

ANALYSIS OF INTERNATIONAL TRADE FLOWS BETWEEN THE EU AND THE SYRIAN ARAB REPUBLIC

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The European Union is one of Syria's main trading partners (Figure 1). Since Romania is an EU member state, we considered necessary the analysis of the trade relations between our country and Syria.

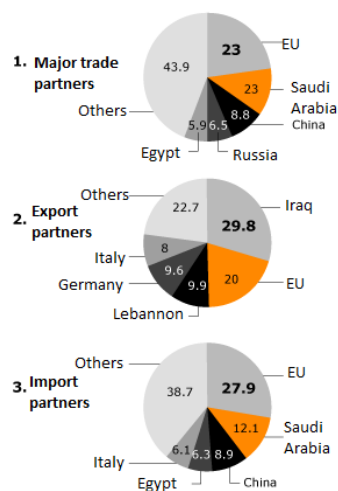


Figure 1. Syria's trading partners

Source: Eurostat

As shown in Table 1 and respectively in Figure 2, the trade between the EU and Syria recorded a downward trend throughout the period 2008-2012. The import trade had an annual average decrease of over 45% and in terms of exports, the downward trend was less sharply as it was registered an annual average of -23.9%. This negative trend can be attributed to the international financial and economic crisis that has hit the EU Member States, as evidenced by the indicator of the value of the trade balance, which recorded an annual average decline of about -33%.

The crisis was accompanied by a significant correction of the global imbalances so far. In 2008 the current account deficits were significantly reduced in the United States, and this is mainly due to relatively pronounced decline in domestic demand. In most oil exporting countries the expanded surpluses are due to sharp increase in oil prices in the first half of 2008, therefore it resulted a reduction of surpluses in the second half. This reflects the oil prices affecting exporting countries. Also, current account deficits have been reduced considerably in the UK, while in Japan the current account surplus declined. However, in

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China the crisis appears to have had virtually no impact on its external surplus. It reached 426.1 billion USD, an increase of 15% compared to the previous year.

European Union - Trade in Syria (million euros,%)

Period	Imports	Variation (% , y-o-y)	Share of total EU Imports (%)	Exports	Variation (% , y-o-y)	Share of total EU Exports (%)	Balance	Trade
2008	3,609	6.6	0.2	3,536	8.2	0.3	-73	7,145
2009	2,350	-34.9	0.2	3,140	-11.2	0.3	790	5,490
2010	3,599	53.2	0.2	3,712	18.2	0.3	113	7,312
2011	3,213	-10.7	0.2	3,037	-18.2	0.2	-177	6,250
2012	268	-91.7	0.0	1,183	-61.0	0.1	915	1,451
2012Q1	80	-	0.0	459	-	0.1	379	539
2012Q2	76	-	0.0	384	-	0.1	308	460
2012Q3	66	-	0.0	192	-	0.0	127	258
2012Q4	46	-	0.0	148	-	0.0	102	194
2013Q1	-	-	-	-	-	-	-	-
2013Q2	-	-	-	-	-	-	-	-
2013Q3	-	-	-	-	-	-	-	-
2013Q4	-	-	-	-	-	-	-	-
Average annual growth (2008-2012)		-47.8			-23.9			-32.9

Table 1

Source: DG Trade Statistics

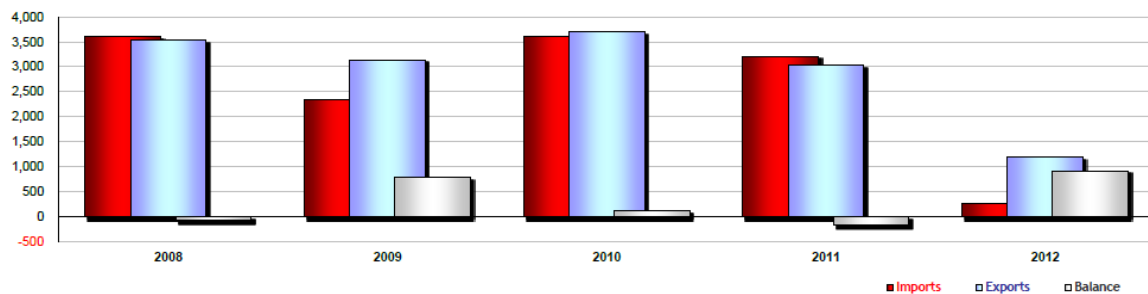


Figure 2. European Union - Trade in Syria

Source: DG Trade Statistics

Regarding Syria's position as EU trade partner, it is ranked 108, with a volume of imports worth about 268 million euros in 2012. Syrian exports are ranked 81 (1,183 million euros).

