

ROMANIAN TRADE LIBERALIZATION OF FOOD PRODUCTS IN TERMS OF EXPORT BENEFITS IN THE KNOWLEDGE SOCIETY

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Abstract. *The aim of this work is to demonstrate that the export of food products is an important factor of economic growth and development, regardless of the economic situation, especially in terms of recession mainly in the situation of Romania, without claiming to consider that exports are the only “engine” capable to restore the economic balance at both national and international level.*

The current recession of the global economy brings new challenges and each country must be responsible to overcome it. Romania has to use all its advantages and all the market opportunities to find the best solutions which can help the economic recovery.

In this paper, we want to show that exports are a “trampoline” for the national economy, especially in the case of food products exports, because Romania has a relatively high agricultural potential, able to support the light food industry – a traditional economic sector. By creating some brand names recognized in other countries and by the orientation on profitable niches on the foreign markets, the export of Romanian food products will be a stimulating factor of economic growth and development in a knowledge based society.

The methods used in this study are theoretical, based on analysis, observations, synthesis, induction and deduction.

Keywords: *export, international trade, economic growth, development, economic liberalization, knowledge society.*

Introduction

Prior to the world economy's entering recession nothing seemed to be able to perturb in any way the right course of action in the economic activities. The more economically developed countries were following, untroubled, the path of the economic-social growth, the developing ones seemed to catch up, every day, with the industrialized countries, and together they were trying to focus their attention on material, financial and human resources to solve the problems of the poorer states and the global issues as a whole. Though there were “voices” announcing a significant change approaching, nobody believed, in the euphoria of an unprecedented dynamism, that the economy would fall.

The unavoidable occurred and, one by one, the world states made officially public the fact they were entering the recession, intensifying, at the same time, their efforts to find recovery solutions in times as short as possible, with risks and costs as low as possible. The measures each country proposed are strictly correlated to their own economic potential, without neglecting the current reality, a reality called “regionalization and globalization”, and wearing a label characterized by “liberalization”, under all of its forms: the economic, the social, the cultural one, giving birth to a new type of society, a mainly knowledge-based one, that Alvin Toffler expected to take shape in a more or less definite future, and called “society of presumption”. When we say economic

liberalization, we are first of all talking about the commercial one, that is to say export and import. Thereof, we are convinced that any country that wishes to follow the path of economic growth and development, Romania included, should emphasize the external exchanges and render the exportation an asset capable of propel it among the powerful states.

The issue of liberalization is not a new one, but it grows more and more important. International trade started to be theorized since the mercantilist period, but, with the beginnings of the economic liberalism, there is no major economist or school of thought that has not theorized the economic liberalization and its importance in the national and international economies.

Material and method

The methods I used in this approach are interpretative, specific to fundamental research, of both deductive and inductive type. I used, as research methods, both observations, seizing the economic reality in different countries, and comparisons, that I introduced into a descriptive approach.

Results and Discussion

Romanian export, after 1990, suffered some structure and value-related transformations, with implications at the economic and social level.

In a more and more globalized and interdependent world, export is one of the major factors of economic growth and development, the Romanian case included. There is no doubt that effective export can induce multiple advantages, at both an economic and social level, through the absorption of unemployment, the adjustment of the current account balance and of the balance of trade, debt

decreasing, GDP's rise and the rise of the life standard. The paradigms referring to the foreign trade and export in general, and to the Romanian one in particular, over the last two decades, have changed, rendering obvious the priority position it occupies within the economic and commercial policies, as well as in the policies of economic growth and development.

After 1990, the start of the transition to the market economy was rather difficult for Romania, and the perturbing outcomes of the structural disequilibrium grew deeper and deeper. The beginning of the transition period to the market economy was influenced by the process of liberalization of the commercial transactions abroad by eliminating the state monopoly, so that in a short while most of the restraints of trade were lifted, the non-tariff barriers were significantly reduced and the level of the tariff ones was much diminished.

To achieve positive rates of growth and economic development generally involves reforming and reconstructing economy by focusing on the factors that determine these processes, among which export holds a very important place.

