

Conjunctural Trends in the Evolution of European and International Trade Legislation during the Post-Crisis Period

Sorin Mihai Stanciu

Banat's University of Agricultural Sciences and Veterinary Medicine "King Michael Ist of Romania" from Timisoara, Calea Aradului, No. 119, 300645, Timisoara, Romania

Abstract

This paper aims at identifying the advantages and disadvantages of Romania in trade, in the context of profound structural changes in global and EU, on this basis, making recommendations and proposals for macroeconomic and microeconomic policy makers. Thus, on one hand, we have developed promotional policy proposals designed to support decision makers in our country, and on the other hand, proposals for business, so based on their Romanian exporters to eliminate weaknesses and to face the competition, both domestic and extra markets. Another major objective of the study was to formulate recommendations "of targeted" sectors with high export potential, given the directions for the period 2012-2016.

Keywords: market, objectives, policy, European Union, changes, export

1. Introduction

The international financial crisis broke out in 2008 and the deep recession and inclusive global economy that followed it have resulted in unprecedented collapse of international trade in goods and services, as global investment flows [1]. The magnitude of the negative impact of the financial and economic crisis has highlighted border transactions trade and financial links between the economies of the world ever closer. However, the overall size and synchronized nature of the crisis - the worst in the postwar period - have highlighted clearly as possible the high degree of interconnectivity that currently exist between financial markets and commodity markets (goods and services), which was in turn its pervasive factor negative effects of the crisis on all world regions.

For Europe, for example, those shares represented on average 48% and 47% in the same year. According to European Commission estimates, more than 2/3 of total EU imports are intermediate goods needed to ensure the competitiveness of European companies domestically and in relations with third parties [2]. EU exports incorporating increasing amounts of intermediate goods imported by domestic and worldwide. In 2014, the contribution of these imports the total value of EU exports ranged from 19% in the UK and over 50% in Member States such as Ireland, Estonia, Hungary and Luxembourg.

2. Post-crisis period

The crisis led to a free fall in world trade volumes, especially the collapse of import demand from developed countries. According to WTO estimates, the whole of 2009, international trade fell by 12% in real terms, representing the first decline of this magnitude since the Great Depression of the '1920' in 1930. In nominal terms

* Corresponding author: Sorin Stanciu,
Tel.0722482908, Email: sorinmstanciu@yahoo.com

(in dollars), the decline in trade was even higher - 22% - mainly due to lower oil prices and other commodities. The collapse of global demand, which severely disrupted commercial activity and price developments has been exacerbated by the considerable pressures occurred in global financial markets, resulting in increased cost of credit and the scarcity of resources available for trade finance. Steep decline, severe and synchronized international trade in 2009 - known in economic literature as "the great trade collapse" - was all the more surprising since, in the last two decades, trade has proven to be a particularly dynamic component global economic activity, the growth rate of world exports generally outpacing global output dynamics.

In 2010, international trade has re-launched dynamic, its volume record an increase of 13.8% (Figure 1). This particularly dynamic growth not only exceeded expectations, but also represented the highest figure on an annual basis in the data series available to the WTO Secretariat since 1950. Moreover, the trade has recovered more strongly than world production after the most severe downturn since the postwar period. And as unprecedented decline in trade in 2009 was one of the major channels through which to spread financial and economic crisis, trade has been a major factor supporting the economic recovery process in the world [3]. But despite sustained growth in 2010, international trade could not re-enroll in the long-term trend that prevailed in pre-crisis period, as shown in Figure 1. And although global GDP (real) increased by 3.8% in 2010 - exceeding the average annual growth in the last two decades - this increase was far from a record, especially if we take into account that, in more recent years, world GDP has recorded annual growth rates of 4%, or just over 4%, including 1997, 2000, 2004 and 2006.

A complex of factors restricted the more vigorous expansion of world output and trade in 2010, among which stand out: reduction of tax incentives in many countries (and especially in the European space, where governments have moved to fiscal consolidation to reduce budget deficits); high and persistent unemployment in developed countries, which did not allow a return to stronger domestic consumption of these countries; and, not least, the high oil prices, leading to increases in energy costs for households and business circles [4].

