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Thesis Summary

*Structural adjustment of foreign trade of Romania after
the EU accession ¹*

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1. The context

After completion of the transition period from a centralized economy to a market economy, and after the EU accession, Romania has faced a number of acute and difficult requirements to adapt to the new European structures and legislation. Our country had to go, practically, through a new transition. She had to face the great pressure as a consequence of the quality of member state in order to ensure growth and stability. EU accession meant for Romania new pressures on both the state sector and the private sector on exporters, pressures to adapt to the Single Market requirements. In recent years there have been highlighted significant changes in the trade structure of our country, due primarily to the macroeconomic conjuncture, which imposed on all those

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operating in the commercial field a permanent adaptation to the new changes.

2. The problem

In the last decade, Romania has undertaken a number of reforms that changed profoundly the structure of its economy by increasing of the capital intensity and increasing of the role of the technological factor for increasing of the productivity at the sectoral level. Therefore, more interventionist policies were necessary to face of these changes, changes which often are reflected in the large deficits occurred in the trade balance and current account. This approach entitled "*Structural adjustment of foreign trade of Romania after the EU accession*" provides an overview of the changes in the structure of the foreign trade specialization of our country as a result of regional integration, analyzing the key factors that have led to these developments. Finally, it provides recommendations and directions for action to improve the country's economic and trade performance and reduce the trade deficit.

Therefore, the research topic, at the intersection of several areas (trade, international specialization and adjustment policies), wanted to emphasize, first by the theoretical and practical international specialization structure of our country, in the second , the structure of foreign trade by many factors that influence it (the technological factors and foreign investment), and in the third row, of structural adjustment policies and directions that are moving towards Romania in the context of

regional integration. However, all this represent the value added to my research.

3. The aim and the objectives of the research

In a first phase, the analysis was focused on the theoretical models of international trade, because these models are the starting point in analyzing the dynamics and structure of specialization and international trade of goods and services. Therefore, the *aim* of this thesis is to capture major changes in the structure of international trade and of the specialization in Romania after the EU accession, compared with the previous period, following the evolution of the value of foreign trade by product and geographic orientation. Also, by analyzing of the trends towards which the Romanian foreign trade is going in recent years, we can identify the opportunities and develop strategic directions to follow to boost and improve economic competitiveness.

To answer the aim established, I outlined the following *objectives*:

- assessment of the inter and intra-industry specialization processes and of the degree of technological specialization as well as their impact on economic growth;
- the analysis of Romania's export capacity and the construction of models that can capture the dynamics of the exports in terms of the productivity increasing, technological specialization and foreign direct investment;

- assessing the performance of the foreign trade as a result of the structural adjustment policies in the ante and post-accession period and formulate action lines to improve the economic and trade performance in our country, both at macroeconomic and microeconomic level.

4. Methodological benchmarks

Based on the methodological and theoretical framework, the methodological approach that we use in outlining the thesis will be both **qualitative** and **quantitative**. Is qualitative, because the realization of this work is based on the interpretation, explanation, understanding and comprehension, and quantitative because we use the measurement, quantification, and digital expressions of the economic development.

This work to the conceptual approach will follow a deductive logic, from simple to complex and by using an extensive bibliography, absolutely necessary in reporting of the theories, typologies and of the factors through the regional integration. Therefore, following the analysis of the main works, succeeded in performing of logical connections between concepts and theories, so that we may understand the evolution of Romanian foreign trade.

From a quantitative perspective, performing of the detailed empirical studies consisted in *looking* and collection of the data as well as their processing. In our paper, the data collection technique used is the media: from the statistics and official reports, studies, summaries, presentation documents and publicity, internet, literature studies, information provided by

specialized academic institutions, research centers, specialized journals, websites sites, EBRD, EIB, European Commission, World Bank, International Chamber of Commerce, BNR monthly and annual reports, INS and Eurostat reports, International Trade Center, Heritage Foundation, the Commission for Prognosis and United Nations Statistics Division. The second step is to processing these data, based on a complex of statistical and mathematical methods, for which we chose a range of methods, techniques and specific research tools.

