
Romania's place in the European Union - Economic, Social and Managerial

Prof. Constantin ANGHELACHE PhD

(email: actincon@yahoo.com)

Bucharest University of Economic Studies / „Artifex” University of Bucharest

Assoc. prof. Mădălina-Gabriela ANGHEL PhD

(email: madalinagabriela_angel@yahoo.com)

„Artifex” University of Bucharest

ABSTRACT

Romania has been a member of the European Union since 1 January 2007. Accession has taken place following intense preparation, the documents agreed and signed being an undeniable test. It would have been normal for Romania's economy to be equally prepared to be able to integrate quickly and to get closer to the required standards. Unfortunately, there are a number of delays, delays or difficulties in completing the full integration / standardization process with the requirements of the European Union. The study, underlying this article, presents, in summary, the state of the Romanian economy, in terms of the strategic objectives, the prospects for realization, the obvious and estimated consequences. It is also interesting to present the current situation and the significant trends of the evolution of the national economy in order to reveal the measures to be implemented in order for Romania to become an equal partner in concrete terms with the possibility to impose some aspects of national interest, such as accessing distributed Community funds. The study takes into account a number of 29 indicators registered by Romania compared to the average of the European Union and other Member States.

The main analyzes made are the main priorities that Romania should take into account in the economic and social development. Space is given and a presentation of the need to pay increased attention to economic research as a driver for development.

Keywords: economic growth, inflation, strategy, unemployment, Gross Domestic Product, economic model

JEL Classification: E24, E31, O40

INTRODUCTION

In this article, the authors present the situation of Romania's economy in the perspective of full integration into the European Union. There is a brief summary of the position our country has at this time, suggesting how the

institutions need to act to boost this process. A careful analysis of the level recorded by Romania is made, with 29 indicators being presented. These statistical sizes are analyzed with the same indicators of other EU countries (the EU average, Bulgaria, Hungary and Poland). On the basis of comparison, the situation in 2017 is interpreted, for which we have the data published by Eurostat, by the countries considered.

It is noted that, in general, Romania still has a lot to do to overcome the penultimate position in the European Union rankings. In the article, clear references are made and significant series of data and graphics are used. It outlines the measures that Romania needs to take to fully comply with European standards. At the end of the article, it emphasizes the need to pay increased attention to research, innovation and development as a determinant of long-term economic growth. The authors estimate that the allocation of only 0.48% of the Gross Domestic Product in this area is insufficient, far from the EU target of 2%.

LITERATURE REVIEW

Anghel, Anghelache and Stoica (2018) studied the Gross Domestic Product in structure in the member countries of the European Union. Anghelache and Anghel conducted a study on the quality of life in Romania. Anghelache and Anghel (2018) conducted an analysis of the performance indicators in the Member States of the European Union. Anghelache and Anghel (2017) analyzed a number of employment issues in the European Union and unemployment reduction strategies. Anghelache (2017) conducted a complex and profound analysis of Romania's economic and social evolution in the post-decade and, above all, after integration into the European Union. Anghelache and Anghel (2017) analyzed the course of Romania in the first ten years since becoming a member of the European Union. Antonakakis, Dragouni and Filis (2013) studied the correlation between tourism and economic growth on the European continent. Brown, Earle and Telegdy (2010) analyzed the effects of privatization on employment. Camagni (2009) presented elements of the implementation of the European Union transport policy. Cruz-Jesus, Oliveira and Bacao (2012) addressed issues related to digital divide and inequalities in the use of the Internet in the EU. Halász and Michel (2011) conducted research on key competences in Europe. Herrendorf and Akos (2012) tried to identify which sectors of activity determine undeveloped countries to be unproductive. Hill and Smith (2011) referred to the way in which the EU's international relations are being conducted. Kalotay (2008) conducted an analysis of foreign direct investment in Bulgaria and Romania after their

accession to the European Union. Klein and Ventura (2009) investigated the productivity differences and the consequences on the fluctuation of the workforce. Koulakiotis, Lyroudi and Papasyriopoulos (2012) examined the correlation between the Gross Intense Product and inflation in the European space. Kvist (2015) studied the European Union's social investment strategy. Moreno-Galbisa and Tritah (2016) investigated the impact of immigration on the labor markets of the European Union. Steen-Olsen et al. (2012) studied the consequences of international trade in carbon emissions. Walker and Maltby (2012) studied elements related to demographic aging in the European Union, the impact on the workforce and possible measures that can be taken to counter this situation.

