THE GLOBAL FINANCIAL CRISIS, WHERE DOES PLACE ROMANIAN ECONOMY IN EU?

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ABSTRACT: Along with joining the European Union, Romania became a full member of the largest economic bloc in the world, strengthening its position in terms of the global division of labour. The access to innovation and financing networks of the European Union will have visible effects concerning economic growth of Romania on medium and long term. Meanwhile, the entry under the full Europe's competition policy will lead to increase the productivity and economic growth as its main result obtained national welfare. However the global financial crisis has a serious impact on the Romanian economy. In this context the banks have become more restrained in lending and therefore, the companies are facing difficulties in accessing credit. Thus, lack of capital block business activity, which seriously affects the entire economy. The question which arises is: will be able Romania, to find the resources and managers to take out the country of one of the greatest economic crisis of the last century?

KEY WORDS: global financial crisis; Romanian economy; European Union; gross domestic product; labour productivity; inflation

JEL CLASSIFICATION: F15, F41, F43

1. GENERAL CONSIDERATIONS

Romania's adherance to the European Union (EU) was the most important political event in the last 90 years after the Great Union of the 1st December 1918. The significant performances registered in political, economic and legal performances contributed to increase the attractiveness of Romania, namely the essential changes in Romanian society. In these circumstances, there was upward development of the economy in the years preceding accession, and then after accession as we show below.

The last three years that preceded Romania's adhesion to the EU marked successive growth of the Romanian economy induced by increased foreign investment, of labour productivity growth and increase export-oriented production, and increasing

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domestic demand for consumption, in terms of an improved European economic climate, characterized by economic recovery of EU (Zamfir, 2009a).

At the same time, the significant economic performances of Romania were supported by a favourable international economic conjuncture, with a robust growth of world economy, effervescent international trade, high prices of goods and international financing with relatively low cost. In this context, continuing the process of globalization, increasing economic and financial interdependences, the relocation of production, liberalization of the movement of goods, services and labour, constituted for Romania both economic development opportunities and vulnerabilities. Triggering the global financial crisis at the end of 2008, found our country unprepared, so that Romania was in a strong domestic economic crisis, marked by severe reduction in economic activity in all sectors, and rapid deterioration of all economic parameters (Vigaru, 2009).

In these circumstances, the crucial question arises: What should Romania do to secure first for cover domestic demand with supply of products manufactured locally to harness renewable natural resources and non-renewable (primarily the agricultural and energy)?

In my opinion, one possible answer to this question is the adoption of a consistent, coherent and effective economic policy for Romania's exit from the crisis that should take into account certain elements such as:

- A gradual reduction of economic development up to 50%, on the recovery of non-renewable natural resources;
- Reducing energy consumption, at the EU average and support programs for private investment or public / private in projects to ensure a constant compensation of reduction the quantities made from the gas and oil production;
- The organization of agricultural production on industrial basis; recovery through advanced processing of the vegetables and animals resources;
- The achieve of one complex system, in order to streamline of the money and currency markets in times of turbulences (Zamfir, 2009b);
- The stimulation of investments process aimed at the modernization, refurbishment or achievement of new production capacity in Romania;
- An aggressive computerization of Romanian society including rural areas; sustained process of preparing the population, notably the adult people for using information and communications systems in everyday life.
- Stimulate research-development and innovation, dissemination and technology transfer, increased interest of companies to apply the results of production activities.

Therefore, we consider that the impact of global economic crisis and integration into the EMU structures for Romania becomes stringent the application of these actions and salvation strategies oriented to real, present and future needs of our national economy.
2. THE PLACE OF ROMANIAN ECONOMY IN EU

Romania, the seventh largest country in the EU depending on the number of inhabitants (4.7% in EU-27), has an economy which is only 0.7-0.8% of gross domestic product (GDP) European Community. The rate of growth in our country in recent years has been among the most consistent, compared to the EU-27. For example, GDP growth in the years 2001-2007, was approximately 6% annually, advancing most EU countries. If in 2007 after a GDP growth rate which was 6%, Romania ranked 9th place, in 2008, GDP growth (GDP) in real terms was 7.1% which has located Romania on the first place in the top EU-27 (Gartoi, 2009).

Following the international economic crisis in 2009 the GDP growth of our country will have a significant decrease, reaching -7.7% of EU-27 average which will be -4%. At the same time should not be overlooked that in terms of negative economic growth Romania will be on the 5th place in the EU-27 being brought forward by Latvia (-13.1%), Lithuania (-11%), Estonia (-10.3%) and Ireland (-9%) in the year 2009 (http://epp.eurostat.ec.europa.eu).


Figure 1. Real GDP growth - differences between Romania and the EU, 2001-2009 (%)
Regarding the value of GDP per capita expressed in purchasing power parity standard, it is important to note that Romania recorded a growth trend since 2001, which caused a slow reduction of the gap with the average EU-27. However there are considerable differences between our country and other countries in the EU-27.

