

MAIN TRENDS OF TRADE FLOWS BETWEEN ROMANIA AND CHINA IN THE LAST DECADE

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Abstract

In this paper, we explore the trade flows between Romania and China, in the framework of the bilateral EU-Chinese relationship.

In the first chapter, we highlight that, throughout decades, Romania and China have built a strong bilateral relationship, founded on friendship and mutual trust, which passed the test of time and change. After 2007, the year when Romania joined the EU, the EU-China strategic partnership became the main cooperation framework for Romania – China bilateral links.

The second and the third chapters look at the recent trends of Romania-China trade in goods and services in the framework of the larger EU-China strategic partnership, using the statistical data published by Eurostat, DG Trade of the European Commission and by the national authorities of the two countries.

In our concluding remarks we underline that, although the Romanian and Chinese economies reveal complementarities able to generate considerable opportunities for trade, the bilateral trade relations could not be developed yet to their full potential. Nevertheless, the affirmed political will of both countries to deepen and extend their economic relations might give a new impetus to the bilateral trade flows, as it might stimulate cooperation in many fields.

Keywords: strategic partnership, trade, China, EU-27, Romania.

JEL classification: F10, F14.

1. Introduction: Milestones in the history of the Romanian-Chinese Relationship

Throughout decades, Romania and China have built a strong bilateral relationship founded on friendship and mutual trust.

The first high-level official contacts were established in 1880, when Carol I, king of Romania, sent a letter to the Chinese Emperor to inform him about Romania becoming a free, sovereign and independent state and to express his hope that “*good and warm friendship relations*” were established between the two countries. The reply in behalf of emperor Guangxu, who ruled over China, came from his imperial highness Prince Gong, the emperor’s uncle, who sent to the Romanian king Carol I congratulations and warm wishes of prosperity and welfare for the country and for

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the people of Romania. In diplomatic language, that was the moment when the two countries officially recognized each other.³

Another milestone in the history of the relationship of the two countries was October the 1st, 1949, when the People's Republic of China was proclaimed. Romania was the third country in the world to officially recognize China and to establish bilateral diplomatic relations with it.

If initially the two countries had little knowledge about each other, during the following 40 years (1949-1989) their bilateral relationship evolved exceptionally well, in spite of several objective discouraging factors such as the great geographic distance that separated them and the considerable contrasts in terms of their size, historic evolution, languages, traditions, mentalities and views on life. Both consciously-built and fostered by the international context, the Chinese-Romanian political relations improved tremendously and favoured the development of their bilateral commercial exchanges and economic cooperation in various fields.

Romania became China's most important partner in Europe. During the '60s and the '70s, when China had very limited access to foreign technology, Romania, which had started industrialization earlier and had assimilated Western technologies, was able to take active part in the industrial modernization of China, becoming the second partner country - after the Soviet Union - to contribute to this process, especially to the development of the Chinese heavy industry and power engineering. Many Chinese students were educated in Romania in various fields, including oil and gas engineering, while some of the best Chinese universities which prepare at present experts for the oil and gas industry, were initiated with the help of Romanian teachers. Romania exported to China equipment and machinery, turn-key plants and transferred know-how for modern industry and agriculture development.⁴ Also in other fields, as for instance in sports, some of the first football, sword or gymnastics coaches came from Romania.⁵

On the other hand, against the background of the USSR-China tensions, in the context of the cold war and "... in the context of a more independent foreign policy, Romania acted as a mediator between PR of China and the USSR in the '60s, and between the USA and PR of China, in the '70s."⁶ Nevertheless, at least partially, the independence exhibited within the communist bloc by a small country like Romania was possible, at that time, only due to its known friendship with China. To name just a few of the benefits Romania enjoyed, in its turn, from its privileged relationship with China, it is worth

³ **Budura, Ioan Romulus** (Former Romanian Ambassador in China, coordinator) (2005), *Relațiile româno-chineze 1880-1974*, Documente, MAE, Arhivele Naționale, București.

⁴ **Ghelmegeanu, Gabriel** (President of Romania-China Chamber of Commerce) – Dezbaterile RL, Romania Liberă, 18.08.2011, Sabina Fati, www.romanalibera.ro.

⁵ **Isticioaia-Budura, Viorel** (Former Romanian Ambassador in China) – *Cum și-a uitat Romania „prietenul chinez”* - interviu în Romania Liberă, 9.08.2010, Sabina Fati, www.romanalibera.ro și *Relațiile cu China - o șansă a globalizării* – interviu în Adevărul, 16.08.2010, Ovidiu Nahoi, www.adevarul.ro.

⁶ **Valer Marian** (Romanian senator) – De ce este ocolită România de China, Report in the Romanian Parliament, 2010.

mentioning that in 1968 Romania was protected by China against a USSR invasion, in 1970, when it was devastated by floods, Romania was granted by China the highest non-conditional, irredeemable financial aid it ever received from another country (USD 25 million) and, also, it was at times given low-interest or flat loans⁷.

After 1989, the year when the communist system fell apart in Eastern Europe, the sound nature of the principles which made the backbone of the Romania-China relations, the fact that the two countries had exceptionally friendly bilateral links, allowed for the smooth continuation of their relationship, in spite of the tremendous changes that took place in the world economy as a whole, in each of the two countries and in their respective places in the new global environment. While both countries entered complex and sometimes painful transition processes, the paths they chose were completely different. Romania opted for building a democratic society and a capitalist economy and, to this end, it implemented a “shock therapy” type of reform, focussed on liberalization and privatization, which significantly changed its economic structure. Its main goal was to adjust to and to integrate into the European Union. On the other hand, China chose to keep its political system and many of the institutions virtually unchanged, while focussing pragmatically on gradual economic reform and building a “market economy with Chinese characteristics”. During the last almost 33 years, China’s development model, driven by investments and exports, generated impressive results in terms of modernization, development and growth, poverty reduction, improved living standards and the country’s repositioning in the global economy.

The special traditional friendship between Romania and China passed the test of time and change and, in 2004, on the occasion of President Hu Jintao’s visit to Romania, the bilateral relationship between the two countries was upgraded to the “*all-round friendly cooperative partnership*” statute, eloquent for the privileged nature of the links between the two countries. But, although the political relations remained very good after 1989, the economic exchanges and cooperation suffered a lot during the ‘90s, reaching a record low in 1999, when the bilateral trade volume was only Euro 0.170 billion (as compared to the previous period record high of USD 1.095 billion, reached in 1979). After the year 2000, anyway, the trend changed and for the next decade the bilateral trade was on the rise, although unbalanced and still not reaching its full potential.