RESEARCH METHODOLOGY, DATA, RESULTS AND DISCUSSIONS

- At the beginning, we will present a **brief summary of the state of the Romanian economy in relation to the way the strategic objectives, the prospects for realization, the obvious and the estimated consequences are represented.** We note that Romania's economy at one century from the Great Union reached a stage that is interesting but also difficult to analyze and interpret because with the territorial increases and decreases it also reflected in the economic evolution.

Romania has gone through all the evolutionary stages with the consequences and progress that have been recorded.

In December 1989, there was a strong national movement that had an effect on the totalitarian system, the „liberalization of democracy” and the transition to a market economy.

The process of rebuilding Romania's economy was achieved with many syncope, which had the effect of disorganizing the economy, enormous losses through the privatization process and difficulties in imposing and defending the rule of law.

The process of democratization, triggered by the „December 1989 events”, has two special moments: the partnership with the US and NATO, and then the entry into the Great North Atlantic Alliance and Romania's accession to the European Union on 1 January 2007.

Against the backdrop of Romania's historical evolution, we find that our country has experienced a „gradual economic growth”, even if we can identify time segments with a certain rebound or stagnation.

Analysis of the period after 1 January 1990 reflects the existence of strategic objectives that need to be followed with greater persistence. In this

regard, we synthesize the main directions in which action has been taken and action needs to be taken. Only through a coherent, well-thought-out strategy can sustainable growth be achieved, ensuring Romania's alignment with EU standards. In this respect, the strategy for the development of a sustainable economy needs to be reconsidered and implemented.

Romania needs to focus on capitalizing on its position as a member country of the European Union by accessing Community funds and participating in the initiation of European interest objectives.

It is not worthwhile to attract foreign direct investment by promulgating attractive and protective legislation for great foreign investors. In this direction it is necessary to adjust the tax legislation in order to ensure the taxation, according to EU directives, of the profits made by the multinationals operating in Romania. The Government (s) of Romania will need to focus on continuing and stepping up measures to implement measures in EU directives. This will ensure conditions for alignment with EU standards.

Considering the current state of economic and social evolution of Romania, it is necessary to establish a strategy, in line with the concrete conditions of Romania, in order to ensure sustainable growth, an essential element that can guarantee a positive evolution in the future. Romania needs to establish a short, medium and long-term economic model in order to ensure a continuous evolution. Studies are currently underway to try to define a development model by 2040.

Turning to the current situation of Romania, we specify that the infrastructure, in general and the road, in particular, must find a solution, even by organizing international tenders.

The competent authorities in our country must ensure the reconversion of the labor force to the requirements of the labor market. In this respect, the national education system must be appropriate to this. We must not overlook the fact that after the labor force emigrated to other countries, Romania will have to import labor.

We must think of the specialization of the country's economy in certain areas to ensure Romania's participation in international, intra and extra-community cooperation. We have in mind the tourism industry, agriculture, some industrial branches that still rank us among European countries with high potential in the European Union.

• **The current situation and significant trends of the evolution of the national economy** is the important element from which we have to start in establishing the future evolution of Romania and, on this background, to establish the economic model followed by Romania until 2040. We specify

that such a model must be correlated with that of the European Union and not be subordinated to it. In essence, Romania will have to capitalize on your internal resources and thus manifest itself as a member country with equal rights in the European community.

The Dashboard of Romania, starting from the analysis of the achievements to date, the present realities and the perspectives of evolution must be based on certain directions of evolution.

We can not neglect that the goal of each country and ultimately of the European Union is to ensure the quality of life.

