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Gavrilescu, Camelia and Mateoc, Sirb Nicoleta and Mateoc,
Teodor

Institute of Agricultural Economics, Romanian Academy, Banat
University of Agronomical Sciences and Veterinary Medicine “King
Michael I of Romania”, Timișoara, Romania, Banat University of
Agronomical Sciences and Veterinary Medicine “King Michael I of
Romania”, Timișoara, Romania

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ROMANIAN AGRIFOOD TRADE WITH THE MEDITERRANEAN COUNTRIES – FROM THE BARCELONA DECLARATION TO THE EURO-MEDITERRANEAN PARTNERSHIP

GAVRILESCU CAMELIA¹, MATEOC-SÎRB NICOLETA², MATEOC TEODOR³

Abstract: *Romania had important trade relations with the Mediterranean countries since before 1990. Subsequently, in both the pre-accession and post-accession period, this group of countries took together about 47% of the extra-EU Romanian agri-food exports and 16% of the extra-EU imports (averages 2002-2016). On the other hand, the imports of vegetables from the Mediterranean area are severely competing the Romanian domestic production (which is rather large, but is very poorly organized all along the supply chains), while the imports of fruit are competing the EU domestic production and intra-EU trade. The present paper is analyzing the dynamics and changes in competitiveness of the Romanian agri-food trade with the Mediterranean countries, in terms of value and volume, composition by products and partners. The results show a significant increase in the Romanian exports to the Mediterranean countries (which lead to the shift of the country's regional trade balance from negative to positive since 2010), as well as competitiveness gains on the main destinations markets in the region.*

Key words: *agri-food trade, Romania, Euro-Mediterranean Partnership, competitiveness*

JEL classification: F14, Q17

INTRODUCTION

In the broad context of sustainable development, a general trend of gradual transition to an open market in the global agri-food trade is a desirable process, although not easy achievable. The recent economic crisis, with its dramatic rise in food prices and contraction in agri-food trade highlighted the risks of excessive concentration of exports as well as of overdependence on imports for the food security and for keeping the balance and position on the regional and global markets. Drastic political measures such as the embargo on imports enforced by the Russian Federation against EU [2] and more recently against Turkey put even more pressure on the regional and world agri-food markets.

Although the EU gradually opened its markets to agri-food products originating from the partner Mediterranean countries, these still have to meet severe quality requirements, as well as other issues related to rules of origin, product labelling, geographical indications etc. (Gavrilescu, 2014).

Romania had important trade relations with the Mediterranean countries since before 1990. Subsequently, in both the pre-accession and post-accession period, this group of countries took together about 47% of the extra-EU Romanian agri-food exports and 16% of the extra-EU imports (averages 2002-2016). By far, Turkey is the main trading partner in the region, followed by Egypt and Jordan. The range of products is rather narrow: Romania is exporting mainly cereals, oilseeds and live animals and is importing mostly fresh and processed vegetables and fruits.

These exports are important for Romania, since for the last few years they contributed essentially to the reversal of the Romanian agri-food trade balance from negative to positive.

On the other hand, the imports of vegetables from the Mediterranean area are severely competing the Romanian domestic production (which is rather large, but is very poorly organized all along the supply chains), while the imports of fruit are competing the EU domestic production and intra-EU trade. The most affected products are tomatoes and citrus fruit, which are listed by the

¹ Dr. Camelia Gavrilăscu, senior researcher, Institute of Agricultural Economics, Romanian Academy; email: cami_gavrilescu@yahoo.com

² Prof. dr. Nicoleta Mateoc-Sîrb, Banat University of Agronomical Sciences and Veterinary Medicine "King Michael I of Romania", Timișoara, Romania, e-mail: mateocnicol@yahoo.com

³ Assistant Prof. dr. Teodor Mateoc, Banat University of Agronomical Sciences and Veterinary Medicine "King Michael I of Romania", Timișoara, Romania, e-mail: teomateoc@yahoo.com

EU as “sensitive”, and thus partially excepted from the Association Agreements in the Mediterranean area.