Table 3.10 presents the main 10 trade partners of Syria in 2011.

Syria's main trading partners

The Major Imports Partners				The Major Export Partners				The Major Trade Partners			
Rk	Partners	Mio euro	%	Rk	Partners	Mio euro	%	Rk	Partners	Mio euro	%
	World (all countri	23,093	100.0%		World (all countri	16,738	100.0%		World (all countri	39,832	100.0%
1	Saudi Arabia	3,075	13.3%	1	Iraq	4,829	28.9%	1	Iraq	5,743	14.4%
2	United Arab Emira	1,511	6.5%	2	Saudi Arabia	804	4.8%	2	Saudi Arabia	3,879	9.7%
3	EU27	1,232	5.3%	3	Kuwait	526	3.1%	3	United Arab Emira	1,966	4.9%
4	Iran	1,115	4.8%	4	United Arab Emira	454	2.7%	4	EU27	1,472	3.7%
5	China	1,022	4.4%	5	Lebanon	363	2.2%	5	Iran	1,143	2.9%
6	Iraq	914	4.0%	6	Libya	343	2.0%	6	China	1,029	2.6%
7	Ukraine	908	3.9%	7	Egypt	296	1.8%	7	Ukraine	948	2.4%
8	Egypt	628	2.7%	8	EU27	240	1.4%	8	Egypt	924	2.3%
9	Turkey	425	1.8%	9	Jordan	169	1.0%	9	Kuwait	889	2.2%
10	Argentina	382	1.7%	10	India	118	0.7%	10	Libya	715	1.8%

Table 2

Source: DG Trade Statistics

EU imports from Syria are shown in Figure 3.

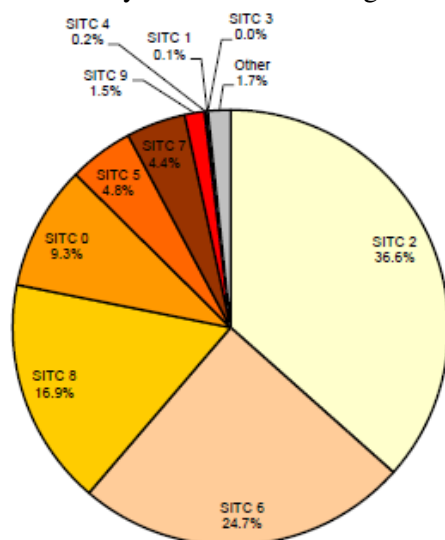


Figure 3. EU imports from Syria

Source: DG Trade Statistics

According to available data, the member states of EU import from Syria the following goods:

- SITC 0: Food and live animals;
- SITC 1: Beverages and tobacco;
- SITC 2: Crude materials, inedible, except fuels;
- SITC 3: Mineral fuels, lubricants and related materials;
- SITC 4: Animal and Vegetable Oils, fats and waxes;
- SITC 5: Chemicals and related prod, n.e.s.;
- SITC 6: Manufactured goods classified chiefly by material;
- SITC 7: Machinery and transport equipment;
- SITC 8: miscellaneous manufactured articles;
- SITC 9: Commodities and transactions n.c.e.

Grouping the products of imports from Syria by the EU is presented in Table 3.

