU countries, since for these particular products the EU is not self-sufficient.



Source and notes: same as for figure 7

**Figure 9. Romanian agri-food trade balance with EU countries**

The main EU destinations for the Romanian exports were in 2011-2014: Italy, Hungary, Bulgaria, Netherlands and Spain, accounting together for 62% of the intra-EU export (dispatches) value, while the main EU origins for imports (arrivals) were Hungary, Germany, Bulgaria, Poland and Netherlands, accounting together for 69% of the intra-EU import value.

Exports of all 24 agrifood product groups increased after accession, but the largest shares in exports are taken by basic agricultural products such as live animals, cereals, and oilseeds, and tobacco products only from the group of processed products.

Imports increased almost continuously since 2002 (with an inflexion point in 2009), with meat as main import (13% of all agrifood products), followed by milk and dairy products, miscellaneous edible preparations, fruit and cereal and pastry products.

Agrifood trade with non-EU countries shifted to positive since 2010, but the balance with EU countries remained negative, although diminishing.

Important positive developments have been achieved by the Romanian agrifood trade since accession, but efforts are still to be done, in order to be able to export more to the EU countries, as well as to improve the ratio between processed and agricultural products.

## REFERENCES

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