5. Synthesis of the main parts of the doctoral thesis

Whereas the literature in this area is quite limited, I focused on the theoretical models of international trade and specialization in terms of regional integration, on the empirical analysis of international specialization and particularly on the technological specialization patterns, on the analysis of the Romanian international trade and of export capacity of our country under the influence of their determinants and of the analysis and identification of structural adjustment programs in the pre and post integration period, as well as to identify the action lines to improve our country business performance.

So, due to those presented so far, we will structure the paper by the following chapters:

Chapter 1 *Structural adjustments in foreign trade - theoretical approach*, as the title suggests, will pursue by the interdisciplinary approach the highlighting of the main structural adjustment models of international trade, from the traditional theories perspective, until the new theories of the international trade. The international

competition, accelerating technological change and social change are important factors of structural adjustment, both within and between firms, industries and regions. This approach requires a conceptual understanding of the structural adjustments and will focus on the highlighting their determinants, in particular, the way in which they underlying of the changes in the temporal patterns of the international trade, which aims to be a preamble for the future empirical research on the dynamics of structural adjustment as a result of regional integration. Also, this chapter will provide an overview of regional economic integration and its implications for structural adjustments. Thus, it tries to answer of the question "*whether regionalism help or hinder multilateral trade liberalization*". Hence it becomes necessary to study the customs union theory, seen as the foundation of the regional integration process, as well as the one of the steps in achieving of the final objective, the creation of a supranational union. The final part of this chapter is actually a preamble of the research by presenting of the instruments for measuring of the dynamics of the structural adjustment, both in terms of geographical orientation, international specialization and of the unidirectional and bidirectional trade flows.

Chapter 2, entitled *International International specialization of Romania*, will pursue first of all an overview of the main indicators expressing Romania's international specialization processes, indicators which allow the assessment of the stability of the comparative advantages and their change over the time. In the context of Romania's accession to the European Union, the processes of trade in goods and services specialization

have been evaluated in terms of the evolution of the degree of exports and imports specialization in the first place, and secondly in terms of the inter-and intra-industry specialization, and in the third place, in terms of the technological specialization at sector level.

Evaluation of the exports and the imports of goods and services specialization during of the 2000-2012, will begin with the study of revealed comparative advantage by sections of the Combined Nomenclature, using the Balassa's revealed comparative advantage indicator.

This approach continues by analyzing of the inter and intra-industry specialization processes, that require the calculation of the Grubel-Lloyd index, thereby prompting the level of inter-and intra-industry specialization by the sections, as the technological comparative advantage at sector level. To assess the stability of the international comparative advantage, of the intra-industry specialization and technological specialization, we build a regression that aims to determining the inter-conditionality of the increasing technological comparative advantage and economic growth, measured by GDP.

Chapter 3, entitled *Structural adjustments of Romania's foreign trade in the context of the integration into the Community*, implies first of all the determining of some of the changes both in the structure of demand and of the supply. EU integration process has contributed significantly to the process of the macroeconomic stabilization, trade opening, increasing of the flows, of the foreign direct investment and improves the legal and institutional framework, which is considered the key

factor in the economic success of a country. Enlargement has contributed significantly to stimulating the growth potential by promoting more efficient division of the labor and competitiveness. However, the specialized literature on the performance of Romanian foreign trade during the integration process is still limited. For this reason, this approach will be built to capture the impact of economic liberalization, on both the demand and the supply, in terms of specialization mobility of the imports and of the exports, as well as the intra-industry specialization.

In the establishment of the coordinates of the dynamics of structural adjustment processes of Romanian foreign trade as a result of the EU accession is necessary to determine the effects of the gradual liberalization of trade on productivity both at country level and at the sector level, on the consumption and savings. Analysis of the impact of liberalization on productivity, consumption and savings, requires the determination of a econometric relationship between the degree of openness on the one hand and productivity growth / consumption or saving on the other. This review will aim to determine how an increase of openness of the economy leads to economic growth.