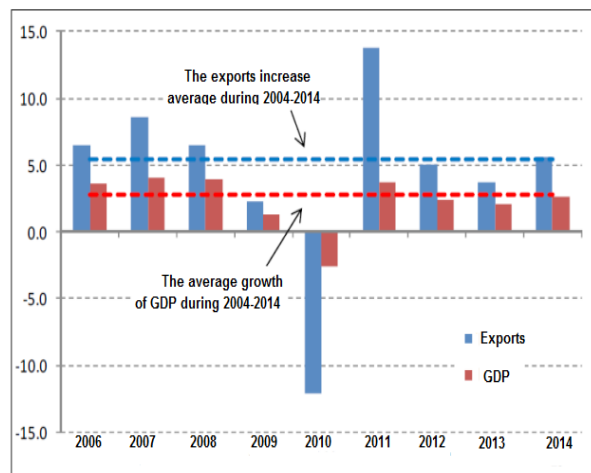


Figure 1. Evolution of world trade in goods and world GDP (in real terms) in 2006-2014 (annual% change) [5]

Compared to the years preceding the crisis and its global trade revival have several. Trends in the development of trade in terms of volume (real) and in terms of value (nominal) were enrolled in 2014 on a process of convergence trajectory compared to the years before the crisis, when expressed in dollar value of trade has increased much faster than the volume thereof, and the gap widened between the two sizes (especially as a result of the significant increase in commodity and energy prices, but also the evolution of the dollar). Nowadays, in march 2015 the oil barrel price is 71,88 \$/bbl, after long fluctuations in the last period, even if in 2010 the oil prices have stabilized around the threshold of around \$ 78 / barrel and they stood still at high levels in recent historical standards (eg crude oil prices averaged \$ 31 / bbl in 2000-2005). Even though they were lower than the average of \$ 96 / barrel recorded in 2008, those prices were 30% higher than in 2009. Speed recovery of international trade was and remained uneven regional aspect [5].

In these countries, which proved casualties of the crisis, the dynamics of exports and imports exceeded the maximum levels of pre-crisis period still in July 2010, supported mainly by particularly strong growth of South-South trade. In contrast, developed countries have achieved these peaks much later in the first quarter of 2012. The spectacular growth of trade in developing economies, especially in Asia, coupled with high commodity prices have contributed to the increase in further cumulative weight of these economies and the CIS in world exports at record high of

45% in 2013 (compared with about a third in 2010).

The evolution of product groups in international trade showed differentiated trends. During the crisis, import demand for consumer durables and investment goods recorded the most severe contractions, and in mid-2013, demand for these products stood still on average 20% below the level that would have been achieved if would have continued pre-crisis trend [6]. Trade in consumer goods (other than sustainable) was less affected, and the decline was short. If in 2013 the global demand for these products returned almost too pre-crisis levels, demand for intermediate products and commodities continued to be still about 10% below trend that prevailed in the years before the crisis [7].

Some of the causal factors that caused the collapse of trade in 2009 also contributed to its recovery in 2010, 2011, 2012 and 2013 are particularly relevant amplification effects exerted on trade:

(I) global production networks controlled by TNCs, respectively, increased vertical integration of production globally;

(II) Product structure of trade in relation to the world production. Much larger share of world trade than in global production of those products which have been hardest hit by the economic downturn (consumer durables and investment, such as machinery and equipment) emphasized the magnitude of trade contraction of GDP in 2009 having a similar effect, but positively in the process of recovery in 2010 till present [8,9].

3. New demands on the future

While international trade has been a major factor supporting the process of global economic recovery after the recession of 2008/2009, its pace of expansion has slowed considerably in 2013. According to the latest estimates of the WTO Secretariat, the increase in real terms was only 5% in 2014, after record growth of 13.8% in 2013.

The slowdown than expected trade growth in 2013 was due to the slight decrease in global economic growth - to 2.4% from 3.8% in 2012 - due to multiple shocks which was facing the global economy, including: escalating sovereign debt crisis in the euro area; failures occurred in global production networks, following the earthquake and tsunami in Japan and flooding in Thailand;

and geopolitical tensions in North Africa and the Middle East.

As a result, both global GDP growth and the international trade in 2013 stood well below the annual average growth rates of 3.2% and of 5.4% during the period 1993-2013, and those differences are expected to increase in 2014 given that both rates are expected to slow further in 2015, before accelerating in 2016.

The evolution of international trade was uneven in 2014, reflecting the sequence of shocks that marked the global economy with continued year. After a particularly dynamic growth in the first quarter, trade flows have been severely affected by the rapid deterioration of global economic conditions since the second half, with pressing problems associated with sovereign debt in the euro area and the effects them - increasing disturbances in financial markets, increased uncertainty and risk aversion, mitigating high rates of economic growth and demand in emerging markets [10]. The shocks occurring in 2014 were added multiple and interrelated issues facing the world economy in recent years, among the most pressing ones are high and persistent unemployment rates and lower potential growth in developed countries, affecting aggregate demand and hamper the recovery from the recession of 2008/2009. According UN report in January 2015, the failure of policymakers, especially the EU and US to address the jobs crisis and prevent escalation sovereign debt crisis and the fragility of the financial sector is most acute risk to the world economy now and in the future [11].