Romania, after overcoming the effects of the economic and financial crisis, has registered consistent economic growth. We note that this progress is due to increased consumption, which will prove to be limited in time. That is why it is necessary to pay more attention to investments, which give certain guarantees of evolution.

It will be necessary to implement a program of measures that will ensure access to the efficiency of the community funds and the attraction of foreign investments. Only in this way will it be possible to add the necessary funds to make consistent investments as budget revenues are limited.

The increase in income and wages, as the main form of revenue, must be achieved through a comprehensive program of measures, revenue growth must be achieved through increased productivity and labor efficiency. It is also necessary to capitalize, in the national interest, Romania's resources.

Significant trends in the evolution of the national economy, which must be targets for Romania's economic model 2040, can be synthesized:

- Efficient attraction of community funds through concrete activities, as required;
- Encouraging foreign direct investment by ensuring an adequate climate;
- Capitalizing on natural resources, in the national interest;
- The development of tourism in its complexity;
- Reinvigorating agriculture and developing associative conditions that can ensure the return to efficient exploitation of today's farms;
- Reconsideration of funding for education, research and the health system;
- Fairness in revenue taxation for all individuals and businesses, applying the European Directive to tax income (income) where they occur;
- Ensuring economic growth through national programs that will sustain this process;
- Industry can be identified in which Romania will become a „pioneer” or regain this position that it has in the past.

From the presentation of some prerequisites regarding the evolution of the national economy, in line with the tendencies that are manifested, we can assume that the expectations for the better of the population get a more precise outline. We are considering increasing Gross Domestic Product / population, controlling and moderating inflation, improving working and living conditions. On this background, wage rises, pensions and other earnings will continue.

Next, we will present a synthesis of the main macroeconomic indicators obtained by Romania, compared to those achieved by the European Union (28), Bulgaria, Poland and Hungary in 2017. We compared only these countries because Romania joined the EU together with Bulgaria, is neighboring with Hungary, and Poland is at the forefront of transposing EU directives, achieving the best results from all the countries of Central and Eastern Europe that joined the Common Market.

To begin with, we will present a complete table of indicators selected for all countries considered, in order to give interested parties a quick analysis, taking into account the correlation between all these indicators (Table 1)

Indicators registered by the European Union (28), Romania, Bulgaria, Poland and Hungary in 2017

Table 1

No.	Indicator	EU28	Romania	Bulgaria	Poland	Hungary
1.	Total population (million people)	511.5	19.6	7.1	38.0	9.8
2.	Density (inhabitants / km ²)	117.5	85.7	64.8	123.6	107.6
3.	Population by age	100	100	100	100	100
	• 0-14 years	15.6	15.6	14.1	15.2	14.5
	• 15-49 years	44.7	48.0	44.7	47.9	47.0
	• 50 and over	39.7	36.4	41.2	36.9	38.5
4.	Average life expectancy	78.2	72.1	71.3	73.9	72.6
	• Men					
	• Women	83.6	79.1	78.5	82	79.7
5.	Demographic dependency ratio (%)	53,9	50,1	53,4	46,3	49,7
6.	Infant mortality rate (promilles)	3,6	7	6,5	4.0	3,9
7.	Employment rate (%)	67.6	63.9	63.1	66.1	68.2
8.	Unemployment rate (%)	7.6	4.9	6.2	4.9	4.2
9.	Expenditure on GDP (%) with					
	• health	-	4.95	8.20	6.34	7.24
	• education	-	3.06	3.93	4.81	4.26
	• Research and Development	2.03	0.48	0.78	0.97	1.21
10.	GDP per capita	29100	16900	14200	19900	19700
11.	GDP growth rate	2.5	6.9	3.6	4.6	4.0
12.	Annual average inflation rate (%)	1.7	1.1	1.2	1.6	2.4

