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Performance and Risks in the European Economy

**The Importance of Structural and Cohesion Funds on Regional
Development in Romania**

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Abstract: Objectives: the financing of regional policy and, in general terms, of the economic and social cohesion from structural and cohesion funds is important due to its results, with regard to costs and net benefits on the development of Romania; **Prior Work:** this work continues prior research carried out for the “European Programs and Projects Management” MA thesis; **Approach:** the primary methods used were the analysis of the legal framework and other official European documents and the observation of their influence on Romania; **Results:** While during the pre-accession period the financial instruments created by the EU for Romania had been made after the model of structural and cohesion funds, precisely in order to get the national authorities ready for the reality implied by its membership, the EU common position on regional policy and coordination of structural instruments and documents further stated that the Romanian authorities do not yet have the adequate capacity to manage the structural instruments, which obviously has implications in terms of costs.

Keywords: economic integration; international institutional arrangements; economic development

JEL Classification: F15; F36; F55; O10

1. Introduction

Regional development is a concept aiming at stimulating and diversifying economic activity, fostering investments in the private sector, curbing unemployment and, last but not least, leading to better living standards. The Ministry of Regional Development and Public Administration (MDRAP) implements the government policy in the field of regional development, as well as in other areas within its scope. The MDRAP also ensures the preparation, coordination, monitoring and oversight of using the grants given to Romania by the European Union for the programmes in its area of responsibility.

2. Goals of Regional Development Policy

The goal of the regional policy in Romania is to level the major economic, social and territorial disparities with the other European countries, contributing to fulfilling the objectives of the strategy. The main areas targeted by the regional policy are: developing the enterprises, the labor force market, attracting investments, transferring technologies, developing the SMEs sector, improving the infrastructure, the quality of the environment, the rural environment, healthcare, education and culture.

The basic objectives of the regional development policy are:

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- reducing the existing regional imbalances, focusing on stimulating a balanced growth and revitalizing the underprivileged areas (with delays in development), preventing new imbalances;
- meeting the criteria of joining the European Union structures and of accessing the financial assistance tools available to member states (structural and cohesion funds);
- correlating with the government development sector policies, stimulating inter-regional, internal and international cooperation, which contributes to the economic development and which complies with the legal provisions and international agreements signed by Romania.

3. Financing Regional Policy

After joining the EU in 2007, Romania has enjoyed financial assistance in the form of structural funds – the Regional Development European Fund and the Social European Fund, along with the Cohesion Fund.

The funds are used, for instance, in improving the transport infrastructure and expanding the internet networks to remote areas, stimulating the small and medium enterprises in underprivileged areas, implementing environment projects and improving the level of education and competences. Moreover, investments are energy efficiency and countering climate change.

Since 2008, along with the breakout of the economic crisis in Europe, EU's regional policy has been adapting to the changing needs and worse financial conditions. The European Commission is collaborating with the EU countries, especially with those currently receiving special macroeconomic assistance, the so-called “financially-assisted countries” (Ireland, Romania, Latvia, Portugal and Greece). This is supposed to contribute to speed up access to the EU funds and making supplementary payments in advance. The financial planning in Romania's National Development Plan for the 2007-2013 period has led to the total amount of 58.7 billion Euros, earmarked according to priorities so as to produce more convergence with the EU:

Table 1. Financial Earmarking According to Priorities, 2007-2013 (%)

Competitiveness	Human resources	Transportation	Environment	Rural development	Regional development
9	13	25	11	26	16

Source: Processed Information from the National Development Plan, www.fonduri-ue.ro

Structural funds are financial tools used for eliminating the economic and social disparities between various regions, so as to reach cohesion between the eight regions of development that Romania is split into. For the 2007-2013 timeframe, seven Operational Programmes were conceived (Law 315/2004). Each of them applies to a certain field that needs to be improved:

1. The Increase Economic Competitiveness Sectorial Operational Programme (SOP IEC) – meant primarily for consolidating and creating a business environment favoring the development of enterprises. SOP IEC is set to stimulate research-development-innovation activities and increase energy efficiency for sustainable development. Therefore, projects seeking to develop the business environment, investments in research and high-performance equipment, developing windmill farms and solar panel facilities.
2. The Human Resources Development Sectorial Operational Programme – supports investments in improving the education and professional training system. Activities related to labor forces

adaptability, continuous professional training, promoting equal chances, social inclusion are also financed.

3. The Transportation Sectorial Operational Programme – finances projects aiming to improve the road, rail, air, river and maritime transportation networks.

4. The Environment Sectorial Operational Programme – seeks to improve living standards and the quality of the environment. It finances projects seeking to prevent floods, improve public utilities, central heating network, preventing natural risks in vulnerable areas.

5. The Regional Operational Programme – finances projects meant to reduce inter-regional disparities by improving the regional and local public infrastructure, consolidating the regional and local business environment, developing regional and local tourism and promoting it.

6. The Administrative Capacity Development Operational Programme – focuses on investments in the public administration by improving the public servants' individual performances and modernizing working methods.

7. The technical Assistance Operational Programme – ensures support for the efficient coordination and implementation of Structural Tools in Romania.

The Cohesion Fund finances actions that are part of the transportation and environment fields and can intervene in projects in the field of energy or transportation, as long as they present definite advantages for the environment: energy efficiency, using renewable energy sources, developing the railway system, supporting intermodality and consolidating public transportation.

4. The European Funds Absorption Capacity

The absorption capacity is an extent to which a country is capable of efficiently spending the financial resources given to it by the EU. To assess the funds absorption capacity, one need to analyze how structural and cohesion funds are administrated, taking the following into account:

- the projection capacity, which must be assessed depending on the requests imposed by the European Commission's Regulations on structural funds;
- how funds work, i.e. whether they are administrated effectively and efficiently;
- the performance, which indicates the extent to which the structural funds were administrated effectively and efficiently and which is a variable measuring the results of the end of the planning period (2013).

For Romania, a main reason of concern is the insufficient administrative capacity. The public administration is characterized by an incoherent legal framework, the frequent used of emergency ordinances, a low level of inter-ministerial cooperation and excessive red tape. Its efficiency is also undermined by deficient competences and a lack of transparency in recruiting personnel, as well as increased rotation of the top level personnel. The poor administrative capacity is visible in the EU funds absorption rate. According to the recommendations of the European Council on Romania's National Reform Programme for 2013 (Brussels, 29 May 2013), the absorption target set for the end of 2012 within the EU financial assistance programme had not been reached and there had been a considerable difference between it and the actual amount of absorbed funds. Throughout most of 2012, the EU funds absorption rate stagnated after the national and European auditors also identified a series of deficiencies in the accounting and control systems related to public procurement. There is a considerable risk that a substantial part of the structural and cohesion funds be disengaged in 2013.

Table 2. Structural and Cohesion Funds Absorption (June 2013)

Operational Programme	Submitted projects	Approved projects	Contracts/ Financing decisions	Payments to beneficiaries (millions lei)
SOP IEC	15,364	3,980	2,692	3,216.09
SOP HRD	10,387	3,048	2,458	680,600
SOP Transportation	158	97	88	1,949.80
SOP Environment	644	446	362	5,678.36
OP Regional	8,328	3,794	3,464	7,600.77
OP ACD	1,371	420	418	312.63
OP Technical Assistance	140	118	109	149.96
Total	36,392	11,903	9,591	25,713.61

Source: Ministry of European Funds, the Centre for EU Structural Funds (CIIS)

The absorption rate can be calculated according to several indicators, the most relevant of which are:

1. EU contribution payments according to the EU 2007-2013 earmarking (payments made for projects from the funds earmarked by the European Commission, excluding the national contribution, money which is supposed to be later reimbursed by the European Commission) and
2. Amounts reimbursed by the European Commission according to the EU 2007-2013 earmarking (the amounts reimbursed by the Romanian state via the Ministry of Finances for each programme).

As seen in the table below, the absorption rate is 27.51% on the first indicator and 15.18% on the second one.

Table 3. Indicators for Calculating the Absorption Rate (June 2013)

Operational programme	2007-2013 earmarking (million Euros)	Payments to beneficiaries in the account of the EU contribution	Amounts reimbursed by the EC (million Euros)	EU contribution payments according to the EU 2007-2013 earmarking %	Amounts reimbursed by the EC according to the EU 2007-2013 earmarking %
SOP ICE	2,554	1,998	369	24.48	6.77
SOP HRD	3,476	3,699	577	40.82	16.28
SOP Transportation	4,566	1,949.7	467	9.83	6.46
SOP Environment	4,512	2,605.7	708	25.23	15.46
OP Regional	3,726	4,370.5	1,196	41.64	29.56
OP ACD	208	275	51	33.17	24.63
OP Technical Assistance	170	143	32,5	20.04	18.93
Total	19,212	15,040.9	3,400.5	27.51	15.18

Source: information processed from the Bulletin on 6 July 2011, the Centre for EU Structural Funds (CIIS)

5. Impact of Implementing the Projects Financed with European Funds

The direct and immediate impact of implementing the projects financed with the help of the structural and cohesion funds can be estimated in terms of its contribution to several indicators: jobs, state budget revenues, balance of payment, a ripple multiplying effect in the economy.

5.1. Case Study - the Human Resources Development Sectorial Operational Programme (SOP HRD)

The Human Resources Development Sectorial Operational Programme – one of the most important programmes and financed from the European Social Fund – engaged partners from the academia, from the educational and research fields, social partner and the non-governmental sector, from public administration, government agencies, de-concentrated services, as well as a large number of training and consultancy companies in Romania. As mentioned by the Council for National Coordination of Territorial Pacts for Jobs and Social Inclusion in the Paper on the Status of Implementing the Human Resources Development Sectorial Operational Programme, drafted in January 2013, the total amount of SOP HRD exceeds by little 4 billion Euros.

The importance of the funds directly attracted through the SOP HRD projects is relevant:

- over 20,000 jobs filled by the personnel involved in its implementation and paid from the European funds (personnel from the university and pre-university establishments, trainers, consultants, assessors, human resources experts, managerial and administrative personnel, accountants, legal experts, auditors, technicians, researchers);
- the direct revenues for the Romanian state after implementing the SOP HRD are directly proportional to salaries – between 1 and 1.5 billion Euros from taxes and fees on the paid salaries;
- the impulse given by the entrance of the SOP HRD funds into the economic circuit is significant, with notable effects on the dynamics of the national economy at a time of dropping foreign investments, lower internal demand as a result of the austerity measures, with the European funds generally representing one of the few alternatives for bouncing back;
- settling the balance of payments, as the financing via SOP HRD are primarily distributed to beneficiaries in Romania, hence they return in a large amount to the state budget, unlike in the case of other operational programmes, where a significant amount of expenditures are meant for payments to contractors or foreign imports.

Besides the immediate benefits, in the medium and long run, it must be underscored that the SOP HRD projects have the potential to bring significant added value, materialized in parameters such as the improvement of labor productivity, the adaptability of the labor market, the organizational maturity, the transfer of good practices, social inclusions, and last but not least multiplying entrepreneurial initiatives.

6. Deficiencies in Implementing the Projects Having an Impact on the Absorption Rate

- delays in reimbursing the payment requests submitted by the beneficiaries, making it impossible to correctly plan the financial flow and leading to debts to the state, suppliers, employees, the revenue authorities blocking the accounts, payment failures;
- reducing the pre-financing given to the beneficiaries from 30% to 3-5%, which brought the latter into a situation where they spend in advance, exceeding the pre-financing;

- the lack of transparency in making payments, as the single reimbursement registrar is not operational and accessible for all beneficiaries to be able to check the status of the reimbursement requests;
- drafting unclear instructions, that may be subject to interpretation or that may be interpreted differently by the project officers;
- the abusive attitude of management authorities who do not comply with their contractual obligations on the due payment dates, the correct informing of the beneficiaries, answering clarification requests;
- the information systems made available by the management authorities do not manage to functionally meet the requests for reporting and communication and are difficult to use.

7. Conclusions

In an economic context marked by uncertainty, the lack of resources and a labor market severely hit by high unemployment, the European funds should be support factor for jobs, social inclusion and the development of human resources. However, the mechanisms of the Romanian state in charge of the good management of the European funds are finding viable strategies too late, if at all, to eradicate the causes having led to European funds being blocked back in 2012 (especially SOP HRD and SOP Environment). The absence of measures is endangering the growth of the absorption rate, with severe prejudices to the image of the operational programmes, with negative effects on the functioning of the private and non-profit sector, and is leading to questions about the chances of the people forming the target groups of these programmes to live a better life through education, continuous professional training, active measures for creating jobs, complex interventions supporting the groups and the underprivileged, while also endangering the jobs of the experts who, through their experience and expertise, contribute to professionally implementing the contracted projects, often providing services that are complementary to those provided by the state institutions.

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Social Enterprise Compliance with Social Marketing Peculiarity

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Abstract: A challenging approach for social enterprise is considered the marketing approach. The profile of social enterprise raises the question *whether or not this type of organization can comply with social marketing peculiarity*. The reason for making this question is that a proper definition of marketing for social enterprises is needed for both managerial and marketing functions of the (social) organizations. Thus, starting from a previous research of defining social enterprise, the aim of the paper is to adopt a theoretical position for connecting social enterprise to the social marketing peculiarity. The research is based on literature analysis and comparing the social marketing definitions, fitting to social enterprise's profile.

Keywords: social enterprise; social marketing; compliance

1. Mapping the Specific Definitions of Social Marketing

Social enterprise is defined in literature in various manners, through different approaches, through different characteristics, by the diversity of target groups, etc.

The multiple definitions found in literature determined a research with the aim of “mediating” a common-definition of social enterprise, namely *social enterprise represents a type of business or private activity with social purpose based on producing and providing public goods and services and on the reinvestments of surpluses in this activity; it is characterized by a high level of social responsibility and a certain participation level of stakeholders*, considered by the author as a result-definition validated though the reference definition at European level of EMES European Research Network (Sandu, 2012, p. 213).

The current research interest is focused on adopting a specific marketing approach for social enterprise (Matei, Sandu, 2013), particularly the compliance of social enterprise to social marketing peculiarity.

The relevance of social marketing for social enterprise derives from the characteristics of this type of organization, which combines economic activity with satisfying social needs.

In the last three years, the attention of the public sector agencies, nongovernmental organizations, and the private sector is increasingly drawn to the potential of social marketing (Serrat, 2010, p. 1).

Social enterprise can represent an innovation for the social marketing, through the social innovation definition given by Phills, Deiglmeier, and Miller in 2008 - *A novel solution to a social problem that is more effective, efficient and sustainable than existing solutions and for which the value created*

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accrues primarily to society as a whole rather than private individuals (Phills, Deiglmeier, Miller, 2008, p. 36 in Holweg, Lienbacher, 2011, p. 308).

Following the literature, the question is *which definition of social marketing is appropriate to social enterprise?* Thus, a brief selection of social marketing definition relevant for the social enterprise profile is represented in the Table 1.

Table 1. Relevant Definitions of Social Marketing

	Source	Definition
1.	Ph. Kotler, G. Zaltman, (Kotler, Zaltman, 1971, p. 5)	Social marketing is the design, implementation and control of programs calculated to influence the acceptability of social ideas and involving considerations of product planning, pricing, communication, distribution and marketing research
2.	W. Lazer, E. Kelley, (Lazer, Kelley, 1973 in Doherty, Foster, Mason, Meehan, Meehan, Rotheroe, Royce, 2009, p. 141)	Social marketing is concerned with the application of marketing knowledge, concepts and techniques to enhance social as well as economic ends. It is also concerned with analysis of the social consequence of marketing policies, decisions and activities.
3.	A. Andreasen (Andreasen, 1994, p. 110)	Social marketing is the adaptation of commercial marketing technologies to programs designed to influence the voluntary behavior to target audiences to improve their personal welfare and that of the society of which they are a part.
4.	J. French, C. Blair - Stevens, (French, Blair-Stevens, 2005, p. 33)	Social marketing is the systematic application of marketing concepts and techniques to achieve specific behavioral goals relevant to a social good

Source: Author by Adaptation of Literature

2. Adopting a Social Marketing Definition

Kotler and Levy in 1969 were anticipating the „broadening concept of marketing” beyond the selling of „traditional” goods (such as toothpaste, soap and steel) to transferring marketing principles to marketing organizations, persons and ideas (Kotler, Levy, 1969, p. 10).

