STUDIA UNIVERSITATIS BABES-BOLYAI, NEGOTIA, LIV, 2, 2009

THE NATIONAL AND THE EUROPEAN UNION BUSINESS ENVIRONMENT IN THE CONTEXT OF THE KNOWLEDGE-BASED ECONOMY

ALINA HAGIU[1], EMILIA CLIPICI[2]

ABSTRACT. The paper supposes a systematic research and few pragmatic guidelines in addressing the competitive environment (national and European) in which are operating Romanian companies, because their activity is heavily influenced by the business environment and determined by the factors of it. The business environment is characterized by a special dynamic, due to changes that occur within it, especially under the impact of scientific and technical revolution that has brought to the fore the knowledge as essential element of achieving a high competitiveness. We tried to argue the need for a strategic analysis of business environment in the context of the knowledge-based economy, we made an analysis of current status of the Romanian business environment compared to the other European Union member states following several criteria established at the beginning of the analysis, and finally. We have outlined several measures that should be implemented to contribute to the stability and to improving the Romanian business environment in the actual conditions. At the end of the paper we also realized a short analisys of the Romaniana economy position in the international rankings.

Keywords: competition, competitiveness, business environment, knowledge economy.

Introduction

The European and global context requires Romania the necessity to improve the competitiveness of the economy. It is well known that the competitive advantage of an economy no longer relies on products or services, on the presence of natural resources or geographical or historical peculiarities. Competitive advantage is created today through innovation, highly skilled labor force and extensive use of knowledge, in other words through a Knowledge-Based Economy (Knowledge Economy).

Romanian economy is still largely in the industrial era, promoter of products and services that today are hard to compete on international markets and,

[1] University Assistant Ph.D. Candidate, University of Pitesti, Faculty of Economic Sciences, Department of Economic Theory and Finance, Romania, alinahagiu@yahoo.com

[2] Ph.D. Lecturer, University of Pitesti, Faculty of Economic Sciences, Department of Economic Theory and Finance, Romania, emilia_clipici@yahoo.com

increasingly, on the internal market. It is vital to be understood by all stakeholders the need to act urgently to boost the development of knowledge-based industries, and to eliminate disparities between European countries through the effort of innovation, using new information and communication technologies and increasing public education on new economy.

Stimulation of the emerging of the knowledge-based economy in our country is the primary means to ensure an adjustment of how the national economy will compete on global markets, where world prices of industrial and agricultural classic products will continue to decline. This implies the need for a dynamic equilibrium between international competition based on costs (lower wages, economic incentives, products and services to low value added, based on existing natural resources) and the knowledge-based one (high-skilled labor, research and innovation design, products and services with high added value).

The increasing of complexity and the increasing of the business environment variability in general and of the international business environment in particular, were key issues of awareness of strategic problematic of the international competitiveness of firms and of intensifying efforts to resolve the many and various aspects of it.

Materials and methods

In this paper we will try to analyze the situation of the Romanian business environment, based on information provided by the World Bank's Doing Business Report, The National Commission of Prognosis, National Institute of Statistics, National Bank of Romania, European Commission, World Economic Forum, Heritage Foundation Report EBRD - Transition Report 2008, etc.

The analysis will take into account several criteria considered essential, without claiming that we caught all aspects affecting the business environment. This analysis is only a starting point for future research.

We want to clear from the starts that in the study realized at the level of the EU member states were not included Malta and Cyprus in the absence of sufficient information.

We will also realize at the end of the paper a short analysis of Romania's competitive position in international rankings based on information from: International Institute for Management in Switzerland, World Bank, the World Economic Forum, etc.

The current state of Romanian competitive environment compared to the European Union member states one

Starting a business

When an entrepreneur draws up a business plan and wishes to establish a company, the first obstacles that faces are the procedures to register a new firm. Each country has its own procedures to be followed for the establishment of a

society. In some countries the process is simple and accessible, but in others the procedures are so difficult that entrepreneurs have to bribe officials to speed up the process or may decide to run their business informally.

Romanian business environment ranks 47 in the world. Compared with last year, has not advanced any position, but has not decreased, is shown in the Doing Business report in 2009, developed by the World Bank. This is not surprising if we consider that the reforms were a little off after EU accession.

World Bank analysts have identified that there were 239 reforms worldwide last year, which enabled business to be carried out easier and other 26 - who put the smoke bete entrepreneurs.