After 2007, January the 1st, when it joined the European Union, Romania adopted and implemented the EU Common Foreign Trade Policy, opening the Romanian market for free trade with all the other Member States, but also with many third countries which had been partners in the Free Trade Agreements (FTAs) signed by the EU and the General System of Preferences (GSP), with China among its beneficiaries. The impact on the Romanian economy was very strong, with a sudden

⁷ **Buzatu, Ion** – Istoria relațiilor României cu China din cele mai vechi timpuri până în zile noastre. Dansul în lume dintre cea de a doua fică a Romei - Luomaniya și Împărăția Dragonului Galben – Zhuongguo, Meteor Press, ediție revizuită și adăugită, 2004.

raise of imports and trade deficit from the very first months of membership,⁸ and Chinese goods becoming a major challenge for the local products and markets. Unfortunately, Romania couldn't sufficiently capitalize on the opportunities to increase more its own exports, and particularly its exports to China remained still too low and in need for an important boost.

As a member of the EU, Romania benefits, besides the framework of the bilateral agreement with China, from the Strategic Partnership framework between China and the EU. In this context, the evolution of China-Romania exchanges clearly reveal that there still are many benefits untapped and many opportunities not turned to good account, both in their bilateral trade and in investments.

2. The Largely Untapped Potential of the Romanian-Chinese Economic Relationship – A View from the Standpoint of Trade in Goods

After three decades of economic reform and development, China has emerged as the world's second-largest economy and the number one exporter of goods, as well as an increasingly important political power. According to the Directorate General for Trade of the European Commission (DG Trade), China is "*the single most important challenge for the EU trade policy*".

EU-China trade has increased dramatically in recent years. As regards trade in goods, China is now the EU's second trading partner, after the USA, and is by far the EU's main source of imports. The European Union is, in its turn, China's most important trading partner.

Outside the EU, in 2010, China was Romania's eighth most important export market and the first import source. Nevertheless, taking into consideration all of Romania's trade partners, China ranked, in the same year, merely the 22nd among its main export destinations and the 5th as an import source, while Romania was for China only a marginal trade partner.

2.1. Recent EU - China Trade Flows - A Brief Analysis

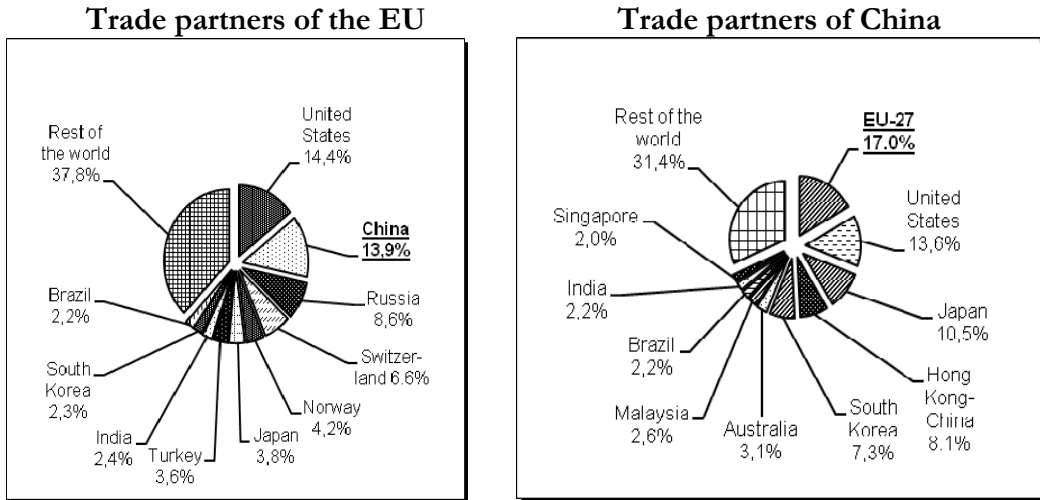
Excluding the intra-community trade, EU, as an entity, remains the main global exporter and importer of goods, with a 15% share of the total world exports and 16.5% of its imports in 2010.⁹

China is a key trade partner for the EU. It is its second export market (accounting for 8.4% of the total 2010 extra-EU export value) and its main import source (18.8% of the total 2010 extra-EU import value). At the same time, the EU is both the first export and the first import partner of China, accounting for 20.1% and 13.2%, respectively, in its export and import trade flows.

⁸ INSSE Romania – Buletin Statistic Lunar no.2/2007.

⁹ Source: WTO, 2011.

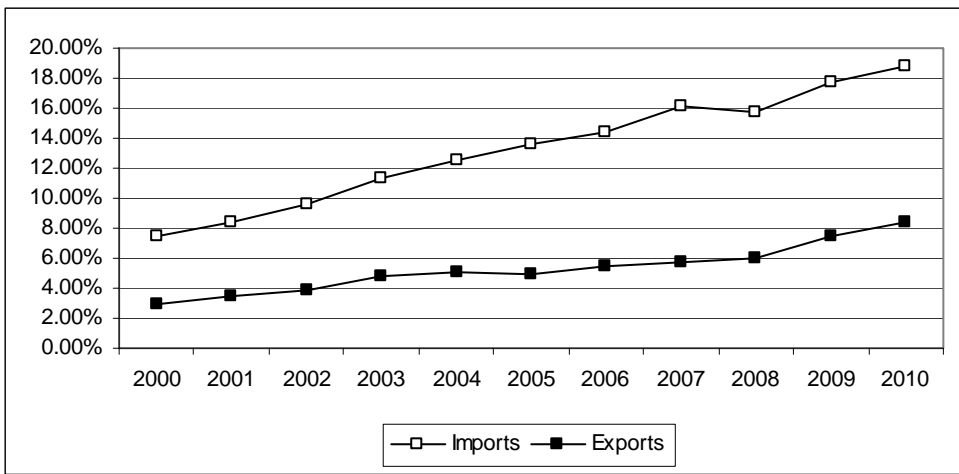
Chart 1: The main trade partners of the EU and China in 2010* – trade in goods (%)



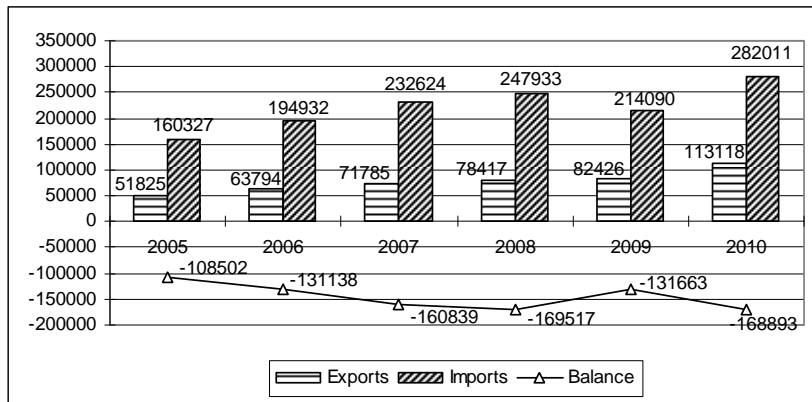
Note: * taking into consideration the cumulative value of exports and imports.
 Source: DG Trade (2011).

Subsequent to China’s accession to the WTO, its share in the EU extra-community trade increased quickly. As China’s share in the EU imports grew more than its share in the EU exports, the bilateral trade deficit deepened.