The present paper is analyzing the dynamics of the Romanian agri-food trade with the Mediterranean countries, in terms of value and volume, composition by products and partners, as well as the changes in the competitiveness shown by the detailed trade balance.

MATERIAL AND METHODS

In the present paper, calculations were made using Eurostat data (HS classification) and UN-Comtrade data. Agri-food products are included in the HS chapters 01 to 24. The analysis concerned the agri-food trade flows between EU and Romania as reporting countries and the Mediterranean countries (MED) as partner countries: Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestine, Syria, Tunisia and Turkey.

RESULTS AND DISCUSSIONS

The founding act of the Euro-Mediterranean Partnership is the Barcelona Declaration of 1995 [3], aiming at promoting the emergence of a common area of peace and stability in the Mediterranean through multilateral political dialogue, in addition to the bilateral dialogues provided for by the Euro-Mediterranean Association Agreements. The three main established objectives of the Partnership were achieving a common area of: peace and stability (“the Political and Security Basket”), of shared prosperity through economic and financial partnership and gradual establishment of a free trade area (“the Economic and Financial Basket”), and improved exchanges between cultures and civil societies (“the Social, Cultural and Human Basket”).

The free trade area in the Mediterranean region and in the Middle East was expected to come into force by 2010, but successive political crises, various conflicts and even wars prevented it to be established. The initial idea was to create a matrix of free trade agreements between each of the partners and the others, the resulting network becoming the single free trade area. It is still not yet completely achieved; nevertheless, the basis has been set by the enforcement after 1998 of bilateral Association Agreements between EU and the partner countries (Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestine and Tunisia). Euro-Mediterranean Association Agreements are presently in force with most of the partners (with the exception of Syria and Libya). Another EU association agreement is under negotiation with Syria (currently suspended due to war), and EU has a customs union with Turkey (since 1996). Most of these partners are also part of GAFTA (Greater Arab Free Trade Area, established in 1997), which includes Libya as well. The liberalization process for agri-food trade among the 17 GAFTA Member States was completed since 1995; agri-food products are the third important traded product group, after fuel and manufactured products (Abedini & Peridi, 2008).

The key objective of the trade partnership is the creation of a deep Euro-Mediterranean Free Trade Area, which aims at removing barriers to trade and investment between both the EU and Southern Mediterranean countries and between the Southern Mediterranean countries themselves.

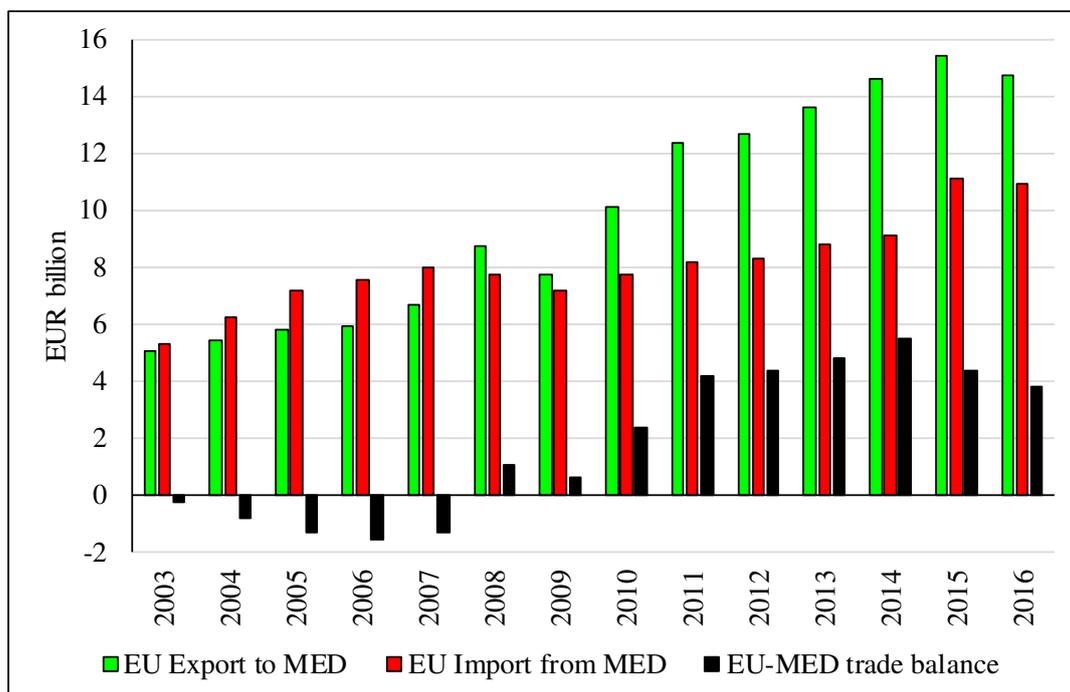
The successive enforcements of the bilateral association agreements between the EU and the Mediterranean countries (MED) allowed for increased agri-food imports originating from MED to enter the EU Single Market, resulting in negative trade balance until 2007 (figure 1).