Imports from Syria - grouping products

SITC Rev.3 (UN, WTO/ITS) & AMA/NAMA** (WTO) Product Groups	2008		2010		2012	
	Millions euro	%	Millions euro	%	Millions euro	%
0000 - Total	3,609	100.0%	3,599	100.0%	268	100.0%
1000 - Primary products	3,410	94.5%	3,396	94.4%	153	56.9%
1100 - Agricultural products (Food (incl. Fish) & Raw Materials)	74	2.0%	81	2.2%	62	23.1%
1200 - Fuels and mining products	3,337	92.4%	3,316	92.1%	91	33.8%
2000 - Manufactures	191	5.3%	194	5.4%	107	39.9%
2100 - Iron and steel	0	0.0%	0	0.0%	0	0.1%
2200 - Chemicals	17	0.5%	17	0.5%	13	4.8%
2300 - Other semi-manufactures	39	1.1%	33	0.9%	17	6.5%
2400 - Machinery and transport equipment	15	0.4%	36	1.0%	12	4.4%
2410 - Office and telecommunication equipment	1	0.0%	3	0.1%	0	0.1%
2420 - Transport equipment	2	0.1%	1	0.0%	1	0.2%
2430 - Other machinery	13	0.4%	32	0.9%	11	4.1%
2500 - Textiles	39	1.1%	48	1.3%	20	7.3%
2600 - Clothing	66	1.8%	51	1.4%	41	15.3%
2700 - Other manufactures	14	0.4%	10	0.3%	4	1.6%
3000 - Other products	5	0.1%	3	0.1%	4	1.5%
Agricultural Products (AMA)	73	2.0%	81	2.2%	62	23.0%
Non-Agricultural Products (NAMA)	3,528	97.8%	3,510	97.5%	198	73.9%
Other Products	8	0.2%	9	0.2%	8	3.1%

Table 3

Source: DG Trade Statistics

As regards EU exports to Syria, they are summarized in Figure 4.

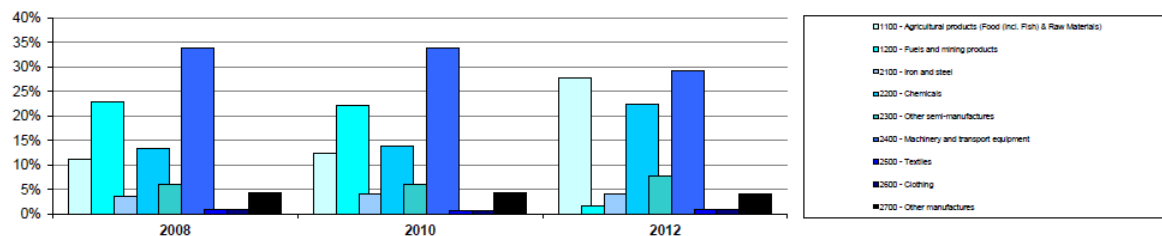


Figure 4. Syria imports (by product)

Source: DG Trade Statistics

Syria and Romania were able to resume the historical and friendly relations in the political and economic fields. Nowadays, the economic relations should be developed and it is required a significant increase in trade volume with Syria, according to the real potential of the two countries. Romania is interested in energy cooperation, given the position that Syria occupies in the region. It is desired the cooperation on this area of interest, and in areas like infrastructure, tourism, communications and IT industry.

The geographical position of both countries, Romania with its Black Sea opening and Syria to the Mediterranean, offers the opportunity to carry Romanian goods to the Middle East and Syria's produced goods to the European market. Economic cooperation can be increase if there is interest from Romanian companies. It is possible also for the local communities to develop partnerships with cities and regions of Syria.

In terms of energy and its supply, Romania is interested in Nabucco project implementation. One of the suppliers for this project could be the Pan Arab pipe (Mashreq) crossing the Syrian territory from south to north; it could be connected via the Nabucco pipeline network. Meanwhile, recent projects promoted by Syria on gas pipelines from Iran and Iraq could become, by extension, a viable alternative to supply Eastern European energy market.

Also, Romania and Syria can cooperate to implement a strategy related to shipping Danube - Rhine River, taking into account the fact that the Black Sea is connected to the North Sea. An important benefit would be operating maritime route Constanta-Lattakia. Several countries realize that Romania is a transit point for the largest European markets and can present a potential for Syrian companies.

Prospects for joint development of Romanian - Syrian economic relations and cooperation

This is a challenge related to the overall export activity. Export development at national or regional level may be accidental, but in this case, sustainability is questionable. Business communities at regional or national level developed in the last decades programs or sets of policies to support and promote exports at national level.

In many cases these were of low relevance or realism, trying to put together the general goals formulated either at government level or at the level of business associations. Often coexist in parallel national strategy in the field or a set of strategies aimed at the export sector, yet independent and uncoordinated between them. Current international practices highlighted the shortcomings of such approaches, such as lack of coordination, incoherence or concentration of the strategies to the issues to facilitate access to foreign markets for exporters, neglecting competitive constraints inside. Many such strategies are not monitored or evaluated correctly, thus contributing to the general perception that the strategies are documents with little practical value.