Romania can brag with a single reform that has had positive influences on business: was simplified the procedure for implementing judicial decisions, eliminating the need to issue an order to execute the decision. This shortened the waiting period with one month, from 120 days to 90 days.

On top ranking, at the global level, during the past three years, Singapore, thanks to the "friendly" environmental for business and labor law. There fees are small, may be paid quickly, and generally, the technology is applied in any field. A new company can be launched in a few days due to improvements made to the electronic service business in Singapore. The smallest country in Southeast Asia continues to have the best laws in the world to encourage investment and to protect borrowers.

At EU level, in the first place is Denmark, whose economy is the only in the world which allow total free start of a business. However, contractors must demonstrate they have sufficient capital in the bank. Registration lasts six days and requires only four procedures.

With relatively strong laws for creditors and for those who take loans, with legislation that facilitates hiring and firing workers, Denmark is the second consecutive year among the most suitable countries for initiating a business.

Danish reforms of 2007 and 2008 included a reduction of corporation tax, which dropped from 28% to 25%. However, to register a property last rather long, on average 42 days. The six procedures require 69 days to be processed.

The EU countries that rank the leading places in this classification are: Denmark (5), Britain (6), Ireland (7), Finland (14), Sweden (17), Belgium (19), Estonia (22) Germany (25), Netherlands (26), Austria (27), Lithuania (28), Latvia (29), France (31), Slovakia (36), Hungary (41), Bulgaria (45), Romania (47) Portugal (48), Spain (49), Luxembourg (50). The rating follows indicators regarding time and cost to meet government conditions for the establishment, operation, trade, taxation and closure of companies. It is not like pointing the macroeconomic policy, quality of infrastructure, national currency instability, investor perceptions or crime rates.

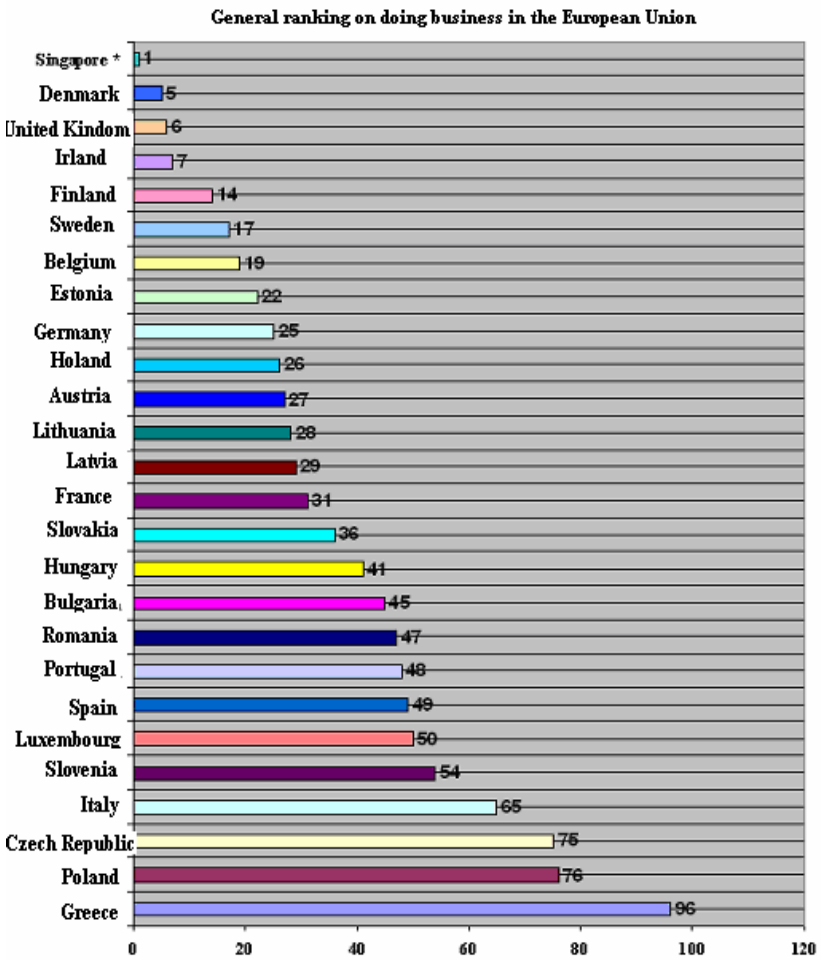


Figure no.1. General ranking on doing business in the European Union

Source: realized by the author based on the dates from the Doing Business Report, 2009.

