

LAST MINUTE SOLUTIONS FOR IMPROVING ROMANIA'S FINAL RESULTS IN RELATION TO EUROPE 2020 STRATEGY

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ABSTRACT: *The aim of this study is to upgrade the competitive position of Romania in relation to the Europe 2020 Strategy, and to offer some last-minute solutions to improve the final results. Romania's interim results revealed a very slow pace for meeting the national proposed targets. The context in which Romania joined this competitive program was not a favorable one, if we consider her state of new state in the EU and the economic crisis. In the first part of the study we analyze the main macroeconomic indicators for the period before adopting the Europe 2020 Strategy. We believe that this initial analysis is relevant to a better understanding of the initially context of the country, and for a better assessment of actual outcomes. The second part of the study updates interim results of proposed national targets in the Europe 2020 strategy. The personal contribution in this study consists in the comments on the analyzed indicators and in the proposed solutions for the next 3 years of implementation of the strategic program.*

KEY WORDS: *competitiveness, Europe 2020, solutions.*

JEL CLASSIFICATION: *F15, O11, O30.*

1. INTRODUCTION

In narrow economic sense, competitiveness is understood as the ability of a nation to create an economic, social and political context, able to support accelerated production of added value (Garelli, 2006). In fact, competitiveness can relate to the development level of a country, to its economic performance, to its comparative position in the international trade and more, the aim being the increase of the living standards of the population, while increasing the share of the country's participation in international markets. Measuring the competitiveness of a nation involves economic policy analysis, and the composition of an international ranking, based on a set of

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indicators, aimed at the performance of specific economic sectors, infrastructure of public institutions quality, or the rate of employment, generally speaking everything forming a country's economic, social and political chain. In the European Union, economic competitiveness means an assessment tool of how the EU and national goals become realities, and, at the same time, constitutes an incentive mechanism by identifying and supporting national activities that have potential for growth. In this regard, in the early 2000s, the European Council in Lisbon adopted the Lisbon Agenda, aimed at transforming the European Union by 2010 into "the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion" (Marinas, 2010).

To assess the competitiveness of Romania, the study analyzes data since 2007, the year that was achieved EU integration, and also 0, as the start year of the economic crisis.

Romania's integration into the European Union and its alignment to standards, together with the powerful effects of the economic crisis was a test of social will and political resistance, among the countries already long before. In terms of the impact of the crisis on the Romanian economy, we select for a brief overview, the following indicators: GDP, foreign direct investment, foreign trade and unemployment. The second part of the paper aims to upgrade the level of fulfillment of the objectives of the Strategy Europe 2020. Also, the study provides solutions and proposals on improving Romania's final results, given the fact that the implementation plan of the Strategy is coming to an end.

2. RETROSPECTIVE ANALYSIS OF THE KEY MACROECONOMIC INDICATORS

This section covers a brief characterization of the main macroeconomic indicators and some considerations on the competitive position according to the latest Global Competitiveness Report (2015-2016).

In terms of GDP growth, after an annual average increase of 6.5% between the years 2000-2008, the years 2009-2010 were marked by a decline of nearly 8%. Otherwise, in the entire community space, these years marked a consistent regression in almost all components of economic activity. In the years 2013-2014, the average growth rate was positive, located around 3%, still low compared to the pre-crisis. In 2015, Romania was highlighted by the highest economic growth rate in the EU, with growth prospects, averaging 3.7 up by 2018. According to the data provided by the National Institute of Statistics, the largest positive contribution to GDP growth acquired in 2015 had the wholesale and retail (17.7%), the information and communications (7.2%), the industry (22%), the net taxes on products (13.6%). Regarding foreign direct investment (FDI), according to the National Bank of Romania's calculations, they have fluctuated in the negative direction from the crisis so far. The economic issues among Greece, the unstable economic situation of Hungary and the neighboring Romania last events that occurred (the annexation of Crimea to Russia, the military tensions between Ukraine and Russia, the political instability in Moldova) led investors to avoid allocating capital in Eastern Central Europe. Figures published by The National Bank

shows a significant decline in FDI, from 7, 9 billion in 2008 (9.5 billion euro) to 1.6 billion, in 2014.