Given these failures, new approaches and practices have led to the formulation of the following principles to follow for finding the best solutions for the development of exports.

A process of prioritization and strategic export development imposed gradually from economically and culturally advanced countries that are prepared to dialogue and consensus, to create a consistent platform for structured dialogue between the different entities permanently interested in developing a strategy. This platform involves advisory cycles based on questionnaires, evaluations and comments from businesses environment, private sector associations, trade support institutions, business service providers, public sector organizations and academia. The PPP principle, accepted and correctly applied, becomes a subtle and often elusive competitive strength for those unfamiliar with what lies behind the performance of SMEs in countries with large export traditions in terms of promotional and support.

In such a partnership that can bring together the majority of *stake holders*, the communication processes and the prioritization become a virtuous circle in which, on the one hand, the private sector fails to be jointly accountable for establishing strategic priorities within each sector, even if it works in more associative structures often competing. Similarly, within the public sector, institutional or various ministerial interests harmonize both for prioritizing sector with associative structures or exporting community sector and, especially, between sectors, where the burden rests largely the prioritization public sector.

Finally, such a strategy will be accepted more if it represents a collective effort to align private interests with the public sector and it proves that it was found a balance between the different initiatives and prioritization through constant consultation at macro and micro levels throughout this economic environment.

Another reason that the aggregate export strategies at sectorial, regional or national level are not relevant is related to their excessive focus only on foreign issues, on access to markets and promotion. If you look closely on the first Romanian initiatives before NES and before creating Export Council, I can be seen an excessive concentration of external promotion efforts. Without neglecting the importance of fostering and supporting exporters to enter foreign markets, constraints related to external competitiveness are largely present in the internal conditions of realization of export production and also into the relative rigidity of this offer to foreign demand, the issues related to certification internal quality systems in operational aspects of trade facilitation... The new strategic model, the global best practices identified by the ITC Geneva, has four gears and interrelated challenges, on which export performance, as illustrated below, which is an adaptation to the conditions of Romania's ITC model "gears" (*four gears approach*): The four challenges are designed as elements of a "gearbox". Roughness, dysfunction or lack of response to a challenge or constraint to competitiveness ultimately has impact on travel times on the critical path to sustainable development of export. Issues addressed different levels, where constraints on competitiveness can act:

1. Challenges inside: focusing on the development and diversification of production capacity and export tender, increase productivity, human resource development, quality, technology development, marketing and management skills and competencies for export within the network to support trade to help businesses in the supply side issues;

2. Operational challenges, border challenges or "Border" gear: focusing on the development of a business environment that is internationally competitive, reducing trade transaction costs, the streamlining of procedures and official documentation on trade facilitation and infrastructure development;

3. Challenges on the external demand, outdoor challenges: focusing on identifying foreign business opportunities, providing support for access to foreign markets, promoting the country's image and its sectors, branding, promotion of export-oriented foreign direct investment and the transfer of technology / know-how;

4. Challenges of development: focusing on the contribution of exports to regional development, employment generation, poverty reduction and environmental protection.

A relevant and effective strategy requires an ongoing process of monitoring the implementation, impact measurement, evaluation, adjustment and periodic reformulation of the document. Resuming regular strategic cycle every 3-4 years, it is also, required. All these activities are part of the export strategy and management according to the principles outlined above, it cannot be carried out only in public-private partnership, involving measures and joint implementation initiatives.

Both at firms and the structure of the business association or public organization acting as market research level, this is a critical challenge as there are few Romanian companies that have the ability and openness necessary for this. On the other hand, the volatility of the external environment and the mobility factors require this if we are to talk of sustainability in export. If at the companies level this can lead to wrong strategic decisions and loss of export benefits, the stakes become much higher when it comes to policies and regional strategies, sectorial or national external competitiveness. Currently, Romania has neither within the public sector nor the private sector the necessary expertise to develop comparative studies of various products on the market for geographic areas or assessment of Romania's export competitiveness with countries whose trade has an index high similarity and the national promotional organization CRPCIS has no budget resources to perform these assessments based on comparative data provided by companies or consulting organizations specializing in this regard.