On the other hand, the successive enlargements of the EU (and mainly with Romania and Bulgaria) boosted the exports to the MED countries, shifting the agri-food trade balance from negative to positive since 2008. Over the last 15 years (2003-2017), the value of EU exports to MED countries almost tripled (from EUR 5 billion to 14.7 billion), while the value of imports doubled only (from EUR 5.3 billion to 10.9 billion).

In 2003-2016, the average share of the MED countries was 11% in EU agri-food exports and 8% in imports, but the flows were not balanced at all: the main destinations for EU agri-food exports to MED countries were Algeria (22%), Turkey (19%), Egypt (12%) and Morocco (11%),

while imports were far more concentrated: almost half were originating from Turkey (45%), a quarter (26%) from Morocco and 13% from Israel.

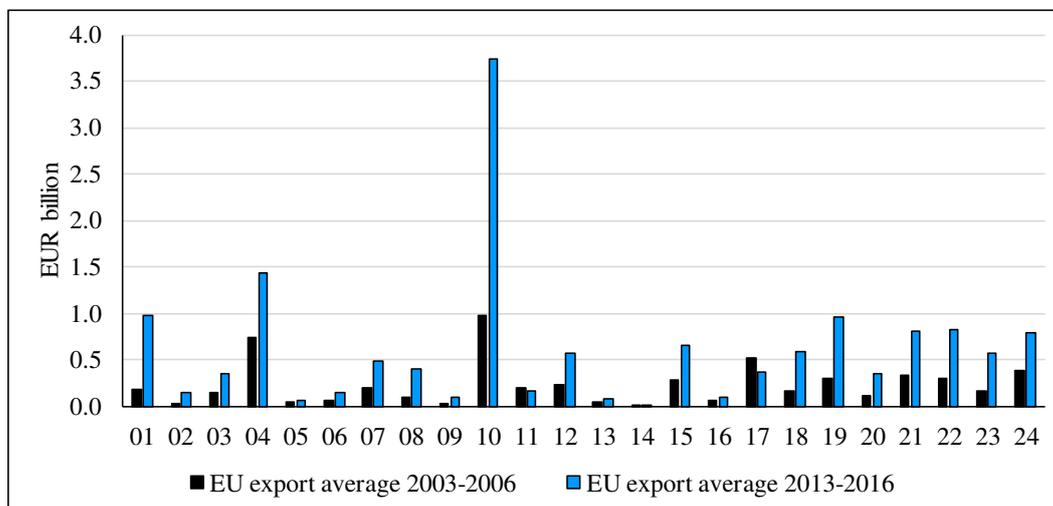
Figure 1 – Agri-food trade between EU and the Mediterranean countries