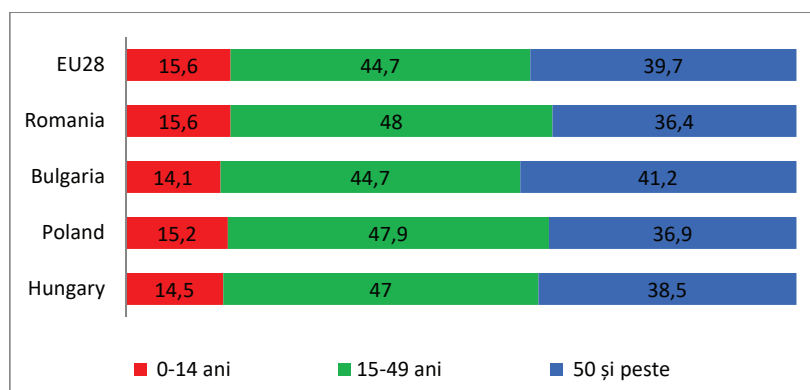
No.	Indicator	EU28	Romania	Bulgaria	Poland	Hungary
13.	Harmonized Index of Consumer Prices (%)	100.97	100	99.85	101.40	102.84
14.	Industrial Production Index (%)	105.0	113.20	106.60	109.90	106.30
15.	Construction works index (%)	106.5	91.40	87.40	97.60	105.10
16.	Agricultural Production Indices (%)	106.6	114.7	99.5	102.8	94.8
17.	Labor force in agriculture (in thousands of annual labor units)	9487.7	1601.0	239.0	1675.8	426.1
18.	Grain production (thousands / tonnes)	312025	27718	9743	31608	13997
19.	Production of wheat (thousand / tonnes)	152347	9877	6.511	11426	5237
20.	Number of cattle (thousand heads)	88423	2011	553	6036	870
21.	Number of pigs (thousand heads)	150000	4406	593	11908	2870
22.	Number of sheep and goats (thousand heads)	-	11485	1574	-	1226
23.	Greenhouse gas emissions 2016 (thousand tonnes of CO ₂)	3989760	88250	52523	367872	57197
24.	Domestic consumption of materials (thousand tonnes)	6775533	485305	138409	671921	117924
25.	CIF imports (EUR millions)	-	75562	30172	203980	94994
26.	FOB exports (EUR millions)	-	62613	26577	204420	100559
27.	Balance FOB / CIF (EUR millions)	-	- 12949	- 3595	440	5565
28.	Households with Internet access (%)	87	76	67	82	82
29.	Daily Internet access (% of total individuals)	72	47	54	61	69

Data source: National Institute of Statistics and Eurostat

Next, we will deepen the analysis of closely correlated indicator groups to make the position of Romania more clearly visible.

Population by age group registered in 2017

Figure 1



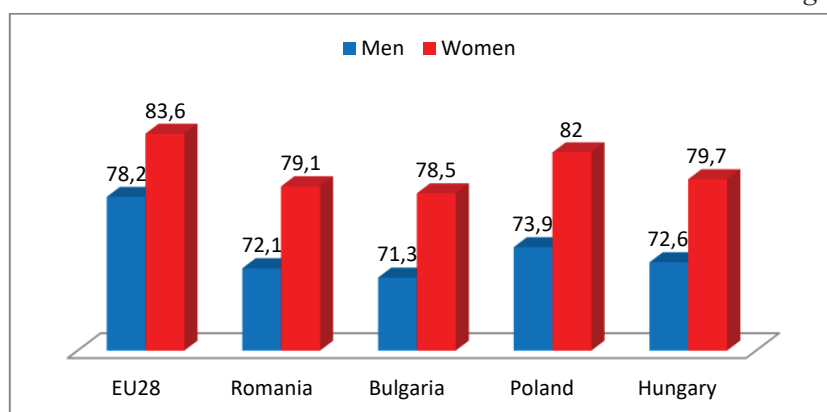
Source: own representation;
 Note: Data is expressed as a percentage.

From the data included in the synthetic table, as well as from the graphical representation (Figure 1), it is clear that in Romania, compared to the states considered, the population aged 50 years and over is the smallest group, the middle group (15-49 years), with the largest share.