Also, although there is empirical evidence indicating that the export performance depends increasingly on the international value chains and accelerating international fragmentation of production, there is currently no analysis centered on how Romania's export competitiveness depends on the completing imports of intermediate products and on the production relocations decided by large international chains. From the preliminary observations that decisions of this kind contributing significantly to the export performance and often take no direct connection with what national export strategies are concerned to promote.

In other words, the challenge for the export strategy is to try to identify effective intervention at the level of export sectors to avoid concentration of decisions on resources by organizations that dominate the global value chains.

1. Uniform trade promotion treatment, especially for exports and investment by both the external network and inside the country in order to avoid duplication for activities with high similarities. External and internal network have specific accurate tasks, disaggregated trade and investment. The share of investment promotion activities is 33% of the support network activities, the rest being trade. In 33 countries there are specific tasks only for attracting investment. These tasks are related to attracting investment at home and abroad.

2. The organizational approach both virtual and symbiotic, UKTI is in fact a virtual organization. Of approximately 2,400 employees, the majority (over 75%) are foreign, being employed on a contractual basis in the private sector; the rest are employees of three ministries (trade, foreign affairs and defence) working as members of UKTI, as emphasized below.

3. the coherent strategic approach and the orientation towards the needs of more and more exporter-customers and strategic sectors. UKTI regularly develops cyclically a National Competitiveness Strategy in international trade and investment, written in partnership with business every four years. UKTI main vision and mission is to serve a larger number of customers, companies exporting innovative and creative products and services of high added value. In the center of its strategy is the active marketing of the strengths of local businesses, particularly in the following areas:

- Innovation, research

- Creative industries, including design
- Financial services
- IT & C
- life science-related industries, including medical
- environmental and low-carbon industries
- Energy.

In addition to these, there are envisaged the industry marketing, the business marketing in the developing regions of England.

4. Diversified services for all exporters

Support services are considered primary business needs, such as:

- *Passport to export* - for a period of 12 months, the advisory service in the country to increase export capacity
- *Passport to R & D* - over a period of 12 months, consulting services to increase the capacity of research and development at the firm level
- Services to support visits to targeted markets (foreign travel assistance or *Market support*)
- Participation in international promotional events (fairs, exhibitions, missions, conferences) trade information (portal), communication services
- Actions to support organized events in the country (internal events to promote export supply)
- Special Alert on market opportunities through portal for companies willing to pay additional

5. Customer Relationship Management (CRM) and the portal

The CRM information system interacts with all companies registered in the UK, the interactions recorded were of 500 000 per year for a total of 120,000 registered companies in the UK. CRM tool is integrated into the portal architecture and there presents for UKTI huge advantages because:

- It interacts directly with the companies without the involvement of associative structures since they do not include all firms export a domain
- the needs can be expressed by the companies and this drives to improved services
- It publicize services
- the impact of intervention can be measured
- The trade Portal is a system appreciated by the business environment. It has an architecture similar to the Romanian portal showing some more advanced aspects such as:
 - Through the registration process can be accessed additional reports or there can be designed alerts opportunities, all these - surcharge
 - there are employed journalists to report successful cases in foreign markets
 - Key words are introduced (export advice) and as consequence the portal is immediately revealed by global search engines like Google
 - there are used social media channels (blogs, YouTube, etc.) where one can post messages, images enabling better communication through portal UKTI activity.

6. How to monitor and measure the impact

For one pound invested by the budget, UKTI intervention aims to bring 15 pounds benefits in terms of generating new business, increasing productivity and increasing the number of employees in firms.

Measuring the impact of the instruments is centralized through CRM software extremely thorough, detailed method of weighted scores (*balanced score card*). Each type of activity, intervention and each employee servicing network companies either external or internal, have fixed quantitative or qualitative targets (number of companies assisted, service satisfaction level, earnings, etc.). The software presents three bands (levels to achieve targets): red (below

expectations), yellow (acceptable level) and green (solid, satisfactory) according to which decisions are taken on every job.

For reliability and performance monitoring activity is outsourced to consulting firms specializing in measuring impact.