The approach would continue with the analysis of the dynamics of Romanian foreign trade that will require a more detailed analysis of the structure of exports and imports by stages of production and industrial sectors, as well as from the perspective of their geographical orientation. This analysis will have the role to evaluate the stability of the Romanian international trade patterns

as well as the main trends registered as a result of European integration.

The last part of this approach will provide us an opportunity to investigate the impact of the difficult process of the European integration upon the competitive position of our country. To investigate this issue, based on performance trading indicator, indicator designed by the International Trade Center, we will address the complex and multidimensional nature of the trade patterns, positioning our country in a ranking of the 180 countries. Also of major importance in the research topic is the analysis of the country's export capacity, as a measure of competitiveness. Thus, this analysis requires the construction of a regression equation in which the level of the exports will be influenced by a number of factors related to the productivity, technological level and ability to attract foreign direct investment.

The last chapter, entitled *Structural adjustment programs in Romania*, is assigned to the evaluation of the economy and international trade in terms of policies and reforms at the micro and macro-economic level. Thus, the evolution of the Romanian trade and of the economy is the result of a set of policies, called by the literature *structural adjustment programs*. This approach aims to study the structural adjustment programs that have led to the current foreign trade, analysis that will be divided into two major periods: the pre-accession and post-accession period.

This approach of structural adjustment policies in the pre and post accession period implies first of all the evaluation of the adjustment policies implemented by our country in the process of taking over of the acquis

communautaire, when our country was forced to seek to demonstrate that it is an functional economy and can cope with the competition from developed countries. Secondly, this approach will be focused on the results and policies undertaken by our country as a member of the European Union. Thus, to ensure that the fundamental objective, "*more growth and more employment*" this approach will be oriented to establish the directions for future action at macro and micro-economic level.

In the final part of the paper we present the conclusions of the proposed research where we take a brief inventory of the main results obtained during of this approach, and starting from the objectives we will be able to realize that the hypotheses were confirmed or not. Based on these, we determine what are the limits of our research, following that in the further studies on the subject proposed to extend the analysis.

6. Conclusions

The research demonstrated, based on the literature, that this topic is important not only because it has been less investigated empirically in the case of Romania, but it also allows the highlighting of the internal and external context in which have been realized the trade, to identify both the consequences of the European integration upon trade patterns as well as to develop some possible directions to improve the performance of the supply of goods and services. Therefore, the importance of studying structural adjustments in foreign trade arising from importance of creating a stable national economic environment,

competitive, in which the companies can be created and can grow. However, structural changes in international trade flows indicate changes in the level of the competitiveness of countries in terms of production, technological modernization and export under the pressure of globalization.

The regional economic integration is seen as the one of the important tools to promote international trade activities between the countries by removing of the trade barriers, the creation of customs unions and other preferential trade arrangements. But, in addition to many positive effects, regional integration generates serious problems of adaptation. Therefore, this paper tries to highlight the adaptability level of our country to the changes that comes from a desire to association to the Community.

Following the literature for achieving the **objective 1** – *Evaluation of inter and intra-industry specialization and the of the degree of technological specialization and their impact on economic growth*, emphasized the fact that the trade liberalization and regional economic integration will lead to a increased specialization in sectors where a country has comparative advantage due to differences in technology or factors endowment.

Studying the international specialization based on comparative advantage of Romania has a major importance, driven by the need to bridge narrow the unfavorable gap towards countries with a high level of development and industrialization, as well as structural harmonization with the industrialized countries through the alignment to their standards of productivity.

Therefore, to determine the level of the international specialization as well as the particularities of its evolution was necessary to analyze the main determinants. Thus, analyzing the literature, we considered that the most important influence on specialization and economic growth of a country is level of technology.

To carry out the first objective the analysis required the construction of an econometric model, in which initially I tested the link between the international specialization in Romania's foreign trade and technological specialization level. In the second phase, assessing the influence of technological specialization on growth and welfare, required to build a model where the level of economic growth, measured by GDP, is influenced by an increase of the comparative advantage and of the technological specialization.

