

GENERALITIES ON THE COMPETITIVENESS OF ROMANIA'S ECONOMY. 2010-2012 PERIOD

BÂLDAN FLORENTINA CRISTINA¹

¹ *The University of Pitești, baldan.cristina@gmail.com*

Abstract: *In the paper "Generalities related to the competitiveness of Romania's economy in the 2010-2012 period" I presented the criteria used to measure Romania's performance in increasing competitiveness. The criteria used to measure the performance are part of five key-areas, namely: productivity; export performance; innovation; business environment and infrastructure; finance and investments. Currently, Romania is part of the last groups of European countries in terms of increasing competitiveness, together with Bulgaria, Czech Republic, Poland, Hungary, Slovakia, Latvia and Lithuania. The economies with the highest performance are those of Germany, Denmark, Finland, Sweden, Austria, Ireland, the Netherlands, the United Kingdom, Belgium and France. According to the document presented by the European Commission in May 2013, Romania is presented as having a low overall economic competitiveness.*

Key words: competitiveness, processing industry, rural development, innovation

INTRODUCTION

Currently, Romania is part of the last group of European countries in terms of increasing competitiveness, together with Bulgaria, Czech Republic, Poland, Hungary, Slovakia, Latvia and Lithuania. The economies with the highest performance are those of Germany, Denmark, Finland, Sweden, Austria, Ireland, the Netherlands, the United Kingdom, Belgium and France. The criteria used to measure performance are part of five key areas, namely:

- productivity;
- export performance;
- innovation;
- business environment and infrastructure;
- finance and investments.

MATERIALS AND METHOD

The paper was prepared based on the analysis of data published by the European Commission in the "*Global Competitiveness Report 2013-2014*".

In this paper I highlighted a few aspects concerning the competitiveness of the Romanian economy from the perspective of the manufacturing industry, and the importance of innovation, competence and durability for the increase in the economic competitiveness.

According to the document presented by the European Commission in May 2013, Romania is presented as having a low overall economic competitiveness.

The main challenges are the poorly developed transport infrastructure and infrastructure, the feeble business environment and the low support granted to research and development. Romania's basic transport and broadband connexion infrastructures are underdeveloped and continue to be an obstacle to growth. The intensity of research and development is extremely low, while the research and innovation system is very fragmented and there are few connections among education, research and companies. The measures in terms of governance, which changes rapidly, the cumbersome regulation environment, and the bureaucracy have a negative impact on the business environment. The increase of the energy efficiency will be crucial for the industrial competitiveness, and Romania is the third most energy intensive economy.

Advanced economies seek ways to accelerate emerging and developing economic engines, and there were significant attempts to recover global economy. Consequently, the nature of the relation between the advanced economies and the emerging ones has evolved, the emerging and developing ones have created stronger connections among them. Generally, the new global economic landscape raises questions concerning the difference between the advanced and the emerging economies, especially when it comes to growth and competitiveness.

Worldwide, unemployment is one of the main challenges for long-term social sustainability. The experience of the recent years highlighted social sustainability as a key for long-term competitiveness, and thus, for sustainable development. Against this challenge, one of the particularly important elements in the promotion of the countries' competitiveness is education. It can therefore be expected that, in the next years, a number of major systemic comments from national educational frameworks will be required by many countries in all their development stages. Generally, though there are signs that the economic policies and measures are moving into the right direction, the efforts should be sustained in order to protect the progress made and to keep the global economy on the path of a sustainable economic growth.

We can define competitiveness as a set of institutions, policies and factors that determine the level of productivity of a country. In its turn, the level of productivity sets the level of prosperity that can be achieved by an economy.

The level of productivity also determines the profit rates obtained by investments in an economy, which in their turn are the fundamental drivers of its growth rate. In other words, a more competitive economy is one that probably tends to grow faster in time. The concept of competitiveness involves such statistical and dynamic components.

RESULTS AND DISCUSSIONS

In Romania the processing industry has a more important role than the European Union average, in Romania being 24.7% compared to 15.5% in the European Union in the total value added in 2011, but records a low productivity and competitiveness. At the same time, the administrative capacity for the preparation and implementation of policies is unsatisfactory. Strengthening the industrial basis, through high competitiveness and innovation, has recently become one of the main policy orientations.

An important document on the industrial policy, based on the consultation of the stakeholders is being prepared as part of the future national strategy for competitiveness in the 2014-2020 period, being meant to provide a horizontal approach in industry, research and innovation, of the business environment and small and medium investments, exports, the implementation of the digital agenda, employment and rural development.

