

## **CHARACTERISTICS OF THE ROMANIAN FOB EXPORTS IN THE YEAR 2016**

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### **Abstract**

*In the context of Romania's membership of the European Union, but also of globalization, the relationship and the dependence of the Romanian economy of the other states economies, it requires a more in-depth analysis of Romania's export. The aim of this paper is to analyze the Romanian FOB exports in the year 2016. My research goal is to identify the most important section of FOB exports during the year 2016 and the main structural modifications in evolution of the Romanian exports. The expected results are to know the most important export section of the Combined Nomenclature, the structural modification in evolution of these industries and the most important partner countries.*

**Keywords:** exports, structural modifications, export partner countries, industries

**JEL classification:** F10, F40

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### **1. Introduction**

For a better understanding of the Romanian economy, it is important to analyze the Romanian commercial relations. The characteristics of the Romanian FOB exports will give us important results regarding the main industries and the most important partner countries.

Under the Incoterms 2010 standard published by the International Chamber of Commerce, FOB means “that the seller pays for delivery of goods to the vessel including loading. The seller must also arrange for export clearance. The buyer pays cost of marine freight transportation, insurance, unloading and transportation cost from the arrival port to destination. The buyer arranges for the vessel, and the shipper must load the goods onto the

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named vessel at the named port of shipment according to the dates stipulated in the contract of sale as informed by the buyer. Risk passes from the seller to the buyer when the goods are loaded aboard the vessel” (\*\*\*, <http://en.wikipedia.org/wiki/Incoterms>, 2017).

The FOB price (free on board price) of exports and imports of goods is ”the market value of the goods at the point of uniform valuation, (the customs frontier of the economy from which they are exported). It is equal to the CIF price less the costs of transportation and insurance charges, between the customs frontier of the exporting (importing) country and that of the importing (exporting) country” (\*\*\*, <https://stats.oecd.org/glossary/detail.asp?ID=1009>, 2017).

## 2. Content

FOB exports during the period 01.01.-31.12.2016, amounted to 57386.3 million euro and increased with 5.1% as against the period 01.01.-31.12.2015.

In the structure of exports, six sections of the Combined Nomenclature hold 71.7% of total exports, as follows:

**Table 1: FOB Exports during the period 01.01. - 31.12.2016**

Section of the Combined Nomenclature (CN)	Value - million euro -	Structure in % as against total exports	In % as against 01.01.-31.12.2015
XVI Machinery and mechanical appliances; electrical equipment; sound and image recorders and reproducers	16895.3	29.4	111.3
XVII Vehicles and associated transport equipment	10098.9	17.6	110.3
XV Base metals and articles of base metals	4484.6	7.8	95.5
XI Textiles and textiles articles	4064.8	7.1	102.8
II Vegetable products	3440.5	6.0	111.9
V Mineral products	2169.7	3.8	84.9

Source: (International Trade Statistic, 12/2016)

The main structural modifications came up in the evolution of exports by CN sections in the period 01.01. - 31.10.2016 as against the period 01.01. - 31.10.2015, consists of:

a) increasing weight for sections:

- XVI Machinery and mechanical appliances; electrical equipment; sound and image recorders and reproducers - with 11.3 percentage points;
- XVII Vehicles and associated transport equipment - with 10.3 percentage points and II - with 11.9 percentage points;

b) decreasing weight for sections:

- V Mineral products - with 15.1 percentage points;
- XV Base metals and articles of base metals - with 4.5 percentage points.

Exports of section XVI Machinery and mechanical appliances; electrical equipment; sound and image recorders and reproducers, representing 29.4% of total exports in the period 01.01. - 31.12.2016, hold the first place and registered an increase of 11.3% in comparison with the period 01.01 - 31.12.2015.

In this section, the chapter "Electric machinery, appliances and equipment and parts thereof" holds the main weight (62.6% in total section and 18.4% in total exports).

The second place is held by the section XVII Vehicles and associated transport equipment with 17.6% in total exports, where exports of "Vehicles, tractors and other ground vehicles" represent 87.5% of total section and 15.4% of total exports.

Exports of section XV Base metals and articles of base metals hold the third place as weight in total exports, registering a decrease of 4.5% as against the period 01.01. - 31.12.2015.

Exports of section XI Textiles and textiles articles, hold the fourth place and registered an increase with 2.8% as against the period 01.01. - 31.12.2015.

The next positions in the top are held by the following sections:

- II Vegetable products - with 6.0% of total exports;
- V Mineral products - with a weight of 3.8% of total exports.