After 1990, the reconstruction of the Romanian economy and the structural modernization under stability and increasing efficiency conditions were not possible beyond the import of the lacking production factors (raw materials, power, competitive techniques and technologies on the international market) and of commodities and services, and the new structure of the foreign trade entailed current account and trade imbalances. A fundamental condition to rejoin the ascendant economic trend has been that of covering import with the export of competitive products on the foreign markets, particularly under the present circumstances of recession, with consequences both at the economic and at social level.

In the Romanian economy, there are market deficiencies rendering quite difficult the improvement of the structure of external trade, and the exceeding of the economic recession: the high energy-consuming nature of the industrial production, the high degree of obsolescence of some techniques and technologies of production, the ineffectiveness of marketing in international relations, the legal framework not yet sufficiently adapted to the demands of the external market, the regression of some important segments of the local production as a result of some weakly protectionist commercial policies.

Currently, the world economy faces the most powerful economic recession since the Great Depression ('29-'33), and the Romanian economy cannot elude it. The recession renders even more serious the problems existing on the labour market (the high unemployment rate), the ones related to the decrease of incomes, consumption, production, and to the rise of inflation. The limits of the domestic market determine a change of paradigm as for the economic recovery modalities, one of the best solutions turning out to be, together with the stimulation of foreign and domestic investments, the export, as its implications are so very important, complex and beneficent, at both the economic and social level. The current economic situation comes with new challenges for the Romanian economy: we cannot speak any longer exclusively about an inadequate structure of export and import, about low competitiveness of local products or about an inferior value of export compared to that of import; once the world economy entered the recession, we assist at the closing or narrowing of some export markets. Confronted with such reality, characterized by high incertitude and risks, the preoccupations and theories that found their applicability

until recently are now outdated. The objectives of foreign trade are difficult to reach and, furthermore, following the example of some other countries, including members of the European Union, there is a choice between liberalization and commercial protectionism; the temptation is to theoretically opt for the latter strategy, which apparently brings forth bigger economic advantages in the descendent periods of the economic cycle. It is not only that the EU member status does not allow the consolidation of the protectionist practices, but these are not a valid solution for the exceeding of recession and the resuming of economic growth. We argue that economic recovery will only be possible, from the external trade standpoint, through trade liberalization, particularly through exportation, even if rendering it effective is the most difficult way – it is also the safer one towards economic-social growth, development and progress. We do not intend to minimize the role played by other factors in economic growth, like investments, involving employment creation and progress engendering. We must remember that in times of economic recession, the best option is orientation towards the domestic resources and potential, and now the investment resources are low, whichever the type we have in view (domestic or foreign).

The problems of the Romanian economy, resembling those of other countries (the developing ones), became common to all the world's states once the international recession started; getting over them needs changes of the paradigm and new solutions meant to revive the market dynamism.

Romanian export is strongly oriented towards the EU market, in its turn affected by the world economic recession and confronted with the significant reduction of the demand with direct impact upon the Romanian export. Under these

circumstances, it is important to find new outlets, which does not mean to give up the present ones, but to make an effort to enlarge the export markets. To find new market niches should not turn into an objective in itself (the “export at any price” type), but one must take into consideration the current structure of the Romanian export and its degree of competitiveness. The orientation towards those markets where the Romanian products will be demanded becomes necessary, and they will be highly competitive, compared to the similar already existing supply. In this context, we refer not only to new possible outlets, but also to a possible return to once traditional markets, with a view to promoting Romanian production at a level that might bring forth multiple benefits (gains from the foreign trade activity, the optimal capitalization of the labour force and therefore the absorption of unemployment, the effective capitalization of the domestic resources, etc.).

As for the Romanian export, its image over the last two decades is that of a status-quo, especially from the structural standpoint, with effects upon the value level, far from the real potentialities of the Romanian economy and from the necessities. The export is supported especially by the products of light industry whose prices relatively reduced on the international market, and the main competitive advantage remains the cheap labour force, while import is dominated by high technology products, whose prices are big, thus leading to a significant trade imbalance. An easily observable paradox in the structure of foreign trade is the important weight in the import of some products for which Romania has always had a high production potentiality, like for instance the agribusiness products.