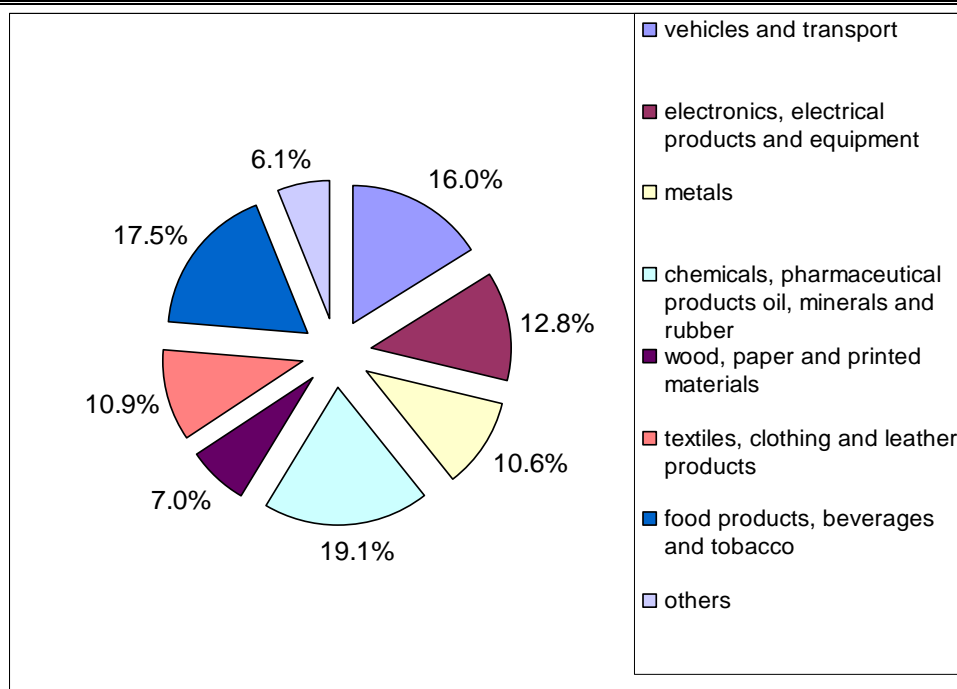


Figure 1 Evolution of the processing industries in Romania in 2010

Source: http://media.hotnews.ro/media_server1/document-2013-09-25-15649656-0-country-chapter.pdf.

As we can see in the figure above, the chemical, pharmaceutical, oil, mineral and rubber product industry is on the first place among the processing industries in Romania in 2010. On the second position, at a short distance, there are the food, beverages and tobacco industries, and the third place is held by the vehicle and transport manufacturing industry.

Innovation

In the investments in research and development, both public and private, Romania is way behind other countries in the European Union, including the countries in the region. According to the Innovation Union Scoreboard 2013, Romania is a “modest innovator”, with results at the lower end of the classification (on the 26th place out of the 27 member countries). Its results in innovation deteriorated between 2010 and 2012 (-5.1 %), slowing down the convergence movement. The number of small and medium investors innovating locally and implementing technological innovations remains way below the European Union average and is decreasing. The number of small and medium investors who adopt non-technological innovations is lower than the European Union average.

Romania is on the 90th place among the world countries from the perspective of the innovation ability, being overtaken by countries such as Switzerland, (the first in this statistics), Finland (2nd place), Germany (3rd place), the United States of America, or Japan.

A number of incentives were implemented in order to strengthen the research and innovation ability. An innovation voucher system became operational in 2012. The tax deduction for the investments in research and development increased, in 2013 from 20 % to 50%. Moreover, a new strategy for technological research, development and innovation for the 2014-2020 period that is being prepared within the strategy on the competitiveness, should provide higher integration and coordination between the research and innovation policies and industry. In this respect, as highlighted by the Commission in the specific recommendations for each country in 2013 and in the accompanying working document of the Commission’s services, the main challenge is to give priority to the research and development activities that can attract private investments.

Competence

The inconsistencies between competence and the labour market demand are the characteristics of large part of the vocational and tertiary education, the low professional competence level being a specific challenge. Given the high unemployment rate among university graduates and the over-qualification rate, the continuation of the alignment of the university education to the labour market is a main priority. In order to address these aspects, a two-year professional training system was re-implemented in 2012 based on contracts concluded with companies and public bodies.

The quality inconsistencies in terms of competences are less significant in Romania compared to the European Union average. However, the percentage of workers with an inadequate education at the current workplace is way above the European Union average.

According to the provisions concerning the forecasts on competence until 2020, employment in services and knowledge-based sectors will grow, while employment in agriculture and in other sectors of the primary production will decrease. Consequently, there is a medium and high risk of lack of competence until 2020.

Sustainability

While environmental costs are rather high (Romania is on the 6th place in the European Union), the environmental performance of the companies continues to be unsatisfactory: the economy is the third in the European Union with the highest level of carbon emissions, it is on the third place in terms of energy intensity (2.5 times higher than the European Union average) and is ranked 22nd in terms of eco-innovation performance.

The 2007-2020 energy strategy is being reviewed and will include provisions on the energy efficiency in industry and on the renewable energy. The 2003-2013 National Waste Management Strategy, which is also being reviewed, aims at preventing the generation of wastes and at increasing the industrial waste recycling rate. The National Strategy on Climate Change for 2013-2020 was also completed.

Other recent measures include supporting the purchase of new electric cars. The Green Industry Innovation Programme for Romania prepared by Innovation Norway provides support for the development and implementation of innovative technologies, ecological products and services.

There are a number of controversial foreign investment projects in the energy and non-energy raw material sectors. Exploration rights were granted for the shale gas in the Dobruja region, and a gold mining project that uses cyanides (at Roşia Montană) has raised concerns related to the consequences on the environment and costs, but also aspects related to the transparency and lobbying. The history related to environmental accidents and damages indicate that improvements can be made in mining and environmental management techniques. The illegal logging is also a major concern and the Forest Code is being reviewed in order to solve this problem.

CONCLUSIONS

Generally, the economic advantages of an efficient economy, in terms of resources and ecology are not sufficiently reflected in the policy-making process; moreover, there is not broader strategy on this aspect that would encourage companies to reduce their impact on the environment and to become more ecologically efficient and more efficient in terms of usage of the resources.

In the past ten years, Romania's goods export market share increased by 50 %. High and medium-technology industries increased their share, especially in terms of road vehicles, electric machines, telecommunications and machinery. Romania's exports have a

relatively low, but increasing import content, which can be explained by the fact that the country started from very low export levels and has rapidly recovered in the past decade.

In order to facilitate the access to international markets, the program of export development for small and medium investments provides services such as commercial missions, co-financing for the participation to international trade fairs, a commercial portal and market research. A national export strategy is being prepared for the 2014-2020 period.

In order that a country should become more competitive, the productivity will grow, and the wages will also grow at the same time, with the development progress. Once this stage is accomplished, the countries will enter the next stage, namely the effective development management stage.

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