The average life span of the population by sex (men and women) is a significant indicator. From the comparable data presented in Figure no. 2 shows that Romania is behind the EU average, both for men and women, as well as for Poland and Hungary.

Average life expectancy by sex in 2017

Figure 2

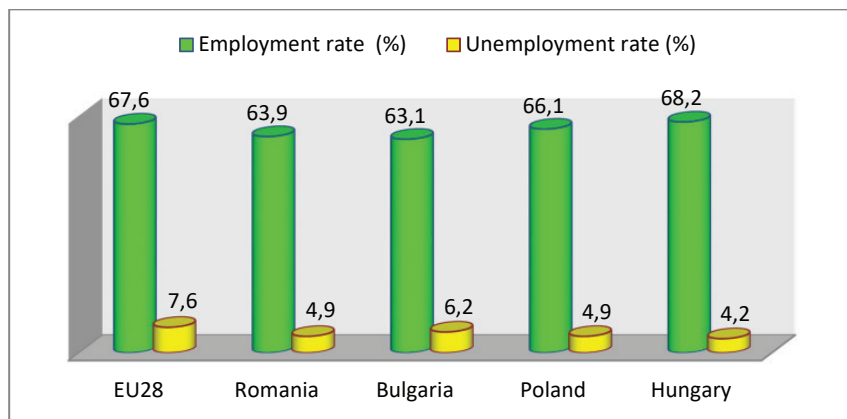


Source: own representation

In order to highlight the employment situation of the employed population, compared to the unemployment rate, we have recourse to a comparative study, which is represented graphically in Figure 3. Romania has a lower situation compared to the EU, roughly equal to Bulgaria and negative compared to Poland and Hungary, in terms of employment rates. Regarding the unemployment rate, the data show that Romania has a better situation, compared to the average recorded in the European Union and Bulgaria, being equal to Poland and overtaken by Hungary.

Employment rate and unemployment rate in some EU states in 2017

Figure 3

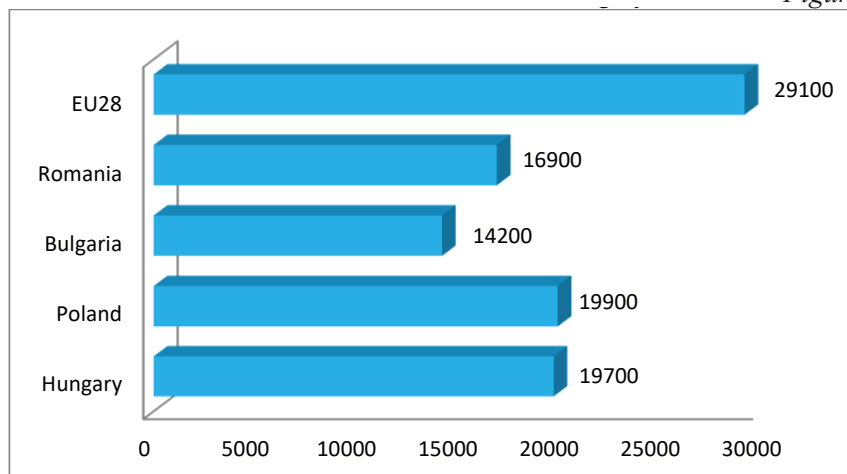


Source: own representation

The most representative indicator in international comparisons is Gross Domestic Product, deflated in the same currency. This indicator expresses clearly, being expressed in absolute figures (euro) the status and income per person. The data is shown in figure no. 4 and reveals that Romania is far from the European Union average (16,900 euros in Romania vs. 29,000 euros in the European Union), but it is superior to Bulgaria and with about 3,000 euros is inferior to Poland and Hungary.