The report warns that four economies suffer from weaknesses that reinforce each other:

- (1) sovereign debt problems;
- (2) fragile banking sectors;
- (3) weak aggregate demand (associated with high unemployment and fiscal austerity measures);
- (4) economic policy paralysis due to political and institutional deficiencies jams. Worsening any of these problems can always trigger a vicious circle leading to a new financial crisis and a severe global economic recession, with serious consequences for international trade [12].

Lack of effect of international trade reflects, above all, the relatively slow economic recovery in high-income countries and, consequently, weak import demand from them. After 2008, which marked the beginning of slowing the expansion of international trade, the volume of world imports

remained significantly below the linear trend estimated for 2001-2007. But even under the most optimistic assumptions of the baseline of the UN forecast for 2015-2016 - that the global economic activity will weaken, but without going into recession - trade will continue to depart from the trend, which is explained almost entirely by sluggish import demand from developed countries [13, 14]. In the crisis year 2009, the import demand in these countries fell sharply below trend, not to be returned, and the gap is expected to widen further (Figure 2).

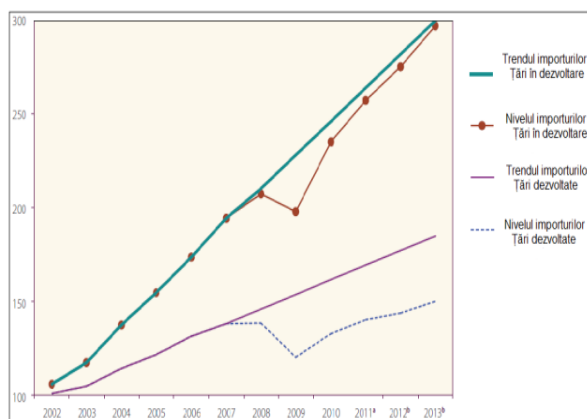


Figure 2. Trends divergent world imports of goods increased in 2006-2013 (according to UN projections to the baseline scenario) (Source: Own resources on the given data)

In contrast, imports of developing countries - whose volume has decreased, in turn, below trend in 2009 - recovered vigorously, catching up almost entirely dynamic growth trend in the early '2000. In fact, the increase in imports of these countries was the driving force of recovery in external demand [15,6], contributing 50% to the increase in trade after 2009. The countries of South East Asia and returned them $\frac{3}{4}$ of import growth in developing economies, followed by Latin America and the Caribbean (with a contribution of 17%), West Asia (7%) and Africa (2%). And when he contributed 37% to the overall increase in imports of developing countries in 2013, China continued to be the main driving force in 2014 and the expansion of imports of these countries.

Although it has been affected by the events of late 2014, the import demand of developing countries continued to be the most dynamic component of global trade, partly offsetting its decline in the

second half of 2014 and recording - Bank estimates World in June 2015 - a strong acceleration in the first months of 2015.

In developed countries, and particularly in the EU, fiscal consolidation, rising unemployment and tighter credit conditions are the main factors that continue to depress demand and hamper economic recovery. And, given the size of intra-EU trade is almost two times higher than the extra-EU trade. The climate of recession in the euro area weighs heavily in the development of trade in the fourth quarter of 2011, when it shrank to levels close those recorded during the recession of 2009. The relaxation of tensions in financial markets due to the intervention of the ECB to support the recovery of economic activity, including the euro area, increased by 8.2% (on an annualized basis) in the first two months of 2015. As the EU is the most important trading partner for many exporters in developing regions (Eastern Europe, Southeast Asia, North Africa and Sub-Saharan Africa), their exports have declined significantly due to slowing global demand induced contraction Eurozone economic growth in the fourth quarter of 2014 and the restriction of access to trade finance resources in the process of reducing indebtedness area banking sector [6]. But with the stabilization of economic activity in the euro area in developing regions severely affected, there has been a dynamic rebound in exports in early 2015.

4. Conclusions

➤ In the last two decades (2004-2014), international trade has been a particularly dynamic component of economic activity in the world, evolving at a sustainable pace. The expansion of international trade flows has been a major factor of economic growth globally. However, more rapid growth of trade in relation to world production resulted in an increased interdependence of nations.

➤ The global financial and economic crisis of 2008-2009 marked the strong world economy and has left deep scars on the dynamics of international trade. Although international trade was relatively quickly revived in 2010 after the historic decline in 2009 - the worst in the postwar period - the process of recovery remains incomplete and uneven regional aspect and the trend of opening the country to trade stopped, at

least temporarily. All forecasts converge internationally developed appreciation that in the coming years (2015-2016), international trade will increase more slowly than in the past, its pace of growth will be below average (6%) recorded in the period 1990-2008.

➤ The uneven crisis global revival of international trade have widened the structural changes in the world economy and international trade, the core of which is the movement of trade and economic center of gravity from West to East and from North to South, from developed countries into a number of developing countries / emerging - especially China and India.