Starting from these premises, in 1971 Kotler and Zaltman describe the social marketing as an approach of „planning and implementing social change”. The definition of social marketing they provide is a result of the authors’ debate on the possibilities of applying marketing concepts and techniques in promoting social objectives as brotherhood, safe driving and family planning (Kotler, Zaltman, 1971, p. 3).

Key elements of Definition 1 are acceptance of social ideas, planning the product, pricing, communication, distribution, marketing research.

This definition has produced some controversial reactions (Rangun, Karim, 1991; Hirschman, 1992 in Andreasen, 1994, p. 109) by the facts that 1) the term of social marketing tend to lead individuals to confuse social marketing with societal marketing, 2) social marketing can create confusion whether its practice was limited to public and nonprofit marketers, 3) this definition limits its objective to influence „the acceptability” of social ideas.

These controversial reactions led to an advanced definition of Kotler and Roberto (1989), by equating social marketing with a social change campaign, which they define as „an organized effort conducted by one group (the change agent), which intends to persuade others (the target adopters) to accept, modify or abandon certain ideas, attitudes, practices and behaviors” (Kotler, Roberto, 1989, p. 6 in Andreasen, 1994, p. 110).

Even so, Andreasen considered of providing his own definition, Definition 3.

The reasons that determined Andreasen to propose this definition are highlighted on the facts that a social marketing definition is necessary to 1) keep practicing social marketers focused on the outcomes they are best suited to influence, 2) keep the discipline of social marketing distinguishable from its academic “competitors,” and 3) keep social marketing programs out of areas in which their likelihood of failure is high (Andreasen, 1994, p. 110).

Key elements for Definition 3 are commercial marketing technologies, programs, target audiences, adaptation, influencing, improving.

Ph. Kotler and N. Lee (Kotler, Lee, 2007, pp.7-8), besides the proposed definition – “Social marketing is a process that applies marketing principles and techniques to create, communicate, and deliver value in order to influence target audience behaviors that benefit society (public health, safety, the environment, and communities) as well as the target audience”, refer to Jeff French and Clive Blair-Stevens definition 2005, Definition 4.

This is argued by the fact that the definition includes elements of *influencing behaviors* relevant for *social goods* and describes social marketing as a *systematic planning process*.

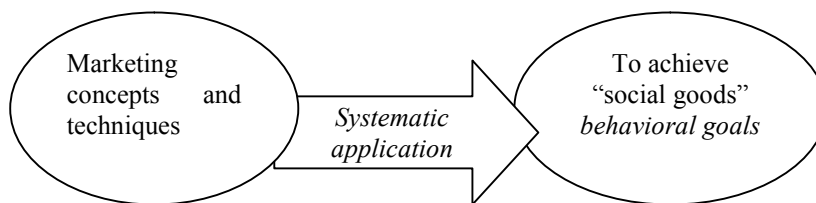


Figure 1. Defining Social Marketing (French, Blair-Stevens, 2005, p. 34)

The authors of “*Management for Social Enterprise*”- 2009 (Doherty, Foster, Mason, Meehan, Meehan, Rotheroe, Royce, 2009, p. 141) consider the definition 2 of social marketing as being representative for social enterprises, due the fact it enhance social as well as economic goals.

By analyzing the literature from McCharty – 4Ps Model (1960), Kotler, Zaltman (1971), Booms, Bitner –7Ps Model (1981), Andreasen (1994, 2002), French, Blair-Stevens (2006), the publication’ s authors observe that the majority of “modern” definitions adopted the vision of enhancing social and economic objectives, by using traditional methods/knowledge of marketing. Thus, they argue that social marketing is more than a communication campaign or advertising and consider important elements price determination and distribution (Doherty, Foster, Mason, Meehan, Meehan, Rotheroe, Royce, 2009, p. 141).

Taking into consideration the analyzed definitions, this paper takes the position of adopting Definition 2 “**Social marketing is concerned with the application of marketing knowledge, concepts and techniques to enhance social as well as economic ends. It is also concerned with analysis of the social consequence of marketing policies, decisions and activities**” Lazer, Kelley (1973).

This position is in the line with the result-definition of social enterprise, as the following statements:

1. *social marketing is concerned with the application of marketing knowledge, concepts and techniques in the line with the business type or private activity of producing and providing goods and services of social enterprise*
2. *enhancing social as well as economic ends in the line with reinvesting surpluses in reaching social aims*
3. *analysis social consequences of marketing policies, decisions and activities in the line with a high level of social responsibility and a certain participation level of stakeholders.*

3. Conclusions

The paper achieved its aim, the one of answering the question *whether or not this type of organization can comply with social marketing peculiarity*. It was confirmed that **social enterprise can comply with social marketing peculiarity**. The limitations of the statements are related to the “subjective” position of the author regarding the result-definition of social enterprise. This demonstrates that a marketing approach for social enterprise is a challenging topic and this paper is the begging of future research in the domain of marketing for social enterprises.

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EU Enlargement between Economic and Political Criteria

Romeo-Victor Ionescu¹

Abstract: The paper answers at two important questions: Is the EU able to support new adhering processes? and Is the Euro area able to enlarge in 2014? The comparative analysis in the paper covers four economic competitors: EU, USA, China and Japan, and is based on GDP growth rate, unemployment and inflation rates. The second part of the paper deals with an economic forecast during 2015-2016, focused on EU27, Euro area, Croatia and Latvia, in order to discuss the effects of the adhering to EU and Euro area. The results of the two-level analysis are supported by pertinent diagrams and annexes. The analysis uses a neutral statistical database – Eurostat – and dedicated forecast software. The main conclusion of the paper is that the adhering processes from 2013 and 2014 are based on economic and political criteria.

Keywords: adhering process; growth rate; unemployment rate; inflation rate; sustainable development

JEL Classification: R11; R12; R13

1. Introduction

The global crisis is the greatest challenge yet. All world economies implemented economic and social programs in order to start the economic recovery. Some of them succeeded in achieving better economic growth rates. On the other hand, EU27 was not able to obtain the same economic growth rates as its main global economic competitors: USA, Japan and China. Moreover, the economic recovery is worst across Euro area.

The economists became very interested when EU announced Croatia adhering to the EU27 this year and Latvia future adhering to the Euro area in 2014. The problem is that these two strategic movements have solid economic basis. The paper deals with comparative analysis during two levels. First step is an analyses based on latest official statistical data and covers 2011-2014 time period. Second level is that connected to a forecast for 2015-2016, in order to analyse the first effects of these two enlargements on EU and Euro area.

2. Global Economy under the Crisis' Impact

During 2011-2012, the main economic actors faced to great socio-economic difficulties. As a result, it is not easy to realise stabilisation and to support modest economic expansion, especially across the EU. The global economic evolution may be analysed using three pertinent indicators: GDP growth rate, unemployment rate and inflation rate.

According to GDP growth rate, there are great disparities between the most important global economic actors (see Figure 1).

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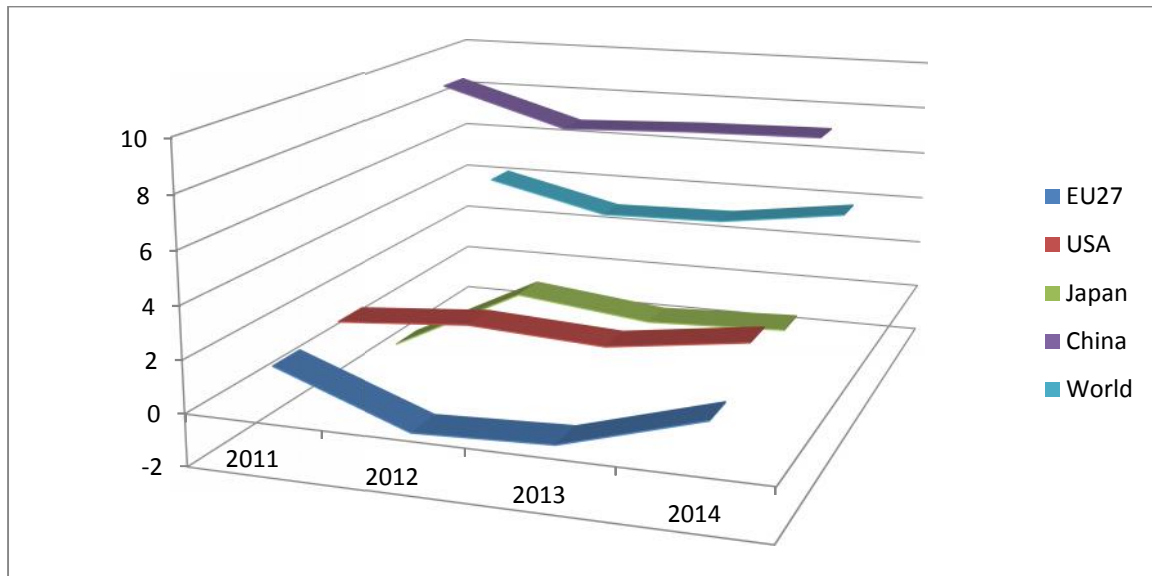


Figure 1. GDP Growth Rate (%)

Source: Personal contribution

According to Figure 1, there are great disparities between China and its most important competitors. Moreover, the world average economic growth rate is greater than in USA, Japan and EU27 (European Commission, 2013).

There is not official information about unemployment and inflation rates in China and across the world economy. As a result, EU27 faced with higher inflation rates than USA and Japan. This trend is forecasted for 2014, as well (see Figure 2).

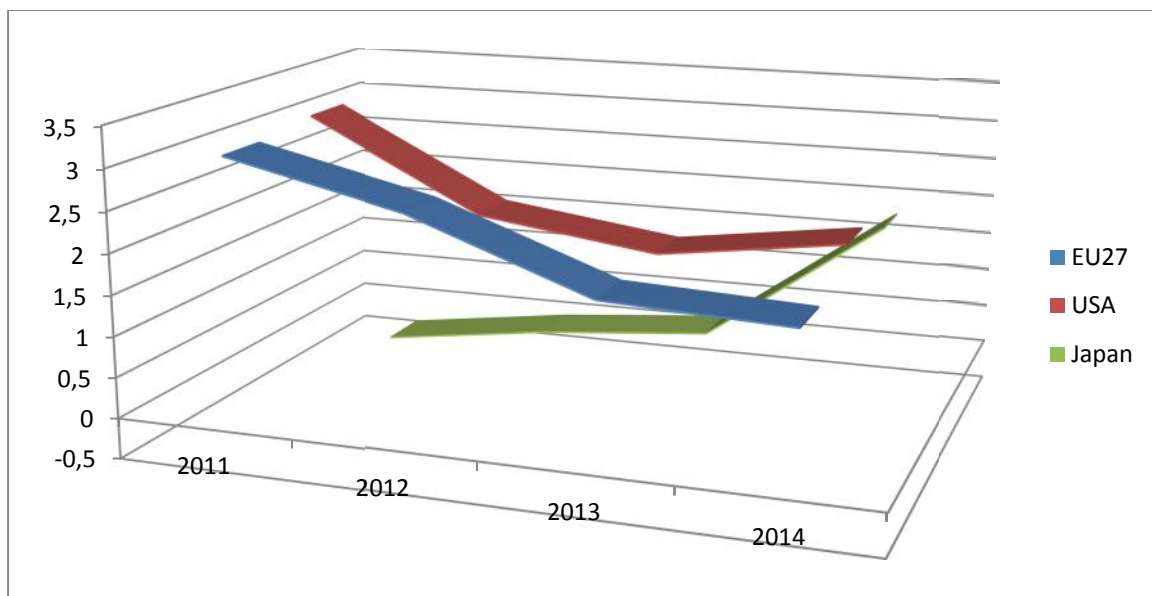


Figure 2. Inflation Rate (%)

Source: Personal Contribution

The unemployment rate increase in the EU27 during 2011-2013. The forecasted value for 2014 is about 11.1%, greater than in USA (7.2%) and Japan (4.2%). As a result, EU27 face to a great problem on the labour market (see Figure 3).

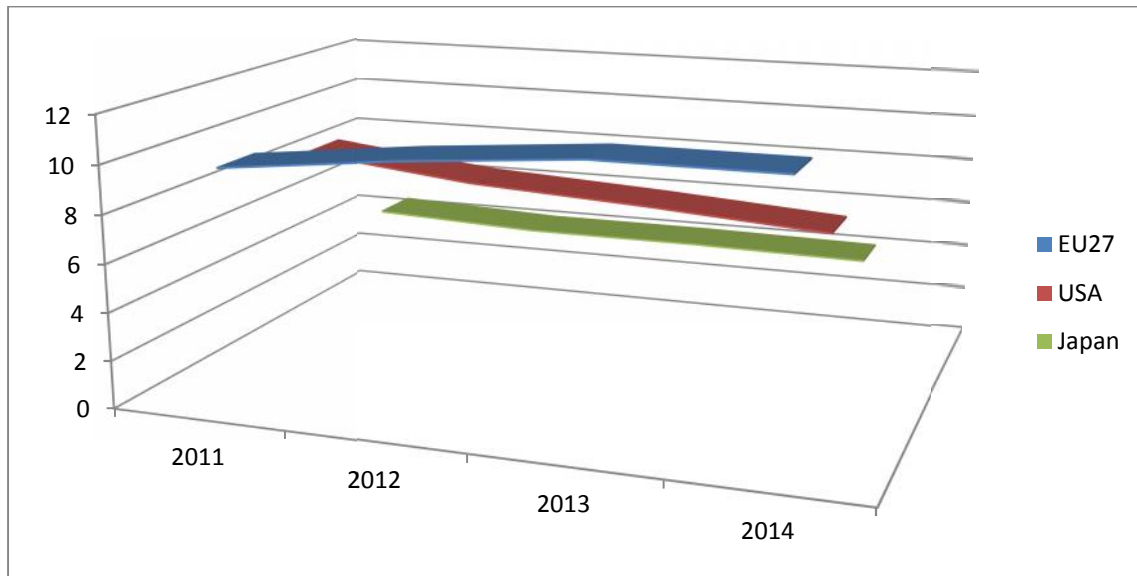


Figure 3. Unemployment Rate (%)

Source: Personal Contribution

During 2011-2013, the unemployment rate was practically the same in Japan and decreased in USA. The trend of this indicator was opposite in the EU27.

3. The New European Union 28

Croatia became the 28th Member State at 1st of July 2013. It was the result of the transition from economic stabilisation to modest expansion across the EU27. Moreover, Latvia will adhere to Euro area in 2014. But these new adhering processes are supported by economic trends? In order to answer to this question, we will use the same above three economic indicators.

According to EU27 GDP growth rate, Croatia achieved lower performances during 2011-2013 and the forecast is not positive for 2014. On the other hand, Latvia has better economic growth trend than average Euro area (see Figure 4).

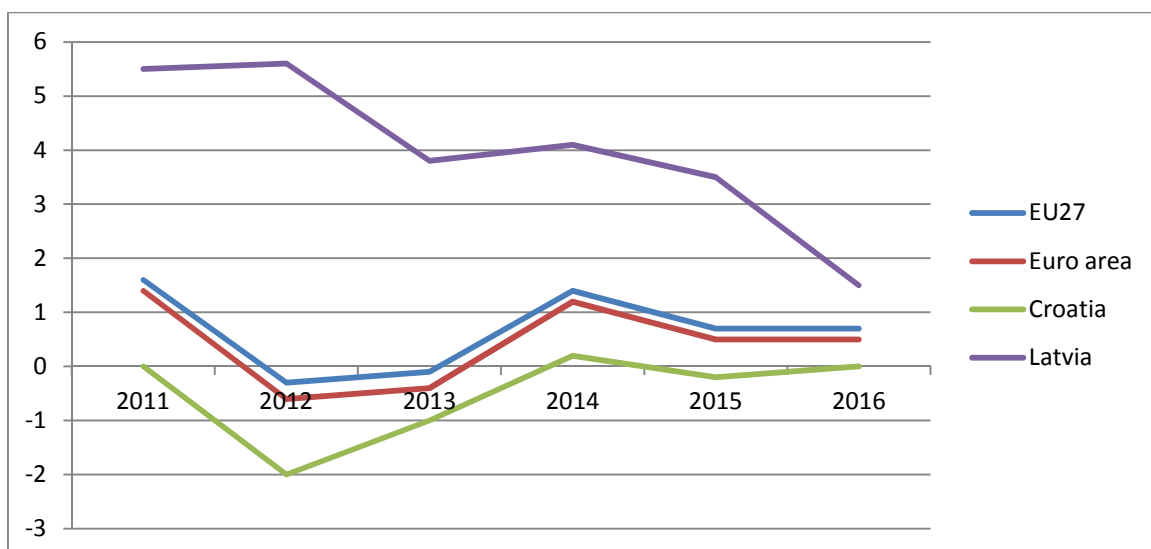


Figure 4. GDP growth rate (%)

Source: Personal contribution

The situation will become worst during 2015-2016. This is the result of the forecast realised using SPSS19 soft. Croatia will face to an economic decrease, while EU, Euro area and Latvia will stagnate (see Annex 1).