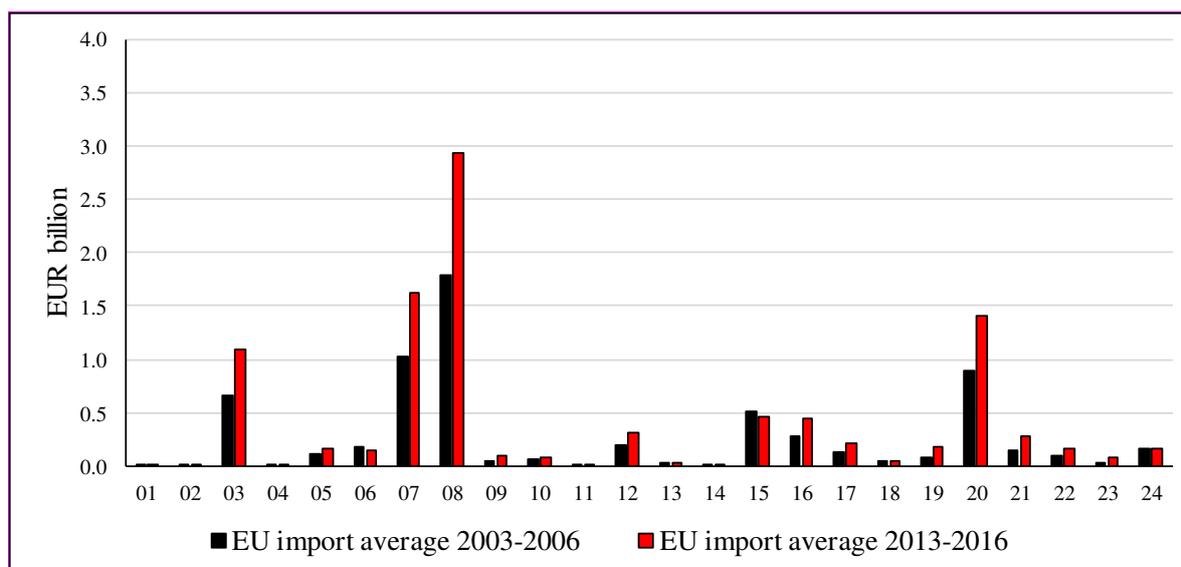
Source: calculations using Eurostat data [4]

The product composition of exports and imports is significantly different. The EU is exporting to MED countries mostly cereals, milk and dairy products, live animals, and processed food (sugar and confectionery, bakery and pastry products, miscellaneous edible preparations, beverages, tobacco products). In the last decade, the EU exports to MED countries increased significantly in value and became more concentrated: the first three product groups (HS 10-cereals, HS 04-milk and dairy products, and HS 01-live animals) accounting together for 34% of the exports, and worth EUR 1.9 billion in 2003-2006, increased to 42% of exports, worth EUR 6.1 billion in the period 2013-2016 (figure 2).

Figure 2 – Agri-food trade between EU and the Mediterranean countries:
2a – change in the product composition of agri-food exports



2b – change in the product composition of agri-food imports



Notes: chapters HS (Harmonized System) 01-24, which are covering all agri-food products: 01-live animals; 02-meat; 03-fish and seafood; 04-dairy products, eggs and honey; 05-other animal products; 06-live plants; 07-vegetables; 08-fruit; 09-coffee, tea and spices; 10-cereals; 11-products of the milling industry; 12-oilseeds; 13-lacs, gums and resins; 14-other vegetable products; 15-oils and fats; 16-meat and fish preparations; 17-sugar and confectionery; 18-cocoa and cocoa products; 19-cereal baking and pastry products; 20-vegetable and fruit preparations; 21-miscellaneous edible preparations; 22-beverages; 23-animal feed; 24-tobacco and tobacco products.

Source: calculations using Eurostat data [4]

EU main imports from the MED countries are fruit (HS-08), vegetables (HS-07), preparations of fruit and vegetables (HS-20), and fish (HS-03). These four product groups accounted together for 67% of the EU imports, worth EUR 4.4 billion in 2003-2006; their increase was far less spectacular: in 2013-2016 they accounted for 71% of exports and EUR 7.0 billion.

The EU employs large numbers of temporary workers from the region, mainly from the Maghreb countries and Turkey; therefore, the overseas workers' remittances contribute significantly to the foreign earnings in many of the MED countries [7].

