

INTRA-EU TRADE VERSUS EXTRA-EU TRADE. THE INTEGRATION DEGREE OF GOODS AND SERVICES ON ROMANIAN MARKET

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Abstract: *One of the major achievements of the EU targets the free movement of goods, services, capital and labor among member countries, strengthening of the single internal market still remaining one of the sustainable priorities of the EU. Services have an increasing importance in the context of the internal market, currently contributes with 70% to gross added value, and respectively, to the employment. In the last decade, the structure of EU economies has undergone significant transformation and the importance of service to the EU economy has grown vigorously and continuously.*

Key words: *trade, intra and extra EU, integration degree, global market, investments*

1. INTRODUCTION

Strengthening the single internal market, as a result of economic integration, has contributed to increased trade and investment flows within the EU and enhancing liberalization of markets and thus lead to increased competition dimension of EU cross-border economic activities. Eliminating non-tariff barriers and ensure free market access for services - banking, financial, telecommunications, etc.. – turned the service sector in a dynamic component of EU trade flows, and also the biggest target for FDI. There must, however, overlook maintaining a high degree of fragmentation of the internal market for services. It is equally true that the current global financial and global economic crisis significantly affected cross-border transactions conducted at both intra-and extra-EU, both within trade in goods and services trade and FDI flows.

2. TRENDS REGARDING THE EVOLUTION OF INTRA AND EXTRA-EU TRADE DURING 2004-2008 PERIOD

Of total exports of services generated by the EU-27 in 2008, amounting to 1203.1 billion euros, 682.6 billion euros accounted for intra-EU exports and 520.5 billion euros in exports to countries outside the EU (extra EU). This means that the internal market has returned a 57% share in total exports of services, from 43% in case of extra-EU exports (Table 3.1).

Although domestic market share in total services trade with EU-27 remained higher share of extra-EU flows for the years 2004-2008, the share of intra-EU flows enrolled on a downward path, which has soared in recent two years (Ghibutiu, A., Poladian, S., Oehler, M., Bonciu, F., 2008),.

Diminishing share of intra-EU flows in total flows of services of the EU-27 showed both in the field of exports and imports. However, the downward trend of the share of intra-EU trade flows in services was less pronounced than for goods trade or FDI flows generated by the EU. These developments reflect, in part, the integration of the 12 New Member States (NMS) in the domestic market in the first years after their accession to EU and relatively high interest of Member States to economies outside the EU in more recent years. Predisposing factors of this latter phenomenon include lower production costs, greater potential for expanding resources and application of extra-EU markets (Hussain and Istatkov, 2009).

Comparing the importance of the internal market for trade in services, respectively, for trade in goods - under

development report intra / extra in total EU-27 trade flows in the period 2004-2008 - can be seen, first, the predominance of intra-flow EU exports of both goods and services (Table 1, Table 2). It is also noted a stronger orientation towards the domestic market for goods (accounting for 66% of the total in 2008) than staff (57%).

Finally, there is a trend of increasing the share of extra-EU exports in total compared to intra-EU, which is again more pronounced in the case of goods (increase of 2.1 percentage points from 2004 to 2008) than staff (increase of 1.8 percentage points). Similar trends are on the side of imports.

Year	Services		Goods		FDI	
	Intra	Extra	Intra	Extra	Intra	Extra
2004	58,5	41,5	68,3	31,7	61,5	38,5
2005	58,2	41,8	67,2	32,3	64,2	35,8
2006	58,1	41,9	67,1	32,9	62,4	37,6
2007	57,7	42,3	67,0	33,1	57,1	42,9
2008	56,7	43,3	66,2	33,8	55,1	44,9

Tab. 1. The comparative evolution of percents of intra and extra EU flows into the sphere of services, goods and generated flows, during the period 2004-2008 (%)

Year	Services		Goods		FDI	
	Intra	Extra	Intra	Extra	Intra	Extra
2004	59,6	40,4	66,2	33,8	76,1	23,9
2005	59,6	40,4	64,3	35,7	78,1	21,9
2006	59,8	40,2	63,3	36,7	71,7	28,3
2007	59,6	40,5	63,6	36,4	62,2	37,8
2008	57,3	42,7	62,3	37,7	65,0	35,0

Tab. 2. The comparative evolution of percents of intra and extra EU flows into the sphere of services, goods and generated flows, during the period 2004-2008 (%)

3. INTEGRATION DEGREE OF GOODS AND SERVICES ON INTERNAL MARKET

Statistical data on the evolution of intra-and extra-EU flows shows that service sector is less integrated into the domestic market compared to goods producing sectors, which means that the scope of services is still much room for integration through trade. That the internal market not yet fully meets the intended scope of the services is partly explained by the inherent characteristics of services (intangibility, inability to be stored etc.) Whereby, they can be traded as easily as goods. Moreover, to the cross-border transactions in services in the EU still remain many obstacles, despite continued efforts to open services market.