There are greater disparities connected to the unemployment rate. During 2011-2013, the unemployment rate increased in EU27, Euro area and Croatia, but decreased in Latvia. On the other hand, the unemployment rate in Latvia was 1.5% greater than the Euro area's average (see Figure 5).

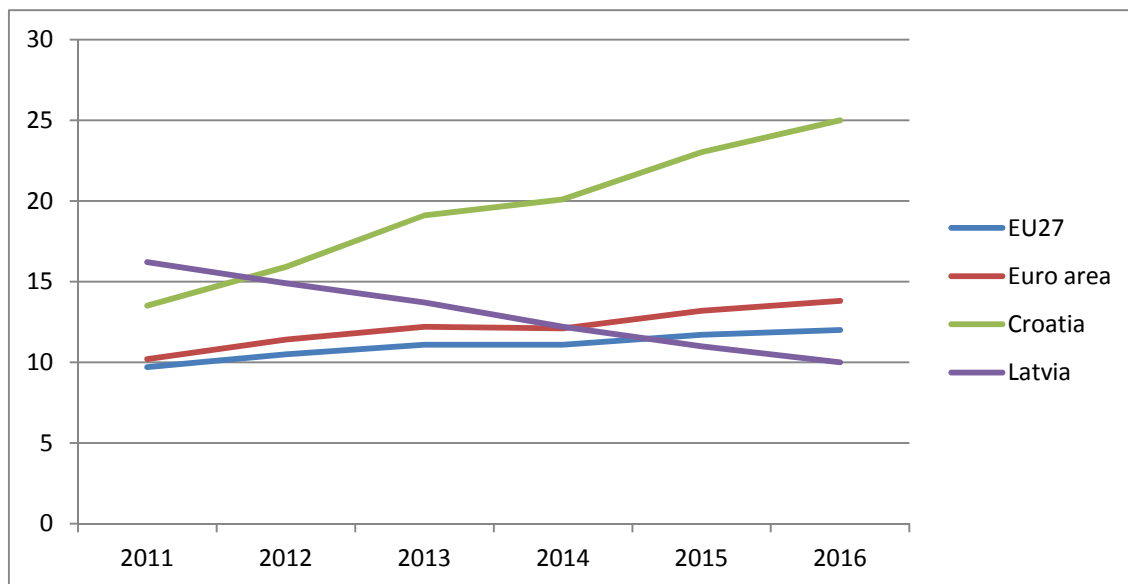


Figure 5. Unemployment Rate (%)

Source: Personal Contribution

The same forecast software talks about worst unemployment rates during 2015-2016, excepting Latvia, even that it will face to double-digit rates (see Annex 2).

All four above economic entities succeeded in decreasing the inflation rate during 2011-2013. On the other hand, the inflation rates in EU27 and Euro area and Croatia are higher than in Latvia in 2013 (see Figure 6).

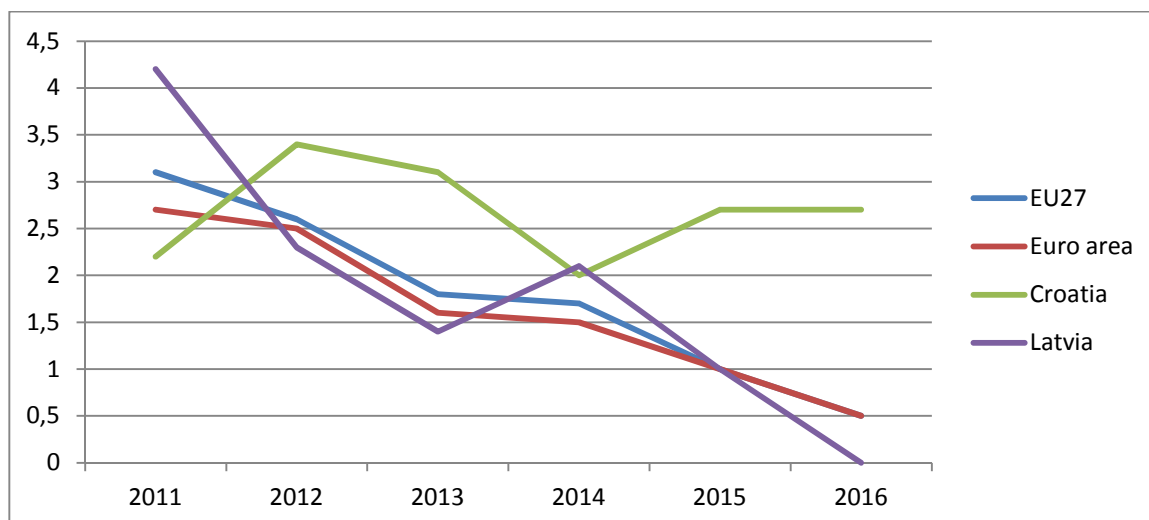


Figure 6. Inflation Rate (%)

Source: Personal Contribution

During 2015-2016, EU27 and Euro area will have the same economic trend. A better trend will have Latvia, but Croatia will face to a higher inflation rate (see Annex 3).

4. Conclusions

Recession marked the year 2012 across the EU27 and the Euro area. A low economic recovery started in 2013 and will continue in 2014. The same trend has the global economy, but USA, China and Japan will achieve better economic results (Ionescu, 2013). As a result, EU27 presents an economic lag related to its main global economic competitors (Vogel, 2011).

The new Member State – Croatia – is not able to support better economic growth in the EU28, at least during 2015-2016. Moreover, Croatia will face to a worst economic situation – related to the EU average – at least on short time. As a result, Croatia's adhering to the EU was not an economic decision. It was a political signal in order to present the EU as a dynamic organisation, able to face the global crisis' challenges and able to support a sustainable economic recovery. The political and economic costs of this strategically decision will be counted on medium term.

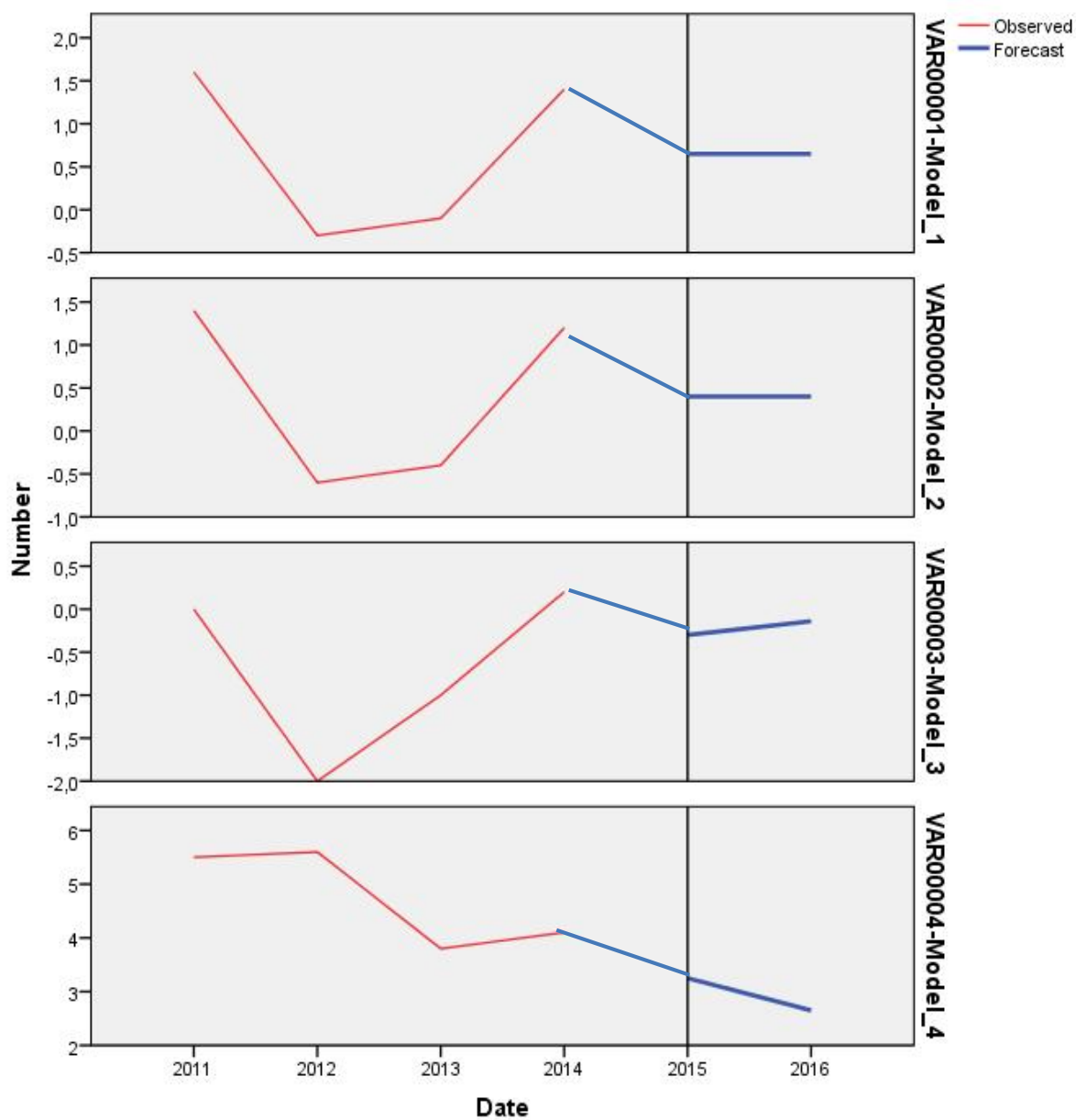
On the other hand, Latvia's adhering to the Euro area seems to be better. During the pre-adhering period, Latvia achieved an average inflation rate of 1.3% (less than the reference of 2.7%), a budgetary deficit of 1.2% of GDP in 2012 (less than the reference of 3.0%) and a public debt of 40.7% of GDP (less than the reference of 60%). The economic forecasts for 2015 and 2016 are good enough, as well.

On the other hand, Latvia's adhering is a political signal, in order to stop the voices who ask for going out Euro area in some Member States.

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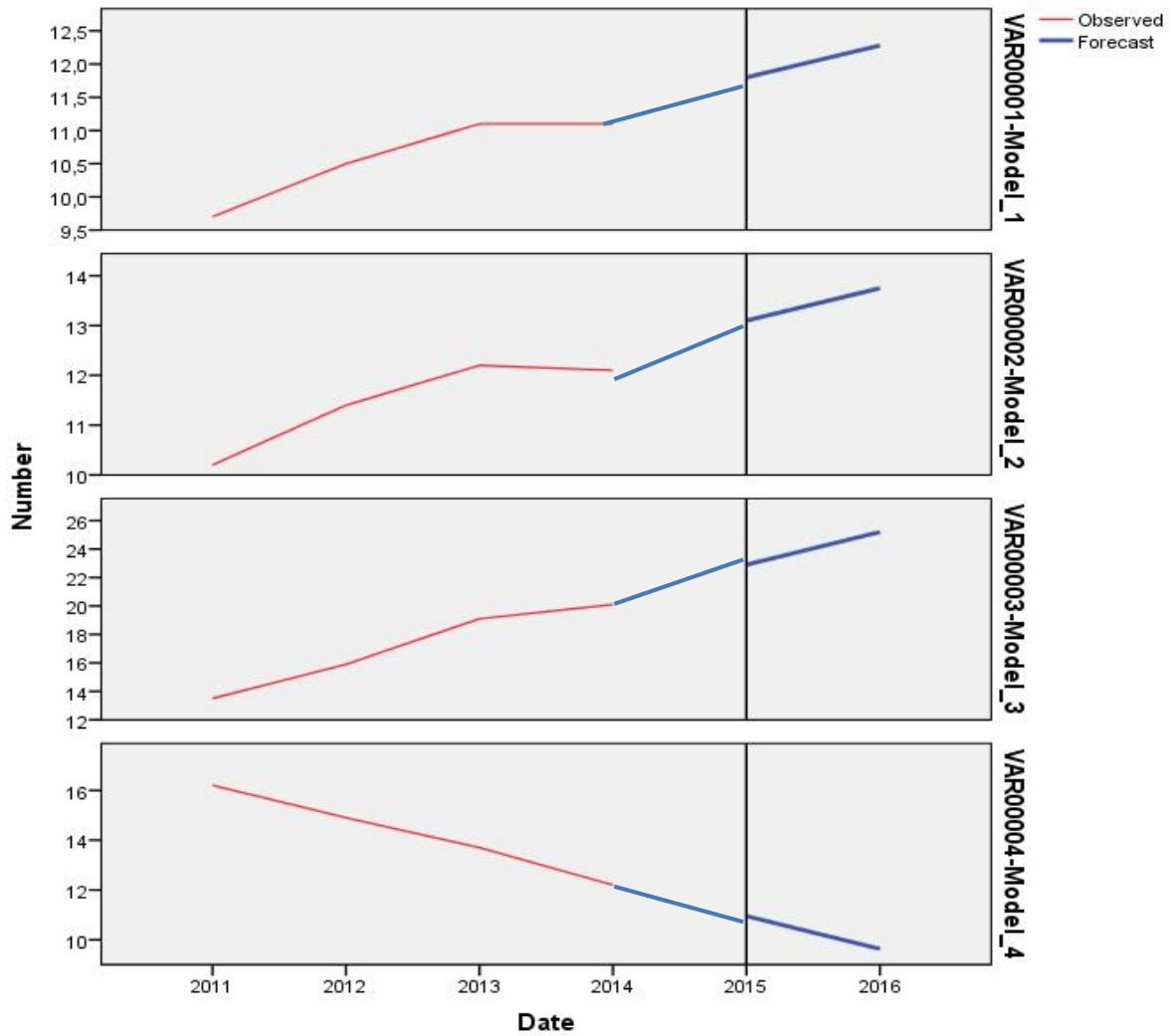
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Annex 1



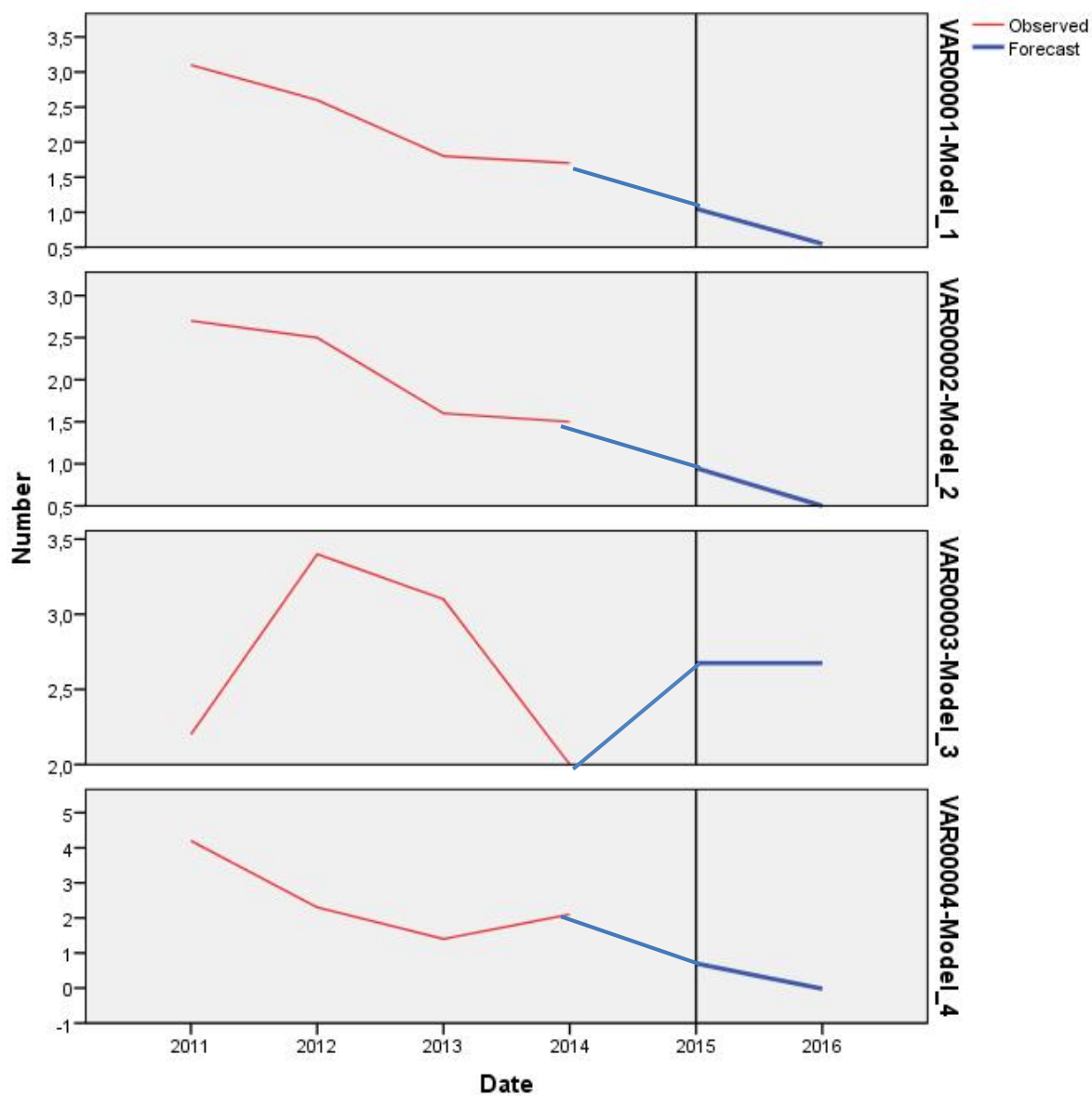
VAR00001 – EU27; VAR00002 – Euro area; VAR00003 – Croatia; VAR00004 – Latvia.