Gross Domestic Product per capita in some EU states in 2017

Figure 4

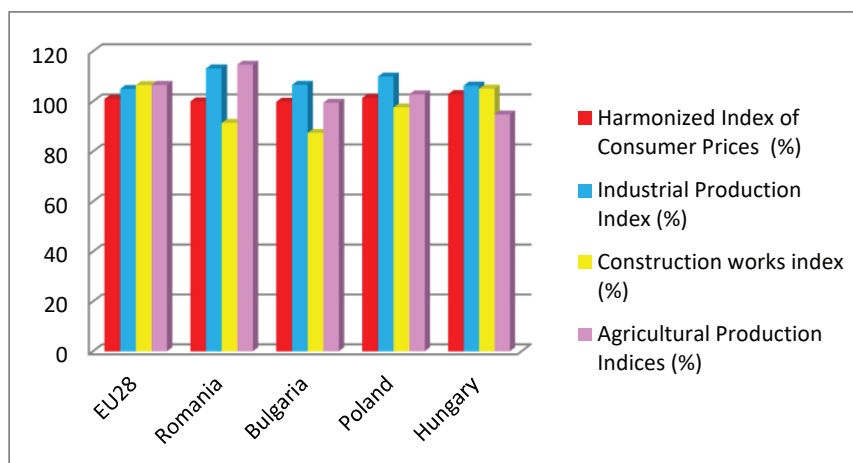


Source: own representation

From the „scoreboard” on the 29 statistical indicators, presented synthetically in table no. 1, we have chosen to compare the indices of price evolution, industry, construction and agriculture, starting from the fact that the three branches give the specifics of the national economy and, as a consequence, the perspective of the future evolution. These data are presented graphically in figure no. 5, highlighting that our country has a better situation than the other countries under comparison. Agriculture should have a higher growth in the coming period.

Evolution of the harmonized index of consumer prices, indices of industrial production, construction works and agricultural production in some EU countries

Figure 5

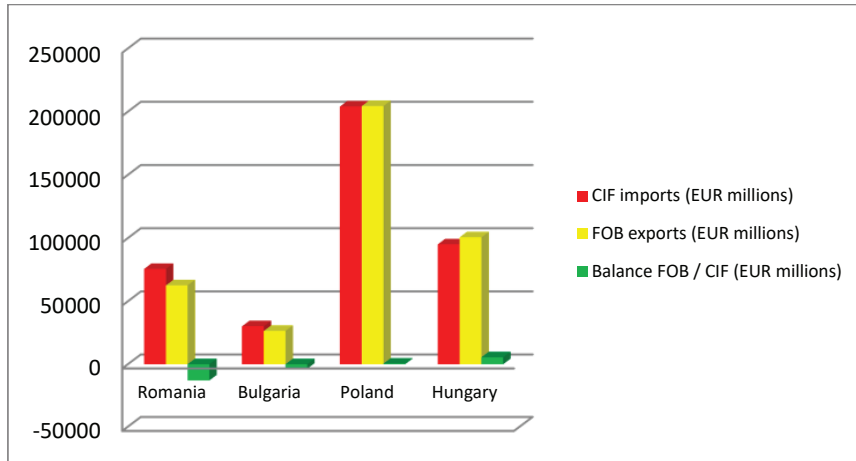


Source: own representation

International trade activity has an impact on Gross Domestic Product and Gross Domestic Product per capita. Exports improve the results, and by import, they diminish. The „Gross Domestic Product” calculation is considered as the „net export” resource, which is given by the algebraic difference between export and import. In other respects, this difference is expressed in excess or deficit. The graphical representation in Figure 6 shows that Romania has international economic relations (import / export) superior to Bulgaria only, being much behind Poland and Hungary. Among the analyzed countries, only Romania has a yearly deficit in the foreign trade activity (international).