Chart 2: China’s share in the EU exports and imports, extra-community trade, 2000-2010 (%)



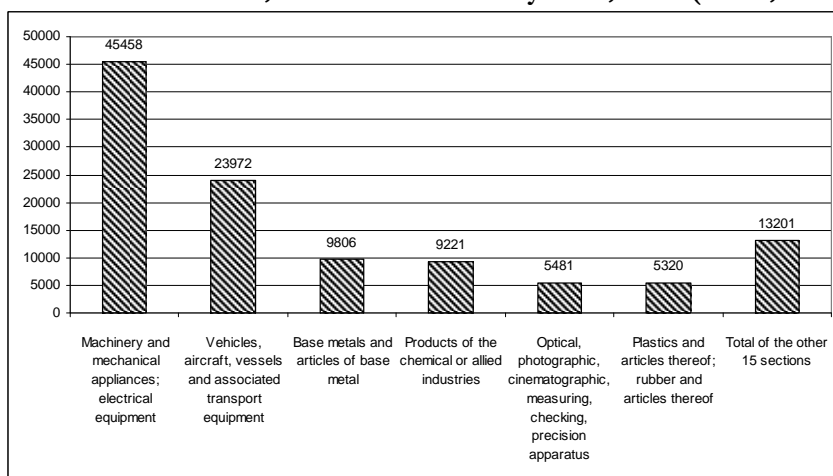
Source: DG Trade (2011) and the European Commission (2010).

Chart 3: EU-China trade during 2005-2010 (Euro, million)

Source: DG Trade (2011).

The bulk of the EU-China trade structure is made of manufactured products. In 2010 these goods accounted for over 87% of the EU exports to China and for 96.5% of its imports from this country. Considering the sections of the combined nomenclature (CN), within the manufactured products, the section *machinery and mechanical appliances and electrical equipment* held shares exceeding 40% in both the EU exports to, and imports from China (40.2% and 47.7%, respectively).

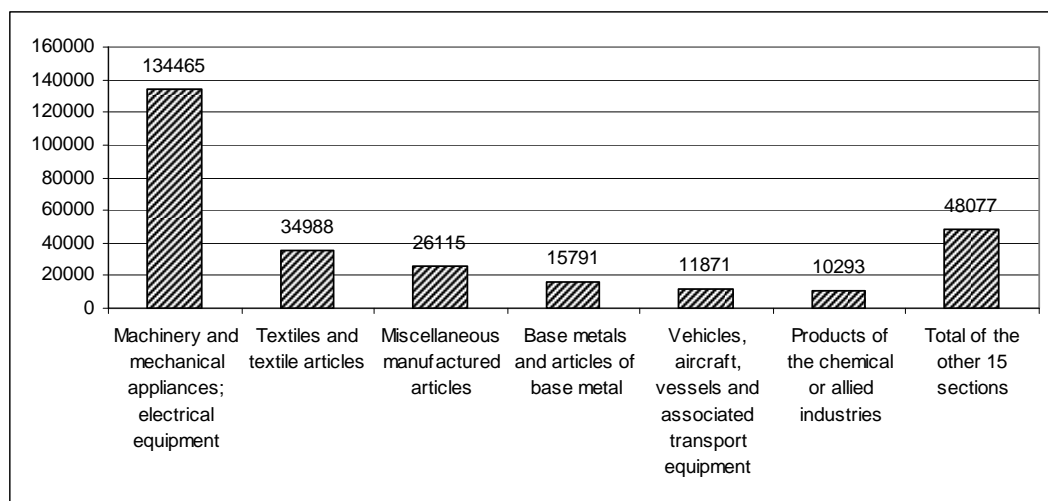
The six CN sections with the largest shares in the EU exports to China were the following: *machinery and mechanical appliances and electrical equipment* (40.2%), *vehicles, aircraft, vessels and associated transport equipment* (21.2%), *base metals and articles of base metal* (8.7%), *products of the chemical or allied industries* (8.2%), *optical, photographic and other precision apparatus* (4.8%) and *plastics, rubber and articles thereof* (4.7%).

Chart 4: Structure of the EU exports to China, breakdown by the main product sections of the CN, the Harmonized System, 2010 (Euro, million)

Source: DG Trade (2011).

The prevailing goods in the 2010 EU imports from China were: *machinery and mechanical appliances and electrical equipment* (47.7% of the total), *textiles and textile articles* (12.4%), followed at distance by *miscellaneous manufactured articles* (9.3%), *base metals and articles of base metal* (5.6%), *vehicles, aircraft, vessels and associated transport equipment* (4.2%) and *products of the chemical or allied industries* (3.6%). These six CN sections taken together accounted for 82.8% of the overall EU imports from China, revealing that the import trade structure was slightly less concentrated than that of the export trade, where the first six sections accounted for 87.8% of the total EU exports.

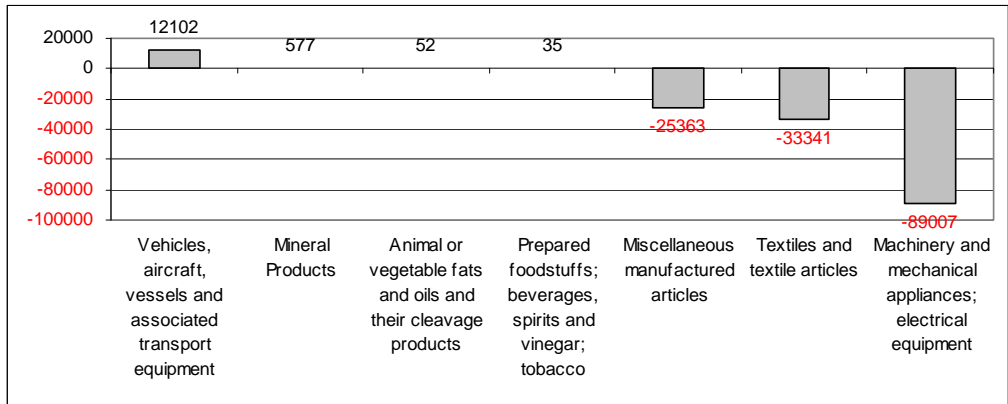
Chart 5: Structure of the EU imports from China, breakdown by the main product sections of the CN, the Harmonized System, 2010 (Euro, million)



Source: DG Trade (2011).

The three most important sections responsible for the 2010 EU trade deficit with China were *machinery and mechanical appliances and electrical equipment* (Euro -89 billion), *textiles and textile articles* (Euro -33.3 billion) and *miscellaneous manufactured articles* (Euro -25.4 billion). But, in fact, out of the 21 sections of the CN, the EU recorded a trade surplus only in the case of four sections and, among these ones, with the exception of the section *vehicles, aircraft, vessels and associated transport equipment*, which recorded a consistent surplus of Euro 12.1 billion, all the others derived quite modest surpluses (*mineral products*: Euro 577 million, *animal or vegetable fats and oils and their cleavage products*: Euro 52 million and *prepared foodstuffs, beverages, spirits and vinegar and tobacco*: Euro 35 million).

Chart 6: EU-China trade: Sections with a trade surplus and sections with trade deficits in excess of Euro 10 billion (Euro, million)



Source: DG Trade (2011).