Annex 2



VAR00001 – EU27; VAR00002 – Euro area; VAR00003 – Croatia; VAR00004 – Latvia.

Annex 3



VAR00001 – EU27; VAR00002 – Euro area; VAR00003 – Croatia; VAR00004 – Latvia.



THE 8TH EDITION OF THE INTERNATIONAL CONFERENCE
EUROPEAN INTEGRATION
REALITIES AND PERSPECTIVES

**Foreign Direct Investments –
Challenges and Perspectives for Romania**

Cristina Batusaru¹, Alexandra Vasile², Ilie Banu³, Marin Popescu⁴

Abstract: In the context of globalization of markets, foreign direct investments have an important role in terms of supporting endogenous growth factors, on the one hand and the circuit of financial flows between countries, on the other hand. If we refer to the effects of the economic crisis on economies, ISD may represent capital infusion instruments for affected economic sectors, contributing to faster recovery of economic gaps that occurred. By studying this topic of FDI we consider the great impact and benefits that they can bring, being essential element in the development of a country, as in the case of Romania. This paper presents the main trends of international financial flows for the period 2008-2012, whereas in the context of economic globalization requires an overall analysis of country-specific FDI performance as it helps in improving and optimizing strategies adopted by foreign transnational companies. In order to underline their importance and necessity, we study the situation of Romania in this field by analyzing the performance of countries in attracting direct foreign investments. Following the study conducted it has been made a number of conclusions and recommendations on how to improve this process in Romania. Academics, researchers, administrators of the university all have a great responsibility on how they support to attract FDI in Romania, even if we refer to work force that they form, the ideas they can provide in supporting and developing this process or by sharing the “know-how” related to the many fields that FDI can have an impact on. This paper aims to bring on the loop the main strengths and weaknesses that Romania has in the field of FDS and invites the readers interested on the topic to involve by providing feedback in order to improve this process in Romania.

Keywords: ISD; economic crisis; economic growth; global markets

JEL Classification: F21

1. Introduction

Given the dynamics of the global economy, foreign direct investment is one of the most active components of it, is a key factor in process of globalization. The surge in multinational company activity in the developing world has opened a new chapter in globalization. Developed countries are being integrated into the global economy through growing foreign investments (McKinsey, 2003).

This paper presents the main trends of international financial flows for the period 2008-2012, whereas in the context of economic globalization requires an overall analysis of country-specific FDI performance because it helps to the improvement and optimizing the strategies adopted by foreign transnational companies.

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Since foreign direct investment had an important role in stabilizing the macroeconomic processes in Romania, such as the revival of economic growth, we conduct a SWOT analysis in which we studied the performance of Romania in attracting these financial instruments.

At present, the concept of direct foreign investments knows a broad spectrum of definitions. The Organization for Economic Cooperation and Development defines direct foreign investment as: "investment carried out with the aim of establishing the long-lasting economic relationships, which makes it possible to exercise a significant influence over the management and which is carried out in the host country by non-residents, or abroad, by resident by: the creation, the extension of an undertaking, branches (owned as to 100 %) or purchase whole package of shares in an existing company; participation in a new company or existing; loans for a period of at least 5 years".

Under the aspect of parties involved direct foreign investment can be defined as " the relationship long-term investment made in the name and by personal effort by an investor in a State other than the resident or as a result of a contractual relationship between a resident entity and a non-resident entity and involves the exercise of significant management investor who invested enterprise"(Moldovan I, 2010).

The literature in the domain had focused on providing a theoretical rationale for FDI mainly through the industrial organization economics research stream; e.g. costs of doing business abroad and internalization (Hymer, 1960; Kindleberger, 1969), firm specific competitive advantages (Buckley and Casson, 1976; Caves, 1971), risk diversification (Rugman, 1979), product-life-cycle theory (Vernon,1966) and the eclectic paradigm (Dunning, 1980). Traditionally FDI trends have been analyzed through country-level FDI determinants such as economic and political stability, host government policies, market size, GDP, cultural distance, tax rates, wages, corruption, and production and transportation costs (Barkema and Vermeulen, 1998; Hofstede, 1980; Nigh, 1985; Sethi et al., 2003).

The institutional economics literature examines the government's role in providing a suitable environment for FDI through an open economy, stable currency and investment incentives (Noorbakhsh and Paloni, 2001; Woodward and Rolfe, 1993). As a result of the specialized literature study was considered necessary (interesting) performances evaluation Romania regarding ISD and to conduct a SWOT analysis.

2. The ISD Situation in the Actual Context

In the last decades of the twentieth century, foreign direct investment has been a farmer trend unprecedented. The highest level was reached in 2000, the next period being marked by a regression of foreign investment.

Between the years 2003-2007, international financial flows have resumed trend, until 2008, when the global economic crisis left its mark on the entire world economy, including on foreign direct investment. Negative effects had an impact especially on reducing access to sources of funding, which has affected the ability of firms to invest, and a tendency to companies to make investments, due gloomy perspective economy, markets and the risks. According to the report published by UNCTAD, "World Investment Prospects Survey 2009-2011, a young man aged 2009", 2009 represented a year of considerable reduction of flows ISD, their trend continued to be the same as in 2008.

In 2009 including big investors such as France, Germany and Japan have recorded declines of international financial flows, by subtracting the 46% compared with the same period in 2008 in

emerging markets and 57% in developing countries. The results of year 2009 shows negative effects of ISD flows, reducing these being dramatic.

Also in the UNCTAD report shows that companies in emerging countries in Asia and the companies in North America that have done investment increases have been registered, because the business environment stable and policies favorable to foreign investments. In addition, they have been optimistic submits in respect of their own corporate investment in Japan and Europe. In addition, companies in Asia have proposed to expand their investments in the year 2011. 57% of the total Asian companies have managed to adopt strategies of internationalization.

The situation in Europe is quite different, because of economic crisis felt strongly by European countries. If the vision to companies in countries in Asia and North America is one optimistic, the one of the European countries is pessimist, especially due to the fact that it predicts a minor return expense ISD after falling to a minimum of the latter in 2009.

Particularizing the case of Europe, in the period 2008-2012, FDI remained at a relatively low level, and the year 2011 will be a replay of FDI flows, as one generally optimistic visions countries.

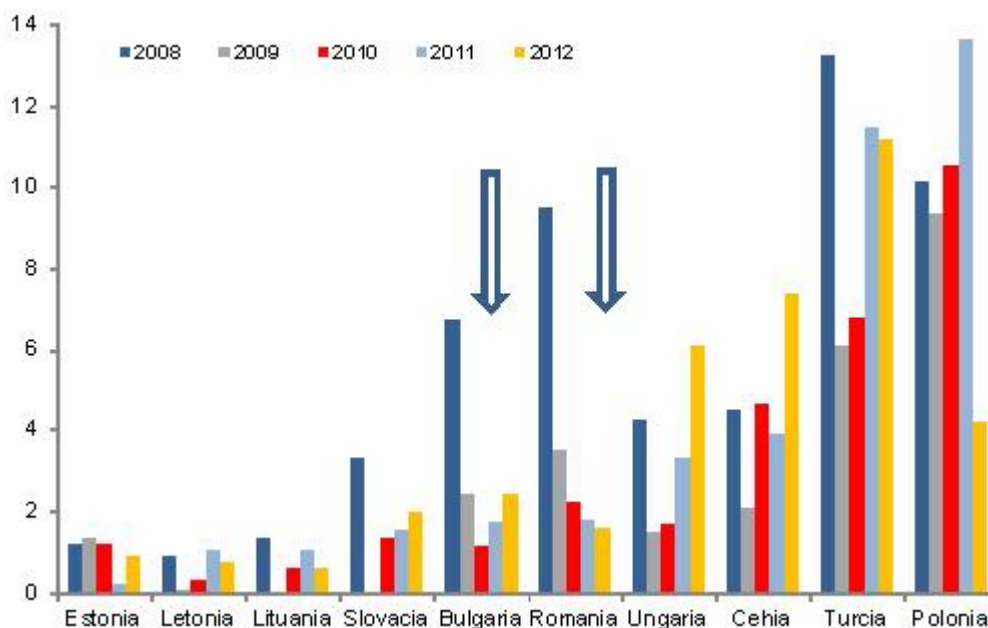


Figure 1. Annual flows of foreign direct investment (billion EUR)

Source: Eurostat, National Bank (BNR)

As shown in figure above it can be seen that 2009 represented aggravation of the effects of the year 2008, the class at large negative effects of financial crisis, and the year 2011 will represent a resume of flows ISD, visions of countries as one generally optimistic.

For the following period, a study conducted by Ernst & Young in 2012 relating to "European attractiveness survey ", the most attractive country in Europe concerning the infusion of foreign capital over the next three years, shall be in the following format:

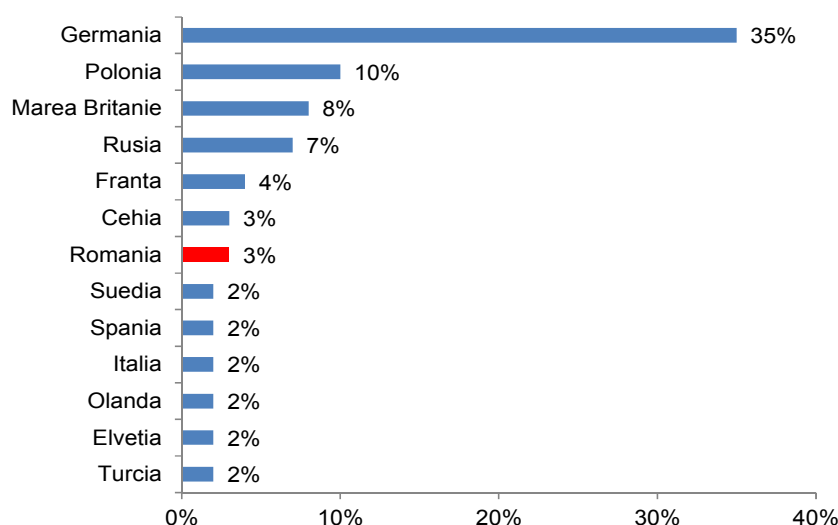


Figure 2. The most attractive country in Europe in the period 2013-2015

Source: Ernst & Young European attractiveness survey 2012

3. Analysis Romania's Performance in Attracting Foreign Direct Investment

Investment potential of our country has always been attractive to foreign investors but, the opportunities of penetration on the Romanian market have resulted from the year 1997, once with the modification of the legislation our country's reform and the beginning of the privatization of the state-run companies in the various industries in our country.

Foreign direct investments are dispersed in all sectors economy, and investors derived mainly from Europe. Starting with 2007, foreign direct investment in Romania is at a similar stage of maturity showing an upward trend, while maintaining country on the second position in the top member Eastern Europe, after Poland. The amounts of foreign investments in Romania have been recorded at an average value of 7.7 billion dollars (5.5 billion Euros), which ranks 30 in a world top conducted by the Economist Intelligence Unit (EIU, 2007). In 2008 Romania ranked first position among the most attractive country for investors from southern Europe, having a percentage of 52% of the total investments, followed by Turkey, Bulgaria and Greece. From the publication quoted documents show that in 2009, the percentage dropped to 36.4%, expected to up to 2013 the percentage direct foreign investments to reach 30%. According to statistics of Romania's National Bank flows a situation direct foreign investment in Romania, period 2008-2012 relative shall be in the following format:

Table 1. Flow into foreign direct investment in Romania period 2008-2012 relative

Years	Participation in the capital	Credits intra-group
- Million Euros		
2008	4873	4623
2009	1729	1759
2010	1824	396
2011	1817	594
2012*	916	288
		Reinvested Profits
2012*		73

* Provisional data

Source: BNR reports

The flow rate foreign direct investment in Romania has been in 2008, 9496 million Euros (the largest value), arriving in the following year (decrease) to 3488 million Euros. Significant decline has registered and to credit intra-group (from 4623 million euro in 2008 to 396 million Euros in 2010). After provisional data of the central bank (BNR) in 2012, the value foreign flows direct investment amounted to 1204 million Euros, 73 million Euros reinvested profits.

3.1. SWOT Analysis on Romania's Performance in Attracting Direct Foreign Investments

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> ➤ Natural resources; ➤ Energy resources; ➤ Geographical position which gives Romania's potential in order to become a regional center developed between Western Europe, eastern Europe and Balkan countries; large workforce of low cost and with an acceptable level of initial education; ➤ Romania's experience up to this moment in attracting foreign direct investments. 	<ul style="list-style-type: none"> ➤ Lack a stable business environment and policies favorable to foreign investments; ➤ Instability and economic policy with negative influence on the stability national economies ; ➤ Legal systems unpredictable; ➤ Poor progress of reforms; ➤ Still considered excessive bureaucracy; ➤ Underdeveloped administrative capacity or ineffective; ➤ Degraded infrastructure/ poor accesibility within an outside the country.
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> ➤ Increased relations between countries in the context of globalization; ➤ Reducing disparities between Romania and other developot countries; ➤ Restructuring and upgrading national economy ; ➤ Ensuring sustained economic growth; ➤ Transfer of high technology and modern management in the member destination of foreign direct investment; ➤ Increase production and the quality of products, works and services as an offer in accordance with the standards of the developed countries; ➤ Creation of new places of work; ➤ Access to new markets. ➤ Foreign investors can bring a broad range of skills that enable them to improve domestic sector productivity and grow output. 	<ul style="list-style-type: none"> ➤ Grater exposure to competition in global markets; ➤ Other global economic downturns; ➤ Possible administrative corruption at all hierachical levels/ decision makers; ➤ Foundations for economic development are critical ➤ Popular incentives to foreign investments are not the primary drivers of multinational company investment and instead can have negative and unintended consequences.

4. Conclusions and Recommendations

In our opinion, foreign direct investment had an important role in macroeconomic stabilization processes in our country and in re-launching economic growth, with all that the effects of driver and spread have not been recovered in full, causing some key points on which it is necessary to act.

Of these remember:

- create a stable business environment which is also reflected by legal systems and coherent tax policy very attractive to foreign investors, as well as: exemptions from the payment of the profit tax for a period of time, deduction of tax on the basis of the value of investments;
- creation of financial facilities such as granting loans with reduced interest;
- facilitating investors on the Romanian market by reducing excessive bureaucracy;
- development of infrastructure with a view to improving accessibility in the territory of the country;
- vocational guidance of human resources in areas which have as their objective to attract ISD through access to the "know-how" in order to implement and the administration of such tools investment.

