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The Romania-Brazil Trade Relationship under the Threat of the Coronavirus Pandemic and the War in Ukraine

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Abstract. *The year 2020 began with a health crisis, asserted in the same year, as the coronavirus pandemic. In this sense, world governments have taken measures to protect their national economies, measures such as limiting exports or social distancing. In 2022, the economy showed signs of recovery, when in February, war broke out between Ukraine and Russia. Thus, the two events negatively impacted world trade. In this paper, the aim is to point out the impact of the health, economic and war crisis on Romania-Brazil commercial relations, in the period 2019-2023, on Brazilian investments in Romania and on Romanian investments in Brazil. Romania is part of the European Union, being also a military, humanitarian and economic support for Ukrainians. Otherwise, Brazil is part of a totally different political structure, being a partner and ally of Russia. A descriptive research will be carried out on Romania-Brazil trade, in the period 2019-2023, based on the information on the Comexstat platform. In order to identify Brazilian investments in Romania, the research will be carried out conformable of the information provided by the National Trade Registry Office, and the research on Romanian investments in Brazil will be carried out conformable of the information provided by Banco Central do Brasil. The year 2023 represents the best economic year for trade between Romania and Brazil from the period 2019-2023, as commercial exchanges increased by 16% in 2023, compared to 2019. Regarding Brazilian investments in Romania, they are increasing, but Romanian investments in Brazil are decreasing. This work is innovative, because it sheds light on the commercial relationship between two countries with a similar culture, during a period of crisis, countries that are located in two different political and ideological blocs.*

Keywords: Romania, Brazil, Global Economy, International Trade, Crisis, COVID-19, War Conflict.

Introduction

At the beginning of 2022, the world was starting to recover from the shock of the health and economic crisis, triggered by the coronavirus. On March 11, 2020, the World Health Organization proclaimed the coronavirus virus as a pandemic (Hayakawa et al., 2021). The global economy was already preparing for a new era, starting with the outbreak of the coronavirus pandemic. The pandemic has accelerated the transformation worldwide, by increasing the dependence on IT and ultra-modern business solutions.

Globally, the pandemic has left its mark on trade, as many governments have taken measures to protect their own production and to ensure the necessary food stocks for the population. Also, production was impacted, because social distancing measures and working from home remotely reduced people's mobility. Nevertheless, online trade has developed and the presence of technology and digitization within enterprises. In terms of worldwide demand, it has increased with regard to sanitary materials, such as masks, hand sanitizers, disposable gloves, gowns, medicines and medical equipment. The COVID-19 pandemic has deeply impacted the BRICS member states,

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because in these states the largest part of the global GDP is accumulated, as well as the largest population. Brazil contains 26 states and a federal district, it ranks seventh in the world according to population and fifth according to territorial area (Neiva et al., 2020). Following the coronavirus crisis, Brazil was negatively impacted, as the country's GDP and incomes decreased, and the unemployment rate and inflation increased (Bretas et al., 2020).

In February 2022, Russia's invasion of Ukraine not only triggered a geopolitical and humanitarian crisis, but also threatened the recovery of the world economy. The consequences of the Ukraine-Russia war is visible through the pressure on inflation in the countries of the world. Thus, various states suffered serious economic and commercial consequences, through exports and imports of goods and fossil fuels (Becker et al., 2022). For example, 86% of Nicaragua's imports are from the Black Sea Region. The repercussions of the Russian invasion were a test of resilience on financial liquidity on global markets, on cyber events and on emerging cryptocurrency markets (Bloomberg, 2022). From a social position, the crisis in Ukraine had effects on loss of life, family segregation, refugees, unemployment, crimes, etc. (Ilie et al., 2022). Simultaneously, the war affected the confidence of entrepreneurs in the business environment in Russia, Ukraine and the area of Eastern and South-Eastern Europe, due to the financial and political instability that will extend in the coming years (Kammer et al., 2022).

The crisis in Ukraine triggered a humanitarian crisis of huge proportions and threatened the global economy, namely, the financial situation, distribution chains and the price of goods (Orhan, 2022). The imposed sanctions did not directly affect only the Russian Federation, but also its economic partners. The extraordinary sanctions and export restrictions have deeply impacted trade, energy prices and transport. Many countries are dependent on food imports from Russia and Ukraine. Also, other countries depend on fuel imports, such as Finland (63%) and Turkey (35%). Russia represents a powerful state from a geopolitical point of view on the world map, because it has the largest surface in the world and is an important exporter of raw materials, energy, oil, natural gas, copper, steel, and other forest resources (Orhan, 2022). Russia is among the main suppliers of palladium and rhodium worldwide. Also, this country supports the automotive and semiconductor processing sector. Russia and Ukraine together hold approximately 30% of global exports of wheat, 20% of corn and 11% of oil and natural gas.

