Solutions for Romania’s Economic Revival under the Circumstances of the Current Crisis

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Abstract

Before putting a plan in place, businesspeople need to understand all aspects of the current decline, as well as the benefits of various solutions at hand. We must bring together all local expertise and international knowledge to identify challenges and point out the most efficient solutions that will ease business experiences during such difficult times.

Keywords: Romanian economy, economic resources, investment process, economic crisis

Introduction

The keys for Romania’s economic revival are not necessarily related to the idea of escaping the crisis, but rather to the economic policies’ orientation in order to draw a national development strategy according to the European Union’s economy, managing the available economic resources, the advantages provided by the European Union’s member state, the experience gained during the transition period in relation to the world economic institutions.

Romania’s economy registers many quantitative, qualitative and structural delays as compared to the European Union’s development rhythm. Drawing a strategy for reducing or annihilating these delays needs a constructive approach in consensus with the future’s development requirements, focusing on improving the workforce occupancy degree, the cohesion of the economic environment with the natural one, the interaction of public economic policies with the need of guiding the business environment, the process of making public investments to consist with the need of economic growth and development, the ensuring of some external financing sources at low opportunity costs.

The Romanian economy revival strategy starts from the identification of a coverage coefficient related to providing the necessary resources for satisfying the economic growth and
development requirements. Therefore, starting from the identification of the economic resources (workforce, infields, transportation infrastructure - maritime and fluvial and production logistics) and the informational ones, human capital, correlated to the number of active population (the workforce directly involved in economy) we can identify the optimal production capacity that would be able to cover the Romanian population’s current and future development necessities.

The investment process should take into account the following aspects:

- The area’s peculiarities;
- Providing production factors;
- The access to economic goods outlets which are a result of the productive investment process;
- Allotting public financial resources by means of determining some qualitative and quantitative cost standards;
- The implication degree of public authorities and entrepreneurs in attracting and absorbing European funds;
- Facilitating the access to European funds to the business community (and also to the banking system through credits);
- Valorizing the region’s potential by promoting measures of increasing work productivity, attracting financial and technological resources, the motivation of human capital, measures which are corroborated with governmental programs which sustain a durable regional development.

Romania’s strategic objective is the convergence with the European Union’s member states, in terms of its citizens’ individual wellbeing and that of the society, generally speaking. In macroeconomic terms, the convergence with the EU means assuring a higher economic growth rhythm than that of the communitarian average, for a long enough period.

Its main goal is the rapid decrease of the socio-economic development disparities between Romania and the EU’s member states.

The main model of economic development is in a continuous change by promoting added value economic sectors and increasing the weight of sectors based on knowledge. The state’s intervention for supporting some uncompetitive economic sectors or the protective social measures do not contribute to ensure durability and prove to be vulnerable when facing globalization challenges. The development of competitive advantages must take into account the European trends and the globalization process. Moreover, it will be necessary to encourage and stimulate those sectors that are capable of valorizing the advantages and opportunities from the internal market.

The role of the state is oriented towards the development of infrastructures that would be able to support the development of the economic sectors, according to the conditions of the EU’s internal market and/or global market. In other words, the state must create mainly the
development premises for the economic sectors and avoid any direct intervention in their development.

From this perspective, the convergence with the EU can only be assured on a long term and it implies the development of two major infrastructure categories, the physical categories and the human ones. The development/ thoroughness of the “business environment – universities – research institutes” relation is essential in what regards both the research/innovation requirement and the access to its results.

The first stage of the post-adherence process imposes Romania the main request of reducing the technological disparities that separate it from the rest of the EU’s member states, especially in the context of the Europe 2002 Strategy’s intensified implementation rhythm.

The strategic directions in what regards the labor market regard the increase of work’s flexibility and security (“flexicurity”) and the improvement of the access to labor market. In order to promote flexible work relations, the following measures will be taken: the support of economic activities independently, the facilitation of employment conditions, a high preoccupation for health and security and the consolidation of the bipartite and tripartite social dialogue.

Another revival solution is the gradual reduction of the fiscal burden at the workplace, the process of providing work subventions and also the strengthening of control institutions’ capacity in the fiscal domain.

Moreover, it is essential to intensify the process of correlating the existing policies and the implementation of new ones, to continue the fiscal consolidation, the consolidation of the disinflationary process and of the budgetary deficit, according to the EU’s requirements.

The monetary, budgetary and fiscal policies, as well as the preparation for adhering to the Euro area will be related to the logistics of a multiannual budgetary programming by means of which will be provided the resources for key sectors (by means of developing the private-public partnerships) and the expenses will be rationalized, by taking into account the subsidiarity principle.

The fiscal policy’s priorities derive mainly from the commitments related to the EU adherence, as it follows:

- The enlargement of the imposing basis;
- The collection improvement, by means of reducing tax evasion and voluntarily conforming to the payment of the budgetary obligation;
- The decrease of social contributions’ rate.