Foreign direct investments help certainly local economy, making it possible to increase productivity and production in each of the sectors concerned, increasing at the same time national income as the price reductions and the improvement of the quality and supply of services and products for consumers. Foreign investments do not have proved to be beneficial only for the industry in which it has invested directly, but have caused the collateral positive effects for the whole economy. Because of numerous benefits of foreign direct investment, we consider that these are an essential element in the economic development of a country, an example in this aspect is even Romania.

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Green Economy – A New Dimension of Development

Raluca Mihalcioiu¹

Abstract: The “Green Economy” has been recognized by the international community (United Nations) as a key strategic tool for sustainable development. The transition to a green economy must be a task for all countries - for developing but also for developed countries. Economy and consumers should therefore be able to accelerate the economic transformation for their own interests. In developing this concept representatives of business, trade unions and environmental organizations are involved to ensure the practicability and application ways. After 4 years of crisis the concept of the green economy is an important principle if not to avoid but at least soften their negative effects. This paper focuses on definitions upon the concept of green economy and describes its characteristics in relation with the social market. It also tries to find the answer of the question if the green economy is the best way to choose in order to provide a sustainable economic development. Moreover, the article critically examines the concept of the green economy at the intersection between environment and economy.

Keywords: sustainable development; economy; environment; performance; social equity

1. Introduction

As a new global economic paradigm the concept of green economy wants to help the sustainable development breakthrough. But its social skills still need to be proved. In the search for sustainable economy and development models, the concept of “green economy” increasingly takes place of the term of „sustainability”, and it is also based on the idea of a global “Green New Deal”. But while the United Nations Environment Programme (UNEP) defines „Green Economy” as an economy which improve well-being and social equity, while significantly reducing environmental risks and ecological scarcities, many doubt that the concept of Green Economy is able to stimulate the idea of sustainable development.

2. Definitions of “Green Economy” and Sustainability

According to the definition of the World Commission on Environment and Development from 1987, the so-called “Brundtland Commission”, the concept of sustainable development describes a process that meets the needs of the present generation without compromising the ability of future generations to meet their own needs. Sustainable development thus combines economic development with the protection of the environment and natural resources as well as social needs.

Can be added anything new to this concept of sustainable development? For the definition of “green economy” were formulated different approaches by both the United Nations Environment Programme

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(UNEP) and the International Chamber of Commerce (ICC). According to the Environmental Economy Report 2011 of the Federal German Environment Ministry, the concept of „green economy” is based on the knowledge that an economic system that destroys the natural resources cannot create a sustainable prosperity. The concept thus includes the transition to an economy that operates within environmental principles and it can be characterized by the following features:

- the continuous reduction of harmful emissions and pollutant entries into all environmental bodies;
- a recycling economy, will be closed as much as possible in the biogeochemical cycles;
- an absolute reduction of resource consumption through more efficient use of energy, raw materials and other natural resources, and by the substitution of non-renewable resources with renewable resources;
- the protection of the environment;
- a power supply that is based exclusively on long term renewable energy;
- the conservation of biodiversity and restoration of natural habitats.

After a broader definition of the concept, the green economy is an economic system, which is characterized by innovation-driven, ecological and participative growth and is supported by two pillars: on the one hand, a strong environmental technology sector, on the other hand of companies with wide experience in sustainability sectors of the economy, that pursues a sustainable development strategy. These companies have integrated sustainability into all levels of their management system (“Sustainable Business”). In this case, four stakeholder groups affect the development of the Green Economy: politics, business, customers and investors.

Therefore, a green economy requires production processes, products and services that help organize the economic development within environmental guidelines so that climate, air, water, soil and biodiversity are not affected beyond its physical boundaries. From this it can be drawn the conclusion that the term “green economy” is an important subject in a sustainability strategy because it integrates both the environmental and economic pillars at the same time by putting a lower emphasis on the social pillar.

3. The Transition to a Green Economy in Germany

The progress in the transition process to a green economy is often moored in the development of energy and resource productivity, which is also the first of the 21 indicators, which are listed in the national sustainability strategy. The second indicator follows the development of the emissions of the six greenhouse gases under the Kyoto Protocol. For this, it contributes especially the use of renewable energy sources for electricity and heat generation in addition to the energy savings and increased energy efficiency. For these indicators, targets and actual values can be compared with each other.

The goal of the National Strategy for Sustainable Development is a doubling of the overall economic energy productivity by 2020 compared to 1990. In addition, the primary energy demand from 2008 to 2020 should be reduced by 20%. In fact, the energy productivity increased from 1990 to 2011 by 47.7%, measured as the price-adjusted GDP per unit primary energy consumption in Germany (as shown in figure 1.)

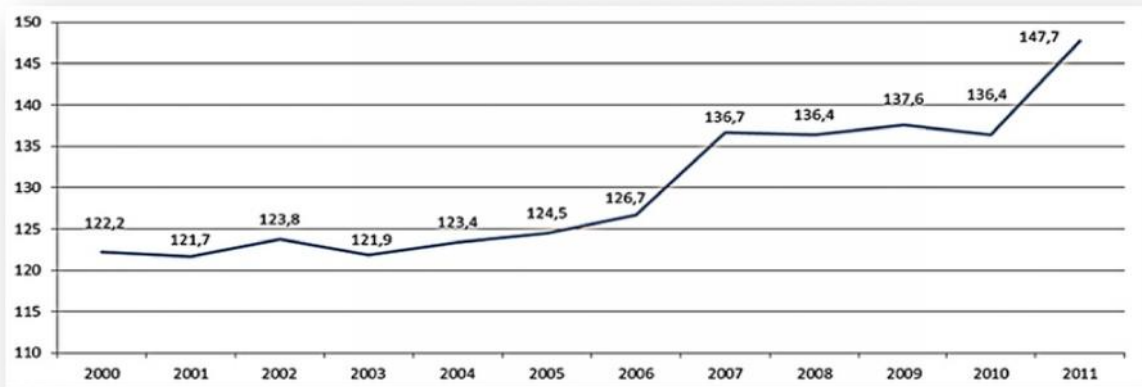


Figure 1. Development of Energy Productivity in Germany 2000-2011

Source: Federal Statistical Office

However, during that period the absolute reduction in primary energy demand was only 6.8%, so the increase in efficiency was thus largely offset by economic growth. A continuation of the previous average rate of development would be sufficient neither for productivity nor for the energy in primary energy consumption to achieve the goals set by the year 2020.

Similarly is the relation of the raw material productivity, measured as the price-adjusted GDP per ton inserted abiotic primary material. This is to be doubled according to the National Sustainability Strategy until the year 2020 compared to the level of 1994. In fact, it has increased 1994-2011 by 43.6%, although recently entered a decline of 4.5 percentage points (as we can see in Figure 2).

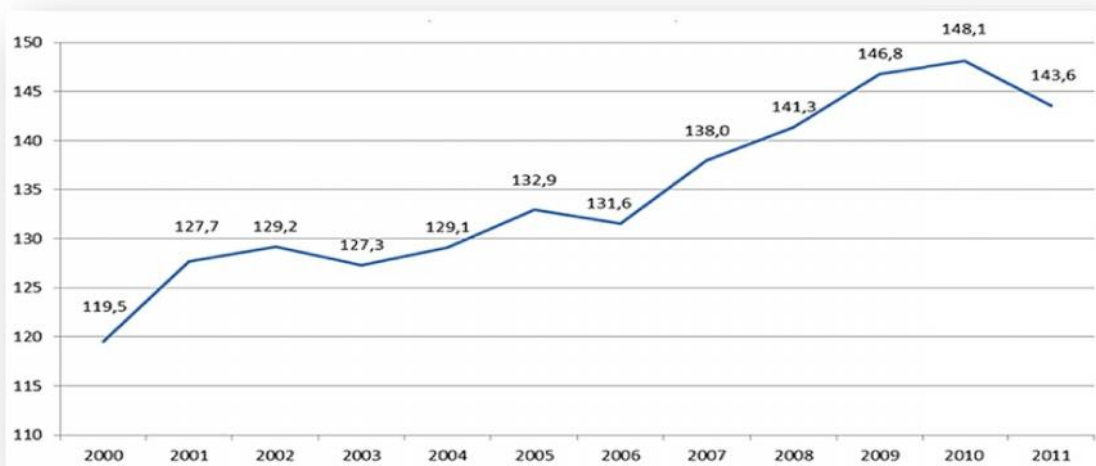


Figure 2. Development of Resource Productivity in Germany 2000-2011

Source: Federal Statistical Office

Thus, although the indicator developed in the right direction, the pace of increase in the last five years would not be sufficient to achieve the target.

Finally, according to the Renewable Energy Directive of the EU, the share of renewable energy in total gross in the EU has to increase to 20% by 2020. There is a target value of 18% for Germany. In respect of production is the goal of the federal government to reach a share of 35% renewable energy

by the year 2020. The share of renewable in final energy consumption in Germany accelerated from 1.9% in 1990 to 12.5% in 2011. This shows that the target would be achieved without problems if the development of the last five years were to continue like this.

Its share in gross electricity consumption grew in the same period from 3.1% to 20.3% at, which the interim target for 2010 (12.5%) was significantly exceeded. Thus, the process of transformation to a green economy in terms of renewable energy expansion reached a high degree of achievement, in terms of energy and resource productivity. It still exists however, the risk of missing the target.

4. Rebounding - Effects

These partial successes on the way to a green economy can be put into question entirely from a growth-critical position. As we can see from the indicators on sustainable development, the green growth strategies based on efficiency improvements have only limited success, as rebounding effects result by the increased efficiency in the use of energetic and non-energetic resources: the saved funds generate in turn an increased demand for the resource consumption associated with the services or a higher demand for other goods, which in turn increases the consumption of energy and raw materials that must be used. Thus, the initial efficiencies are neutralized or even overcompensated. In this case investment in green technologies lead to a reduction of the specific environmental pressures, but it doesn't drive to their absolute reduction.

Rebound-Effekte ließen sich dann nur vermeiden, wenn die durch Effizienzsteigerungen erreichten Einkommenszuwächse abgeschöpft würden oder man gleich auf Wirtschaftswachstum verzichtete. Eine allein auf Effizienz beruhende Strategie wäre demnach nicht ausreichend, um das Überschreiten ökologischer Leitplanken zu verhindern, sie müsste durch eine Suffizienzstrategie ergänzt werden, die, statt auf ein umweltverträgliches Wachstum des BIP zu setzen, stärker den Verzicht als gesellschaftliches Leitbild propagiert./ Rebound effects could be avoided only if the achieved efficiency gains through increases in income would be skimmed off or if one refrain the economic growth. Therefore, one based solely on efficiency strategy would not be sufficient to prevent the crossing of ecological barriers. They should be supplemented by a sufficiency strategy, which higher promote the renunciation as a role model instead of setting to a sustainable GDP growth.

5. Conclusions

Many developing countries and some emerging countries but also the civil society groups worldwide are skeptical to the concept of „Green Economy“. The main threats to critics are on the one hand a lack of differentiation of the concept. Especially economically weak countries fear that they cannot be covered in a „one size model“ that serves the interests of the rich countries but their own needs are however disregards. On the other hand, increasingly voices are heard, who say that the green economy approach is thought to shorten the development model of sustainable eco-economical and not to take sufficiently into account the social dimension. Moreover, it is feared, a Green New Deal could be abused by the industrialized nation's protectionism for the construction of a new, “green” and used to ecologically based conditionality financial support.

But also many people of industrialized countries face the challenge of a comprehensive structural change with conflicts run across industry, science, civil society and politics. This has not only positive aspects. This skepticism is fed by the uncertainty regarding the ability to compete in a “green” world,

but especially from the fear of loss of jobs and economic growth but also to exacerbate the social inequalities.

In emerging and developing countries must be developed strategies also by involving civil society actors, as the transition to climate-friendly low carbon economies in terms of a “green recovery” both within society and at the global level can be socially equitable. This involves a single recipe for overcoming the existing structural problems found. Rather, the common issues and challenges should be identified in order to develop models that take into account the economic structure and the political and socio-economic processes in each country. Very important to stress is also the degree and nature of specific county involvement in global processes.

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REALITIES AND PERSPECTIVES

Rational Choice, Consumer Vulnerability and Empowerment: Diverging Economic Perspectives and Issues for Debate

Mădălina Bălău-Ariton¹

Abstract: This paper discusses the issue of consumer choice seen from two quite diverging perspectives: rational choice theory and consumer empowerment as it is currently measured by available research at European Union level. The question we try to answer is: In what manner do the assumptions on consumer rational choice influence the actual understanding of choice and the improvement of the fairness of the choice? To this aim we review the basic theoretical ideas on rational choice and consumer empowerment, as well as the conclusions of previous research on Romanian consumers' empowerment current situation. The main finding of this analysis is that Romanian consumer choice needs more awareness, an increase of consumer skills and more active individual involvement in discussing these issues.

Keywords: rational choice theory; consumer choice; consumer empowerment; consumer vulnerability

JEL Classification: M31; M38

1. Introduction

In the context of the current economic development, individual choice is the elementary piece that summed up creates the whole economic transactions, thus the economy itself. There are many choices that can be assigned a cost and a benefit and as a consequence analyze the profitability of the choice. However, this perspective comes with its limitations, such as the fact that for calculating costs and benefits there must a monetary evaluation of all the preferences of consumers. From the standing point of the consumer this is seldom made, and there are many aspects that are hard to monetize, most of them related to aspects key to human life, such as health and education issues, and all aspects related love. At macro-economic level costs and benefits it can only be computed if there are money involved and their flow is clearly traced. Grey and black economy can only be estimated with a certain error, but they will hardly refer to key aspects of human life such those mentioned above. In addition to this comes the fact that at the moment of choice there are future benefits and costs that are many times difficult to estimate. This situation makes us arrive to the idea that the individual choice, the elementary piece of the current economic development, is highly imperfect and it would be beneficial for everyone to deeper analyze the process of choice.

These limitations of the theoretical perspective put a certain pressure on consumers and make of the realm of consumer choice a confusing and unclear area. In order to identify the aspects that put pressure on consumers mostly in an unfair way, we will look to the basic ideas of the rational choice theory and the main critique points that can be found, and next we analyze the situation of the Romanian consumer, starting from research report issued by the Joint Research Centre of the

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European Commission on Consumer Empowerment Index. Thus, we will look at the theoretical ideas of consumer empowerment as well as the way it is put into practice in the European countries. Surprising, or not, the Romanian consumer scores last among 29 European countries, Norway and Iceland included along with the EU countries. We can't but ask ourselves what are the main points where consumers fail to truly stand as an equal counterpart to the producers, and the retailers and we also question the involvement of the untested assumptions on consumers? So, the main question this paper will try to answer is: when do basic ideas on rational consumer overlap those of consumer empowerment or consumer sovereignty thus impeding each other? In our conclusion we reach the idea that further debate on the power consumer and his/her practical limitations is much needed but doubled by awareness on unquestioned assumptions about consumers, in consumer society.

2. Rational Choice Theory

Economists, sociologists and political scientists have started building the Theory of Rational Choice around the idea that all action is essentially 'rational' and people calculate the costs and benefits of any action before deciding what to do. Along with this idea comes the assumption that people are motivated by money and the possibility of making a profit, but, importantly, it created a simpler setting for the choice which enabled the construction of formal and predictive models of human behavior.

At its basis, Rational Choice Theory states that consumers make decisions by calculating the individual costs and benefits of different options of action and choose the alternative that maximizes their expected net benefits. Several key assumptions underlie the model, as Jackson (2005) highlights: (1) individual self-interest is the appropriate framework for understanding human behavior; (2) 'rational' behavior is the result of processes of cognitive deliberation; (3) consumer preferences are exogenous to the model, so their origin or antecedents are taken as given, without questioning them.

Even though this model has been extensively criticized it remains the guiding framework for all economic policies oriented towards regulating the transactions between consumers and producers. Among the main ideas for criticism there are the cognitive limitations of individuals' ability to take deliberative action, the influence of affective responses to this deliberation and the self-interested assumption denies the presence of social, moral and altruistic behaviors.