2.2. A Brief Account of Recent Trade Flows between Romania and China

• The bilateral trade values and the trade balance

The role played by Romania in the extra-EU trade is marginal. In 2010, its share in the extra-EU trade flows was under 1%, both in exports (0.8%) and in imports (0.9%). Considering only EU's trade relations with China, Romania's share in the EU exports to this country was even smaller, of just 0.3%, while its share in the EU imports from China was 0.9%.

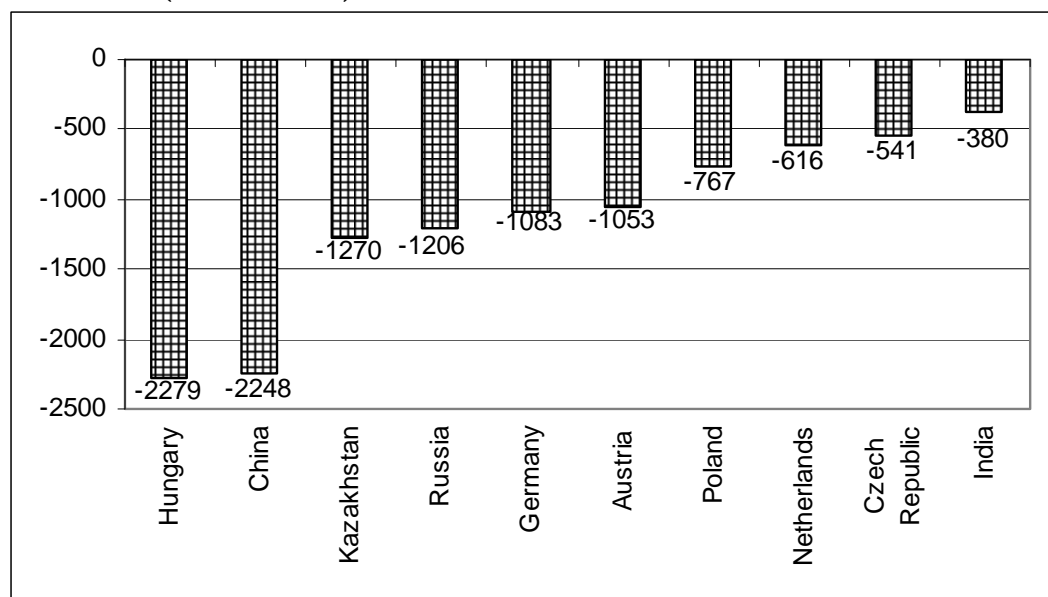
In 2010, the export value of Romania outside the EU was about Euro 10.4 billion, accounting for 27.8% of the total Romanian exports, while the import value outside the EU amounted to Euro 12.9 billion, or 27.5% of the total. These export and import values denote increases of 38.7% and 22.9%, respectively, over the previous year.

Taking into account the cumulative value of exports and imports, Romania's trade with non-EU countries was dominated by *Turkey* (Euro 4.28 billion, or 18% of the total), *Russia and China* (almost equal, with Euro 2.87 billion and Euro 2.86 billion, respectively, or about 12% of the total, each). Other trade partners with bilateral flows in excess of Euro 1 billion were: *Kazakhstan* (Euro 1.44 billion), the *USA* (Euro 1.12 billion) and *Ukraine* (Euro 1.08 billion). The Romanian total trade (export plus import) with Ukraine, Turkey, Russia, China and the USA recorded sharp yearly increases in 2010 (over 80%, 48%, 45%, 35% and 31%, respectively), while the Romania-Kazakhstan trade stagnated.

Romania's trade deficit with its partners outside the EU diminished by 17% in 2010 to Euro 2.5 billion, from almost Euro 3 billion in 2009. *The largest deficits* with non-EU partners were recorded with *China* (Euro 2.2 billion), *Kazakhstan* (Euro 1.3 billion) and *the Russian Federation* (Euro 1.2 billion). The

deficit with China and Russia increased (with almost Euro 560 million and, Euro 218 million, respectively), while the deficits recorded with Ukraine and the USA remained flat, at relatively low levels (Euro 11.3 million and Euro 9 million, respectively). The trade balance with Turkey recorded a surplus of Euro 842 million.

Chart 7: Romania's largest trade deficits with its main trading partners in 2010 (Euro million)

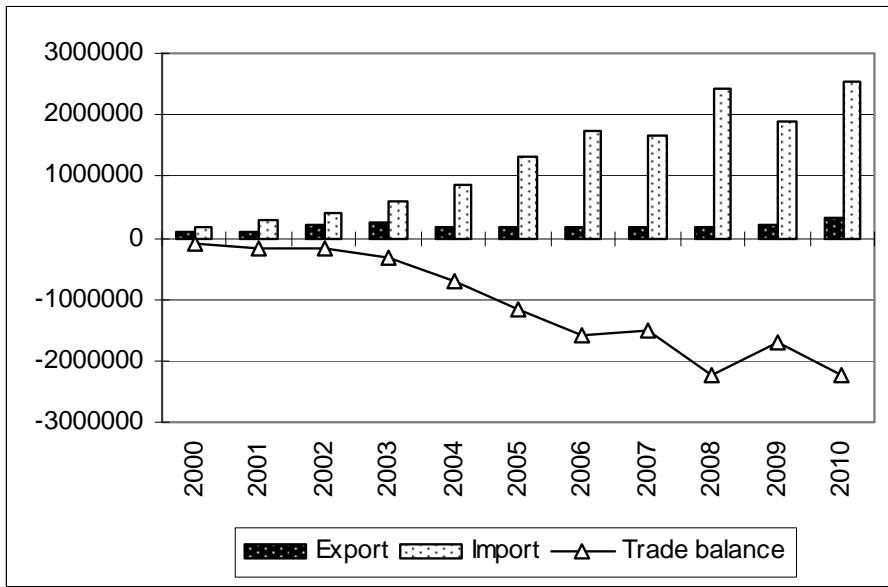


Source: Ministry of Economy, Trade and Business Environment of Romania and the Romanian Centre for Foreign Trade and Investment Promotion.

In 2010 the value of the Romanian exports to China amounted to Euro 308.78 million, while that of the imports was eight times higher, reaching Euro 2.56 billion. China accounted for only 0.83% of Romania's exports and for 5.46% of its total imports. The growing gap between the import and export values with China created an increasing trade deficit for Romania, which reached over Euro 2.2 billion in 2010. Therefore, China ranked second among Romania's trading partners in terms of the largest trade deficits induced, surpassed only by Hungary, and only marginally. It is interesting to note here that the huge trade deficit with Hungary, which is the highest recorded in the Romanian foreign trade (see Chart 7), was mainly due to Romanian imports of Chinese goods from this neighbouring country (almost Euro 2.0 billion). This implies that the Chinese goods penetration and their real share of Romanian market are higher than shown by statistics.