From the *number of procedures necessary for setting up a company* point of view, Romania is ranked 5, with a number of 6 procedures, along with Italy, Luxembourg, Netherlands, Great Britain, Portugal and Slovakia. Worldwide, are best classified New Zealand and the EU - Belgium.

As regards, the *minimum capital for starting a business*, reported to the situation in the European Union, Romania is ranked fairly well prior to being only: UK, Ireland and France.

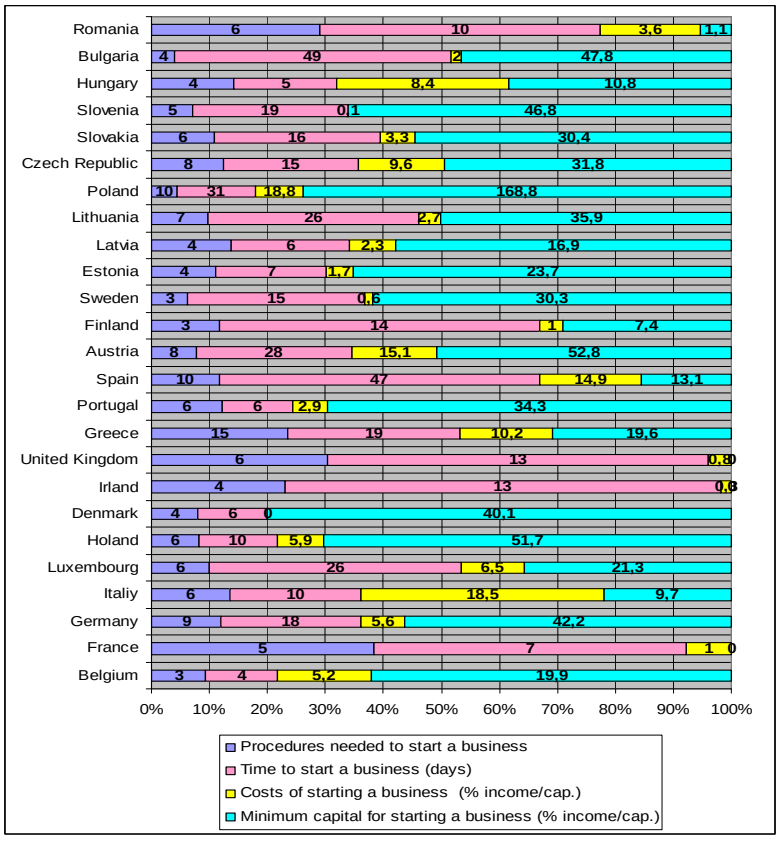


Figure no.2. Ranking on starting a business in the European Union

Source: realized by the author based on the dates from the Doing Business Report, 2009

Registering property

Titles of ownership, promote the transfer of properties, encourage investment and allow entrepreneurs to access bank loans. In developing countries, many properties are not recorded officially. Many governments have recognized this and began intensive processes for the possession, but bringing assets into the formal sector is only a part of the story. The more difficult and more costly is the process of actually transferring ownership from the financial point of view, the greater are the chance that formal titles to become informal again. Eliminating unnecessary obstacles to registering and transferring property is an important element for economic development.

"*The number of procedures necessary for registration of a property*" criteria, is placing Romania on 8 place, alongside with Bulgaria, Luxembourg and Italy. Around the world, the best is ranked Norway and the European Union - Sweden.

As regards *the time required to record property*, Romania is not ranked very well (83 days), in its wake the only: France (113 days), Czech Republic (123 days), Belgium (132 days), Poland (191 days) and Slovenia (391 days).

On top ranking, the world is New Zealand with only 2 days and in the European Union - Sweden, with the 2 days needed to conduct this process.

