



## Contextual Analysis of Commercial Trade Between the European Union, Romania and BRIC Countries

### KEYWORDS

Commercial trade, BRICS alliance, emerging economies

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**ABSTRACT** *The global financial crisis has highlighted the structural changes in the global economy for emerging countries - particularly the BRIC - so there is a tendency to shift to these countries economic exchanges. From this perspective, in this paper we present a comparative and contextual analysis on economic exchanges between the European Union, Romania and BRIC and a forecast of the influence of exchange on international trade policy.*

### Introduction

Building a solid commercial trading system is not only a technical challenge, but mainly a political challenge resulted in the development of strategies focused increasingly on the goal of elimination of non-tariff barriers. Thus, the emphasizing structural changes caused by the liberalization of international trade, the increasing role of developing and emerging countries in the international trade of goods and the increasing interdependence between world economies are three influence variables international trade, variables that had a direct influence in the global economic and financial crisis of 2008-2009 which marked the global economy and left deep marks on the dynamics of international trade. The global crisis and uneven international trade recovery have widened even more the structural changes in the global economy and international trade, whose core is the movement of the economic and commercial center of gravity from West to East and from North to South, basically from well developed countries towards a number of developing / emerging countries - particularly China and India.

### Methodology

Regarding the analyzing method used, we underline that the study was done on two levels:

- Plan of community economic exchanges between the EU and BRIC countries where we outlined the extensive

structural changes in recent years by comparing and interpreting statistical information;

- National plan of economic exchanges with BRIC countries, where we highlight not only the statistical evolution of such exchanges but also the diagnose of the causes and thereafter process forecasting.

### 2.1.EU trade with BRICS countries

The extent of the negative impact of financial crisis on international transactions determined even more closer trade ties between the world's economies and the global dimension of the crisis which have highlighted the high degree of interdependence and interconnectivity existing not only between financial markets but also among those and the goods and services markets. Nistor P. (2012) had found that before this financial crisis appeared, experts in the field predicted that until 2050, the economies of Brazil, Russia, India and China (BRIC countries) will be among the top economies of the world, a process intensified since 2011 when South Africa joined group of countries. Goldman Sachs recently forecasted the cumulative GDP growth rate for today's seven largest developed economies (G7 countries) at around 2% per annum until 2050. They are presented in the following table.

**Table 1**  
**GDP of BRIC states and United States 2010-2050 (billions of dollars)**

States	2010	2015	2020	2025	2030	2035	2040	2045	2050
USA	14.535	16.194	17.978	20.087	22.817	26.097	29.823	33.904	38.514
BRIC countries									
Brazil	1.346	1.720	2.194	2.831	3.720	4.963	6.631	8.740	11.366
Russia	1.371	1.900	2.554	3.341	4.265	5.265	6.320	7.420	8.580
India	1.256	1.900	2.848	4.316	6.683	10.514	16.510	25.278	37.668
China	4.667	8.133	12.630	18.437	25.610	34.348	45.022	57.310	70.710

Source: Processing by O'Neill, Jim (ed.): *BRICS and Beyond*, Goldman Sachs Economic Research Group, Goldman-Sachs, New York, 2007.

Commercial trade, foreign direct investment, political attitude are just a few basic elements that support these emerging economies and the West end of the unipolar moment, a dispersion of power from the West to the BRIC economies is predictable. Thus, if in 2010 the top 5 Western economies produced 55% of global GDP, an estimated 2050 GDP of India is almost as that of the U.S. and China will be over 15 times higher than at present. Albu C., Câmpeanu V. and Bălan E. (2011) had found that BRIC countries held together in

2010 over 40% of the world population, 18% of GDP, 16% of world commercial trade and 40% of global reserves.

BRIC alliance, the strongest emerging economies have consolidated recently their strategic position, both globally and in their EU relations. In your reports and documents, the European Commission discussion paper in November 2010, „Trade, Growth and World Affairs. Trade Policy - core component of the Europe-2020 „, it shows that the new EU trade

policy will pay particular attention to „USA, China, Russia, Japan, India and Brazil“. So BRIC countries are key markets for extra exports together with the USA and Japan. Most important trading partners since 2011 for goods trading (taking into account both cumulated flows, export-import) were: U.S. (13.8% of total), China (13.3%, close to the U.S.) Russia (9.5%), Switzerland (6.6%), Norway (4.4%), Turkey (3.7%), which exceeded Japan (3.6%), India (2.5%) and Brazil, which has surpassed South Korea (2.1%) while the BRIC countries' proportion is 27.4%.

### Trade of Romania as EU member

Romania's commercial trades after 2000 should be analyzed in terms of two distinct phases: the phase until 2007 when Romania was in pre-accession to the European Union and Romanian exports were quite low, only about 11.273 billion euro recorded in 2000, the integration phase after 2007, when we assisted to an increase in export value of nearly 4 times and imports by 3.86 times. EU member status is in principle a positive upward trend proved by the trade volume with the EU countries, whether it's about the EU supplies and acquisitions of trade or the increasing value of individual trade volume, which is due to the increase Romania's exports and decrease in population over the same period. However we may say that Romania is dependent on its trade with the European Union, the trade value of goods in 2012 was 140 822 300 000 lei (31596.0 million) and supplies 178 813 300 000 lei (40.0976 billion euro) in acquisitions, representing 70.2% of total exports and 73.5% of total imports. This position is similar to other countries in the Community. Thus, regarding EU commerce, countries like Slovakia, Czech Republic, Luxembourg, Poland, Holland, Hungary, Portugal, Belgium, Romania and Slovenia in 2011 were the most powerful dependent states on the domestic market among the 27 EU member states - all with a degree of dependence greater than 70% and in terms of imports, Luxembourg, Latvia, Austria, Czech Republic, Malta, Portugal, Romania, Slovakia and Denmark were in 2011 the countries with a high dependency of over 70%.