International trade activity in some EU countries in 2017

Figure 6

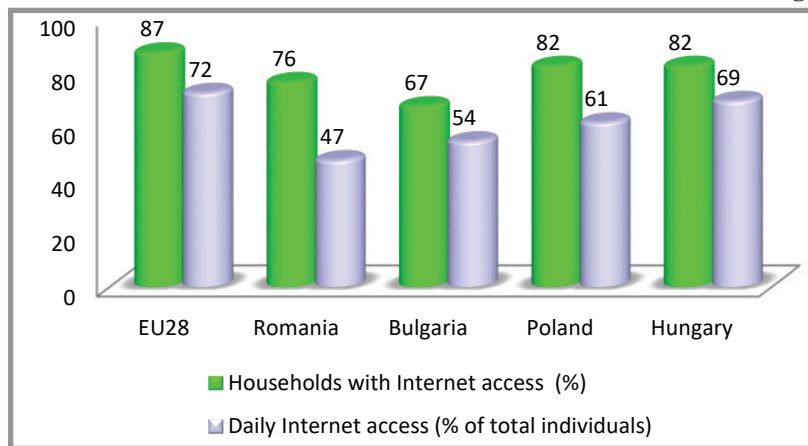


Source: own representation

At the end of this comparative study, we presented graphically (Figure 7) the position of states considered from the point of view of Internet access and daily Internet access. The interpretation of the presented data shows that Romania is in a medium position, having a weight of 76% for households with access to the net, superior to Bulgaria only, but quite close to Poland and Hungary.

Internet activity in some EU states in 2017

Figure 7



Source: own representation

• The main priorities for economic and social development, which must be based on an economic model of Romania for the year 2040

Romania needs to systematize the entire strategy it will follow to ensure economic and social development on some priorities. Among these, based on the analysis of what has been achieved so far, we estimate the following priorities:

- Development of applied research, directly related to economic and technical-scientific objectives. Increasing budget allocation for research at the level of the EU Directive.
- A real reform of the education system in line with market requirements. And in this area it is necessary to increase the allocation from the state budget.
- Health should remain a major priority throughout the national strategy.
- Making attractive and effective projects to provide the country with additional revenue. We are considering developing new projects or associating them with those of interest, importance and efficiency, initiated in the European Union.
- Supporting agriculture through tax incentives, national and European subsidies to ensure increased production in this area where Romania is an important country in the European Union.
- Measures to encourage tourism in all its forms. Romania has cultural and historical attractions that can be better capitalized on the development of tourism.
- Support SMEs in order to ensure the development of the middle class in Romania.
- Increase in GDP through higher national resource utilization. This will lead to an increase in the income (GDP / inhabitant) of the Romanian population.
- Targeting domestic investments attracted from the European Union or direct foreign investments to the vital sectors of the economy, in order to ensure the quality of life

• Aspects that must be placed in the attention of economic research as a driver of development

Research, innovation and development are qualitative areas, according to which they assess the economy of any country. This sector needs to be paid attention in the future, especially in the current context when Romania allocates only 0.48% of GDP, compared to 2% in the European Union.

Research and innovation remain key elements of the evolution of an economy. This perspective-creating and news-generating activity must be given priority.

Economic research can not be passive and should be geared towards substantiating strategies to ensure better economic organization through appropriate methods and models. We must emphasize that Romania's economic evolution must be based on scientific, simulated and effectively applied principles.

Romania needs its own „economic model” that takes into account existing concrete conditions (resources, uses, etc.) so as to evolve to the parameters of the model considered.

An economic model of Romania must not be subordinated to the economic model of the European Union, but must be integrated into it. In the field of research we must strive to get closer to the European standard.

Researches about the resources and their capitalization must remain in the attention of the researchers in the economic field, and the improvement of the industrial activity, the study of the internal and international market are other activities that must be subject of the economic research.

Models of study of production, market, economic growth, management improvement and others are phenomena (domains) will have to be in the spotlight of economic research, which will have to provide solutions and projects for boosting economic development.

CONCLUSION

Several conclusions are drawn from the study, the most important being that, for most of the indicators that reveal the current stage of development, Romania is in an inconvenient position. There is a lagging behind in terms of full integration and achievement of standards agreed at EU level. In order to define its own social-economic evolution model of Romania, it is necessary to take into consideration the current state of development of the country, which foresees the efficient use of resources in its own interest, in accordance with the objectives of the European Union. Romania's economic model for 2040 must not be subordinated to the European Union model, but should be correlated with it.