A revaluation of the structure of the foreign trade should become a priority, in order to balance, from the value's

standpoint, export and import, given that “a favourable balance, considering that it is not very big, will turn out to be extremely stimulating, while an unfavourable one could soon lead to a condition of persistent economic depression” (Keynes J. M., 2009, p. 409). To change the structure of the external trade by increasing the weight of products with high added value and increasing the weight of those with low market value in the import must become an objective, but equally important is the enhancement of competitiveness through quality for the Romanian products. Depending on the export market, we have the alternative to sell products competitive by their price, by their quality or by their price and quality. The last variant is priority, as Romania's main commercial partners are the UE states, and the economic recession renders the acquisition decisions more difficult to make, even within those economies that everybody knows for their consumerist nature under economic boom.

Presently, Romania has the great opportunity to make the food industry efficient, to enter external markets with products that were, before, appreciated and sold well. The economic recession deeply affects all economies, but each country should learn something out of it. Romania should change its foreign trade strategy, use its agricultural potentialities and emphasise again the domestic food industry so that, by domestic production, it could meet the domestic consumption and sell on the foreign markets price and quality competitive products. The opportunities are to be found as well in the fact that the new types of food represent a real concern everywhere in the world. As long as more and more people, especially in the developed states, look for “healthy” products that they cannot find on their own markets, the Romanian economy could offer them and enter new niches where it

might establish Romanian brands from the food category.

The main factor of economic growth has not been, starting with 2003, the export, nor the investments (it would have influenced the rise of export to a greater extent, as well as the reduction of the value gap between export and import), but domestic consumption. Circumstantially, the stimulation of consumption could help the economic growth. On the long run, the effects are not the expected ones, especially under recession conditions. As long as the rise of the aggregate demand involves a rise of the incomes, especially through crediting, and in periods of crisis the financial solvency is significantly diminished, it is impossible for the recovery to be achieved through consumption, given that the economy is not in a situation of quasi-complete occupation of labour force. In such circumstance, priorities must be reevaluated. Domestic consumption cannot be any more the engine of economic growth, because of the unemployment, of the income and investment reductions. In their turn, the latter will be insufficient, compared to the necessities of economic growth. The small domestic financial resources, meant for investments, are added to the foreign ones¹, less and less numerous, because of the problems that the investors are confronted with on other markets, as well as because of the high country risk that transforms Romania into an unattractive destination. When the investments and the domestic consumption lose their capacity to support economic growth, the most valid alternative remains export which, under the conditions of

effectiveness, can ensure the economic dynamism on the long run, from inside to outside. When making the export effective, an important advantage, besides the stimulation of production, the reduction of the unemployment rate, the raising of incomes, the adjustment of the balance of trade and the reduction of the State's efforts to cover the deficit, the economic growth rate, etc., is the reduction of the dependence upon the outside world, a quite important and necessary aspect.

A country is all the more developed as the tertiary sector holds a bigger part in the GDP and as this is more effective; we should also consider that the effectiveness of the sector of services is reflected in the balance of services too. Romania makes great efforts to develop the tertiary sector, but, with no intention to minimize the importance of services, we believe the emphasis should rather be placed on the development of the activities which are characteristic for the primary and secondary sectors, where the Romanian economic potentialities are higher and where the national economy has had a long tradition. Let us not forget that we have entered, for some years, a new phase of economic and social evolution, based upon knowledge. In a knowledge based economy and society, any activity must be motivated by our know-how. Rather than making huge efforts to develop much too costly activities or activities we have just been learning how to make, we should improve our knowledge and excel in the traditional fields, like agriculture, food industry, textile industry, chemical industry, etc., branches that could bring forth remarkable economic and social advantages.

The export is the surplus production in relation to the necessities of the domestic market, so exportation implies, first of all, from a theoretical point of view, meeting the domestic demand for a certain product

¹ Direct foreign investments offer advantages on the short and medium run. On the long run, there are risks associated with them (profit repatriation, industry changes of place, leaving behind unemployed, etc.), which are the object of other debates.

and utilizing the surplus on the tertiary markets. The most complex relationship with the international trade is fulfilled by the rationalized or integrated production at an international level (Miron D., p. 156). For the Romanian economy, to achieve supplementary production also means creating new workplaces. Given the low engineering extent of the Romanian economy, the substantial reduction of investments, both internal and direct foreign ones, as well as the difficulties that the entrepreneurs face as far as the possibility to acquire an investment credit (the risk to acquire an investment credit is quite high in periods of recession, both for banks and for investors), together with the uncertainty concerning the possibility to amortize the investments, accompany the decision to raise the agricultural and industrial production, in order to sell it on the foreign markets, on the short run, with the creation of workplaces and the pertaining unemployment decrease.

