

## RECENT TRENDS IN THE ROMANIAN AGRIFOOD TRADE WITH HUNGARY

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**Abstract:** *The present paper is analyzing recent evolutions of the Romanian agrifood trade with Hungary. In the years when both countries were CEFTA members (1997-2004), Hungary has been the main partner in the Romanian agrifood trade. Since Romania joined the EU in 2007, the agrifood trade volume between the two countries increased spectacularly: 8.6 times for exports (dispatches), and 4.5 times for imports (arrivals) (2011/2006). In 2010 and 2011, Hungary was the third, respectively the second destination for Romanian agrifood intra-EU dispatches. On the other hand, during 2007-2011, Hungary has been the first source for the intra-EU arrivals in Romania. The agrifood bilateral trade balance is still negative for our country, although it decreased in value terms in 2010-2011. The paper is analyzing as well the composition by products of the bilateral trade.*

**Key words:** *intra-EU trade, agrifood Romanian-Hungarian bilateral trade*

### INTRODUCTION

Hungary has been for quite a long time a constant trading partner for Romania. This is very much true in agrifood trade as well, proven by the important share taken by Hungary in both the Romanian exports and imports of agrifood products.

### MATERIALS AND METHODS

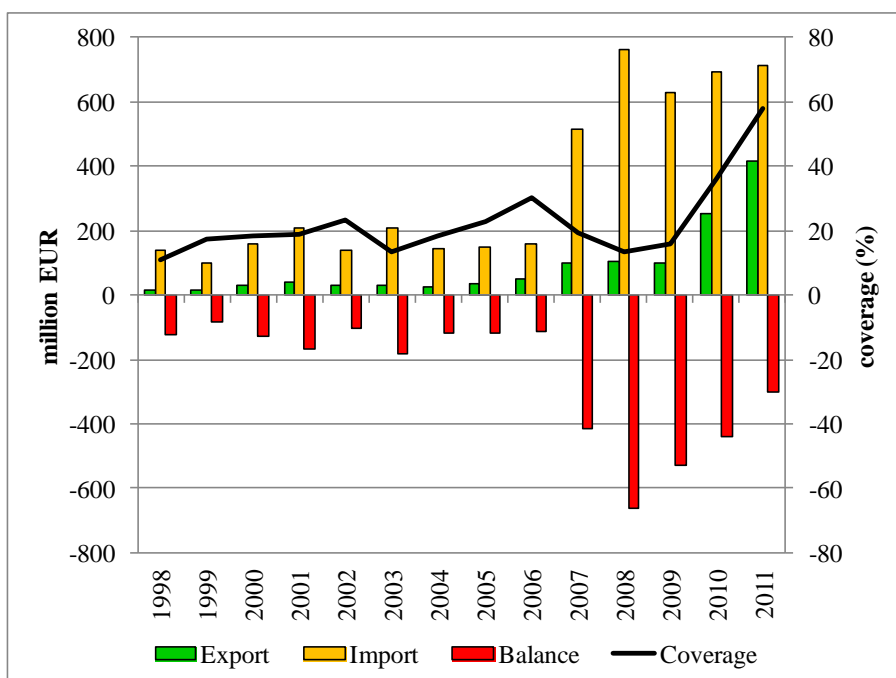
The data used in the calculations are extracted from the Eurostat databases, in CN (Combined Nomenclature), at 2-digit level. The analysis is performed in terms of trade volume (quantities and values), as well as in trade flows (direction and balance). Since 2007, both countries being EU member States, all trade is technically seen as intra-community trade; therefore, outward trade flows from Romania to Hungary are registered as “dispatches”, and inward flows from Hungary to Romania as “arrivals”. For a better understanding and the coherence of the results discussions, in the present paper the flows will be denominated as usual as exports and imports.

### RESEARCH RESULTS

**General trends in the bilateral agrifood trade.** The total volume of agrifood trade between Romania and Hungary fluctuated, between 1998 and 2006, from 118 to 246 million EUR yearly. The EU accession boosted immediately the exchanges, and as a result, trade between the two countries multiplied by 5.4 times (2011/2006), up to 1128 million EUR in 2011 (fig. 1).