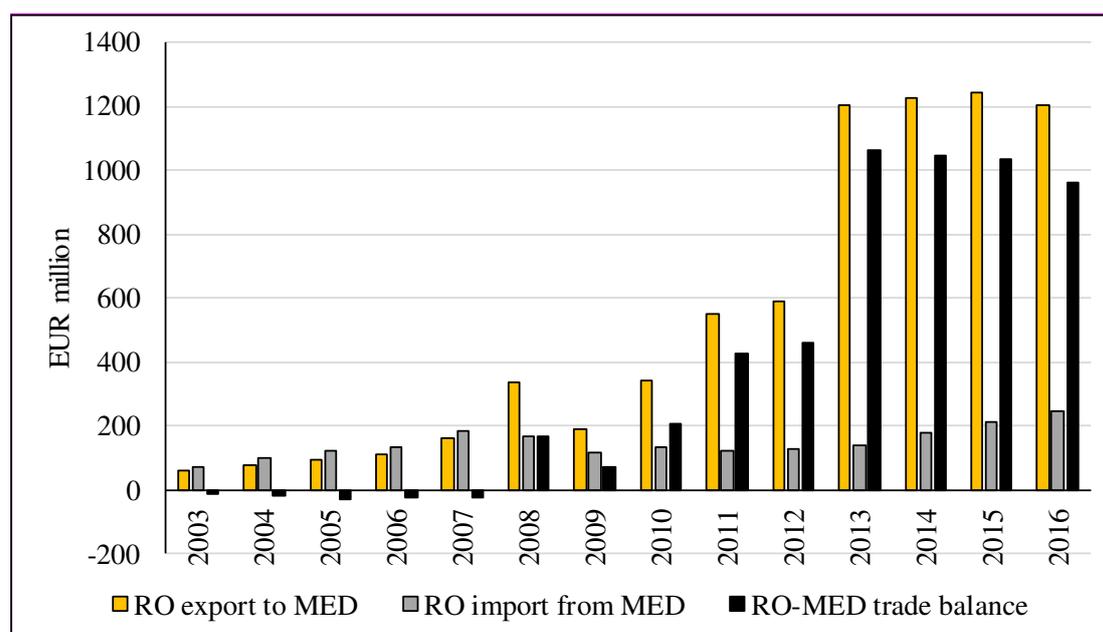
Since before 1990, Romania had important trade relations with the Mediterranean countries. In the pre-accession period, both agri-food exports and imports from MED countries were rather modest (less than EUR 140 million), showing also a small trade deficit (figure 3).

After EU accession, Romanian exports to MED countries showed a rather high growth rate: as compared to 2006 (the last pre-accession year), their value was 3 times higher in 2010, 5.4 times higher in 2012, and 11 times higher in 2016. The EUR 1 billion threshold in export value was exceeded since 2013. This spectacular evolution is due mainly to the country's entry on the Middle East cereals market. Imports from the MED countries diminished in the early post-accession years, but the upward trend resumed since 2011 although at a small pace, such that in 2016, imports were only 1.8 times higher than in 2006. These combined trends resulted in a large surplus of the Romanian – MED trade balance, which pushed the total Romanian extra-EU agri-food trade balance in the positive area.

The MED countries are the main export destinations for the Romanian extra-EU agri-food products: they accounted together for more than half of the country's exports to non-EU destinations (54%, average 2003-2016), but only 17% of the imports.

The exports directions changed in share between the two analyzed periods: in the first period, the top three destinations were Turkey (which absorbed 51% of the Romanian exports value to MED countries), Syria (15%) and Egypt (7%).

Figure 3 – Agri-food trade between Romania and the Mediterranean countries



Source: calculations using Eurostat data [4]

In the second period (2013-2016), the ranking of the exports destinations and shares changed (table 1): Egypt became the first destination (26%), followed by Turkey (17%) and Jordan (16.8%).