➤ Changes in the global economy have changed the hierarchy of the world through the contribution to global GDP creation, economic growth reversed centers. They have affected manufacturing location and geographical orientation and structure of international trade. The rapidity of these changes is unprecedented, and the implications are many, both in production processes and trade traditional and social structures.

➤ At present, the world economy operates two major trends, but contradictory.

(1) On the one hand, economic globalization-induced global production networks managed by TNCs continue to be strong. This trend promotes economic convergence and integration into the world. Global value chains managed by TNCs are the backbone of the global economy and also its central nervous system, whereas the trade carried by these networks depend whole segments of national industries around the globe.

(2) On the other hand, the second trend - the difference - is related to the reactions of the world's countries in terms of economic, financial crisis and economic crisis of 2008-2009. Associated with this trend is the danger of escalation of trade protectionism, with all the consequences of disintegration. Such a development would have serious consequences for the world economy and in particular for the most vulnerable countries and more dependent on trade. Available data attest increase in the incidence and restrictive trade measures introduced by the governments of the world - especially the G-20 - both during the crisis and beyond. Moreover, there is a resurgence of protectionist rhetoric, including in favor of import substitution policies, which emphasize tensions in regional and global trade.

The recent trade restriction from the last months of year 2014, is not intended to control temporary effects of the crisis, but is rather attempts to stimulate economic recovery through industrial policies with long-term action.

References

1. Crăciunescu A., Moatăr M., Stanciu S., Considerations regarding the afforestation fields, *Journal of Horticulture, Forestry and Biotechnology*, 2014, 18 (1), 108-111.
2. Iancu T., *Economie agrară* Editura Agroprint Timișoara, 2007.
3. Tabără Amânar C., Stanciu S., Research on rural development European Union' s legislation in 2012, *Lucrări Științifice, Facultatea de Management Agricol*, 2013, XIV, 47-51.
4. Ciolac R., Csoz I., Marin D., Martin S., Dincu A. M., Marinău C., Bălan I., Research and comparisons regarding the evolution of cattle population in Romania and some member states of the European Union, *Lucrări Științifice Zootehnie și Biotehnoologii*, 2010, Vol. 43(2), 398-401.
5. WTO Secretariat (WTO, 2012).
6. Orboi M.-D., Băneș A., Paunchici I., Aspects regarding the organic food market in several European countries, *Lucrari Stiintifice: Zootehnie și Biotehnoologii (Scientifical Papers: Animal Sciences And Biotechnologies)*, 2008, vol. 41, 651-656.
7. Ciolac R., Csoz I., Marin D. C., Martin S., Defining features, which customizes agro tourism as a form of development of rural areas, *Lucrări științifice Management Agricol*, 2009, Vol. XI (4), 231-240.
8. Crăciunescu A., Stanciu S., Moatăr M., Research on European Union regulations regarding meat from hunted animals, *Journal of Agroalimentary Processes and Technologies*, 2014, 20 (2), 116-121.
9. Crăciunescu A., Stanciu S., Moatăr M., The implementation of European forest legislation for a sustainable development, *Research Journal of Agricultural Science*, 2014, 46 (1), 158-165.
10. Stanciu S. M., *România într-o Uniune Europeană extinsă 2004*, Ed. Solnes, Timișoara, 167.
11. Stanciu S., *Agro-tourism in European Mountain Areas Rural Development 2013*, Proceedings, 6, Book 1 (3), 2013, 80-85.
12. Crăciunescu A., Stanciu S., Moatăr M., Legal protection of the forests in a changing climate ecosystem, *Research Journal of Agricultural Science*, 2014, 46 (1), 152-157.
13. Orboi M.-D., Băneș A., Paunchici I., On the role of Trade- mark in the promotion of organic products in European countries, *Rural Development 2005, Lithuania, Rural development, 2005*, Vol. 2, 145-147.
14. Crăciunescu A., Moatăr M., Stanciu S., Comparative study in Romania and European states

regarding the management afforestation lands, *Lucrări științifice Management Agricol*, 2014, XVI (4), 83-88.

15. Hurmuzache T. C., Iancu T., Feher A., Toader C.-S., Analysis of Romanian agrotourist market, *Revista AgroBuletin AGIR*, 2013, nr. 2(16), 91-99.

16. Stanciu S., Research on legal measures applied under the common Agricultural Policy of European

union in 2012, *Lucrări Științifice, Facultatea de Management Agricol*, 2013, XV (3), 69-73.

17. Orboi M.-D., Aspects regarding the evolution the organic food market in the world, *Research Journal of Agricultural Science*, Timișoara, 2013, vol. 45(2), 201-209.