Literature review

Romania

As far as Romania is concerned, as a member state of the European Union (EU) and the North Atlantic Treaty (NATO), the country represented a geopolitical support for refugees from Ukraine. A large part of the refugees crossed the borders of Hungary, the Republic of Moldova, Slovakia and Poland. The sanctions imposed on Russia affected Romania's industry, as various enterprises were closed, jobs were lost, and prices skyrocketed. The negative impact on the economic aspect can be highlighted by the uncontrolled increase in inflation and the energy crisis, thus triggering a financial instability. Romania's situation is becoming more sensitive as the years go by, the economy being more and more affected, because the price of food, fuel, gas and electricity is becoming more and more expensive.

According to the National Institute of Statistics, in 2019, Romania had commercial exchanges worth 170 billion USD, and in 2023, 239 billion USD. In 2019, the country had a GDP of 275 billion USD, and in 2022 of 330 billion USD. In 2019, Romania had an inflation rate of 3.8% and an unemployment rate of 3.9%. In 2023, the country had an inflation of 6.7% and an unemployment rate of 2.9%. Thus, during the sanitary and humanitarian crises, Romania increased its trade by 41%, GDP increased by 20%, inflation increased by 76%, and the unemployment rate decreased by 26%.

Brazil

As far as Brazil is concerned, the war influenced this country, by financial instability. The countries of Latin America have represented, in the last two decades, a fertile ground for Russian diplomacy and the army. Thus, the former President of Brazil supported Russia in the war with Ukraine. However, the current leadership of the Latin country pursues a policy of neutrality towards this military conflict, although Brazil is part of the BRICS structure (Patricio, 2023).

According to the Central Bank of Brazil, in 2019, the country had commercial exchanges worth USD 407 billion, and in 2023, USD 581 billion. In 2019, Brazil had a GDP of 1,873 trillion USD, and in 2022, of 1,823 trillion USD. In 2019, Brazil had an inflation rate of 4.31% and an unemployment rate of 11.9%. In 2023, the country had an inflation rate of 4.71% and an unemployment rate of 7.7%. Thus, during the period of the health and humanitarian crises, the Latin American country increased its trade by 43%, GDP decreased by 3%, inflation increased by approximately 10%, and the unemployment rate decreased by 35%.

According to the International Monetary Fund, the Ukraine-Russia war will have long-term effects, especially on the energy and commodity markets (Singh et al., 2022). The war emphasized the importance of reducing dependence on Russia, namely on energy imports. Thus, in the future the states of the world should consider switching to green energy.

Methodology

The aim of this paper is to point out the consequences, on Romania's trade relations with Brazil, during the coronavirus pandemic and the war. The two events triggered health, economic and humanitarian crises worldwide. Thus, the aim of the work is to point out the evolution of trade between the countries, in the period 2019-2023, of Brazilian investments in Romania and of Romanian investments in Brazil. Romania is a member state of the EU and NATO, as well as a strategic partner with the United States of America. Romania supports the territorial integrity of Ukraine, against the illegal and unprovoked aggression of Russia. However, Brazil is a Latin American country, BRICS member and with strong economic and political relations with Russia.

In this sense, a descriptive research will be carried out, based on the information on the Brazilian Comexstat platform, regarding the international exchanges between Romania and Brazil, in the period 2019-2023. The main exchange products between the countries will also be analyzed. Regarding Brazilian investments in Romania, a descriptive research will be carried out, based on the information provided by the National Trade Registry Office. Following this research, the number of Brazilian enterprises present on the market, the share in the total number of foreign firms, the total value of the share capital in foreign currency equivalent of the new enterprises, as well as the ranking after the investment will be analyzed in foreign currency equivalent, in the period 2019-2023.

Regarding Romanian investments in Brazil, a descriptive research will be carried out, based on the statistical data provided by Banco Central do Brasil, for the period 2019-2021, in order to analyze the number of newly registered enterprises, the share in the total number of firms with foreign investment, the place occupied by the number of enterprises, the total value of the share capital in currency equivalent and the place occupied by the investment in currency equivalent.

Results and discussions

Table 1. Trade between Romania and Brazil during 2019-2023

	2019	2020	2021	2022	2023
Exports	325 million USD	240 million USD	305 million USD	346 million USD	353 million USD
Imports	331 million USD	288 million USD	327 million USD	401 million USD	408 million USD
Total	656 million USD	528 million USD	632 million USD	747 million USD	761 million USD

Source: data processing from http://comexstat.mdic.gov.br/en/geral.