7. Presence on the ground in developing regions

UKTI provides an active presence in the territory, in each development region operates an International Trade Director (ITA) that activates in the same office as the Regional Development Agency (RDA). The ITA Director leads a support network formed of promoting trade and investment advisers belonging to UKTI as external consultants. Choosing the consultants and the regional performance, objectives are outsourced to members of the Business Link network and to other promotional private agencies with close links with the local business. As with the case with the exterior, most employees are temporary employees with specific mandates for periods of 2-3 years, with the possibility of renewal, the actual activities being outsourced.

8. Partnership with business

Throughout the electronic systems and the massive outsourcing of activities, UKTI interacts directly with the companies and it uses the private sector to enhance its skills in providing promotional services. In connection with the above issues, British experts have developed numerous technical details on how the actual work and expressed willingness to further clarify issues.

In conclusion, UKTI has one of the most advanced international trade promotion, integrated, coordinated and consistent systems. Basically, UKTI budget has not suffered as a result of the crisis, but has been extended as a means of strategic response. Many aspects of this model can be assimilated in the Romanian experience as it is common practice with other similar performance in the world.

Best practice highlights the following key aspects of export support systems:

- Powerful central and regional support institutions coordinate operating support networks;
- Unification in a single coordinating institution the external network to the internal support;
- Significant funding from the state budget and from local, regional support tools;
- Assessing, measuring impact and strategic planning tools to support ongoing not just about outdoor events but branding programs, consultancy and training and market studies;
- Working partnership with business associations both in their associative structures and directly with exporting firms;
- Adaptation of the support instruments;
- Outsourcing to private execution expertise of supportive services and tools but with monitoring by the public sector;
- Institutional capacity and efficiency.

During the development of two national export strategies with strong sectorial character, we highlight two major types of constraints and challenges:

- Constraints related to the institutional capacity to carry out such sectorial analyses, constraints that have led to difficulties in data gathering and in forming analysis' groups. Both associative structures of business and public sector that took on the responsibility of such exercise had reduced staff without continuity in pursuing the strategic process. Also, with some exceptions for sectors with higher institutional capacity, failed to wider consultation firms in the sector and did not managed to set up working groups in the product genuine councils to repeat and refine this analysis sector;

- Sectorial constraints related to competitiveness of export supply as they were outlined in the sectorial analyses.

The key challenge covers narrow and largely ineffective national chains, that lead to loss of important competitive advantages and export supply and to structural rigidity due to, among others:

- mismanagement and deficiencies on the supply chain of raw material suppliers, both in terms of capacity and quality;
- rising costs of labor and increase its mobility within the common market;
- lack of ability to control the distribution of international external networks;
- Low level of development of production processes, particularly within the high-tech or innovative area;
- low level of usage and integration of the design in the value chain;
- relatively low managerial skills related to international business models;
- Innovation, research, development and use of modern technology to a relatively low level.

An important element of the future Romanian exports is enabling the maintenance and development of foreign investment in industries that will allow vertical integration, higher technological intensity and high value-added export products with high participation of local suppliers. In this context it is necessary:

- to support the development of industrial clusters as networks of providers and increasing their ability to cooperate in the network;
- to stimulate clusters in other areas related to transport such as shipbuilding and aircraft;
- External promotion and support of the skills within the Romanian industrial sector, developing a coherent branding strategy for the sector;
- to enhance competitive position by improving logistics efficiency;
- to access European funds allocated to local development.

Another important sector is the communications and information technology. This sector has identified a number of challenges, partly accepted by other industries such as the automotive, furniture, etc.:

- The adaptation of higher education to labor market needs by adding management courses, marketing, sales, communication - elements that greatly increase the ability of firms in the sector to access foreign markets and develop their share market, by identifying and capitalizing on new business opportunities abroad;
- Coherent state policy in terms of clusters;
- State support for firms in achieving an education program to support specific courses (skills, knowledge, support structures in Romania, value chain analysis, development of export strategy, branding, etc.).
- Development of coherent programs of training and consulting for the sector in order to stimulate innovation processes and increase export competence;
- Continuing sectorial branding strategy "Romania IT, creative talent, technical excellence" strategy abandoned due to institutional and budgetary constraints.

Since the early stages of institutional building necessary for the management and development strategy document, the political sphere has a key role in supporting such an approach. Therefore, we need a process to convince politicians of the benefits of public-private partnerships that aim managing such strategies.

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