Year	Goods		Services	
	Export	Import	Export	Import
2004	2,2	2,0	1,4	1,5
2005	2,1	1,8	1,4	1,5
2006	2,0	1,7	1,4	1,5
2007	2,0	1,8	1,4	1,5
2008	2,0	1,7	1,3	1,4

Tab. 3. The evolution of rapports between intra EU and extra EU fluxes, during 2004-2008 periods

The low level of integration of the domestic service sector compared with the goods sector is reflected, first, the data on changes in the ratio of intra-EU exports of services and extra-EU in recent years. Thus, the average of the years 2004 - 2008, the ratio was 1.4 in services exports, while exports of goods in the area were higher, 2.1 (Table 3). This means that if goods exports, countries rely to a greater extent than in domestic exports of services. If imports of goods and services that gap is less pronounced than in exports. And imports of services that report intra / extra field is higher than that of exports of services (as opposed to goods) shows a more pronounced integration of member countries on the domestic side of services imports. By default, we appreciate that, unlike trade in services within the scope of trade in goods, EU economic integration has induced a more pronounced acceleration of intra-EU compared with those performed with the world (European Commission, 2009a).

Validity of the assertion that the services sector is less integrated into the domestic market against EU goods producing sectors is confirmed by comparative analysis of the share of exports of goods and, respectively, for services in GDP for EU-27, on the two streams: intra-and extra-EU. Thus, the share in GDP of exports of services in EU and extra-EU - 5% and 4% in 2008 - significantly lower share in GDP of exports of goods in the EU (21%) and extra-EU (11%). However, the spread (10 points) of a share of GDP and intra-EU exports to extra-EU exports for goods is more substantial than in services (only a percentage point). As the chart illustrates, if the goods in the GDP share of intra-EU exports is almost twice the share in GDP of extra-EU exports.

Finally, another way to show lower degree of integration of services compared with domestic goods is to compare the share of services and goods across intra-and extra-EU trade (goods plus services).

Thus, in 2008, he returned services accounted for only 21% (79% and goods) in total intra-EU trade (goods plus services), while the total extra-EU trade have held more weight , 28% (72% and goods). opening the EU services market has not yet led to a significant improvement in the integration of these activities in a single internal market. In part, the cases take specific nature of services, under which these activities are susceptible to a lesser extent to be the object of international trade, even if the new ICT and Internet in particular have increased their ability to be marketed.

In part, the causes are due to national regulations in the services sector, which traditionally are more restrictive than those in the field of goods, representing the frequent cross-border trade barriers.

In order to remove remaining barriers to cross-border transactions in services and to achieve a true single internal market in December 2006, the European Parliament and Council adopted Directive on services in the internal market (2006/123/EC), which had to be transposed into national legislation by the end of 2009. The main purpose of the Directive is to remove legal barriers and administrative barriers to services trade of member countries to develop unhindered cross-border activities. Directive will ensure service providers more legal certainty in the exercise two fundamental freedoms enshrined in the Treaty: freedom of establishment and freedom to provide services (Hussain and FAES-Cannito, 2008).

4. CONCLUSION

The dramatic decline in economic activity worldwide and Europe under the impact of global financial and economic crisis seriously affected the economy of the EU-27, given that it is firmly integrated into the world economy through trade and investment flows. Impact of the crisis was manifested in 2008 by reducing the growth of both the trade in goods and services, but the real shocks were felt only in 2009.

Dynamic service flows slowing export growth and bring forward the imports have led to lower surplus services, contributing, along with the trade balance deficit, increase current account deficit. However, services have had a stabilizing effect on the EU's current account balance in 2008 (Hussain, M, Istatkov, R., 2009).

Negative effects of the crisis were expressed by two main channels: through trade in goods and FDI flows. Since trade in many types of services (transport, construction, financial services, insurance, etc..) Is complementary to trade in goods, development of the latter has inevitably left its mark on the dynamics and pattern of trade in services. As trade in goods and was influenced by developments in the field of services. In the last decade, the service flows to Europe (and globally) have evolved in tandem with the supply, alternating some years when they beat the other's economy. This explains why the global crisis hit primarily services closely related to trade in goods (including transport and financial services), while business services have been relatively less affected, although their growth was the weakest after 2002.

Moreover, given that FDI represents the main means of providing services to international markets, the steep decline in global FDI flows in 2008-2009, with the collapse of Europe were reflected implacable, respectively, will pass and perspective on trade in services EU-27 (Hussain, M, Schweinberger, 2009).

Expansion of trade in services is a key tool to overcome economic stagnation, which is why maintaining open markets and avoid protectionism domestically and internationally is an imperative requirement for the EU. Union needs to increase net exports of services to help stabilize the rate of growth of GDP. But it is important for overall growth of services trade flows - both imports and exports - to reinvigorate the economy. Therefore, the Commission warns that while the recession appears to be exceeded, the impact of the crisis is overcome, the transition from imposing long-term demand management, addressing the forces supporting the bid.

The EU economy is emerging from recession with GDP growth turning positive again in the second half of this year. This better-than-expected rebound in the near term is expected to be followed by a certain easing in growth. The outlook is thus for a gradual recovery further out, as several factors are set to restrain domestic and external demand in the medium term. Future developments in the labour market and public finances, discussed in greater detail in the two accompanying analytical chapters, will be crucial in this regard.

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