According to the Comexstat Platform, in 2019 trade between Romania and Brazil was worth 656 million USD. It can be seen that in 2020 and 2021, trade between the countries decreased, by 20% in 2020 and by 4% in 2021 respectively. The main causes were the economic crisis triggered by the health crisis of COVID-19, as well as the measures of social distancing undertaken by the governments of the two countries, and thus the production was deeply impacted. According to Table 1, it can be noted that in 2023, trade between Romania and Brazil exceeded the economic boom year, 2019, by 16% (761 million USD).

According to the table, it can be seen that both Romania's exports and imports in relation to Brazil increased in 2023, compared to the non-pandemic year, 2019. Thus, exports increased by approximately 9%, and imports by 23%. Since the labor force is continuously decreasing, factories are no longer being built, and production is decreasing, these aspects determine that Romania is still dependent on imports from abroad. In relation to Brazil, Romania has a trade deficit every year, and in 2023, it was 55 million USD.

The main goods exported by Romania to Brazil, in the period 2019-2023, are: Other accessories for vehicles; Other automatic electronic controllers for motor vehicles; Other terminal or repeater equipment; Cylinder blocks, heads, etc., for internal combustion engines; Other accessories for tractors and vehicles; Spark plug wire sets and other wire sets of the type used in any vehicle.

The main goods imported by Romania from Brazil, in the period 2019-2023, are: Flour, from soybean oil extraction; Crude petroleum oils; Cane sugar; Solid waste from soybean oil extraction; Raw tobacco; Iron ore; Unroasted coffee; Ground beef.

Table 2. Brazilian investments in Romania during 2019-2023

	2019	2021	2023
The number of enterprises present on the market	102	114	129
Share in the total number of enterprises with foreign investment	0,05	0,05	0,05
The place occupied by the number of enterprises	69	70	70
The total value of the share capital in currency equivalent of the new enterprises	2.4 million USD	4.8 million USD	4.8 million USD
The place occupied after the investment in foreign currency equivalent	84	76	77

Source: data processing from https://www.onrc.ro/index.php/ro/statistici

According to the National Trade Office (ONRC), Table 2 highlights the evolution of Brazilian investments in Romania, in the period 2019-2023. Thus, in 2019, a non-pandemic year, there were 102 enterprises with Brazilian entrepreneurs/Brazilian capital in the country. Until the year 2022, the number increased by a percentage of approximately 12%, up to 114. In the year 2023, they increased by a percentage of 26%, up to 129. Thus, the numbers prove that Brazilian investments in Romania were not impacted by the COVID-19 crisis and the war in Ukraine. Regarding the value of Brazilian investments in Romania, they increased by 100% in 2023 (4.8

million USD), compared to 2019 (2.4 million USD). This trend demonstrates a growing interest in the confidence of Brazilian entrepreneurs in the Romanian market.

In 2023, the share of Brazilian enterprises in Romania was 0.05%, the place occupied by the number of enterprises is 70, the total value of the social capital in currency equivalent is 4.8 million USD, and the place occupied by investment in currency equivalent is 77. According to the National Trade Office (ONRC), the first positions regarding the total number of firms with foreign investment present on the Romanian market are occupied by resident countries, such as the Netherlands, Germany, Austria, Cyprus, France, Italy, Greece, Luxembourg, Spain and Switzerland. Depending on the total value of the share capital in foreign currency, the first countries of residence present on the Romanian market are the Netherlands, Greece, Italy, Finland, Cyprus, Luxembourg, Turkey, Spain, Denmark and France.