- The bilateral trade flows

**Chart 8: Trade flows between Romania and China , 2000-2010
(Euro, thousand)**



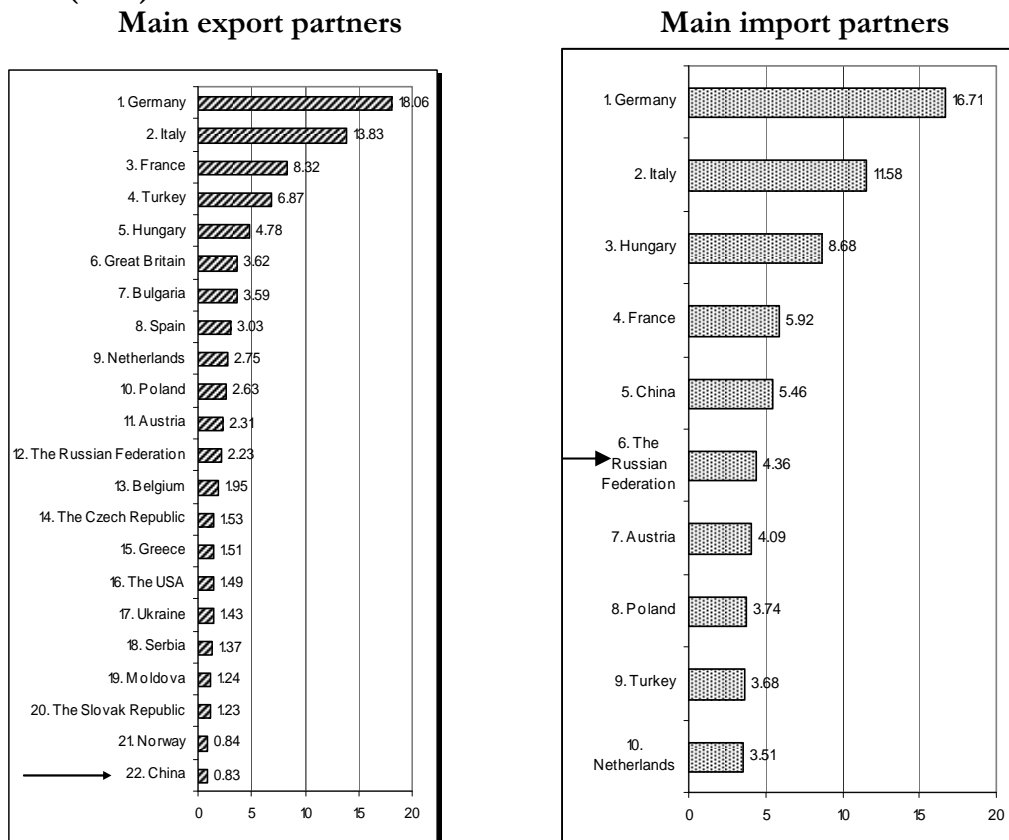
Source: Ministry of Economy, Trade and Business Environment of Romania and the Romanian Centre for Foreign Trade and Investment Promotion.

The *main destinations of the Romanian exports* (taking into consideration both the intra and extra community trade flows) were: Germany (18.06%), Italy (13.83%), France (8.32%), Turkey (6.87%), Hungary (4.78%), UK (3.62%), Bulgaria (3.59%), Spain (3.03%), Netherlands (2.75%) and Poland (2.63%). These countries held together a share of over 67% of the Romanian exports.

China was the 22nd destination of the Romanian exports (Euro 309 million), and the *8th outside the EU*, after Turkey, the Russian Federation, the USA, Ukraine, Serbia, Moldova and Norway. Here, also, we must highlight that, due to the underdeveloped direct relations between Romanian and Chinese companies, just like in the case of some Chinese exports which were channelled to Romania through intermediary countries, also many Romanian goods reached China through third parties. As such, the Romanian wood was re-sold to China by Arab traders, Romanian ships were re-sold to China by Dutch companies, Romanian machine-tools reached China through German societies and Romanian garments got there through Italian firms.¹⁰ This circumstance clearly reveals inefficiencies in the direct bilateral connections and trade.

¹⁰ <http://www.ziare.com/economie/crestere-economica/cum-poate-importa-romania-crestere-economica-din-china-1040461>

Chart 9: Romania's main export destinations and import sources in 2010 (in %)



Source: Ministry of Economy, Trade and Business Environment of Romania and Romanian Centre for Foreign Trade and Investment Promotion.

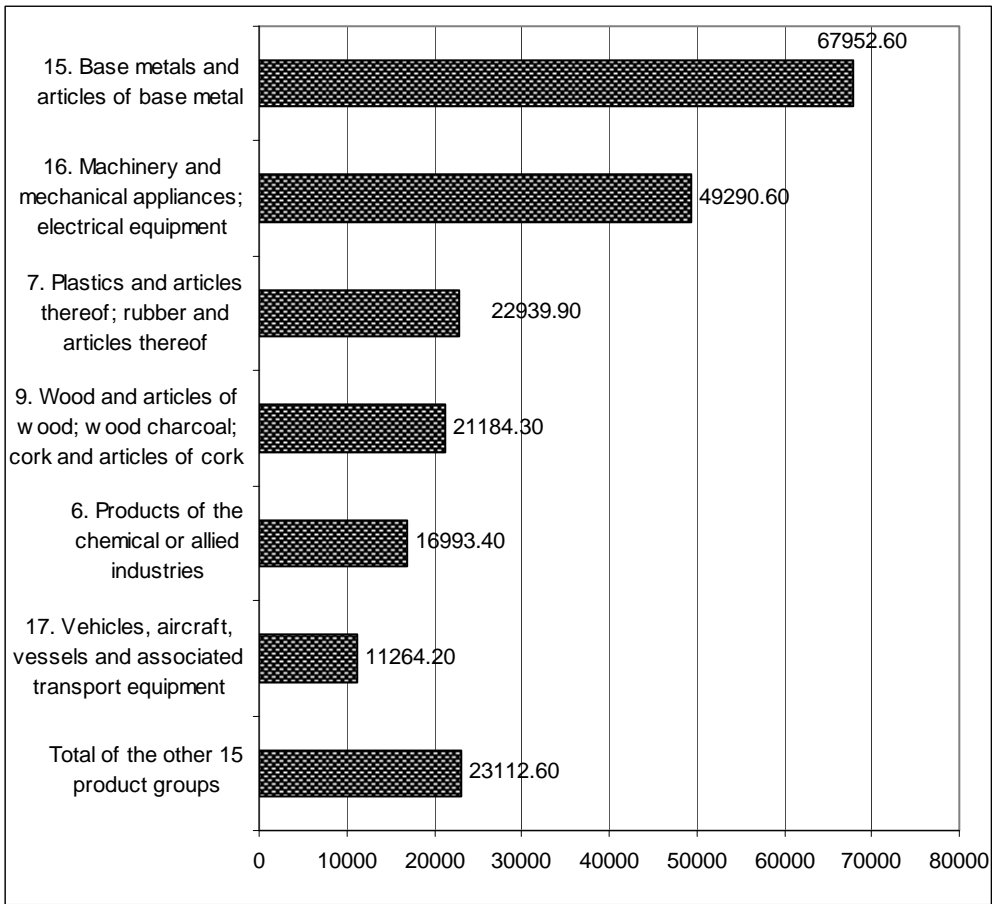
The *main sources of Romania's imports* in 2010 were: Germany (16.71%), Italy (11.58%), Hungary (8.68%), France (5.92%), *China* (5.46%), the Russian Federation (4.36%), Austria (4.09%), Poland (3.74%), Turkey (3.68%) and Netherlands (3.51%). These countries cumulated about 68% of Romania's total imports. China maintained its position as Romania's main source of imports, outside the EU (almost Euro 2.6 billion).