There are practical evidences for each point of critique. Many times, choice involves a multitude of mental 'short-cuts', such as habits, routines, heuristics, thus bypassing in a variety of situations the cognitive deliberation. At this point public policy for consumer protection comes with requests on information available for products, but is able to do this only after repeatedly discovering an unfair practice on consumers, that wasn't diminished by the consumers' power of rational choice. Marketing theory knows very well that consumers get to build affective relationships with products and decide at an emotional level what to buy and how to act. Some evolutionary neuro-physiology suggests that emotional responses precede conscious deliberation (Scott, 2000).

Rational Choice has in itself some benefits like the fact that it highlighted the importance of balancing costs and benefits while deliberating but keeping only this perspective on choice lets unexplained many human choices, and leads to unpleasant surprises as economic crises. Maybe the latter would be sooner perceived if not only costs and benefits are put into equation but also the emotional preferences and material symbols – the unspoken language of social interaction. On the other hand the argument that human behavior is rational continues to be valid, meaning that it has an orientation towards a set of final goals, and it isn't random. But these final goals can't be money, as rational choice would say,

nor approval, as Exchange Theory, developed from Rational Choice would predict. If by rational behavior we understand motivated behavior (oriented towards a goal), this perspective leaves apart the unmotivated behaviors (expressive behaviors), as Maslow (1954) identified, which are part of every person's actions.

3. Consumer Empowerment and Consumer Vulnerabilities

Consumer vulnerabilities refer to identifying those aspects where consumers need protection from economic policy decision-makers, as they may be the weaker part in their relation to businesses (Directorate-General for Internal Policies, 2012). Consumer protection is ensured at a certain level in all European countries and there are laws issued specifically for this end as well as institutions with the mission to ensure that these regulations are put into practice and respected. In an economic context, consumers are assumed to make rational choices, and consumer protection measures are generally introduced to support the consumer in his decision-making, and to deprive businesses of undertaking certain practices that are considered harmful to consumers.

For Danish consumers the preferred protection measure seems to be information requirements which support the consumers' rational choices and primarily vulnerable consumers are seen to gain much from the detailed rules on price information. In UK in April 2011 a Consumer Empowerment Strategy was published which notes that there hasn't been an attempt to deal with "vulnerable consumers" specifically as it is difficult to define this concept clearly, but under this term are seen those who have never used a computer, those who are widowed, those on low incomes and certain age groups are most vulnerable in at least some respects. Three particular initiatives are mentioned: (i) reforms to the post-transaction redress system to make dispute resolution easier; (ii) supporting the most vulnerable and disadvantaged consumers, particularly in dealing with information overload, product design and control, and in increasing awareness of alternative products and services; and (iii) making customer feedback provided on-line available to consumers who do not use the internet in order to facilitate their decision-making process. Under EU law "vulnerable consumers" mainly mean a rather stable group of consumers who are vulnerable because of their specific characteristics such as (mental or physical) infirmity, (young or old) age or credulity. In German law, the protection of vulnerable consumers is broader and also includes rather momentary and individual (unusually) exceptional situations of individual consumers in fear or under pressure. In Romania, the consumer protection law doesn't mention specifically any group of vulnerable consumers.

The term consumer empowerment is a rather new concept used to describe consumers' action and it is key to our analysis on consumers involvement in choice, since it provides the active perspective on the individual, and not passive, as coined by the vulnerability perspective. The empowerment of a consumer is a multifaceted concept encompassing skills, competences and rights, as well as the ability of the consumer to gather and use information and the capacity of the market to provide legal and practical protection devices (Nardo et al., 2011).

In sociology, Denegri-Knott, Zwick and Schroeder (2006) map the research on consumer empowerment presenting three dominant explanatory models: consumer sovereignty, cultural power and discursive power. Under the ideas of consumer sovereignty, a consumer is empowered when he or she is free to act as rational and self-interested agent. Consumers combine resources and skills to make producers do what they would not do otherwise. In the cultural model the market is a place of conflict between consumers and producers where the latter try to condition and control consumers' choices. Consumer empowerment resides not in the simple capability to stand firm against these maneuverings,

but it implies a strategic behavior, tactics to react to buyers' actions and motivations and processes whereby communities of various form resist and attempt to distinguish them from markets (Kozinets 2002). Finally, the discursive model recognizes a positive role to the interaction between consumers and marketers, who are co-responsible of the market definition (Denegri-Knott, 2004; Holt, 2002). The notion of consumer empowerment is also used in the marketing literature (Hunter and Garnefeld, 2008) to indicate both a subjective state/ experience related to an increase in abilities (Wathieu et al., 2002) or an objective condition related to greater information or understanding (Brennan and Ritters, 2004).

Len Tiu Wright (Wright et al. 2006, p. 926) suggests that consumer empowerment produces changes in consumers, who become less passive consumers in accepting whatever is offered by suppliers. She defines consumer empowerment, in marketing as *a mental state usually accompanied by a physical act which enables a consumer or a group of consumers to put into effect their own choices through demonstrating their needs, wants and demands in their decision-making with other individuals or organizational bodies in the marketplace*. She argues that the real danger is "ignorance".

4. Discussion on Consumer Choice in Romania

The Consumer Empowerment Index calculated by JRC considers three dimensions of empowerment: (1) consumer skills, (2) awareness of legislation on consumer rights and (3) consumer engagement. The pillar measuring "consumer skills" aims at measuring the ability to perform basic arithmetic operations deemed necessary for consumers to make informed purchase decisions. It includes basic financial skills as the capacity of identifying the best interest rate for saving or deposit account, or the calculation of a yearly interest on a loan as well as the consumers' ability to interpret packaging information and the various commonly used EU logos related to consumer information and protection. "Awareness of consumer legislation" describes the actual knowledge of consumers of several pieces of EU consumer legislation related to unfair commercial practices, length of guarantee rights validity, cooling-off period in distance or doorstep selling. "Consumer engagement" refers to many different aspects of consumer behavior: attitude in comparing products that aims at measuring the effort consumers make in obtaining information on products; consumer habits when reading terms and conditions aims at capturing consumers' behavior when signing contracts; interest in obtaining information on consumer rights measures the pro-active attitude of consumers when looking for information on their rights; tendency to talk captures consumer attitude to talk about negative and/or positive experiences; and detriment and redress is related to consumers' attitude when experiencing a problem causing a legitimate case for complaint.

Upon this index, Romania, Poland and Bulgaria rank at the bottom of the list with a score 31% lower on average, Romania obtaining a score of 11.05, while EU average is at 14.97 and ranking the last, Poland being the immediately above with a score of 12.46. Analyzing the score on the three composing pillars of the index, it results that awareness is the pillar where the gap between best and low performers is higher, followed by skills, while for engagement the country performance is more uniform. The figure below illustrates the values of the Consumer Empowerment Index on the three main pillars of consumer influence.

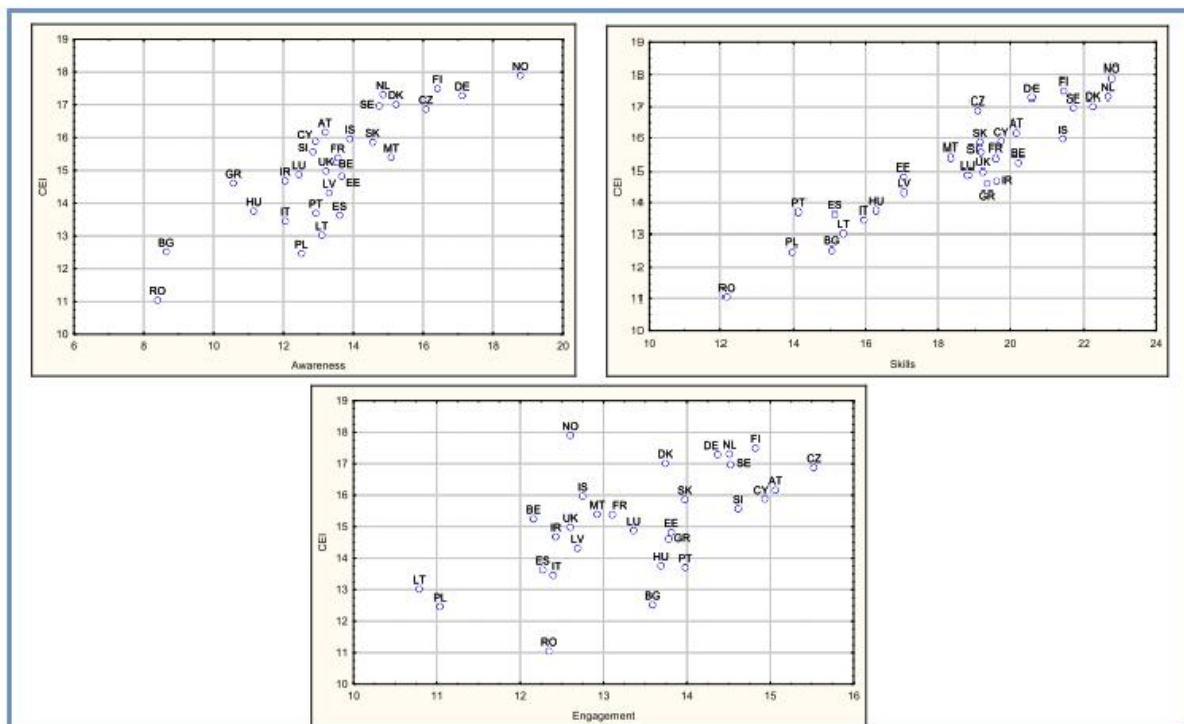


Figure 1. Consumer Empowerment Index

Figure 1 allows us to see how far are Romanian consumers situated compared to other European consumers, and it is obvious that it stands apart from the average on awareness and skills pillars, while for engagement the distance is smaller. We could say that Romanians are quite engaged in their actions as consumers but they lack the necessary skills and their awareness level is quite low. If we consider the affirmation above that “ignorance” is the worst thing that can happened to a consumer, then we can see that here we have an illustration on such a situation. As well, the fact that awareness is lower than skills makes sense as the learning process is triggered by acknowledging the fact that our information and skills are insufficient for the required task, in this case consumer choice. On the other hand, engagement has a bigger value so this could mean that Romanian consumers are moving towards increasing their skills and awareness.

In the light of the theoretical aspects discussed in the first parts of this paper we can argue that the assumption of perfectly rational choice from the consumer is far from being true and generally considering that consumers act as if they were perfectly rational isn't providing very much help in increasing awareness on consumer issues. In fact, the contrary may be true, that rational choice unquestioned assumptions may limit the efforts of consumer on increasing awareness of his/her vulnerabilities and accomplishing more empowerment. In support for this suggestion we identified two main reasons.

Firstly, the assumption of rational choice in terms of balancing costs and benefits doesn't question the way in which actual choice is taken, the limitations consumers face in assessing and predicting future costs and benefits as well as limitations in information processes that arise from the cultural and social context. In influence of important reference groups in the social context may limit this rational choice aimed to answer own interests as it can serve other interests than those of the individual making the choice. Collective influence can thus work in opposite direction to the individual interest, leading the consumer to make a reasoned choice based on external influences which in turn are taken into

consideration less in the deliberation process. Another problem with the assumption of perfect rational choice on consumer side is that it doesn't explain the unsatisfactory choices, leaving the individual with frustrating experiences because the evaluation of costs and benefits is mostly subjective.

Secondly, the assumption of rational choice of consumers can prevent policy makers from taking into account more recent evidences on choice that come from psychology and sociology. Rational choice takes consumer preferences as stable and with no antecedents, which obviously can't be true as they are characteristic to certain cultural groups. Current preferences are always based on a previous experience and the social evaluation of that experience will have an influence. The internal variables of choice depicted in psychology such as motivations, attitudes, values, perceptions, personality, life style and education level, have an important influence in the choice, and very rarely could costs and benefits be analyzed taking into consideration personality or values or perceptions, as influence aspects.

5. Conclusion

At its root, consumer choice is the basic element of all economic transaction, yet considering it under the optic of the rational choice theory is not enough to provide understanding for the consumer, nor the companies involved in satisfying his/ her needs and wishes or the policy decision makers aiming at protecting consumers or at predicting probable courses of action in order to ensure the needed regulations and infrastructure. In addition, the results of the research on consumer empowerment really draw an alert signal for Romanian consumers on their capabilities to face the challenges of the interaction with businesses as providers of goods and services satisfying their needs.

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**Tourism as a Key Tool for Sustainable Development – an Analysis
from the Perspective of the European Context**

Mara Ursache¹

Abstract: Worldwide promoting sustainable development became the biggest challenge in recent years, because it emphasizes the qualitative side of a society's growth model. Tourism is a significant tool for development, prosperity, well-being and for promoting sustainable development in the European Union. Using a qualitative analysis, the aim of this article is to examine the importance of tourism in the sustainable development process, from the viewpoint of the European context. The two are strongly connected by the numerous means in which tourism can contribute to the development of a tourist destination. This study leads to better comprehension of the potential contribution which sustainable practices of tourism can have to the sustainable evolution of the European Union.

Keywords: sustainable development; tourism; European Union

JEL Classification: O1; O52; Q01; Q5

1. Sustainable Development – the Biggest Challenge in Recent Years

Currently, humanity is characterized by multiple conflicting elements: development and spectacular results in some areas (amazing technological and medical progress, high-speed spread of information, etc.) and simultaneously serious crisis (poverty, hunger, crime, environmental crisis, etc.) which are amplifying and question the sustainability of these achievements.

Europe is going through a period of transformation. The global crisis suppressed years of economic and social progress and highlighted the structural weaknesses in Europe's economy. The European Union must now handle its own future and what must be considered is related to the need to sustain life in conditions that favor this aspect long term.

Sustainable development has become an extremely important topic both for scholars and for the economic and political environment. Concerns about this theme are not recent, but unfortunately the current trends pleaded, sometime excessive, for the description and analysis of only one side or another of the phenomenon. These trends are harmful because only reporting to the whole is relevant, the future development of society needing a stability point that considers on the same level of importance the three major dimensions of human development: environmental, social and economic.

The notion of sustainable development refers to a process that involves changes, progress and development and aims to achieve and support improvement in quality of life for present and future generations. Consequently sustainable development is less a pursuit for a stable equilibrium but rather a dynamic concept that recognizes that change is a certain fact in human societies.

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Moreover, because sustainable development links three interrelated elements (the ecological, the socio-cultural and economic), there are three essential principles: futurity, equity and holism (Redcliffe and Woodgate, 1997).

Sustainable development is a great challenge for our societies and a primordial and fundamental objective of the European Union. It demands nations to make use of their natural resources rationally, while pointing toward their economic development and at the same time taking into account the quality of the natural environment as a determinant of their societies welfare; it is increasingly recognized as an alternative pathway that can ensure low-carbon and climate-resilient development, substantially improve resource efficiency, healthy and more resilient ecosystems, social inclusion and more economic opportunities, social justice in particular for the poor who depend largely on the natural environment for their livelihoods, healthiness and well-being. Sustainability considers that economic evolution must be completely integrated in the natural environment. Economic growth had been proven to be not sustainable without environmental and social input.

The growing need for sustainability was also a consequence of the increasing concerns about the spectacular development of tourism in recent decades. Tourism has evolved from an activity with limited importance to one of the largest industries in the world. The industry has a immense capacity for generating growth in destination areas. On the other hand, its expansive impacts have driven to a range of evident and potential problems and of environmental, social, cultural, economic, and political concerns in destinations and systems, generating a need for alternative and more environment and host friendly procedures in development, planning, and policies. Thus this need had imposed for tourism to be in line with the notion of sustainable development and gave rise to the concept of sustainable tourism.

Tourism sustainable development should link the present needs of tourists and regions that receive tourists, leaving free way to further development of tourism along with the conservation of cultural and natural heritage for future generations.

2. Tourism – a Catalyst for Growth and Sustainable Development in the E.U.

Tourism is a specific and complex socio-economic phenomenon of modern civilization, firmly anchored in society's life and influenced by its evolution, with a high national and international dynamics. Tourism is one of the most active industries, with a significant contribution to the economic growth, especially regarding the capitalization of resources, the creation, increase and use of national income, employment, investment incentives, fighting against poverty, while also being a component of foreign relations. For example, tourism generated 5% of the world GDP and about 8% of total employment in 2012. Tourism has a particularly importance when taking into account job opportunities for young people, since they represent twice as much as the labor force than in the rest of the economy. According to the World Tourism Organization (UNWTO) international tourism ranks fourth (after fuels, chemicals and automotive products), accounting for 30% of the world's exports of commercial services or 6% of total exports.