The export rise has a significant impact on the labour market, under the circumstances of a massive increasing of the unemployment rate and of an economic growth that makes it difficult to absorb (if not impossible, on the short run). The higher the working active population's weight (in the sense that they have a workplace) is, the higher the number of the taxpayers to the State budget is. The income rise, when the expenses are consistently kept up, will reduce the budgetary deficit and ease the authorities' efforts to cover it or it will allow a rise of the expenses for the investments creating workplaces and value added. The relation export-unemployment does not have implications exclusively on the state's incomes, but also on the population's incomes. Any rise in the population's incomes is reflected, according to Keynes' fundamental psychological law, in the rise of the consumption. Any rise of

consumption, in its turn, will unavoidably attract the rise of the supply. As long as the supply rise will be supported by the domestic production, and not by import, the economy will get a further impetus. In the long run, the raising of the production for exportation will stimulate investments, given that competitiveness by price, based on the abundant and cheap labour force, will not be an eternal economic advantage of Romania, especially on the markets of the developed countries. To stay on the foreign markets, and to enter new market niches, the exporters will have to take measures meant to improve their supply and even innovate in order to discover novel products for the foreign consumers (these can very well be traditional products). Undoubtedly, the export and investments are the main factors lying at the basis of economic growth and development, being interlinked and interdependent, as long as the export will be an economic policy priority. Export, once stimulated, leads, sooner or later, to the investment rise, and investments allow the raising of surplus production in relation to the domestic necessities, a surplus that must be capitalized on the tertiary markets or can be exclusively destined to external sale. According to Michael Porter's theory of the competitive advantage, foreign trade is a source of benefits for the country that, comparing to its partners, exchange products which are not necessarily abundant, but are made by strong companies, which managed to assimilate technical progress. Starting from this theory, it is easy to deduce that any country's objectives of growth and development can be reached when the priority, at the level of the economic policy, is the investments as well as the export. If we look at the example of the countries with a tradition of export, like Japan, Germany or the newly industrialized countries in Asia, we notice

that the development of production for exportation is not made in the detriment of the domestic market. Given the demonstrated advantages of export, the foreign trade activity will surely be the barometer to announce the economic recovery, as this is the main link between the domestic and the international economy. Under the present circumstances, the Romanian producers can opt to revive their activities through exportation, considering that the domestic market cannot represent a solid basis anymore, having been affected by the major decrease of the purchasing power, and of internal demand.

Conclusions

The export, a component of the activity of foreign trade, is tightly related to the economic growth and development, evolving from a mere trading action to a particularly complex process, institutionalized at the national and international level. The economic rise and development of many countries, more or less industrialized, are supported by exportation as long as they are adequate ones, focusing on quality, productivity and costs. Generally, export leads to the maximum of economic advantage (rising of competitiveness, of incomes, of investments, of life standard; the decreasing of external debts, of unemployment, of dependence upon outside world), to economic and social progress, through its multiplying effect.

The “Japanese miracle” is the most illustrative example for the confirmation of the outcomes of export promotion strategy. Combining labour force with the financial capital, adequate technology and a good export strategy, one can get the satisfactory formula to achieve macroeconomic objectives, Romania included. We should meditate upon yielding the acquisition of commodities from outside, commodities

that could be made, in significant quantities of high quality, on the domestic market. This entails, at the level of the economic policy, measures meant to support the domestic producers, an effort to improve the price/quality ratio (the most difficult and costly issue, probably), measure to regain the Romanian consumers’ trust in domestic products and the directing of attention towards traditional branches that made us known: agriculture and food industry, without neglecting the other branches of the light industry. Given the multitude of advantages of export, this should become a priority among the national economic policies, keeping thus Romania, by these means, from becoming a simple market for the production of other countries, fully dependent upon them.

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