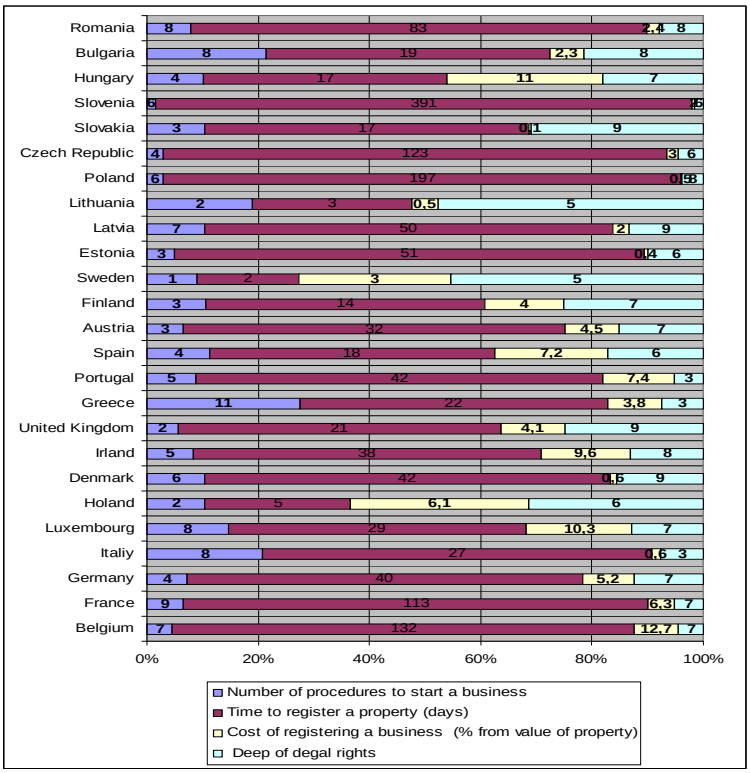


Figure no.3. Registering a property at the European Union level

Source: realized by the author based on the dates from the Doing Business Report, 2009

Regarding the *cost of property registration* as a percentage of value, we see that our country is about halfway ranking with only 2.4%. Arabia Saudi is the best in the world (0%), while in Europe on the top positions are placed: Slovakia (0.1%), Estonia (0.4%), Poland (0.5%), Lithuania (0.5%), etc. At the end of classification is: Ireland (9.6%), Luxembourg (10.3%), Hungary (11%) and Belgium (12.7%).

At the chapter, "*the intensity of legal rights*", Romania is ranked quite well, being quoted with 8 grade, the maximum being 10. Also the 8 grade received Bulgaria, Poland and Ireland.

At the European Union level, no country has received the 10 grade. In contrast with 9, were noted: Slovenia, Latvia, Great Britain and Denmark.

Protecting investments

Companies mobilize capital either by recourse to a bank loan or by attracting investors. Selling shares allows companies to expand without the need to repay bank loans and provide collateral. Investors are thinking about the safety of their funds and seek laws to protect them. Studies show that investment decision is based 73% on the presence of a stable legal framework, to protect investors, and only 27% on the company characteristics. Effective protection of minority shareholders is associated with larger and more active markets. Thus both governments and companies are interested in consolidating reforms regarding "investor protection".