• **A comparative analysis of the Romanian-Chinese trade structures, in 2009 and 2001**

In 2009 the Romanian exports to China amounted to Euro 212.7 million, while imports totalled Euro 1.9 billion. This value of the Romanian exports to China was more than double the level recorded in 2001, while on the imports side, the proportion was almost 7:1 in the same time frame. The export flows were dominated

by: *base metals and articles of base metal* (almost 32% of the total exports), *machinery and mechanical appliances and electrical equipment* (23.2%) and *plastics, rubber and articles thereof* (10.8%). These three sections cumulated a share of 66% of the Romanian exports to China. Within the CN section *base metals and articles of base metals*, two subgroups concentrated over 90% of the total: *copper* (60%) and *cast iron, iron and steel* (32%).

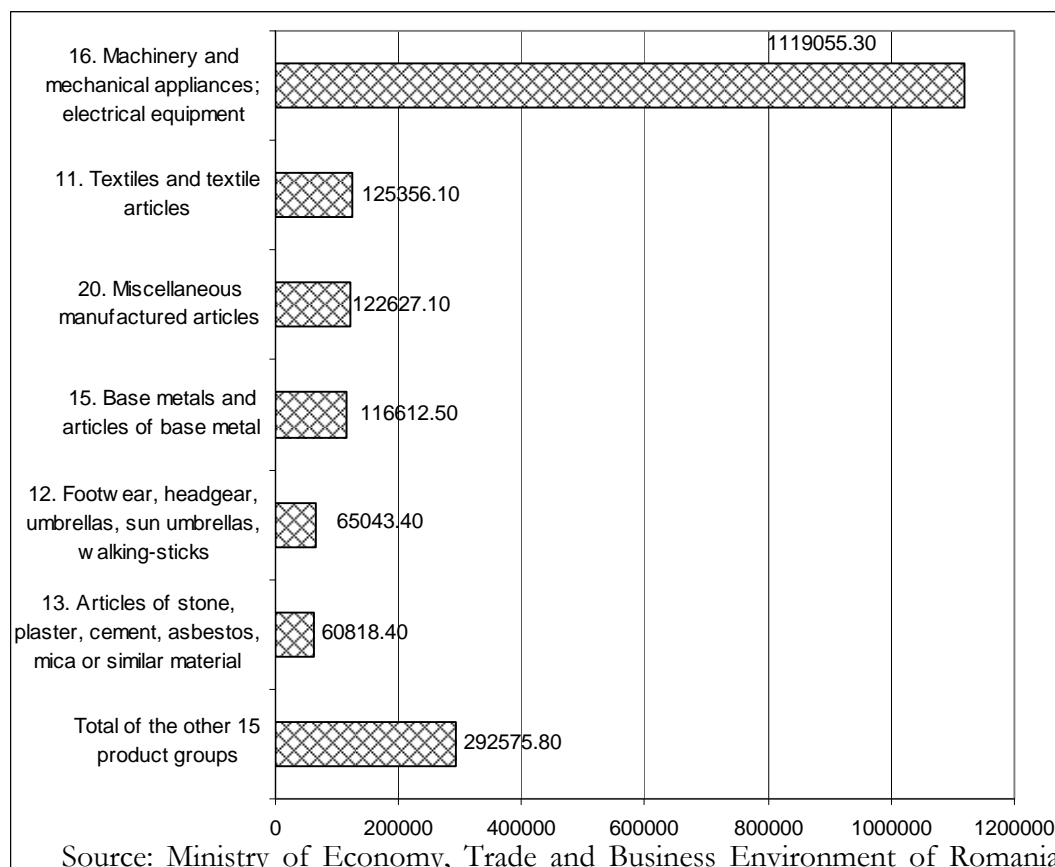
Chart 10: Structure of the Romanian exports to China, breakdown by main product sections of the CN, the Harmonized System, in 2009 (Euro, thousand)



Source: Ministry of Economy, Trade and Business Environment of Romania and the Romanian Centre for Foreign Trade and Investment Promotion.

Within the 2009 Romanian imports from China there was one clearly prevailing section, namely *machinery and mechanical appliances and electrical equipment* which accounted for 60% of the total. While the first 6 sections with the largest share in Romanian exports to China cumulated approximately 90% of the total 2009 export value, the first 6 sections with the largest share in Romania's 2009 imports from China totalled about 85% of the overall import value.

Chart 11: Structure of the Romanian imports from China, breakdown by the main product sections of the CN, the Harmonized System, in 2009 (Euro, thousand)



In 2009, Romania had a positive trade balance with China in only one section (*mineral products*: Euro 1.3 million), while for the other sections the deficits ranged between Euro 92 thousand (*animal or vegetable fats and oils and their cleavage products*) and Euro 1.1 billion (*machinery and mechanical appliances and electrical equipment*).

Looking at the evolution of the Romanian-Chinese exports and imports by the main sections of the CN during the last decade, we can draw the following conclusions.

On the export side, four sections augmented considerably their shares in the total Romanian exports to China: *base metals and articles of base metals*, *machinery and mechanical appliances and electrical equipment*, *products of the chemical or allied industries and plastics, rubber and articles thereof*, while two other sections, *wood and articles of wood*, *wood charcoal, cork and articles of cork* and *vehicles, aircraft, vessels and associated transport equipment* sharply diminished their shares;

The section *base metals and articles of base metals* became the dominant export section and its share in the total exports increased to almost one third.

The section *machinery and mechanical appliances and electrical equipment* augmented almost three times its share in the total Romanian exports to China reaching almost a quarter of the total, but its share in imports increased even more sharply, reaching about 60% of the overall imported value. As a result, the trade balance deficit of this section increased ten-fold, to Euro 1 billion.

In the last decade, other three sections increased significantly their shares in the total Romanian exports to China: *products of the chemical or allied industries* (almost doubled), *plastics, rubber and articles thereof* (more than tripled), and *mineral products* (expanded from unnoticeable shares, to almost 5%). However, the trade deficit of the first two sections kept soaring (it doubled for the first section and it increased more than 13 times for the second one).

The share of *vehicles, aircraft, vessels and associated transport equipment* in the total exports decreased by more than 17 percentage points, to about 5%.