A complex, complex thinking reveals that Romania still has enough resources that need to be managed and used with great care. The possibility of capitalizing the country's resources on a royalty basis is a damaging one (see exploitation of natural gas from the Black Sea platform), and other strategies that are subordinated to the national interest must be considered.

References

1. **Anghel, M.G., Anghelache, C., Stoica, R.**, 2018, "Structural Analysis of the Gross Domestic Product in the Member States of the European Union", Romanian Statistical Review, Supplement, 9, 13-22.
2. **Anghelache, C., Anghel, M.G.**, 2018, "Analysis Models and Methods of the Life Quality in Romania", Romanian Statistical Review, 2, 59-86.
3. **Anghelache, C., Anghel, M.G.**, 2018, "Analysis of the evolution of result indicators in the member states of the European Union", Annals of the „Constantin Brâncuși” University of Târgu Jiu, Economy Series, 6, 15-22, „Academica Brâncuși” Publisher.
4. **Anghelache, C., Anghel, M.G.**, 2017, "The strategy for reducing unemployment. Employment in the European Union", Theoretical and Applied Economics, Volume XXIV, 4 (613), Winter, 25-32.
5. **Anghelache, C.**, 2017, *România 2017. Starea economică la un deceniu de la aderare*, Editura Economică, București.
6. **Anghelache, C., Anghel, M.G.**, 2017, *România – membră a Uniunii Europene. Zece ani de la aderare*, Editura Economică, București.
7. **Antonakakis, N., Dragouni, M. and Filis, G.**, 2013, "How strong is the linkage between tourism and economic growth in Europe?", Economic Modelling, 44(C), 142-155.
8. **Brown, D., Earle, J., Telegdy, A.**, 2010, "Employment and Wage Effects of Privatisation: Evidence from Hungary, Romania, Russia and Ukraine", The Economic Journal, 120 (545), June 2010, 683–708.
9. **Camagni, R.**, 2009, "Territorial Impact Assessment for European regions: A methodological proposal and an application to EU transport policy", Evaluation and Program Planning, 32 (4), 342-350.
10. **Cruz-Jesus, F., Oliveira, T. and Bacao, F.**, 2012, "Digital divide across the European Union", Information & Management, 49 (6), 278-291.
11. **Halász, G. and Michel, A.**, 2011, "Key Competences in Europe: interpretation, policy formulation and implementation", European Journal of Education, 46 (3), 289–306.
12. **Herrendorf, B. and Akos, V.**, 2012, "Which Sectors Make Poor Countries so Unproductive?", Journal of the European Economic Association, 10, 323–341.
13. **Hill, C., Smith, M.**, 2011, "International relations and the European Union", Second Edition, Oxford University Press.
14. **Kalotay, K.**, 2008, "FDI in Bulgaria and Romania in the Wake of EU Accession", Journal of East-West Business, 14 (1), 5-40.
15. **Klein, P. and Ventura, G.**, 2009, "Productivity differences and the dynamic effects of labor movements". Journal of Monetary Economics, 56 (8), 1059–1073.
16. **Koulakiotis, A., Lyroudi, K., Papasyriopoulos, N.**, 2012, "Inflation, GDP and Causality for European Countries", International Advances in Economic Research, 18 (1), 53-62.
17. **Kvist, J.**, 2015, "A framework for social investment strategies: Integrating generational, life course and gender perspectives in the EU social investment strategy", Comparative European Politics, 13 (1), 131–149.
18. **Moreno-Galbisa, E. and Tritah, A.**, 2016, "The effects of immigration in frictional labor markets: Theory and empirical evidence from EU countries", European Economic Review, 84, 76–98.
19. **Steen-Olsen, K., Weinzettel, J., Cranston, G., Ercin, E., Hertwich, E.**, 2012, "Carbon, Land, and Water Footprint Accounts for the European Union: Consumption, Production, and Displacements through International Trade", Environmental Science & Technology, 46 (20), 10883 -10891.