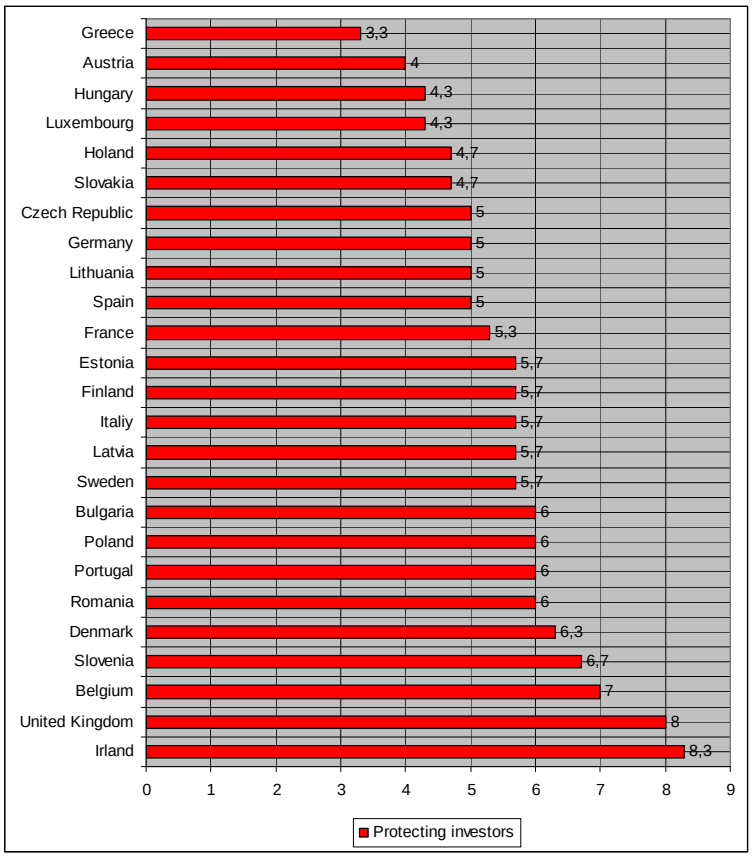


Figure no.4. Protecting investors at the European Union level

Source: realized by the author based on the dates from the Doing Business Report, 2009

Romania received for *„protecting investors"* note 6, but the ranking is better than many EU member countries. Romania has obtained an index of investors protection of 6 from 10, which was higher than that obtained from France, Greece, Germany, Hungary, Netherlands, Spain, Sweden, Switzerland or Italy, as the World Bank report shows. On top ranking is, at the world level- New Zealand (9.7), and at the European Union level - Ireland (8.3). On the opposite side, is ranked: Slovakia (4.7), Netherlands (4.7), Hungary (4.7), Luxembourg (4.3), Austria (4) and Greece (3).

In 2008, the volume of foreign direct investment in Romania reached 9.024 million, registering a 24.4% increase from the previous year (7,250 million). Considering the period 1990-2008, the volume of FDI attracted by Romania last year is close to the peak reached in 2006, with only 36 million less than the value recorded then, 9.060 million. In addition, in 2006, in addition to BCR privatization, foreign direct investment reached 6.900 million, therefore it is justified that 2008 can be considered an exceptional year in attracting foreign direct investment in the Romanian economy.

The structure of FDI in 2008 was as follows:

• Shares in the capital - 2767 (30.7%)

• Reinvested profit: 1756 (19.4%)

• Intra-group credits: 4501 (49.9%).

In 2008 foreign direct investments have financed approximately 53.5% of the current account deficit, compared to 43.5% last year.

In addition, in December 2008, Romania registered an increase of 20.5% of the monthly flow of FDI (593 million), compared with the previous month (EUR 492 million), despite the economic crisis and the experience of previous years which forecast a monthly FDI flow to the lower end of the year.

Payment of fees

Taxes have a major role. Without them there would be no money to provide public services to the community, essential services for the proper functioning of the economy. But, especially for SMEs, they can choose to operate in the informal sector. One way to improve the levy of taxes is to simplify the process of paying taxes for such businesses.

Efficient tax systems tend to have less complex tax regimes. Duties payers in such economies, often get more from taxes. Simplicity of procedures, fast moderate fees, cheap administration, makes the taxes payment less costly for businesses and the collection of more tax revenue and in better conditions by the public administrations. Burdensome tax regimes incentive schemes to circumvent paying taxes.

The worst aspect of the local business environment is the *tax payments*. Here, Romania ranks 146 place in the world, from 181 of savings taken into account.

The situation is caused by bureaucracy and the large number of charges. A Romanian company loses 202 hours per year to complete forms related to payment of taxes, compared to 183 hours as the average OECD member countries.

The trend globally is to introduce electronic forms to facilitate payment of taxes. In this way, companies can send through one-click financial information, without having to interact with civil servants.

Another disadvantage of our tax system is that companies are forced to make an average of 113 payments during a year for paying taxes, holding the world record, according to the World Bank.

Among the best performing countries in this regard is included Sweden, where companies make only 2 payments per year for tax. Also in Norway is necessary only 4 payments, and in Latvia - 7. In OECD countries, the average number of payments is 13 per year, ten times less than in our country.

As regards the *time required for payment of these fees*, Romania is situated approximately at the halfway of the classification (202 hours/year), followed by Greece (224 hours/year), Spain (234 hours/year) Slovenia (260 hours/year), etc.

At the top of the ranking is Luxembourg with only 59 hours/year, and at its end - Bulgaria (616 hours/year) and the Czech Republic (930 hours/year).

All around the middle ranking is Romania as regards *the tax rate* as a percentage of profits (40%). The lowest rate is registered in Luxembourg (21%), and the largest in Italy (73.3%).