In the last decade, Romania lost its competitive advantage in *wood and articles of wood, wood charcoal, cork and articles of cork*. The trade balance of this sections turned negative after 2007, as its share in the export flows diminished (four times), while its share in the import flows grew quite significantly (from 0.1% to about 2%);

Referring further to the trade balance, two other sections, *base metals and articles of base metals* and *vehicles, aircraft, vessels and associated transport equipment* recorded trade surpluses at the onset of the decade, while in the last years, the balance turned negative. The deficits of the majority of sections displayed a growing trend during the last decade.

On the import side, the most remarkable evolution is that of the section *machinery and mechanical appliances and electrical equipment*, whose share in the overall Romanian imports from China increased from 39.1% in 2001 to 60% in 2009. Another significant increase was recorded by the section: *stone, plaster, cement, asbestos, mica and similar materials* (which tripled, reaching over 3%). In contrast, most of the major import sectors diminished their shares: *textiles and textile articles* (almost halved), *products of the chemical or allied industries* (reduced to about one third), *footwear, headgear, umbrellas, sun umbrellas, walking-sticks* (more than halved) etc. Only one section kept its share unchanged: *base metals* (6.1%);

Comparing the Romania-China trade structure with that of EU-China, one can notice the similarities regarding the imports and the striking differences concerning the exports. The sections *machinery and mechanical appliances and electrical equipment* and *vehicles, aircraft, vessels and associated transport equipment* had, during the last years, a cumulative share of about 60% in the total EU exports, almost double the share of these two sections in the Romanian exports, while the section *base metals* was dominant in our exports, but accounted for only 8.7% of the EU exports to China.

Considering the above, one can conclude that, in relation with China, Romania lost its competitive advantages in many export fields, especially the ones incorporating medium-complexity technologies, while, its expanding home demand

led to increased imports of manufactured goods from China, mainly higher value added, technology and capital-intensive products, which entailed a considerable deepening of its trade deficit..

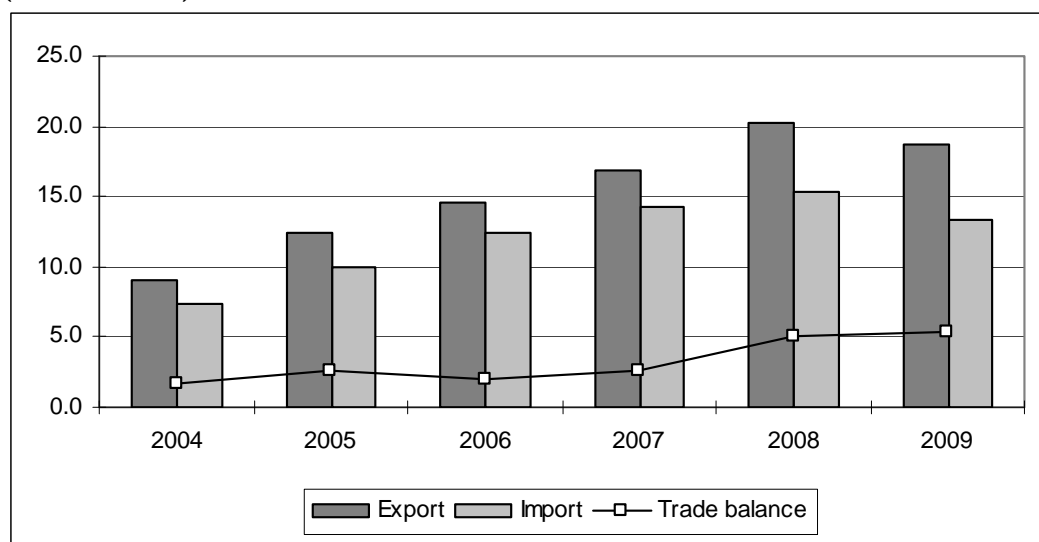
3. The Largely Untapped Potential of the Romanian-Chinese Cooperation Relationship – A View from the Standpoint of Trade in Services

At global level, excluding the intra-community trade, the European Union, as an entity, is by far the main exporter and importer of services, concentrating one quarter of the world total exports and 22% of its total imports, in 2010 (WTO, 2011).

Since 2008, when it managed to surpass Japan, China has ranked third in the hierarchy of the main EU partners trading in services.¹¹ In spite of being the third largest partner of the EU, China's shares in the export and import services flows are still modest (under 4%), in contrast with the USA and Switzerland, which concentrate the bulk of the extra-EU trade in services. In the EU, Romania is a marginal partner of China as regards trade in services.

Both the EU-China exports and imports fell considerably in 2009 as a consequence of the global economic crisis. Though, the EU-China trade balance in services was positive and the surplus increased from Euro 5 billion in 2008, to a record-level of Euro 5.4 billion in 2009.

Chart 12: EU exports, imports and trade balance in services, 2004-2009 (Euro, billion)



Source: Eurostat (2011b).

¹¹ At the time of writing the present article, 2009 was the last year for which Eurostat presented data on trade in services.

Table 1: EU trade in services with non-EU countries, 2004-2009

		2004	2005	2006	2007	2008	2009
Total extra-EU trade in services (Euro, billion)	Export	366.7	405.2	452.4	506.1	529.0	477.8
	Import	321.4	351.9	381.4	419.1	453.4	414.6
	Balance	45.3	53.3	71.0	87.0	75.6	63.2
EU trade with China (Euro, billion)	Export	9.1	12.5	14.5	16.8	20.3	18.7
	Import	7.4	9.9	12.5	14.2	15.3	13.3
	Balance	1.7	2.6	2.0	2.6	5.0	5.4
China's shares in total extra-EU trade in services (%)	Export	2.5	3.1	3.2	3.3	3.8	3.9
	Import	2.3	2.8	3.3	3.4	3.4	3.2

Source: Eurostat (2011b).

The group of the new EU member states (NMS)¹² had merely a share of about 1% in the total EU-China services trade, while the EU-15¹³ were dominant in both the export and import flows of services. By comparison, in the case of trade in goods, although EU-15 was still the gravity centre of the bilateral relations, the contrast between the the respective shares of NMS and the EU-15 in the total EU trade in services with China was not so striking as in the case of services.

Among the 12 NMS, Hungary, the Czech Republic, Poland and Cyprus were active services exporters, while the same countries in another order (the Czech Republic, Poland, Hungary, Cyprus), plus Romania were dynamic importers. In 2009 Romania ranked only the 23rd in the hierarchy of the main EU services exporters to China and the 20th in that of the importers.