**Table 2: Structure of FOB exports by main groups of goods per month  
(values in million euro)**

Period	Section of the Combined Nomenclature					
	XVI Machinery and mechanical appliances; electrical equipment; sound and image recorders and reproducers	XVII Vehicles and associated transport equipment	XV Base metals and articles of base metals	XI Textiles and textiles articles	VII Plastic, rubber and articles thereof	II Vegetable products
01.2016	1244.6	682.1	338.7	321.6	239.3	193.2
02.2016	1403.8	961.3	364.8	356.0	277.0	217.0
03.2016	1521.6	834.2	393.0	342.7	290.5	183.6
04.2016	1402.5	876.8	373.2	355.6	280.1	137.9
05.2016	1384.3	908.9	378.9	324.3	273.7	141.5
06.2016	1461.7	939.9	394.2	365.6	284.0	228.6
07.2016	1307.2	759.8	365.5	396.8	271.4	466.2
08.2016	1309.1	687.3	328.5	284.2	262.8	416.2
09.2016	1566.6	901.9	399.5	358.2	285.6	456.3
10.2016	1508.6	903.1	395.6	334.0	283.4	342.5
11.2016	1594.1	936.3	417.4	345.4	297.4	323.6
12.2016	1191.2	707.4	334.9	280.5	219.0	333.9
<b>Σ</b>	<b>16895.3</b>	<b>10098.9</b>	<b>4484.0</b>	<b>4064.8</b>	<b>3264.2</b>	<b>3440.5</b>

Source: (International Trade Statistic, 01/2016 – 12/2016)

In the period 01.01-31.12.2016, in comparison with the period 01.01. - 31.12.2015, exports to the other 27 European Union (EU28) countries increased with 5.1%, registering a weight of 75.1% in total exports.

Partner countries holding the first 10 places in the total amount of exports in the period 01.01. -31.12.2016 (representing 64.7% of total exports) were the following:

1. Germany (21.5% of total exports),
2. Italy (11.6% of total exports),

3. France (7.2% of total exports),
4. Hungary (5.2% of total exports),
5. United Kingdom (4.3% of total exports),
6. Bulgaria (3.2% of total exports),
7. Turkey (3.2% of total exports),
8. Spain (3.0% of total exports),
9. Poland (2.9% of total exports),
10. Cehia (2.6% of total exports). (International Trade Statistic, 12/2016).

In the period 01.01. - 31.12.2016, FOB exports amounted to 57386.3 million euro, with 5.1% more compared with the period 01.01. - 31.12.2015.

### **3. Conclusions**

The most important export section of the Combined Nomenclature in the period 01.01.2016 - 31.12.2016 of the Romanian FOB exports are:

XVI Machinery and mechanical appliances; electrical equipment; sound and image recorders and reproducers - 29.4% of the total exports;

XVII Vehicles and associated transport equipment - 17.6% of the total exports;

XV Base metals and articles of base metals - 7.8% of the total exports;

XI Chemical products - 7.1% of the total exports;

II Plastics, rubber and articles thereof - 6.0% of the total exports;

V Mineral products - 3.8% of the total exports.

In order to stabilize the trade balance of Romania, we recommend the increase in exports through better use of the competitive advantages and the focus on the best performing industries of our country (Fleischer, 2014).

In order to obtain an improvement of the Romanian FOB exports, we recommend following measures:

1. Improvement of the Romanian infrastructure. Ensuring an infrastructure similar to those of the countries in western Europe (particularly the Bucharest - Nadlac highway) would result in an increase in foreign investments in general, because the poor infrastructure of Romania represents one of the most important

impediments to foreign direct investments and creates logistical problems that should not exist if we take into account Romania's favorable geopolitical position;

2. Encouraging the economy through concrete measures to support the investments. Thus, we recommend the preservation of the flat rate tax at the current level or even its decrease by 10% according to the Bulgarian model. Furthermore, for the investments that involve large capital consumption and provide a higher number of jobs, additional tax incentives should be offered;
3. The adoption of the European Union legislation in Romania is not sufficient; it must be accompanied by detailed application rules designed so that their implementation, their accomplishment should be easy;
4. Ensuring a legislative stability and predictability in Romania, in the sense that regardless of government, there should exist a medium-term strategy related to taxes and the absolutely necessary changes in this area should take effect from 1 January the following years;
5. Focusing on the industries where we would have competitive advantages and which can cope with the European and global competition. The analysis of Romania's exports in the recent years has shown that the production of auto parts and the car production (especially the Dacia brand, part of the Renault group, or Ford) are sectors that can make a significant contribution to balancing the Romanian trade balance (Fleischer, 2011).

In conclusion, the increase of Romania's FOB exports by 5.1% in 2016 compared to 2015 is a positive evolution that is in line with the economic increase of Romania in 2016 compared to the previous year.

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