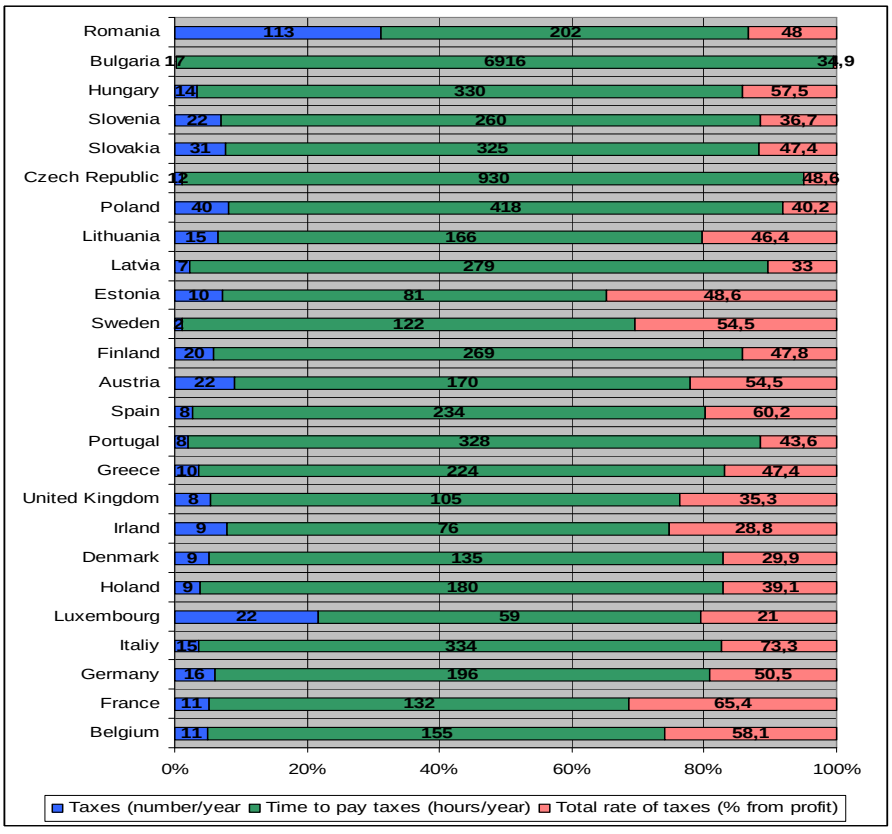
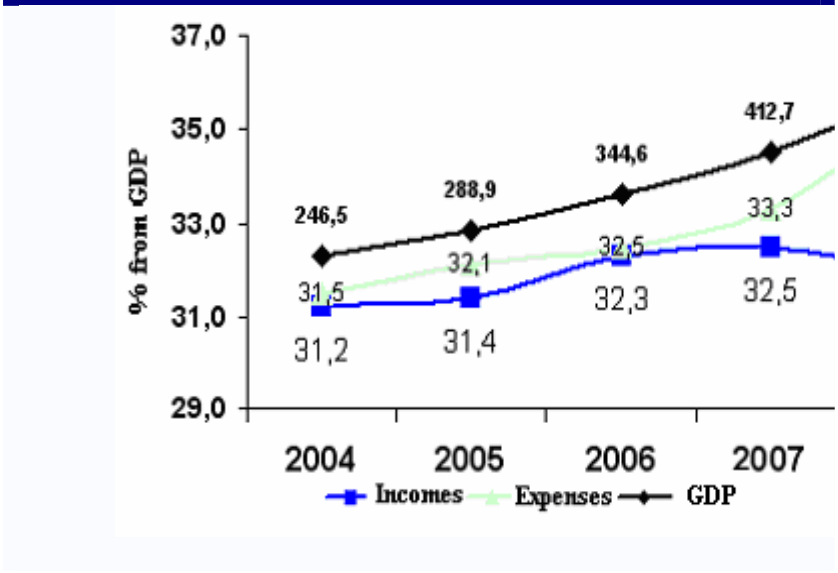


Figure no.5. Paying taxes at the European Union Level

Source: realized by the author based on the dates from the Doing Business Report, 2009

In Romania, despite the economic growth in the recent years, the share of budgetary revenues in GDP stalled around 32% while the share of public spending has increased significantly.