Both exports and imports showed an impressive upward trend. The bilateral trade balance has been continuously negative for Romania, with a spectacular surge in the post-accession period. Yet, Romania recovered rather quickly, in just a couple of years, from the initial accession shock of complete removal of import taxes.

The analysis of the trade trends shows that the most significant periods have been the CEFTA years (from mid-1997 to mid-2004, when both countries were members), and the post-accession period.



**Fig 1 - Agrifood trade between Romania and Hungary (1998-2011)**

**The CEFTA period.** Romania joining CEFTA in 1997 has been a very important moment in the evolution of the country's foreign trade and its competitiveness on the foreign markets.

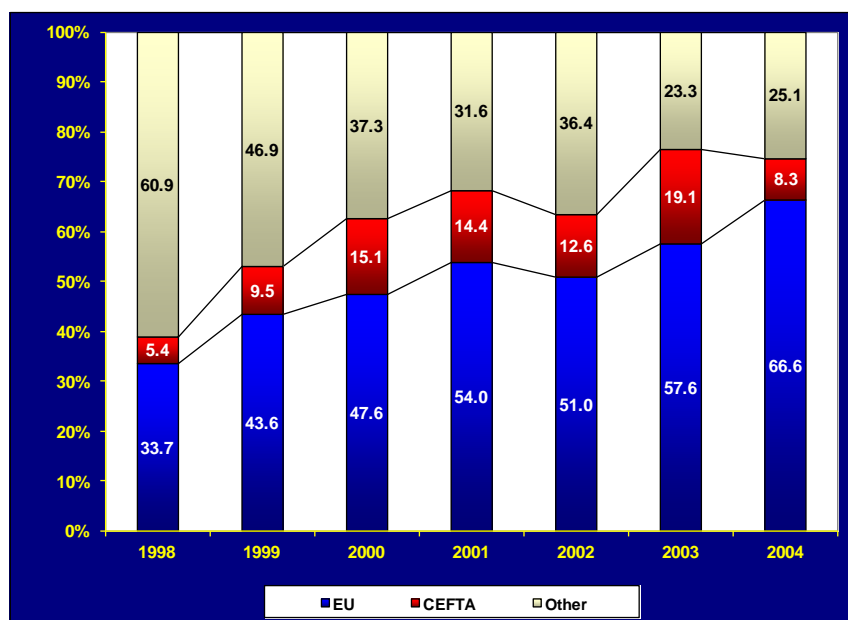
The CEFTA membership period has been very important for several reasons. The first one: CEFTA has been a kind of "training field" for the country's ability to participate in a tariff barrier-free environment such as the EU Single market (since at that moment, Romania was already a candidate country). After the conclusion of the Uruguay Round Agreement on Agriculture (in 1994) and the establishment of the WTO (in 1995), Romania negotiated a developing country status and hence, very high tariff bindings for agrifood products.

The general increasing trend of the exports up to 1996 has occasionally been discontinued by low agricultural outputs, which resulted in immediate bans for export. On the other hand, the similar but steeper increasing trend of the imports has been reversed in 1995-1996 by the above mentioned extremely high import taxes, which practically blocked the main agrifood imports (e.g. meat), thus resulting in the lowest agrifood trade deficits since 1990.

As a result of the CEFTA membership, Romania lowered significantly its import tariffs and consequently, the country faced significant competition from the agrifood products coming from the other member countries, especially from Hungary, which, at that time, was the only country in the group having a positive agrifood trade balance, both the overall balance and the balance inside CEFTA.