The budgetary policy will be funded on a flexible construction, integrated in concrete budgetary programs which would correspond to the budget approaching manner at the level of the European Union.
A high attention will be given to:
✓ Ensuring the amounts of money destined to co financing the project financed through European funds;
✓ Ensuring the payment of Romania’s contribution to financing the European Union’s budget inside its own resources system;
✓ Increasing the weight of budgetary incomes in the Gross Domestic Product.

The main objective of managing the public debt will be represented by ensuring the resources for financing the budgetary deficit at a low cost and an acceptable risk rate. The end of a seven years period (2000-2006) of preparations for the EU adherence and the start of another seven years period (2007-2013) of preparations for adopting the Euro currency represent a special opportunity for continuing the reforms and reducing the disparities accumulated in economy. A special attention will be given to the adjustment period between the adherence and the entering in the ERM II, which has to be used in order to finalize the biggest part of the structural reforms and consolidate the macroeconomic stability.

The pursuit of the disinflation process and the reach of an inflation that would be compatible with the euro zone represent another priority. From this point of view, it is very important to pay a lot of attention to the salary politics in the budgetary and state enterprises sectors. Moreover, we must take into consideration the pursuit of structural reforms in order to increase the flexibility of workforce and production factors.

**Short term Priorities**

✓ The intensification of the European regulations implementation process in what regards the functioning of the national market and its connections with the European market;
✓ The finalization of the institutional construction needed for the functioning of the Common Agricultural Policy (CAP), according to the European Union’s regulations;
✓ The increase of foreign investments and the valorization of the already existing advantages: quality terrains, cheap and relatively qualified workforce, possibilities to develop organic agriculture;
✓ The integration in the common market arrangements of a series of agro-alimentary and manufactured, specialized products;
✓ Cherishing the opportunities provided by the European regulations in agriculture; a niche that is related to the specific features of the Romanian agriculture is the ecologic agriculture;
✓ The continuous informing process of the population that deals with agriculture, the rural population in general, regarding the costs and benefits that the future adherence will bring; informing the farmers regarding the CAP’s benefits, the communitarian regulations in the field and the requirements for accessing the communitarian funds and other financial facilities.
Medium And Long Term Priorities

✓ Restructuring and modernizing the agro-alimentary and the sylvan sectors in order to respond the internal market’s requests;
✓ Stimulating the process of consolidating the farms through a functional land market, supporting the transformation of subsistence farms with real production potential;
✓ Viable exploitations from a commercial point of view and supporting the development of farmers associations in order to valorize products;
✓ Improving the quality of processing, control and alimentary products by means of respecting the minimal safety rules for the aliments, imposed by the CAP’s requirements;
✓ Improving the marketing for agro-alimentary products, continuing the programs for developing centers for taking over – deposit agricultural products and ensuring market transparency;
✓ Promoting direct investments that aim at introducing new technologies and raising the quality of products;
✓ Developing and implementing operational plans for ensuring market transparency, for creating various informing systems regarding the price of agricultural products (agricultural exchange) and that of the land.

Conclusion

Romania’s rural development has as main objective the harmonious development of rural communities, at the same time with the consolidation of the agricultural and sylvan sectors, taking into account the environmental protection requirements.

In order to reach this objective, Romania will support the development of rural infrastructure (road networks, communication networks, health services, education and consultancy) and the diversification of the services offered for the rural population.

In order to reorient a part of the population that deals with agriculture, inside the rural communities there will be stimulated two main processes: the development of agricultural services and the diversification of complementary economic activities (small industry, tourism and handicraft). These will have to contribute to the valorization of the rural specific services (including the Romanian village’s tourist cultural-spiritual potential) and to ensure a more efficient use of rural workforce.

In order to develop projects which have as main goal the processes of potentiating and valorizing local resources, there will be taken measures to increase the local administrative capacity of attracting financial resources, including private-public partnerships.

Taking into account the natural calamities, local authorities will be supported in order to elaborate and apply natural risks prevention policies and programs.
The absorption of communitarian funds represents an objective of the post-adherence strategy, taking into consideration the high contribution of these funds to recuperate the disparities that appear at a comparison with the development level of the EU’s member states. The access to these financial resources through the European cohesion policy represents one of the main economic benefits.

In order to become beneficiary of communitarian funds, Romania has to assure a high absorption degree. The funds that Romania will receive from the EU are potential, while the contribution to the communitarian budget is certain and represents an obligation assumed as member state. Complementary to communitarian funds, the state’s budgetary resources and those that will be attracted from the private environment will be engaged in the main development directions.

This objective is possible only when the political power will acknowledge the importance of local administrations’ deregulations in order to valorize the available communitarian resources, the central role played by the monetary policy and the banking system in order to facilitate the access of the private environment to financing, as an accelerator factor of investments.

The solutions for the investments’ economic revival, as we tried to underline, are represented by the political class’s motivation, on the one hand, and that of the private environment, on the other hand, synchronized by the economic policies and civil society in order to revive the Romanian people’s moral values and national conscience.

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