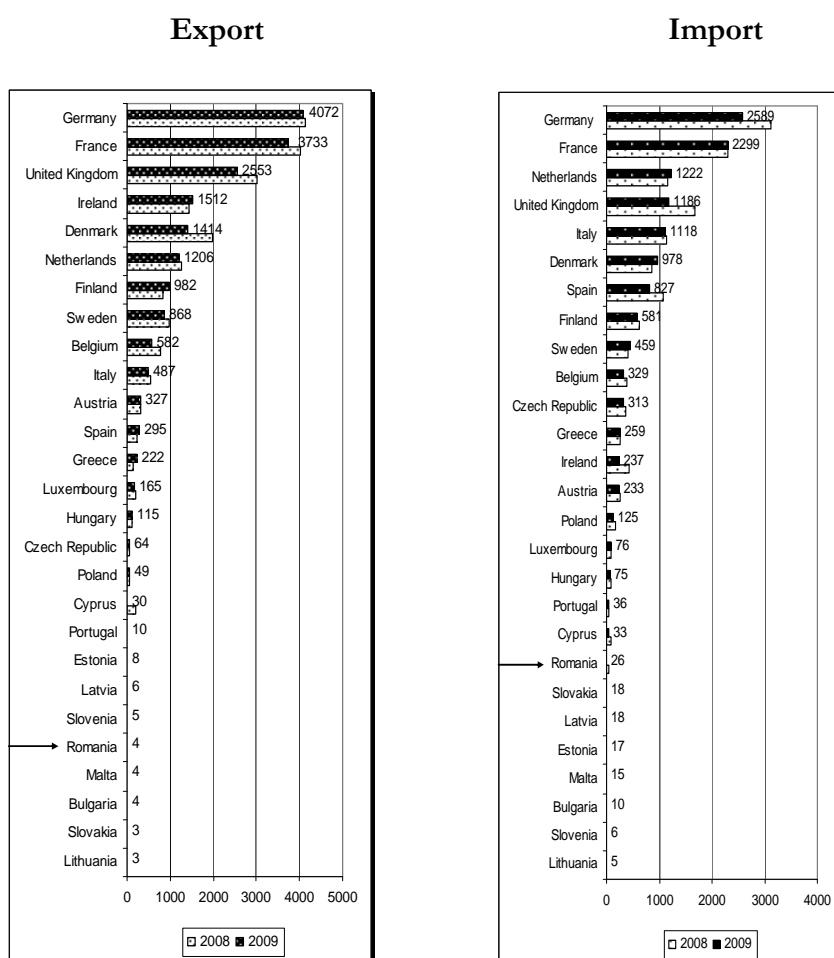
¹² EU-12: Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia.

¹³ Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom (UK).

Romania was one of the 16 EU-countries with negative services trade balance with China after 2005. Its deficit increased from Euro -9 million in 2006, to Euro -15 million in 2007 and further to Euro -26 million in 2008, and then decreased to Euro -22 million in 2009.

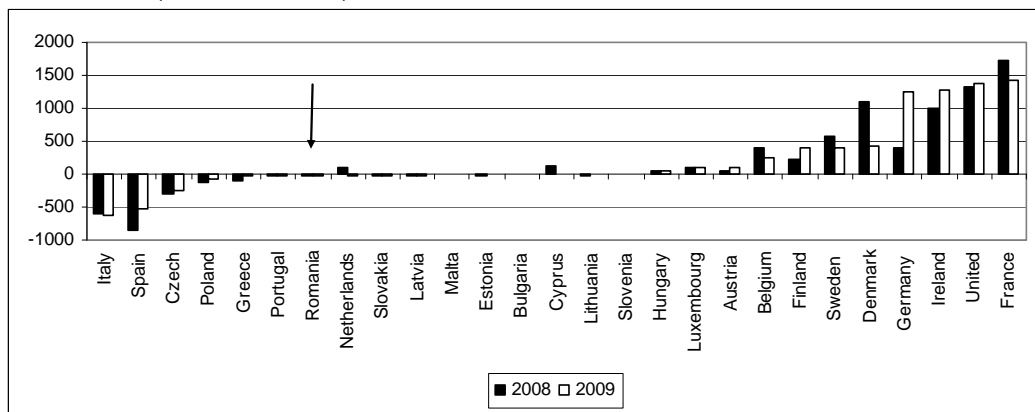
The category of *other services* represented over 50% of the total EU exports to China in 2009, while the imports were dominated by *transport services* (48%) and *other services* (38%). The EU-China trade balance of *other services* displayed a surplus of Euro 5.5 billion (a record value) and the *travel* balance one of Euro 284 million (a record value, too), while the *transportation* balance recorded a deficit of Euro 406 million.

Chart 13: Trade in services – the hierarchy of the EU exporters to, and importers from China, 2008-2009 (Euro million)



Source: DG Trade (2011).

Chart 14: Trade in services – trade balances of the EU countries in 2008 and 2009*, (Euro, million)



Note: * trade balances are sorted ascending, by the 2009 values

Source: DG Trade (2011).

Table 2: Trade in services – EU-China trade structure, breakdown by the main categories of services, 2009 (Euro, million)

	Export	Import	Trade balance
Total EU to China	18716	13308	5408
Transportation	6038	6444	-406
Travel	2144	1860	284
Other services	10534	5004	5530

Source: DG Trade (2011).

The trade flows in services between Romania and China in the 2005-2009¹⁴ time frame were too small to become the object of an in-depth analysis. Nevertheless, it should be underlined that the trade balances of all the three main categories of services (*transportation, travel and other services*) were negative in 2009 (with deficits of Euro 1.9 million, Euro 16 million and Euro 7.3 million, respectively). However, the *transportation* trade balance was positive during the 2005-2007 time frame (with yearly surpluses of Euro 1.7 million, Euro 0.3 million and Euro 4.2 million, respectively) but it turned negative afterwards; the *travel* balance was positive only in 2005 (Euro 3.9 million), while the *other services* balance was negative for the whole second half of the last decade.

Obviously, the Romanian-Chinese bilateral trade in services is quite unsubstantial, which leaves a lot of development opportunities for the future. IT&C-connected services, transport, logistics and tourism are some of the most glaring directions to be explored. Considering, in addition, the renewed positive political

¹⁴ For Romania, Eurostat has published data for 2005-2010 (the latest year with definitive data being 2009).

messages of the leaders of the two countries, we can assume an optimistic stance on the future Romania-China trade relations both in goods and services.

4. Conclusions

Romania and China share traditional friendship relations, which passed the test of time and change. The two countries helped each other substantially many times in the past. Back in history, Romania could play a very important part in both China's industrial modernization and its international relations and, in its turn, the remarkably good relationship with China was very beneficial for Romania, too.

Although they have changed tremendously, both in the past and at present the two economies revealed complementarities which generated huge opportunities for trade, investment and cooperation in almost every field of activity. Still, in spite of these favourable conditions, Romania and China never developed their economic relations to their full potential.

Bilateral trade in goods kept rising in the last decade, reaching a record high in 2010 in spite of the economic crisis, but its overall level is still low, exports and imports are still unbalanced, commercial deficit is soaring and goods are often channelled through intermediary countries because direct connections between Romanian and Chinese companies are still poor. Reflecting the strong industrialization and modernization process of China during the last 30 years and its competitiveness gains in various markets, on the one side, and on the other side highlighting a loss of competitive advantage for Romania, the structure of the bilateral trade altered substantially: the bulk of Romanian exports to China is now made of raw materials and intermediary goods, while its main imports from China consist in machinery, equipment and electrical appliances.

Bilateral trade in services is quite unsubstantial, which leaves a lot of development opportunities to be tapped in the future. IT&C-connected services, transport, logistics and tourism are just some of the most obvious directions to be explored.

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