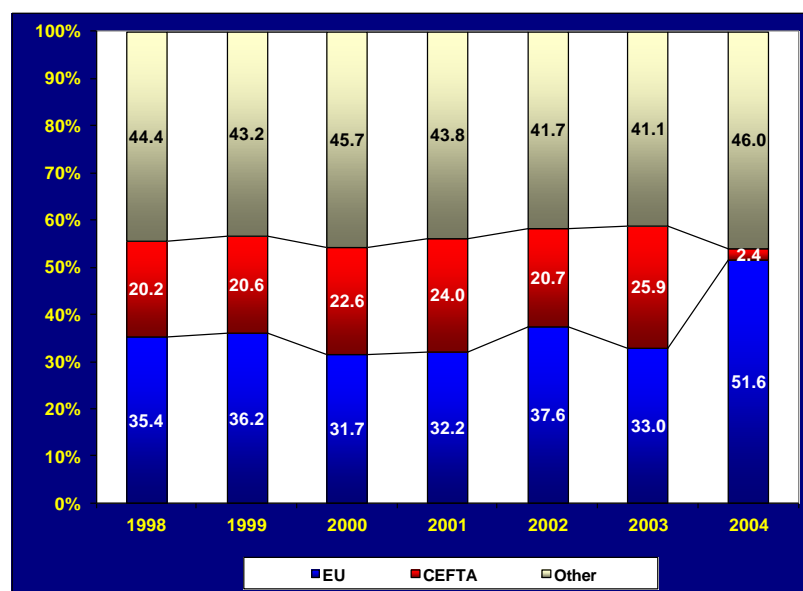
At the same time, the effects of the Romania - EU Association Agreement (enforced since 1995) started to show: the share of the EU15 in the Romanian exports went up, from 34% in 1998 to 58% in 2003 (fig. 2).

That meant, in value terms, an increase in the export value to the EU from 123 million to 315 million EUR. As a result, Romania's two main trading partners (EU15+CEFTA) took an increasing share in the Romanian exports: from 39% up to 77% between 1998 and 2003 (fig. 2).



**Fig 2 – EU and CEFTA changing shares in the Romanian agrifood exports**

On the other hand, the share of the EU15 in the Romanian agrifood imports remained around 35%, but increased significantly in value terms from 359 to 572 million EUR between 1998 and 2003. Since 2004, the main ex-CEFTA countries became new EU member states, inducing the corresponding shift in the share and value of exports and imports (fig. 3).



**Fig 3 – EU and CEFTA changing shares in the Romanian agrifood imports**

During the CEFTA years, Hungary has been by far the first destination for the Romanian agrifood products exports (table 1), taking the largest shares among the other group member countries, shares varying from 40 to 67%, while Poland took the second place, its shares reaching only half of those of Hungary.

Hungary has been as well the primary origin country for the Romanian agrifood imports; its share among the other countries decreased from 72% in 1998 down to 54% in 2003, due to increasing shares of Bulgaria and Poland.

**Table 1**

**Romanian agrifood trade with CEFTA member countries, 1998-2003**

	1998	1999	2000	2001	2002	2003
<b>Export destination (%)</b>						
Bulgaria	0.0	14.9	14.6	10.5	11.2	18.0
Czech Rep.	3.8	3.6	3.2	5.0	6.8	8.2
Poland	12.4	32.6	19.5	19.7	18.3	22.1
Slovakia	2.2	0.9	4.3	4.1	2.6	5.6
Slovenia	14.6	7.9	4.7	4.9	6.1	5.7
<b>Hungary</b>	<b>67.0</b>	<b>40.1</b>	<b>53.6</b>	<b>55.8</b>	<b>54.9</b>	<b>40.3</b>
TOTAL CEFTA	100.0	100.0	100.0	100.0	100.0	100.0
<b>Import origin (%)</b>						
Bulgaria	0.0	3.5	3.6	7.4	8.3	8.9
Czech Rep.	8.5	6.9	5.2	6.7	8.2	7.9
Poland	16.1	19.6	18.5	18.5	27.1	25.0
Slovakia	2.7	2.9	0.8	2.5	2.9	3.7
Slovenia	1.0	1.5	2.0	1.1	0.7	0.5
<b>Hungary</b>	<b>71.7</b>	<b>65.5</b>	<b>69.8</b>	<b>63.9</b>	<b>52.8</b>	<b>54.1</b>
TOTAL CEFTA	100.0	100.0	100.0	100.0	100.0	100.0

**The post-accession period.** Romanian exports to Hungary increased starting in 2007, but the real positive evolution occurred since 2009, and then quadrupled in just 4 years, between 2009 and 2011, from 99 to 414 million EUR. At the same time, imports from Hungary exploded: just in 2007, imports tripled, from 159 up to 514 million EUR, and increased again in 2008, to reach the historical highest value: 765 million EUR in 2008. Then, the economic crisis hit both countries, and the bilateral trade contracted, but not too significantly, since the agrifood demand is rather inelastic. In 2010-2011, both trends (export and import) resumed their upward trend.