Tourism plays a substantial role in stimulating investments in new infrastructure and competition between local companies and companies in other tourist countries. It can determine positive exploitation of economies of scale in national organizations and it is an influential agent of diffusion of technical knowledge, spurring of research and development and accumulation of human capital.

Furthermore it is one of five top export earners in over 150 nations, whereas in 60 nations it is the number one export. It is also the core source of foreign exchange for a third of the developing countries and a half of least developed countries. Tourism is an important factor in economic recovery, being a sector which rapidly turns back to the growing trend under economic crisis contexts.

Tourism is a multifaceted and cross-sectoral activity, entailing a wide spectrum of sectors, stakeholders and geographical areas. It has been found that tourism development helps to boost other economic sectors which are not related to this field, contribution called the multiplication effect of

tourism. Tourism activity creates demand for a wide range of goods and services purchased by tourists and subsequent by travel companies, including goods and services produced by other sectors (trade, construction, transport, food, clothing and footwear industry, small and craft industries).

For the European Union as a whole and particularly for its economy, tourism is one of the most important industries. Surveying the existing field literature, prior studies have shown that tourism has a positive effect on economic growth in the EU countries (Albalade & Bel, 2010; Holzner, 2011), in Eastern Europe (Hall, 1998), in Austria (Falk, 2010), in Greece (Dritsakis, 2004a,b), in Italy (Bernini, 2009), in Spain (Balaguer & Cantavella-Jordá, 2002), in the United Kingdom (Blackstock, White, McCrum, Scott & Hunter, 2008), etc. Tourism has also a significant contribution to the integration process as well as to the development of peripheral or less-developed regions (Pascariu & Frunzã, 2012).

The linkages between tourism and the other economic activities are complex, taking different shapes, manifesting directly, indirectly or induced, periodically or permanent, on the horizontal or vertical design.

Moreover, tourism is more than an economic branch, contributing to the fulfillment of a wide range of the Union key strategic objectives: economic growth, social and regional cohesion, preservation of natural and cultural heritage, EU citizenship, peaceful relationships, sustainable development, etc.

Although still witnessing the economic downturn worldwide, the number of tourist globally increased, with one billion tourist arrivals in a single year – in 2012, showing now a growth rate of 4% per annum (United Nations World Tourism Organization, 2012), highlighting again the fact that tourism is one of the largest and fastest-growing economic sectors in the world.

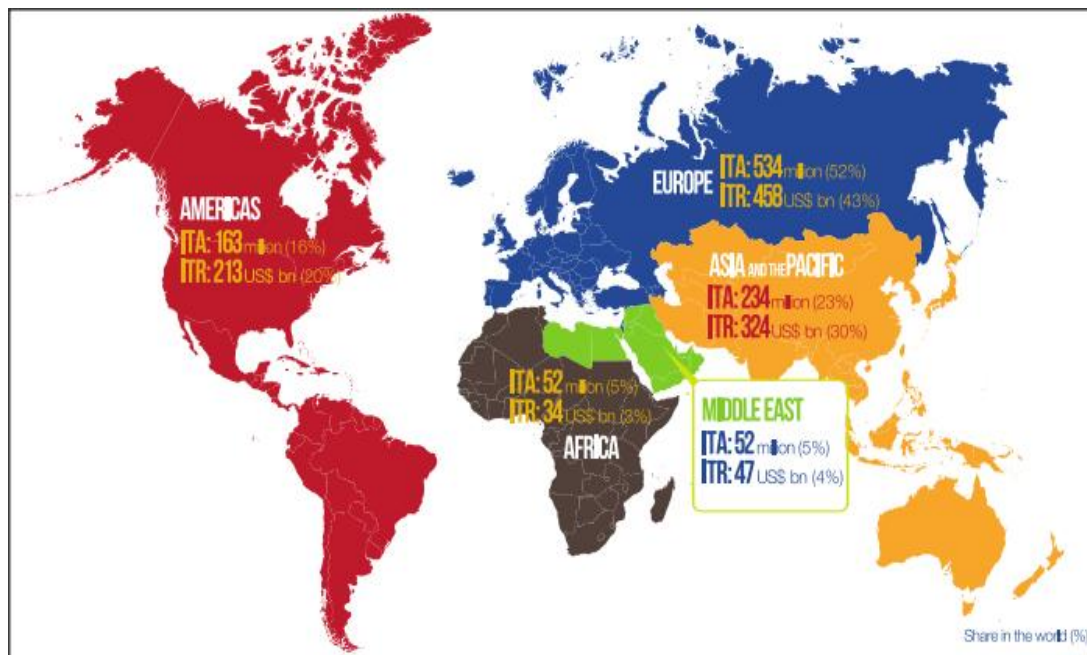


Figure 1. International Tourism Arrivals and Receipts in 2012

Europe remains the most visited and popular destination at the global level – accounting 52% of the international tourism arrivals worldwide, with five member states (France, Italy, Spain, Germany, United Kingdom) among the world’s top ten destinations for holidaymakers.

It becomes obvious that the increase and expansion of the European tourism market, as well as the increase of the number of tourists and tourist destinations, will generate greater effects on the economy, on the cultural identity, as well as on the physical surrounding and natural environment than before. So the accent should be focused on trying to minimize the negative effects and expand the positive effects of tourism. Applying the principles of sustainable development became a priority

especially as tourism and sustainable development are connected by the numerous means in which tourism can contribute to the development of a tourist destination.

However, the road to achieving tourism sustainable development is more complex than at first glance.

In the European Union, complementary to the economic deficits, tourism is facing, from the point of view of the strategic objectives of sustainable development, the difficult harmonization of its three dimensions, particularly in developing regions (Pascariu & Frunză, 2012).

From *the economic point of view*, tourism sustains economic growth and has a significant multiplication effect, in the developed economies/areas rather than in the developing regions where the dependence on the foreign capital is high, thus with risks regarding the sustainability and the perspectives of improving for this regions.

According to *the social-cultural point of view*, tourism contributes to the increase and use of income, employment and improvement of the quality of life and of the comfort level. It increases the culture level, bringing together populations with different values, habits and lifestyles, acquiring new information and knowledge otherwise unavailable, modernizing and revitalizing especially the poor regions. On the other hand, this exchange can affect the traditional social structures and practices leading to degradation because of inferiority complexes, moral and cultural perverting, in particular woman and vulnerable indigenous people, as well as rejection of the foreign tourists by the domestic residents. Moreover, it can lead to frictions, threaten or loss of valuable attractiveness elements on the long term.

From *the environmental point of view*, we can state that the tourism – natural environment relationship is characterized by complementarity. Firstly, tourism activities are often affected by the quality of environmental resources (Tribe, 2011). In the tourism industry, the environment is not only an input factor (e.g., water and energy), but also a major component of its output, like national parks and agritourism (Razumova, Lozano & Rey-Maqueira, 2009). A clean and healthy environment, with a properly conserved diversity of landscapes, flora and fauna is a favorable support for tourist development, the main element of attractiveness and promoter of comparative advantages, being a priority in the criteria of selecting destinations. Secondly, the tourist activity grants the superior valorization of natural resources, particularly through the international flows and can have a fundamental role in the awareness of society about the environment protection; besides, by the positive impact on the prosperity of the local economy, it can sustain the process of sustainable development. On the other hand, humankind is at a critical stage in its relationship with the natural environment, a relationship in which tourism has increasing significance, since by its specificity the tourism industry is linked to the environment more than other industries. Therefore, the most pressing negative influence of tourism is the one it exerts on the natural environment. It is energy and water consuming, produces a comparative high quantity of waste and affects cultural heritage by attracting large crowds of people to these sites. Also the impact on biodiversity has already been tremendous. There are numerous examples where large-scale tourism has had harmful effects on biodiversity, including coral reefs, coastal wetland, rainforests, arid and semi-arid ecosystems and mountainous areas. Tourism exerts pressures on the environment, leading to the alteration or even considerable modification of ecosystems (Pascariu, 2006).

The natural environment is a capital asset and such as reproducible capital assets (roads, buildings, equipment) it deteriorates if it is misused or overused. But unlike reproducible capital assets: (1) depreciation of natural capital is often irreversible (or at the best it takes long time to recover), (2) only in a very limited sense a depleted or depreciated ecosystem can be replaced by a new one, and (3) natural capital assets can collapse unexpectedly, without previous warning.

Ecological degradation triggers socio-economic down-turn, consequently the tourism-environment relationship is of particular matter, environmental protection and conservation representing a essential condition for the progress and sustainable development of tourism.

In the last decades, the interdependencies between tourism and sustainable development have intensified, therefore the tourism industry is called to eliminate or compensate for the deficits / limits of the effects of tourism in the receiving areas from the point of view of the sustainable development goals and principles.

As a consequence, it is crucial to ensure the European tourism sustainability, being understood as a significant element of added value not only for the tourist industry, but also for the integration process as a whole.

3. Implementing a Roadmap for Tourism Sustainable Development

Tourism, seen as a complex social and economic phenomenon, has reached unprecedented levels of development and prosperity worldwide.

In the past few years, the travel and tourism industry faced a chain of unpredictable incidents. The political uncertainty, terrorism, the variation and variability of consumer habits and demands, the economic turbulences and so on, generated numerous pressures on the sector. Observable is the shift in thinking about sustainable development and as well as its impact on tourism and the reciprocal linkages between them.

Tourism is one of the most relevant industries of the Union and has with a significant contribution to employment, economic growth, development, socio-economic integration of rural, underdeveloped and peripheral regions, international trade flows and foreign direct investments, and is included in a numerous series of the European policies (cohesion, agricultural, transport, environment etc.) hence acknowledging the great potential of tourism for the Union's sustainable development, the potentiating of this contribution still being conditioned by sustainable practices of the tourist industry.

As the role of tourism in structural economic progress and sustainable development is not a new subject on the European and international agenda, how to make tourism more sustainable and contribute to nations sustainable development goals is still a challenge that necessitates great attention. Sustainable practices of tourism can contribute to the sustainable evolution of the European Union. The major challenges are represented by the current consumption designs (the dominance of the quantity side, the high concentration in time and space) and by the production designs as well determining mass tourism, destructive on the receiving economic, social and natural environment. Thus, it is more than important to have a coherent and long-term vision for the Union future development. The decisions about tourism development should be a balance among the national and the local needs, the private sector and the state, the local communities, the communities of citizens, between the tourists and the mass media etc. Political decisions in particular ought to take into consideration the direct returns and also the long-term benefits, which involve a clear and well defined vision.

The increasing attention being paid globally and in particular in the European Union, to sustainability made it more and more a guiding principle and a concrete approach for the European tourism industry, because tourism is a people oriented industry which depends largely on the natural and social potential, two essential pillars of sustainable development.

Tourism and sustainable development are strongly linked by numerous ways in which tourism can contribute to the development of a tourist destination, having a considerable influence on the economy, on the quality of life and on the environment. Applying the principles of sustainable development has become a priority for the tourism industry and is important to eliminate or compensate for the deficits / limits of the impact of tourism in the receiving areas from the point of view of the sustainable development goals and principles. Responsible tourist behavior, social responsibility of the tourism industry and good governance must be the main concerns in guaranteeing the premises of sustainable development in the European tourism industry and should be specific each member state.

4. Concluding Remarks

The paper set out to cast light on the relationship between tourism and sustainable development and leads to better understanding of the contribution that sustainable practices of tourism can have on the positive evolution of the European Union. Both are complex and dynamic socio-economical phenomena, being deep interconnected.

Sustainable development is an extremely important objective on the European Union agenda, aiming to achieve and support improvement in the quality of life and welfare for present and future generations and tourism is an essential tool for promoting and sustaining this goal, having a significant impact on destinations, economically, socially and environmentally. However sustainability in any economic sector is not an easy task to achieve. The decisions and actions towards tourism sustainable development should be balanced between all stakeholders: the state and private sector, the local communities, the communities of citizens, mass media etc. Political decisions should take into account the direct positive and especially negative effects, as well as the long-term benefits, which require a clear and well defined strategy.

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THE 8TH EDITION OF THE INTERNATIONAL CONFERENCE
EUROPEAN INTEGRATION
REALITIES AND PERSPECTIVES

European Monetary Union

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Abstract: The following paper represents a summary of the main challenges that Romania is facing regarding the accession to the eurozone. The adoption of the single currency in Romania is a nationwide intensely debated topic. Policy makers have set the year 2020 for the completion of this process, so steps are being taken in order to achieve the economic and monetary conditions needed to join the eurozone. Studying the preparation of the Romanian economy for the integration into the Economic and Monetary Union is of great importance for the economic and political environment as well as the academic one. A major regime change, as the monetary unification, is clearly made when there are strong motivations given by benefits, but such a change involves costs, risks and difficulties.

Keywords: Monetary Union; convergence criteria; national target; euro adoption

JEL Classification: E42; E52

1. Introduction

The government confirmed its intention to adopt the euro in 2020. The official target date leaves open the possibility that euro-adoption could be delayed from until 2020. All Member States of the European Union, except Denmark and the United Kingdom, are required to adopt the euro and join the euro area. To do this, they must meet certain conditions known as “convergence criteria”.

All EU Member States are part of the Economic and Monetary Union, which means they coordinate their economic policies for the benefit of the EU as a whole. However, not all EU Member States are in the euro area – only those having adopted the euro are members of the euro area.

Of the Member States outside the euro area, Denmark and the United Kingdom have 'opt-outs' from joining for reasons of economic sovereignty. These two countries can join in the future if they so wish.

Sweden is not yet in the euro area, as it has not made the necessary changes to its central bank legislation and it does not meet the convergence criterion related to participation in the Exchange Rate Mechanism (ERM II). However, under the Treaty, Sweden is required to adopt the euro. The remaining non-participating Member States acceded to the Union in 2004 and 2007, after the euro was launched. At the time of their accession, they did not meet the conditions for entry to the euro area, therefore their Treaties of Accession allow them time to make the necessary adjustments – they are Member States with a “derogation”, as is Sweden. These Member States have committed to joining

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the euro area as soon as they fulfil the entry conditions. When this is the case, the 'derogation' is 'abrogated' by a decision of the Council, and the Member State concerned adopts the euro. (Baldwin & Wyplosz, 2009)

According to The Yearly Report of National Bank of Romania, the fulfilment of the criteria foreseen in the Maastricht Treaty and the adoption of a sole European currency are a part of the European registration process of Romania. The entrance in the euro area implies the transfer of the development and leadership of monetary policies to the Central European Bank, institution whose actions are enterprised in a unitary manner for the whole euro area, without taking into consideration the national economic particularities. In this context, in the primary period of the sole currency adoption, it takes a fundamental act in order for the national economy to cover the necessary adjustment in the euro area.

According to the Maastricht Treaty, a member state of the European Union benefits of a temporary derogation regarding the euro adoption. But has the obligation to prepare itself for the entrance in the European mechanism and in the exchange rates ERM II, where it will stay for a period of at least two years, after the sole currency can be adopted.

2. The Conditions for Romania to Entry to the Euro Area

The process of building Europe is one of progressive integration. The single market for goods, services, capital and labour, launched in 1986, was a major step in this direction. Economic and Monetary Union and the euro take economic integration even further, and to join the euro area Member States must fulfil certain economic and legal conditions.

Adopting the single currency is a crucial step in a Member State's economy. Its exchange rate is irrevocably fixed and monetary policy is transferred to the hands of the European Central Bank, which conducts it independently for the entire euro area. The economic entry conditions are designed to ensure that a Member State's economy is sufficiently prepared for adoption of the single currency and can integrate smoothly into the monetary regime of the euro area without risk of disruption for the Member State or the euro area as a whole. In short, the economic entry criteria are intended to ensure economic convergence – they are known as the 'convergence criteria' (or 'Maastricht criteria') and were agreed by the EU Member States in 1991 as part of the preparations for introduction of the euro.

In addition to meeting the economic convergence criteria, Romania must make changes to national laws and rules, notably governing its national central bank and other monetary issues, in order to make them compatible with the Treaty. In particular, national central banks must be independent, such as the monetary policy decided by the European Central Bank is also independent.