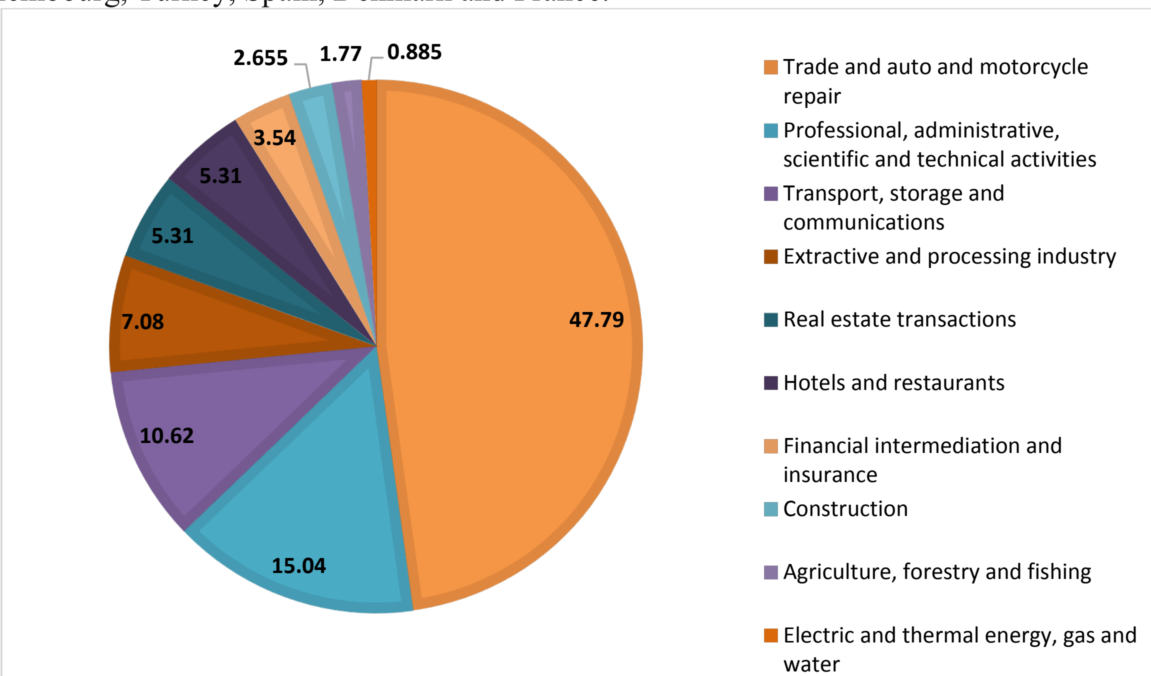

Figure 1. The structure by fields of activity of the registrations of enterprises with participation from Brazil to the share capital, registered in the period December 1990 - December 2023

Source: data processing from https://www.onrc.ro/index.php/ro/statistici.

According to Figure 1, which includes information collected from the official website of the National Trade Office (ONRC), most Brazilian investors have established firms in Romania, in the Trade and auto and motorcycle repair sector, with a percentage of 47.79%. This sector is followed by the Professional, administrative, scientific and technical activities sector, with a percentage of 15.04%. The most attractive sector for Brazilian capital, ranked third is the Transport, storage and communications sector, with a percentage of 10.62%. The following sectors are the Extractive and processing industry, with a percentage of 7.080%; Real estate transactions and Hotels and restaurants, with a percentage of 5.310%; Financial intermediation and insurance, with a percentage of 3.540%; Construction, with a percentage of 2.655%; Agriculture, forestry and fishing, with a percentage of 1.77%; and Electric and thermal energy, gas and water, with a percentage of 0.8850%. Thus, the first three sectors preferred by Brazilian entrepreneurs in Romania are Trade and auto and motorcycle repair (47.79%); Professional, administrative, scientific and technical activities (15.04%); and Transport, storage and communications (10.62%).

Table 3. Romanian investments in Brazil during 2019-2021

	2019	2020	2021
The number of newly registered enterprises	20	4	4
Share in the total number of enterprises with foreign investment	0,01	0,01	0,01
The place occupied by the number of enterprises	85	85	85
The total value of the share capital in currency equivalent of the new enterprises	11 million USD	2 million USD	2 million USD
The place occupied after the investment in foreign currency equivalent	93	93	93

Source: data processing from https://www.bcb.gov.br/publicacoes/relatorioid.

According to Banco Central do Brasil, Table 3 highlights the evolution of Romanian investments in Brazil, in the period 2019-2021. Thus, in 2019, a non-pandemic year, 20 new enterprises with Romanian capital were registered in Brazil. In 2020, fewer enterprises were registered than in 2019, i.e. only 4 enterprises. In 2021, the pace was maintained as in 2020, so that only 4 new enterprises with Romanian capital were also registered. Thus, the numbers demonstrate that Romanian investments in Brazil were impacted by the health crisis and the economic crisis, triggered by the coronavirus pandemic. Regarding the value of Romanian investments on the Brazilian market, they decreased in 2021 (2 million USD), compared to 2019 (11 million USD). This trend demonstrates a decreasing interest in the confidence of Romanian entrepreneurs in the Brazilian market.