The unemployment and employment rates have changed substantially in the range 2008-2015, as the immediate and long-term effects generated by the economic crisis. According to the National Employment Agency, the highest unemployment rate was registered in 2010, when it reached the level of 7.6%.

Analyzing the statistical data available to external trade, it appears that the coverage of imports by exports index is less in all the years covered by the analysis, which means a negative phenomenon (Anghelache, 2015). Another remark based on issues that were perpetuated in foreign trade, is the fact that in recent years, Romania's international visibility increased by volume and origin. Regarding imports, in 2009-2013 years, they were lower in volume, exceeding exports, however, and record annual deficits of about 8 billion. Regarding the structure of imports and exports, the participation rates were: imports: 22.6% were mechanical machines and devices, electronics, apparatus for recording and reproducing sound and images; 15% transport means and materials, 8.8 metallurgical products; the rest was accounted for by other products such as clothing, footwear, and related chemical products; exports: 18.3% were garments, fabrics, knitwear, textiles, transport equipment; the rest was accounted for by machinery and mechanical appliances, electrical equipment, apparatus for recording and reproducing images and sounds (National Institute of Statistics, 2014).

The last two years, 2014 and 2015 were characterized by a slight increase in the rate of foreign trade, the coverage of imports by exports being 87.25%. We consider that the main reasons that led to these results include: the lack of financial resources faced by companies with export production has reduced the growth rate of exports; during controlled through administrative measures without economic coverage of national currency against foreign currencies; this situation has generated the increased domestic production costs and the difficulty or inability to adjust export prices to the level of required externally; the quality of the poor production programs and product promotion has led to unsatisfactory results in terms of quantitative and qualitative export activity; the appreciation of the national currency exchange relationship with major international currencies (dollar, euro).

Regarding the National Export Strategy 2014-2020, the main needs in setting objectives are: improving and strengthen the competitive advantages to those obtained in previous years; creating new competitive advantages and chains broader, with stronger national values; improving support systems exporters; exploitation of the opportunities and tools involved in the exportation of goods; promoting entrepreneurial skills, innovation; increasing the range of goods exported to countries outside the EU orientation.

2.1. Romania's interim results on national targets proposed in Europe 2020, 3 years before completion of the strategic program

The actual results of the implementation progress of Europe 2020 in Romania are inhomogeneous, keeping it at a distance from the stable economies of the European Union.

At present, Romania ranks last in terms of the set targets. We propose to review the progress of each objective, and to identify causes which led to the current results.

The employment rate of employment of 20-64 years aged people recorded positive trends, although not significant. Latest available data herald a positive trend in the employment rate to a value of 65.7 in 2014, achieving the national target in a proportion of 93.85% (Eurostat). In present, the distance from the proposed target is 4.3 percentage points. Occupancy rates at EU level in 2014 ranged from 80% to a national target of 80% in Sweden and 53.3% from a proposed target of 70% in Greece. From this point of view, Romania ranks 22, ahead of Bulgaria (65.7), Estonia (59.9) and Italy (59.9), and after Slovakia (65.9), Malta (66.3) and Poland (66.5). Regarding the employment rate among young people, aged between 15 and 24 years, Romania has achieved a value of 22,5, at a distance of 10 percentage points (Europe 2020 Competitiveness Report, 2014).

The indicator for monitoring progress in the CDI is GERD, meaning gross domestic expenditure on research and development. The year 2008 is a landmark, because at that time, according to the analyzes carried out for the Developing of the National Strategy for R & D 2007-2013, public funding for research and development peaked, that is one year after the adoption of SNCDI 2007-20013. As in 2009 the planned budget increase for R & D did not materialize, the state budget appropriations for research and Development fell by 25% and the next year in 2010, with another 2.6%. The expenses of higher education were affected as well, dropping spectacularly in 2009 with 32.2%, so the 1.4% growth in 2010 passed almost unnoticed. In the private sector, the level of intensity of research & development was ranked 25 out of 27, with a value of 0.17% in 2011 and an average growth rate of -3.4% during 2000-2011.