Table 1 - Value of Romanian agri-food exports to Mediterranean countries: change between average 2003-2016 and average 2013-2016

Partner country	Change in export value (average 2013-2016 vs. average 2003-2006)		Change in average 2003-2006 vs. average 2013-2016	
	± EUR million	Ratio (2013-2016) / (2003-2006)	Change in share of exports (%) in total exports to MED countries	Change in rank
Turkey	+164.0	x 4.8	50.8 ↘ 17.0	1 ↘ 2
Syrian Arab Republic	+ 27.6	x 3.1	15.3 ↘ 3.3	2 ↘ 8
Egypt	+ 309.9	x 51.4	7.2 ↗ 25.9	3 ↗ 1
Israel	+ 110.2	x 19.2	7.1 ↗ 9.5	4 ↘ 5
Morocco	+ 28.5	x 7.1	5.5 ↘ 2.7	5 ↘ 9
Libyan Arab Jamahiriya	+ 174.0	x 49.0	4.3 ↗ 14.5	6 ↗ 4
Lebanon	+ 53.0	x 20.0	3.3 ↗ 4.6	7 ↗ 6
Tunisia	+ 49.2	x 24.7	2.4 ↗ 4.2	8 ↗ 7
Jordan	+ 203.7	x 105.4	2.3 ↗ 16.8	9 ↗ 3
Algeria	+ 15.7	x 11.3	1.8 ↘ 1.4	10 → 10
Palestinian Territory Occupied	+ 0.4	x 156.5	0.003 ↗ 0.4	11 → 11
Total Mediterranean countries	+1136.1	x 14.4	-	-

Source: calculations using Eurostat data [4]

The range of products is very narrow: cereals, live animals, oilseeds and animal feed: in 2003-2006 they accounted together for 68% of the exported products value; in 2013-2016 their cumulated share went up to 95%.

More than 2/3 of the total Romanian exports of live animals, animal feed and cereals go to non-EU destinations (Gavrilescu & Voicilas, 2014), of which the Mediterranean countries take the largest part: 92% for live animals, 82% for animal feed and 64% for cereals (table 2).

Table 2 – Romanian main products exported to the Mediterranean countries – an overview (average 2013-2016)

Product group	Total export (million tons)	Share (%)			Mediterranean countries destinations			
		Non-EU/ total	MED/ total	MED/ Non-EU	Quantity (thou tons)	Destination country	Quantity (thou tons)	Share in Mediterranean countries (%)
Cereals (HS 10)	10.35	70.4	45.0	63.9	4656.61	Egypt	1716.50	36.9
						Jordan	736.96	15.8
						Libya	546.76	11.7
Oilseeds (HS 12)	2.26	26.7	11.7	43.9	264.61	Turkey	224.2	84.7
						Morocco	13.87	5.2
						Israel	12.13	4.6
Animal feed (HS 23)	0.79	44.8	36.7	81.8	291.46	Turkey	126.57	43.4
						Israel	120.52	41.3
						Morocco	32.98	11.3
Live animals (HS 01)	0.15	52.7	48.5	91.9	72.86	Libya	30.34	41.6
						Jordan	27.97	37.0
						Israel	10.40	14.3

Source: calculations using Eurostat data [4]

These large Romanian cereals exports to the Mediterranean countries represent an important part (25%) of the total EU cereal exports to the same destination. Similarly, Romania is the source for 34% of the total EU oilseeds exports to the MED countries, 23% of the live animals and 23% of the animal feed.

A measure of competitiveness in trade is the sign and value of the trade balance, and its analysis in breakdown by product groups can provide more detailed information about the structure of the trade flows, while the analysis by 4-year averages provides a better overview of the trends and diminishes the influence of yearly fluctuations due to conjunctural events on the international markets. Romania shows the largest trade surplus for cereals, live animals, oilseeds and animal feed, similarly to the EU (table 3).

Table 3 – Value of the EU and Romanian agri-food trade balance with Mediterranean countries by groups of products (chapters HS 01-24): change between average 2003-2016 and average 2013-2016

Product group (HS chapter)	EU agri-food trade balance value (EUR million)		Romanian agri-food trade balance value (EUR million)	
	Average 2003-2006	Average 2013-2016	Average 2013-2006	Average 2013-2016
01-live animals	162.8	959.6	14.4	168.1
02-meat	16.1	140.8	0.1	8.0
03-fish and seafood	-508.1	-738.6	0.0	-7.6
04-dairy products, eggs and honey	723.4	1,412.8	0.6	2.0
05-other animal products	-78.5	-106.9	0.0	-1.3
06-live plants	-121.4	-0.6	-1.7	-2.0
07-vegetables	-830.1	-1,138.0	-15.5	-39.5
08-fruit	-1,705.7	-2,545.1	-19.6	-46.5
09-coffee, tea and spices	-23.3	-2.7	-1.6	-0.6
10-cereals	908.0	3,666.6	1.9	837.6
11-products of the milling industry	181.1	142.5	-0.1	5.6
12-oilseeds	34.6	255.5	18.3	83.6
13-lacs, gums and resins	11.9	40.1	0.0	-0.4
14-other vegetable products	-10.0	-4.8	0.0	0.0
15-oils and fats	-233.8	190.5	12.4	8.5