In 2021, the share of Romanian enterprises in Brazil was 0.01%, the place occupied by the number of enterprises is 85, the total value of the social capital in currency equivalent is 2 million USD, and the place occupied by investment in currency equivalent is 93. According to Banco Central do Brasil, the first positions in terms of the total number of enterprises with foreign investment present on the Brazilian market are occupied by the United States of America, the Bahamas, Portugal, the Cayman Islands, Panama, Uruguay, France, Argentina and UK. Depending on the total value of the share capital in foreign currency, the first countries of residence present on the Brazilian market are the Netherlands, the Cayman Islands, the Bahamas, Luxembourg, the United States of America, Austria, Malta, Panama and Spain.

Conclusion

Globally, the pandemic has left its mark on trade, as many governments have taken measures to protect their own production and to ensure the necessary food stocks for the population. Also, production was impacted, because social distancing measures and working from home remotely reduced people's mobility. Nonetheless, online trade has developed and the presence of technology and digitization within enterprises. In terms of worldwide demand, it has increased with regard to sanitary materials, such as masks, hand sanitizers, disposable gloves, gowns, medicines and medical equipment. The crisis in Ukraine triggered a humanitarian crisis of huge proportions and threatened the global economy, namely, the financial situation, the distribution chains and the price of goods. The imposed sanctions did not directly affect only the Russian Federation, but also its economic partners.

As far as Romania is concerned, as a member state of the European Union (EU) and the North Atlantic Treaty (NATO), the country represented a geopolitical support for refugees from Ukraine. During the sanitary and humanitarian crises, Romania increased its trade by 41%, GDP increased by 20%, inflation increased by 76%, and the unemployment rate decreased by 26%. As far as Brazil is concerned, this country has maintained its position of neutrality regarding the war, because the country is part of the BRICS political bloc. However, during the health and humanitarian crises, Brazil increased its trade by 43%, GDP decreased by 3%, inflation increased by approximately 10%, and the unemployment rate decreased by 35%.

Regarding trade between Romania and Brazil, they were 656 million USD in 2019, a non-pandemic year. According to the Comexstat platform, the consequences of the COVID-19 pandemic on economic relations can be highlighted, as the exchange of goods decreased by 20% in 2020 (USD 528 million) and by 4% in 2021 (USD 632 million). However, the year 2023 represents the best economic year for trade between Romania and Brazil from 2019-2023 period, because exchanges increased by 16% in 2023 (761 million USD), compared to 2019. Furthermore, in the commercial trade with Brazil, Romania has a trade deficit every year, and in 2023, it was 55 million USD. The main goods exported by Romania to Brazil, in the period 2019-2023, are: Other accessories for vehicles; Other automatic electronic controllers for motor vehicles; Other terminal or repeater equipment; Cylinder blocks, heads, etc., for internal combustion engines; Other accessories for tractors and vehicles; Spark plug wire sets and other wire sets of the type used in any vehicle. The main goods imported by Romania from Brazil, in the period 2019-2023, are: Flour, from soybean oil extraction; Crude petroleum oils; Cane sugar; Solid waste from soybean oil extraction; Raw tobacco; Iron ore; Unroasted coffee; Ground beef.

Regarding Brazilian investments in Romania, the number of enterprises with foreign capital increased from 102 in 2019 to 129 in 2023, with a percentage of 26%. This development shows that the confidence of Brazilian entrepreneurs has not decreased regarding the Romanian market, despite the difficulties that the European country has gone through, since the outbreak of the COVID-19 pandemic and the war in Ukraine. The trend has been increasing since 2019, until now, which provides an optimistic perspective on Romanian entrepreneurship and foreign investments on the local market. The first three sectors preferred by Brazilian entrepreneurs in Romania are Commerce and Car and Motorcycle Repair (47.79%); Professional, administrative, scientific and technical activities (15.04%); and Transport, storage and communications (10.62%). Regarding the value of Brazilian investments in Romania, they increased by 100% in 2023 (4.8 million USD), compared to 2019 (2.4 million USD). This trend demonstrates a growing interest in the confidence of Brazilian entrepreneurs in the Romanian market.

As regards Romanian investments in Brazil, they were newly established in 2019, in the number of 20, and in 2020 and 2021, in the number of 4. This involution shows that the confidence of Romanian entrepreneurs has decreased regarding the market in Brazil, on the background of the crises triggered by the coronavirus pandemic. The trend has been decreasing since 2019, until now, which gives a pessimistic perspective on Romanian entrepreneurship and Romanian investments on the Brazilian market. Regarding the value of Romanian investments in Brazil, they decreased to 2 million USD in 2020 and 2021, from 11 million USD in 2019. This trend demonstrates a decreasing interest in the confidence of Romanian entrepreneurs in the Brazilian market.

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