

TRADE INTEGRATION BETWEEN ROMANIA AND THE EUROPEAN UNION

INTEGRAREA COMERȚULUI DINTRE ROMÂNIA ȘI UNIUNEA EUROPEANĂ

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Abstract:

This article analyses the integration between Romania and the EU, with regards to the trade relations between these two partners. It asks the following question: has the trade potential with Europe already been exhausted? We use a gravity model to assess the “theoretical” trade, or “potential trade”, by an out-sample approach, between the EU-15 and the CEECs. The gravity equation is estimated on a panel data of EU-15 countries over the period 1990-2005, using the Hausman-Taylor (1981) instrumental variable method. Main results are: i) some EU-15 countries have already reached their trade potential with Romania in 2005 (Germany, Italy and France); ii) Romania can still expect an important increase of its exports to most of the EU-15 countries, except France, Germany and Italy; and iii) there is a great potential for more trade integration between Romania and the other Central European countries.

Key words: Gravity models, Trade potential, Central and Eastern Europe
JEL classification : C12, C23, F15, F17, P29

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