For the adoption of the euro, the national target date in Romania is 01.01.2015. The Member States which were the first to adopt the euro in 1999 had to meet all these conditions. The same entry criteria apply to all countries which have since adopted the euro and all those that will in the future. (Hurduzeu & Constantin 2007)

3. The Convergence Criteria

The convergence criteria are formally defined as a set of macroeconomic indicators which measure:

- Price stability, to show inflation is controlled;

- Soundness and sustainability of public finances, through limits on government borrowing and national debt to avoid excessive deficit;
- Exchange-rate stability, through participation in the Exchange Rate Mechanism (ERM II) for at least two years without strong deviations from the ERM II central rate;
- Long-term interest rates, to assess the durability of the convergence achieved by fulfilling the other criteria.

The exchange-rate stability criterion is chosen to demonstrate that a Member State can manage its economy without recourse to excessive currency fluctuations, which mimics the conditions when the Member State joins the euro area and its control of monetary policy passes to the European Central Bank (ECB). It also provides an indication of the appropriate conversion rate that should be applied when the Member State qualifies and its currency is irrevocably fixed.

Table 1. The five convergence criteria

What is measured:	Price stability	Sound public finances	Sustainable public finances	Durability of convergence	Exchange rate stability
How it is measured:	Consumer price inflation rate	Government deficit as % of GDP	Government debt as % of GDP	Long-term interest rate	Deviation from a central rate
Convergence criteria:	Not more than 1.5 percentage points above the rate of the three best performing Member States	Reference value: not more than 3%	Reference value: not more than 60%	Not more than 2 percentage points above the rate of the three best performing Member States in terms of price stability	Participation in ERM II for at least 2 years without severe tensions

According to the Treaty, at least once every two years, or at the request of a Member State with a derogation, the Commission and the European Central Bank assess the progress made by the euro-area candidate countries and publish their conclusions in respective convergence reports.

On the basis of its assessment, the Commission submits a proposal to the Council which, having consulted the European Parliament, and after discussion in the Council, a meeting among the heads of state or government decides whether the country fulfils the necessary conditions and may adopt the euro. If the decision is favourable, the Council abrogates the derogation and, based on a Commission proposal, having consulted the ECB, adopts the conversion rate at which the national currency will be replaced by the euro, which thereby becomes irrevocably fixed. (Iordache, 2009)

Romania ticks three of the five boxes imposed by the convergence criteria for adoption of the euro, also known as the Maastricht criteria. The country does well on the exchange rate evolution, on the budget deficit and on the total public debt, which is of only 38 percent of the Gross Domestic Product, much below the imposed threshold of 60 percent of the Gross Domestic Product, according to Valentin Lazea Romania's Central Bank chief economist. The private debt, which is also important, is of 70 percent of the country's Gross Domestic Product, while the Maastricht criteria mention a threshold of 160 percent for the private debt. Romania must work on its inflation, which exceeds the imposed limit by 0.6 percentage points, and the long term interest rates, of 6.67 percent, which are 1.3 percentage points higher than in the Maastricht criteria.

4. Advantages and Disadvantages in the Euro Adoption

There are two levels for euro adoption. One is technical, the other one is political. The best moment is when Romania is ready, it is the political answer. Technically, if we also take into account the ERM mechanism, if we take into account the negotiations with the European partners, the opening of these talks, which probably did not happen, will probably lead to another five- six years of waiting from the moment when the talks open.

He showed that the postponement of the euro adoption is more visible now, especially after an announcement “official or semiofficial, but it is no surprise that 2015 was not a realistic term. The euro adoption for Romania is a solution for the economic problems we have and especially for the economic euroisolation problem. The fact that we adopt it now or later is not bad either. The most important thing is to maintain the political objectives to correct the macroeconomic indicators and to enforce some healthy policies, able to support growth and development..

- Romania’s situation is similar to Hungary’s: Most people support euro adoption and all mainstream political parties back it;
- The recently updated convergence plan sent to Brussels sets the target date for euro entry at 2020. This may be feasible, but it is increasingly likely that the country will have to delay it. The government won political cover from IMF chief Dominique Strauss-Kahn, who said Romania should not insist on a 2020 entry date because the country could use an extra year or two. The European Commission (EC) reacted cautiously to Romania’s updated convergence plan and pointed out several inherent risks. First and foremost, the EC criticized the lack of measures to bring down the budget deficit in 2011 and 2012. Romania will have to present deficit-lowering proposals to EU officials by mid-May. Romania also received negative comments for its failure to enact a fiscal responsibility law, which lowers the credibility of the government’s pledges to consolidate state finances, the EC opined;
- Inflation remains relatively high, registering 4.56 % in November 2012. But while consumer price increases are expected to cool off, the budget deficit is expected to top 4.3% this year. Given Romania’s track record, skepticism is justified when it comes to Romania’s ability to reduce its deficit;
- Political factors could also hinder the introduction of the euro. The Romanian government’s resolve in bringing down the budget deficit may not be strong enough. Many of the conditions of its IMF loan remain unfulfilled a year after the contract was signed. The government should have made sizeable reductions in the state workforce by now. The administration is also still debating IMF-mandated laws that should have been passed already, including the fiscal responsibility law, pension reform and the unitary wage law. The government has reaffirmed its commitment to passing these painful measures on multiple occasions, but has always failed to follow up.¹

The euro adoption brings a series of advantages which can be grouped directly and indirectly, but also disadvantages.

The direct advantages are:

- removal of currency risk from the euro;
- reduction of volatility of the exchange rate from the currency of other commercial partners;
- reduction of transaction costs;
- reduction of administrative costs;

¹ European Commission: *Romania and the euro*. Communication from the Commission, Brussels. 2012.

- reduction of capital cost.

The indirect advantages:

- growth of the exterior commerce;
- growth of the direct foreign investments (DFI);
- GDP growth/habitant due to the increase of exterior commerce and DFI;
- increase of competition and transparency;
- increase of the standard of living in the long term.

Disadvantages:

- technical and organizational costs referred to the conversion in euro;
- specific costs in the bank sector and reduction of bank income sources;
- loss of monetary independence policy and the exchange rate;
- risk of asymmetric shocks;
- possibility of a greater inflation on long term.

Regarding the benefits due to the adoption of euro, they are absolutely cert. The most important from them is the one referred to the removal of the exchange rate risk and the stimulation of exterior commerce. (Oprîţescu, Manta & Perpelea, 2012)

Analyzing the disadvantages of the euro currency adoption it is found that the Romanian economy is completely different than the euro area. After the adherence to the euro area, Romania cannot use the exchange rate as an adjusting instrument. The exchange rate facilitates the shock absorbance and the impossibility to use the exchange rate as a silencer for the economic shocks imposes a stable, solid, competitive economy. In the contrary the effects which will occur can be dramatic. The major disadvantage of the adherence is the loss of monetary policy, this thing can lead to the appearance of the so called asymmetric shocks.

5. Conclusions

Romania may face difficulties in meeting the European Central Bank (ECB) convergence criteria on inflation, fiscal deficits and long-term interest-rate in time to adopt the euro in 2020. To adhere to the euro area, we should concentrate firstly on the increase of competitiveness, on public coherent policies and on an agenda of structural reforms. At enterprise level, the competitiveness is the capacity to maintain yourself on the market through products with equal characteristics or superior ones than the competitive similar products. At nation's level, to be competitive, means taking a series of indicators (occupation, productivity, exterior commerce, financial stability, business environment) over the average and close to the most performing states from the euro area.

The moment of the euro adoption is not only a decision of Romania, through the efforts which need to be taken to achieve that level of development which can allow the adoption of the sole currency. Even if the criteria are the same for all states which want to integrate from the economic and monetary point of view, each country needs to create its own strategy of monetary policy of transaction according to the needs and individual circumstances. (Oprîţescu, Manta & Perpelea, 2012)

Likewise, it is to be remarked that the passing to the euro area does not need acceleration in useless way, but the adoption of the sole currency does not need to be treated as a sole purpose. Besides the achievement of nominal convergence goals, the realization in the shortest time of the real convergence represents the goal to which would be indicated to subsume the policies followed by Romanian

authorities. It is absolutely cert that Romania has a long way ahead in terms of convergence, especially the real one, but also the nominal convergence. What needs to be insured is, however, the sustainability of the convergence process. Romania also needs to improve its competitiveness before joining European economic and monetary union (EMU). Given the uncertainties facing the euro area, it would be beneficial for the NBR to retain control of the exchange rate, giving it the flexibility to restore competitiveness in the face of asymmetric shocks. As a result of all these factors, we can expect that Romania will postpone adoption of the euro until 2020 at the earliest.

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REALITIES AND PERSPECTIVES

Efficient Organizational Communication - a Key to Success

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Abstract: The paper aims at analyzing organizational communication, since it is well known that the process of communication is present in all the activities of the companies. Only an efficient communication can facilitate the practice of the functions of forecasting, organization, coordination, empowerment and control. Moreover, only its effectiveness can ensure the participation of the members of the organization to achieving the objectives. Communication can be seen as the binding agent of the organization, and its degree of efficiency has a great influence on the performance of a company as a whole. In a global market that is under constant change at an unprecedented speed, the process of communication is considered vital for organizational success.

Keywords: managerial communication; organizational culture; information; change; technology

JEL Classification: D83

1. Introduction

Communication is the most important component of our lives, because we are forced to communicate, regardless of means or channel. Undoubtedly, in the contemporary world, communication is present in any relationship, and the communication processes are of vital importance. We are all aware nowadays that a successful communication is the basis for the personal or professional success.

Communication is everywhere, and the field of communication has become extremely vast. All human activities, individual or collective, revolve around information that is sent, received or analyzed. Communication is part of action and reflection, just as currency is part of the economy (Zemor, 2003).

We live nowadays in an era of information and communication, an era which, as Alvin Toffler shows (1995), “is born from the clash of new values and techniques, new lifestyles and means of communication”.

All organizations, regardless of size or object of activity, have to listen to their interlocutors and, at the same time, meet the expectations of a public characterized by diversity and exigency.

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2. Related Concepts

As regards to the organization, communication is defined as the process of exchanging messages with the view of achieving the individual and common objectives of its members (Niculae, Gherghiță, and Gherghiță, 2006). Basically, the members of the organization, regardless of their position in the hierarchy, spend most of their time communicating in one way or the other. Communication is, nowadays, unanimously recognized as “the key to organizational excellence and efficiency” (Grunig, 1992), as one of the most important activities of an organization (Harris & Nelson, 2008).

In the specialized literature (Rosengren, 2000), it is shown that organizational communication can be organized into two types:

- 1) communication defined formally among those that occupy various positions in an organization;
- 2) communication defined informally, among persons as individuals (separate from their position in the organization).

3. Aspects Concerning Managerial Communication

In the opinion of certain specialists (Burlacu, Graur & Morong, 2003), managerial communication is a “component of managerial and organizational culture”, and the specific aim of communication is “to increase the performances of the organization”.

For a successful manager, communication is an instrument and, at the same time, a state of mind. Studies demonstrate the fact that a successful manager spends about 75-95% of the time talking, listening, writing and citing, thus communicating. Managerial communication is a factor of competitiveness and a strategic advantage of an organization. The management of organizations can put into practice the decisions only through an efficient communication with the ones that will execute them. The latter must be informed regarding what they have to do and, at the same time, they must be able to make their suggestions, hopes, ambitions and problems known, and be understood at the same time. Communication represents the means through which employees understand their organization, what it represents and can contribute to their motivation and to the creation of a common identity.

Nevertheless, we believe that in many organizations, the communication between manager and employee is faulty, and the main cause for this situation is the barrier represented by the simple fact that the manager is the boss. The subordinates, however, demand respect and appreciation for their efforts invested in the activities performed. The lack of a feedback from the manager leads, finally, to a lack of motivation of the employees and to failure in achieving the objectives of the organization.

The technical progress modifies continuously the means through which the people, members of the organization, communicate among them. The modern means of communication used most widely are the telephone, fax or email.

We have observed that in large organizations, managerial communication is performed more frequent through the use of the mobile phone, the Internet and the fax, than through face-to-face communication. The telephone has the disadvantage of a more limited feedback than face-to-face conversation. In case of the latter, more information can be collected due to visual clues, by looking at the interlocutor. However, the latter offers more interaction than the fax or the email. The electronic message is the cheapest means of communication; it is accessible and extremely fast and efficient, offering the advantage of sending the information immediately and directly. And still, although the

advantages of using the new technologies in the managerial communication are undisputable, as they fulfill the needs of a fast communication, we must underline the fact that they lack an important feature: personalization. At the other end we find small companies, where face to face communication is dominant

4. Organizational Communication - a Priority

Is it a known fact for the companies, especially in this difficult period, that communication is an important factor for performance? Without the intention to generalize, we believe that not all companies have fully understood the major role of communication, since managers are more focused on obtaining immediate profit than on other aspects, such as the influence of communication on performance.

Depending on the organizational culture, size or profile, each company has its own communication system. Large companies, in general, are preoccupied with creating their own communication systems, although this approach is not always implemented as a priority. We believe it is absolutely necessary that the aspects of organizational communication become a priority, or at least one of the main preoccupations of the management.

We present below some studies and research relevant in our opinion, which point out doubtlessly the importance and role of organizational communication (Berger, 2008):

- “More than 80% of the employees that answered the survey in the US and Great Britain, have declared that internal communication influences their decision to stay within an organization or to leave it. Almost a third have declared that communication has *a great influence* on their decision (Burton, 2006)”;
- “The most appreciated 200 companies spend on the communication with their employees three times more than the least admired 200 companies (Seitel, 2004)”;
- “The satisfaction of the employees as regards communication in their organization is connected to the commitment of their organization to them, to the productivity and performance of the positions and to the work satisfaction and other important effects (Gray & Laidlaw, 2004)”;
- “The organizations with involved and dedicated employees were 50% more productive than those organizations in which the employees were not as involved. Moreover, the assimilation and memory of the employees was 44% better in the organization with involved and dedicated employees (Izzo & Withers, 2000)”;
- “A positive climate of communication and an efficient communication with the employees consolidates the identification of the employees with their organization, which contributes to financial performance and lasting success (Smidts & van Riel, 2001)”;
- “A major improvement in the efficiency of organizational culture has led to an increase of the market value of 29.5% (Watson, 2004)”;
- “Efficient communication facilitates the commitment and builds trust, which represents a vital ingredient for strong and reliable organizations (Grates, 2008);
- “Involved employees boost organizational performance, because they influence the behavior of the clients, which has a direct effect on the increase of profits (Towers, 2003).”

Due to the abovementioned reasons, communication should become nowadays a priority of organizations, due to the fact that it offers a great deal of opportunities for the efficiency of all activities. Among the close collaborators of the managers should be specialist in communication because, as Bernard Miège showed (2000), “in order to win, we must communicate”. There are many companies that have fully understood the role of communication and, thus, have introduced rules and procedures, have drafted plans and strategies and have created the position of communication manager/responsible and maybe a specialized department.

5. Communication and the Management of Change

On the other side, it is well known the fact that the 21th century will be a century of change, and communication plays a vital role in the effective implementation of change within any organization. The obvious reality of our days, at the beginning of century and millennium is a more and more profound and accelerated change that marks the evolution of society. These changes have a major impact on the business world, on the organizations and on management. Change becomes an unavoidable and positive phenomenon, which requires the adaptation of the organization to an evolving reality and to the environment, in order to achieve success. We believe that, in approaching and managing change, communication is the most important aspect to consider, due to the fact that, in general, change generates fear and a state of distress. There are certain aspects that need constant communication, such as, for example: arguing the necessity of change or presenting the stages of the process of change.

The key elements of the future performances of organizations will certainly be the acknowledgement of the necessity of change, initiating change and last but not least, an advanced management of change. Communication must permeate the entire process of change, and the face to face communication is essential.

Organizations perform their activities in the context of a “new” economy, an economy based on informational and telecommunication technology and on the Internet. In essence, it is a digital economy, one that recognizes the fundamental roles played by knowledge, information and communication. Some specialists (Friedman, 2007) believe that through connecting the centers of information to the global networks, the Earth became flat and the world leveled out.

6. Conclusions

We believe an efficient communication to be essential within an organization. This is achieved when “the right people receive the correct information in the right time” (Cândeia, 1996). In this context, we would like to emphasize the fact that information and knowledge are considered at the beginning of this 21st century as the new major resources of any organization, resources that must be efficiently managed and utilized. Therefore, information management and knowledge based management should be considered by all managers as major functions of leadership and management.

The managers of the modern organization are confronted with the most difficult challenge: the one of building a successful organization. In facing this challenge, an objective of crucial importance is instituting a solid and efficient communication within the organization.

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