Thus, in 2006 the GDP / capita was 39% of EU average, in 2007 over 41% of the EU, and in 2008 to 46%, Romania being the penultimate place in the EU, ahead of Bulgaria, where the value of GDP / capita in PPP was only 40% of EU average (http://standard.money.ro/articol_25619/exclusiv_cum_arata_economia_romaniei_in_2008). In the figure below is presented more suggestive the development of GDP / capita in terms of reducing disparities between Romania and EU average.

![Figure 2. GDP / capita - gaps between Romania and EU average 2001-2008 (%)](http://standard.money.ro/articol_25619/exclusiv_cum_arata_economia_romaniei_in_2008)


An important factor that contributed to higher economic growth, in Romania was the pronounced dynamics of labour productivity (figure 3). Thus, in 2005 and 2006 labour productivity growth per employee has reached the higher levels than previous years which led to the reduction of disparities towards the EU (Anghelache, 2007). Also, labour productivity growth in Romania has continued in 2007 reached 42.5% of EU average, so that in 2008 according to Eurostat estimates to reach 44.2%, which has situated our country on 26th place in EU of this indicator before Bulgaria.
Although labour productivity per employee was positive in Romania remains a sensitive gap with EU-27 average, which within 7 years was reduced by 14.6 percentage points: so in 2008, labour productivity per employee was 44.2% of the EU average compared with 2001 when it was only 30.2%.

One of the most important and painful events of the 1990s economic crisis from Romania and other countries of Central and Eastern Europe was the inflation, which is measured by consumer price index and affect the entire population of every country that has no control it, altering at the same time the business environment and FDI flows (Diaconescu, 2003).

Figure 3. Labour productivity per employee - gaps between Romania and EU, 2001-2008 (%)

In Romania, the inflation rate is the indicator that has marked the most accelerated approach to the average levels of EU-25 in the period 2001-2009, which was reduced from 34.5% in 2001 to around 6.4% in 2008, and in 2009, BNR estimates a level of 4.3%. Also on the inflation recorded large differences in the present period of post-accession so that in 2008 Romania with an annual inflation rate of 6.4%, was situated on fifth place in EU in according to data released by the European Statistical Office (Eurostat), as shown in Figure 4.

With regard to inflation in Romania, it is important to note that in the first year after adheretion, this indicator reached 4.9 percentage points, then in 2008, according
to European Commission forecast to reach 6.4 percentage points, and in 2009 declined to 4.3 percentage points (Ștefan, 2009). Also to be noted that although the rate of inflation in our country, recorded a downward trend throughout the period analyzed remains a significant gap between our country and the European Union, and in terms of this indicator. Thus in 2007 the inflation rate in the EU-27 was 3.2%, later in the year 2008 declined to 2.2%, and in 2009 to reach the lowest level of 0.9% as shown in Figure 4.

![Inflation rate - gaps between Romania and the EU 2001-2009 (%)](image)


**Figure 4. Inflation rate - gaps between Romania and the EU 2001-2009 (%)**

Therefore we can emphasize that after a period of 8 years of sustained economic growth, in years 2001-2008 global economic downturn hit in full our country in 2009, when there will be a negative growth of GDP of over 7.7%. It is also important to point out that while the euro area got out of the worst recession in the last 60 years, in the third quarter of this year, registering a GDP growth of 0.4% compared with the previous quarter, however the future of our country’s economy remains still uncertain (Zamfir, 2009c).
3. CONCLUSIONS

In the current context of the international economic crisis effects our country entered on the trajectory of Economic and Monetary Union integration, must reduce and then eliminate the large gaps in economically from the developed countries of the euro area (Prisecaru, 2009).

To this end, we consider it becomes imperative for Romania, to be detected, analyzed and quantified new opportunities to resume long-term growth. In my opinion, such possibilities could be shaped in several main directions:

- The adequate recovery of all economic resources available both by stopping waste in all forms, and by increasing their use. Persevering in this direction might change in favourable sense the type of economic growth achieved by our country by the increase of intensive factors sharing;
- The further restructuring of national economy in industry and territorial profile, according to criteria of economic efficiency, social and environmental by the exploiting of the current scientific and technical achievements;
- Improving of our country situation in international economic relations by developing mutually beneficial relations with capitalist countries, and recovery of position in relations with former socialist countries and developing countries, so that the account balance of foreign economic relations contribute to GDP growth;
- Increasing the efficiency of public enterprises with losses, but carrying on a useful activity through the development and implementation of programs focused on increasing productivity, reducing costs and improving quality involving the best specialists in the business management;
- The subordination of monetary, foreign exchange, pricing, tax, custom and in the field of revenue policies, in accordance with the annual increase in GDP, so that Romania might aspire to a dynamic general equilibrium macroeconomic.

Therefore, we emphasize that sustainable economic development must become the primary objective that should be done with perseverance in the long perspective. We believe that only acting in this direction, Romania has the chance to achieve the objective of integration in the Eurozone, thereby reaching an economic level near to that of developed countries in the EU.

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