In terms of applied fundamental research and commercialization of results there are significant outcomes translated into the substantially increased number of scientific publications in major streams, such as Web of Knowledge and Scopus. In this period the "Romanian researchers granted Romania a demonstrated scientific advantage" in areas such as chemistry, physics, biology, mathematics or material engineering. Although the number of Romanian articles went up by the end of 2013, it is still far below the European average. The same is the case of the number of EPO patents, at 1.5 of the average (National Strategy for Research and Development and Innovation 2014-2020, 2013).

Another worrying phenomenon is the still present migration of graduates abroad; in 2012 there were an estimated 26,000 graduates leaving to study abroad, approximately 18% more than in 2007 when were 22,000 registered (National Institute of Statistics, 2016) . The effervescence of higher education in recent years has led to an increased number of bachelor and PhD graduates, thus recovering some of the gap against the European average. However, the transfer of results towards the innovative economic sector continues to be struggling.

Romania has promoted and undertaken a comprehensive set of measures including the National Research& Innovation Strategy, Romanian scientific journals that have been submitted to international level, improving the relationship between

knowledge and industry by awarding grants, increasing the percentage of funding on a competitive basis as opposed to the percentage of institutional funding for research and innovation. The Romanian Government adopted in 2011 the Plan of actions meant to reform the research –development system. All these measures were aimed at raising the curve of progress into the knowledge sphere.

The factors influencing the reduction of emissions of greenhouse are paths of economic growth (or decline phases of economic revival, emissions of greenhouse decrease or increase with the trend of the economy), renewable energy production, environmental restrictions, changes in economic structure. Romania, with a reduction of 80, 2 (2013) greenhouse gas emissions, is now approaching and exceeding the national target; regarding the progress in increasing the share of energy from renewable sources in gross final consumption, Romania obtained 16% of the value of the proposed national target of 20% (Eurostat, 2016).

The efforts to reduce early school leaving in Romania have not resulted in a maintained progress in the recent years. Early school leaving rate remains at a high level because of the insufficient attention to be paid to screening and early prevention actions, poverty and a low availability of corrective programs. The analysis by region shows that the North East region and South East region are most affected by this phenomenon; the opposite is the South-West and West regions. In terms of backgrounds, the calculations show that in rural areas, early school leaving rates are higher than those in urban areas. The reasons for these results consist in the slowly reforming the Romanian education. The efforts to boost the quality of education, supporting the teachers or the parents, were not sufficient. The methods of monitoring the presence and the continuity of schooling are still rudimentary and the results are, in some cases, inaccurate.

The integration of the graduates into the labor market is slow because universities are insufficiently responsive to the developments on the labor market. The availability and the use of assessments and forecasts of the labor market, as well as cooperation with economic and social partners are still limited. Also, the participation in continuing education programs for adults is at the lowest level throughout the EU. The shares of training mobility and the exchange of best practices, professional traineeships transition from university to the workplace, were insufficient to improve absorption into the labor market of graduates. The disparity between the public and the private sectors, in terms of the training program and the needs of the labor market, have increased the number of unemployed with higher education and a shortage of skilled labor.

Finally, the target for reducing the number of people at risk of poverty and social exclusion, Romania's evolution in recent years, although positive, still places it among the Member States with the most serious problem in this regard. In 2007-2013, Romania, along with Poland, Portugal and Germany, was found in the list of countries which managed the highest rates of poverty reduction. However, in the year 2014 in Romania was recorded one of the highest rates of poverty in the European Union, about 40%. Social studies show that 32% of children in the country had severe material deprivation and one in two children was at risk of poverty and social exclusion. Roma people (adults and children) are more exposed to these risks. The main causes that

contribute to the overall risk of Romania, poverty and social exclusion, are: the difficult integration into the labor market, the poor health of Roma people and the high rate of population growth compared to Romania's population, and also the non-participation in elementary school education.