### 5. Romania's trade with BRIC

If we continue analyzing Romania's commercial partners, we notice that the trade with countries outside EU are modest and represents less than a third of Romania's trade while the global trend of trade shift to emerging countries did not significantly affect Romania's foreign trade structure. Causes are multiple starting from insufficient documentation of market information (on demand, supply, prices) and obstacles to ensure carriage of goods, lack of after-sales service, distance and, not least, the high duties levied on certain categories of goods in emerging markets.

These causes, together with the global financial and economic crisis did not determine the trend maintenance in international economic exchanges of Romania with the global market. A diagnostic analysis of Romania's trade policy shows that one of its weaknesses is the low capitalization of cooperation with BRIC countries, given that internationally there is a move of the economic center of gravity from the developed to emerging economies especially towards BRIC countries. Current economic exchanges are modest in terms of value and quantity and are generally the result of traditional cooperative relations.

Regarding the commercial position to BRIC countries, it is noted the trade between Romania and Russia in the Council for Mutual Economic Assistance (CMEA), relations that were much larger when the two countries had a centralized economy type, without a competitive market and private property, specific to communism. The relations between the two countries are linked to Russia's leading position in the electricity market, over 75% of the value of imports being represented by energy. Ministry of Foreign Affairs in the Russia had found that at the end of 2012, the total bilateral trade between Romania and the Russian was 4.422 billion USD (up by 1.8%

since 2011), the Romanian imports was USD 3.0708 billion (increase of 4.9% compared to 2011) and exports of USD 1.3513 billion (decrease of -4.6% from 2011).

Ministry of Foreign Affairs of the China had found that China is the first commercial partner of Romania in Asia is ranked 18<sup>th</sup> place among foreign investors. Romania's interests are summarized in reducing the trade deficit by increasing the exports, Chinese involvement in large projects (infrastructure, energy, agriculture, etc.), identifying cooperation projects in "nontraditional" areas (IT, banking, environment); exploration and exploitation of opportunities for cooperation on third countries markets (e.g. Mongolia, Iraq, Afghanistan). Romania's strategic position in the Eastern European makes China our main investment partner in Asia. Thus, according to the Trade Registry data from Romania, the current economic relations between Romania and China places the Asian country 5<sup>th</sup> in ranking of companies with foreign capital behind Italy, Germany, Turkey and Hungary. At the end of 2013, out of the 186 376 of companies in Romania with foreign capital, more than 10,600 companies (5.81%) had Chinese shares in their capital.

The third BRIC country partner with Romania is India. Romania and India established diplomatic relations on 14<sup>th</sup> december 1948. On 15<sup>th</sup> november 1957 an embassy was established. The Romanian diplomatic office in India was opened in 1955, while the Indian one in Bucharest in 1959. Romania holds a Commercial Office inside the Embassy in New Delhi and a Honorary Consulate in Calcutta. The trade evolution between Romania and the Republic of India, in the last five years was oscillated and fluctuated trade wise together the entire relations between EU and BRIC countries.

**Table 2**  
**Goods trading between Romania and India**

	2007	2008	2009	2010	2011	2012
Total	799,2	919,1	817,01	879,3	815,9	381,6
Export	449,1	310,2	256,89	190,0	271,8	158,7
Import	350,1	608,9	560,12	689,3	544,1	222,9
Balance	99,0	-298,7	-303,23	-499,3	-272,3	-64,2

Source: <http://www.mae.ro/bilateral-relations/3117>

Thus, Romania's exports to India have been decreased in the analyzed period and their value fell from \$ 449 million to \$ 158 million, namely more than 64%. Regarding imports, the early period, their value was more than \$ 350 million and they follow an upward trend with values over \$ 540 million in 2009 and 2011 and even almost \$ 700 million in 2010. Thus, it is noted that amid these economic exchanges an important role in bilateral relations between the two countries is represented by the cultural, scientific and human development partnerships trying to develop economic cooperation opportunities.

The recent important changes from the BRIC and Romanian trade policies needed to be capitalized, therefore, an opportunity for Romania is the development of partnerships with Brazil, South Africa which represents a possible opening towards two continents where Romania has only insignificant or incidental cooperation relations.

### Conclusions

The globalization and international economic exchanges issues are extremely complex and beyond the extensive debates on the subject, which are far from being concluded, it requires the idea that globalization is now an inevitable but also irreversible process if we equate the globalization with the intensification processes and the multiplication of economic, technological and social interactions. The international economic environment puts real pressure on the governments to protect national economies and there are current concerns regarding the development of tariff and non tariff barriers, the removal of unfair export subsidies and the crea-

tion of regional relationships protection. In this context, the European Union must have realistic objectives, otherwise defined in the new EU commerce strategy entitled „Global Europe - competing in the world” and Romania, as EU member, needs to ensure a favorable coefficient of elasticity report of

imports in order to increase the export capacity of the Romanian economy. In conclusion, the analysis of the relations between Romania and EU and BRIC countries shows that one of the strategic objectives of the EU trade policy is to maximize the trade between these trading partners.

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