The bilateral trade balance has been continuously negative for Romania, with the peak of 2008 reaching 660 million EUR, but ever since Romania performed better and better. The pace of exports growth has been higher as compared to the imports growth, thus resulting in a diminishing trade deficit that halved in just 4 years, from 660 down to 300 million EUR between 2008 and 2011 (fig. 1).

**Intra-EU agrifood trade.** In the total EU27 agrifood trade, about 2/3 is intra-community trade and about 1/3 is extra-EU trade, and even so, the EU27 has been for the last decade the largest player on the international agrifood market.

Among the EU Member States, Germany is by far the largest exporter (23%), followed by Netherlands, France, Belgium, Italy, UK, Spain and Poland (data for 2009). Hungary ranked 13 (2.16%), while Romania ranked 18 (0.98%) (table 2).

**Table 2**

**Intra and Extra-EU27 agrifood trade, selected countries (2009) (billion EUR)**

	Total exports	Intra-EU Exports	Extra-EU Exports	Total imports	Intra-EU Imports	Extra-EU Imports
EU Total	100.0	100.0	100.0	100.0	100.0	100.0
Germany	24.6	23.2	27.3	20.2	20.6	19.6
France	10.6	9.8	12.0	12.1	13.1	10.3
Poland	2.9	3.5	1.8	3.2	3.6	2.5
Hungary	1.8	2.2	1.2	1.7	1.8	1.5
Romania	0.9	1.0	0.7	1.2	1.3	0.9

**Hungary's position in the Romanian agrifood trade.** If one considers the Romanian intra-community exports (dispatches), Hungary has been present as a destination country every year in the last decade, except 2008 and 2009, taking lower

shares in the pre-accession period (7-11%) (table 3). Since 2008, the share increased, and in 2011, 14.3% of the intra-EU Romanian dispatches went to Hungary.

During both the CEFTA and the post-accession periods, in the top of the EU countries which supplied Romania with imported agrifood products, Hungary has been by far the leader (with very few exceptions) (table 3). In the CEFTA period, Hungary has been the source for 16-23% of the Romanian agrifood imports, while after accession, the share remained relatively constant, around 21%.

**Table 3**  
**Rank and share (%) of top five partners\* in the Romanian intra-community agrifood trade**

EXPORTS										
Rank	2002		2003		2004		2005		2006	
1	IT	24.1	IT	23.9	IT	20.54	IT	23.7	IT	19.7
2	GR	16.5	GR	17.1	GR	14.69	ES	13.6	DE	12.5
3	DE	12.8	DE	14.3	DE	12.32	GR	12.2	ES	11.7
4	HU	10.7	HU	7.8	NL	5.22	DE	11.0	GR	8.9
5	ES	5.7	NL	6.1	HU	6.72	HU	7.3	HU	8.6
Rank	2007		2008		2009		2010		2011	
1	IT	25.9	IT	25.1	IT	28.0	IT	23.7	IT	18.3
2	BG	12.9	NL	11.6	ES	13.0	BG	13.1	HU	14.3
3	HU	12.5	BG	11.5	BG	11.2	HU	10.9	BG	13.0
4	DE	9.6	DE	8.5	NL	7.5	NL	8.6	NL	10.5
5	GR	8.1	ES	7.7	GR	6.3	ES	8.3	DE	9.9
IMPORTS										
Rank	2002		2003		2004		2005		2006	
1	HU	18.8	HU	23.4	HU	16.17	DE	17.8	DE	17.6
2	DE	16.2	FR	12.7	DE	15.45	HU	13.7	HU	11.8
3	NL	10.1	PL	10.9	AT	9.62	AT	9.8	AT	9.6
4	PL	9.6	DE	10.4	FR	9.17	PL	9.8	PL	9.5
5	AT	8.9	AT	7.4	PL	8.77	NL	8.6	NL	9.4
Rank	2007		2008		2009		2010		2011	
1	HU	21.1	HU	22.0	HU	20.3	HU	21.6	HU	20.3
2	DE	15.9	DE	15.8	DE	16.2	DE	15.4	DE	15.4
3	NL	11.9	NL	10.7	NL	10.7	BG	14.0	BG	13.8
4	IT	8.4	IT	8.2	BG	9.5	NL	8.5	NL	8.3
5	PL	7.5	BG	7.7	PL	7.5	PL	7.5	PL	8.2