The conclusion of this analysis, in the first step could be that in Romania there is an inter-conditionality between export specialization and technological specialization. This explains that as more the exported goods or services have a high content of technology, the more they become more competitive on the international market, leading Romania to gain a comparative advantage over others. In the second phase, studies have shown that there is a inter-conditionality relationship between economic growth and international specialization and technological specialization of exports. Therefore, a high export and technology specialization led to economic growth.

Therefore, we can conclude that among of the measures to increase the Romania's competitiveness we

can include the upgrading of the productive chain and an increasing of the investment in human capital, research and development to face of the new technological changes of the products at the global to support the continuous economic growth.

However, in order to develop directions of action to improve the deficit created from the difference between exports and imports to achieve the **Objective 2**, *The analysis of Romania's export capacity and the construction of models that capture the dynamics of the exports in terms of increasing of the productivity, technology specialization and foreign direct investment* was necessary to analyze the competitiveness of our country. Considering foreign trade as the unit for measuring the competitiveness degree of a country, in this paper we focused on two indicators: trade performance and export capacity.

Taking into consideration *the first indicator* of export performance, based on the analysis performed by the International Trade Center, we concluded that the results reflect a favorable evolution of our country in terms of business performance compared to previous years. However, we can see that the best results are obtained for resource and labor intensive sectors (clothing, leather products and food), which shows that Romania should make greater effort to increase productivity sectors that can bring value added in economy through the market launch of the innovative and diversified products that may compete with existing products in the developed markets.

Considering the *second indicator* of export capacity was necessary to perform an empirical analysis

where the level of the exports is determined by a number of factors such as the amount of foreign direct investment, the level of technology and productivity. Therefore, the results reflect the fact that although Romania has lately shown inclination for production and export of high technology products, production capacity is still limited, which makes Romania dependent of the imports. Poor differentiation of the products, their quality and the continued to use the labor and resources as factor of endowment, makes domestic production to be rigid to the changes in foreign demand and makes Romanian products to be weak competitive at the international level. Consumers are becoming more pretentious, and the demand for sophisticated products is growing. For this reason, the manufacturers should always be prepared to adapt their offer to the changes in the structure of the internal and external demand.

Integrating the structural adjustment process in the development context, of the increasing of the liberalization and integration process, and according to the **Objective 3** *assessment of the performance of foreign trade as a result of structural adjustment programs in the pre-and post-accession period and formulating of the action directions to improve the economic and trade performance in our country, at macroeconomic and microeconomic level*, we found that in Romania, though have been taken drastic measures to improve the performance of our country, both at macro and micro level, in order to create a stable and favorable environment for the development of national entities and the entry of new firms with domestic or foreign capital, the deficits of current account balance still persist. For

this purpose have been developed a number of lines of action that were considered in addition to the stimulating of the exports and the technological sectors, boosting of the industry and of the resources and improvement of the administrative capacity. Even though, over the years the progress has been made, which have generally been aimed to increasing of the productivity and technological level, the imbalances still remain. To reduce of their and ensuring a sustained economic growth, the country was forced to turn to the new adjustment packages referring to the integration of these reforms in a coherent program of e-government, facilitating a better access to finance to reduce the administrative burden, providing priority to certain research and development activities that have the potential to attract private investment and orientation to renewable energy production.

Thus, the concerns relating to the evolution of our country's competitive position must gravitate around to a more general objective "*more growth, more employment*", a process that will allow the reduction of the trade deficit and of the current account, an increase of the industry and of the Romanian companies performance as well an increase of the country export capacity.

Considering that the main objective, to capture the major changes in the structure of trade and international specialization of Romania after the EU accession, compared with the previous period, following it's evolution by product and geographical orientation I believe that the longer and the difficult process of European integration has generated positive effects on export capacity and competitive position of our country.

Moreover, the originality of this thesis does not consist only in the application of some empirical analysis, the phenomenon of structural adjustment being less investigated empirically, but also by proposing of a new research perspectives of structural adjustments by placing it in the development area, the admission of the imminence and the importance of this study and the formulation of the policy and action lines in order to reduce the gap towards to the other Member States.

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