Product group (HS chapter)	EU agri-food trade balance value (EUR million)		Romanian agri-food trade balance value (EUR million)	
	Average 2003-2006	Average 2013-2016	Average 2013-2006	Average 2013-2016
16-meat and fish preparations	-220.9	-363.0	-0.1	-1.1
17-sugar and confectionery	399.2	145.2	-1.5	-6.2
18-cocoa and cocoa products	115.4	542.4	-3.1	-2.8
19-cereal baking and pastry products	219.9	777.1	-2.3	-7.5
20-vegetable and fruit preparations	-782.8	-1,063.2	-11.8	-23.9
21-miscellaneous edible preparations	184.2	523.1	-10.3	-4.2
22-beverages	200.4	660.0	0.6	3.2
23-animal feed	131.0	480.9	6.2	60.8
24-tobacco and tobacco products	223.8	638.0	-8.3	-6.5
Total agri-food products (HS 01-24)	-1,002.9	4,612.4	-21.5	1,027.3

Note: cells highlighted in yellow show negative trade balance

Source: calculations using Eurostat data [4]

On the other hand, there are several product groups for which Romania shows a negative trade balance, while the EU is very competitive (large positive balance): milk and dairy products (HS-04), cereal baking and pastry products (HS-19), miscellaneous edible preparations (HS-21) (table 3).

The product groups showing the largest and increasing deficit in the trade of both EU and Romania with the Mediterranean countries are: fruit and vegetables, both fresh and processed (HS 08, 07, 20). For each of these three product groups, the deficit increased 1.4 times in the case of the EU and 2.4 times in the case of Romania, between the two periods of time studied. The deficit increased as well for fish and seafood (HS-03) and fish and meat preparations (HS-16).

CONCLUSIONS

The key objective of the Euro-Mediterranean Free Trade Area (within the Euro-Mediterranean Partnership) is removing barriers to investment and trade in North-South relations (that is between the EU and Southern Mediterranean countries), and in South-South relations (that is between the Southern Mediterranean countries themselves).

Although it has not been fully achieved yet, the trade volume in the Mediterranean area increased significantly in the last two decades; this is true also for the volume of agri-food products trade, which is subject to the largest number and forms of trade barriers (as compared to trade of non-food, industrial products and services).

In the last decade and a half, the Euro-Mediterranean Partnership resulted in an important intensification and diversification of the commercial flows in the region.

Romania is competitive on the Mediterranean markets for a rather narrow range of basic agricultural products (thus contributing to their EU positive trade balance), such as cereals, live animals, oilseeds and animal feed, but lacks competitiveness for processed products which made the EU a top player on international markets such as dairy products, beverages, edible oils, cereal baking and pastry products, miscellaneous edible preparations, tobacco products, etc. The developing food industry is increasingly contributing to the increase of processed products exports; at the same time, it is expected on the medium term a better there use of basic agricultural products as inputs for higher value products (cereals for meat, oilseeds for processed oils, etc.).

The main vulnerability of Romania and of the EU as well in the regional trade remains the lower competitiveness of fresh and processed fruit and vegetables (mainly tomatoes and citrus fruit), with Turkey and Morocco as main competitors and suppliers for imports.

For Romania, since its EU accession a decade ago, but mostly in the latest years, the Euro-Mediterranean Partnership allowed for entering new markets, for a significant increase of exports to the Mediterranean countries (which lead to the shift of the country's regional trade balance from

negative to positive since 2008), as well as to competitiveness gains on the main destinations markets in the region for certain products.

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