\*Note: IT=Italy, GR=Greece, DE=Germany, HU=Hungary, ES=Spain, NL=Netherlands, BG=Bulgaria, PL=Poland, AT=Austria, FR=France.

**Composition of trade flows.** In the post-accession period, Romania's imports have been worth more than half a billion EUR yearly, and increasing, it is surely interesting to analyze the composition of these imports, by product groups (table 4). The top imported product since 2007 has been grains, in quantities varying from 500,000 tons (2011) to 1.04 million tons (2008), worth 115-175 million EUR yearly. Another constantly imported item from Hungary has been meat, mainly pork and chicken. The quantities varied from 55,000 to 73,000 tons, worth between 83 and 124 million EUR. In 2011, 47,000 tons of pork and 28,000 tons of chicken came from Hungary to Romania. Animal feed is the third most important imported item, worth between 50-72 million EUR per year, for 130,000 to 195,000 tons of feed.

In 2011, the year of highest exports from Romania to Hungary (worth 414 million EUR), the main export products have been: oilseeds (91 million EUR for 200,000 tons), edible oils (85 million EUR for 82,000 tons) and grains (56 million EUR for 197,000 tons of grains, mostly maize).

Table 4

## Composition of Romanian agrifood imports from Hungary

Rank	2006		2007		2008		2009		2010		2011	
	Code	Item	Code	Item	Code	Item	Code	Item	Code	Item	Code	Item
1	23	feed	10	grains	10	grains	10	grains	10	grains	10	grains
2	02	meat	02	meat	02	meat	02	meat	02	meat	02	meat
3	10	grains	23	feed	23	feed	23	feed	23	feed	23	feed
4	20	fruit&veg cans	17	sugar	15	edible oils	15	edible oils	15	edible oils	15	edible oils
5	01	live animals	11	starch / malt	01	live animals	04	milk & dairy	01	live animals	04	milk & dairy

## CONCLUSIONS

Over the years, but mostly since the CEFTA period, Hungary has increasingly been a top trading partner for Romania. Our country's accession to the EU allowed for a tremendous development of the trading relations in agrifood products, and as a result trade between the two countries multiplied by 5.4 times (2011/2006), up to 1128 million EUR in 2011.

Romanian exports to Hungary increased starting in 2007, but the real positive evolution occurred since 2009, and then quadrupled in just 4 years, between 2009 and 2011, from 99 to 414 million EUR. At the same time, imports from Hungary increased significantly: just in 2007, imports tripled as compared to 2006, from 159 up to 514 million EUR, and increased again in 2008, to reach the historical highest value: 765 million EUR in 2008. The economic crisis stopped temporarily (only for 2009) the steep upward trends, which promptly resumed since 2010.

In terms of intra-EU agrifood trade (dispatches), Hungary ranks 13 and Romania 18 in the hierarchy of the 27 countries, with very modest shares (2.16%, and 0.98% respectively).

In the bilateral trade, Romania exports to Hungary mainly oilseeds, edible oils and grains (mostly maize), and imports meat (2/3 pork and 1/3 chicken), grains (mostly wheat) and animal feed.

In the post accession period, Hungary ranked among the top 2 destination countries for the Romanian agrifood exports and is, by far, the top origin country for the imports.

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