The overall picture of Romania's competitiveness related to the Europe 2020 Strategy, does not look well. Romania ranks the last in the Europe 2020 Competitiveness Report:

Table 1. Competitive position of Romania in the EU

Competitiveness Report 2020 (2014 Edition)	Romania's position in the EU	Score (1-7)
2020 Europe Objectives	28	3.6
Intelligent growth	28	3.5
Sustainable growth	26	3.9
Inclusive growth	26	3.7

Source: author processing after WEF, Europe2020 Competitiveness Report 2014

In this context, the latest Country Report Romania (2016) developed and approved by the European Commission in February 2016, conclude that Romania has not achieved any progress or had limited progress in most previous recommendations. The report highlights that Romania is following EU countries, starting from the basics, with the quality and access to health, level of performance in education, transport infrastructure, standard of living of the population, up to the remaining elements relating already advanced economies such as the size of financial allocations, public and private research, development, innovation or technological advance.

3. LAST-MINUTE SOLUTIONS TO IMPROVE FINAL RESULTS OF ROMANIA IN EUROPE 2020 COMPETITION

Given the previous results, we have identified a number of priority issues on which to intervene.

In the first place, human resource policies aimed at competitiveness should focus more on harness highly skilled workforce to become competitive advantage. This would mean stimulating young people to pursue higher education and increasing foreign direct investment to create new jobs with higher requirements for better employability of graduates on the national labor market. These actions should lead to the decrease of educated labor migration, especially for regions with a lower level of labor skills, but with high activity rates.

Secondly, the measures to increase competitiveness provided in the National Operational Program are not close enough much of the most important resource, namely, human capital. In these conditions, focusing attention on individual and community efforts can be a way to launch innovation-based competitiveness in Romania. Increasing the visibility in international markets by strengthening research capacity development and innovation institutions in the country to integrate in the

European and international networks, could be a realistic solution. Also, focusing on potentially competitive sectors such as IT&C through the accelerated development of infrastructure and promoting environmental and regulated digital system for the citizens and the government, can lead to better results in the entire economy. As seen from the above, Romania's strategic program for 2014-2020 period, to increase competitiveness through developing knowledge, continuing previous initiatives, widens scope, enhances and reproduces the measures to achieve the objectives and realize the importance of overcoming the stage of economic development, based on factors and transfer to the level of growth, through innovation-based competitiveness. One of the elements of continuity of the development policy between the two strategic RDI program, is the investment in research infrastructure, included in the European Strategy Forum on Research Infrastructures list: The laser installation Extreme Light Infrastructures, International Center for Advanced Studies Danube Delta Danube-Black Sea.

Although they are not easily achievable solutions over the next three years, increasing the attractiveness for foreign investors and a greater absorption of European funds are now safer alternatives to improve current conditions. Foreign capital, in addition to the driving effect of domestic capital, has another strong advantage for Romania: it can help to reduce the number of highly qualified emigrants. Keeping them within the national borders, on the one hand means, increasing the attractiveness of the country, and on the other hand, means the spread of knowledge and encouragement of the private sector. Entrepreneurial environment needs highly qualified workforce to increase the productivity and the quality of manufactured products and rendered services. European funds should be concentrated around development of transport infrastructure and in education and nurturing talent in the future disciplines.

4. CONCLUSIONS

The main Romania's challenge is its lack of competitiveness, and this reality is strong enough to motivate all actions to raise the living standards and reduce the gap with the European Union average. Building a focused plan for the last 3 years of the program must contain strategic aspect related to growing attractiveness of the country by harnessing highly qualified workforce. Foreign capital, foreign direct investment and EU funds, may revive the private sector, thus increasing the contributions to the state budget. Although the Europe 2020 strategy had different speeds implementation across the EU, Romania appears to have stagnated. In the context of the instability hanging over the European Union, the Romanian authorities must focus their efforts to lead Romania towards a more solid condition over its competitors.

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