Figure no.6. Incomes and expenses reported to GDP increase



Source: realized by the author based on the dates from National Bank of Romania and the National Institute of Statistics

Economy taxation is weak and there are still activities which take place outside the market, in households or on the black market. High economic growth during 2005-2008 was accompanied by an increase in the activities of unobserved economy and the expansion of tax evasion. The share of unnoticed economy in GDP increased from 14.5% in 2004 to over 21% in 2008. Gross value added in nominal terms in unobserved economy has tripled in the period 2005-2008. The labor on the black market is the most important part of the unnoticed economy. In the first 9 months of 2008 working on the black market represented 50.8% of the unobserved economy. Tax evasion from payment of VAT in 2008 reached almost 24 billion from 7.4 billion in 2004.

Table no.1.

Revenues in the economy - 2008

Indicators	Value (mil. lei)	% in total	% From GDP
GDP	513.175		
Total incomes, from which din:	58.116	100,0%	11,3
Black labor	29.556	50,9%	5,8
Tax evasion at VAD	23.815	41,0%	4,6
Informal sector	4.745	8,1%	0,9

Source: Calculations based on data CNP INS

The progress of taxation can be record only in a long perspective:

- Potential budgetary revenue from taxation of unnoticed economy is about 11% of GDP (income tax, social security contributions and VAT).

- The potential revenue according to the unnoticed economy for 2008 would is approximately 58 billion, of which 29 billion from taxation of undeclared work.

But tax evasion in VAT in 2008 represented about 5% of GDP.

Closing a business

The economic crisis from 90 years `in emerging countries, has generated concerns about the design of bankruptcy systems and their ability to reorganize viable companies and close the non-viable. In countries where bankruptcy is inefficient, unviable businesses "live" for years, retaining assets and human capital reallocation to more productive purposes. Considered indicators identify weaknesses in the bankruptcy law, as the main procedural and administrative bottlenecks in the bankruptcy process.

In many developing countries, bankruptcy is so inefficient that the parties almost don’t use it. In such countries, reform would have to be focused on improving contract enforcement outside bankruptcy. If bankruptcy law is not well established, this may be a strong deterrent to investment. If on the contrary it is very well regulated, this may encourage investors. Freedom to fail and to do so through an efficient process makes the people and capital to be used in the most efficient way possible. The result is a more productive business and more jobs.

In Romania, specific legal rules of bankruptcy procedure are found in Law no. 85/2006 on insolvency proceedings, published in Official Gazette no. 359 in

21.04. 2006, and Romania's Government Emergency Ordinance no. 86/2006 on the organization of insolvency practitioners in the work, published in the Official Gazette no. 944 of 22.11.2007.

The procedure involves the liquidation of a meeting of creditors, which is chaired and convened, whenever necessary, by the judiciary, or, as appropriate, by the liquidator, if the law or syndic judge provides otherwise.

Getting a loan

Companies are constantly declaring that access to credit is one of the biggest obstacles to their development and effective functioning.

To achieve ranking in this regard have been taken into account the following indicators:

- legal right to obtain a credit or legal right index - reflects the degree to which the bankruptcy laws or collateral protects the rights of debtors and creditors, and facilitates the loan;

- index of "information depth on credit" - reflects the extent to which an information system facilitate lending of credit, based on the purpose of the information distributed, the ease of access to information and quality information;

- public registry coverage - reports the number of individuals and firms covered by a public credit registry as a percentage of the adult population;

- coverage of public office - reports the number of individuals and firms covered by a private credit bureau as a percentage of the adult population;

The easiest loans are granted in Malaysia, China and South Africa. Bulgaria ranks 6 in the world, and the United States - position 10.

Countries are ranked according to the legal rights of borrowers and banks, the accessibility and quality of information provided by credit. The study shows that improving these aspects lead to increased lending, banks and taking more risks.

In addition, the existence of a credit bureau makes bad rate to decline. Banks customers become more concerned to avoid arrears, as they will be reflected in credit history, what the future will make access to new loans.

Romanian economy position in international rankings

Competitiveness can be quantified though there is no precise theory of rules for determining the economic performance of nations. Are growth rates of production, exports or employment appropriate to existing resources? In what measure local firms are innovative? Workers are sufficiently skilled? Is industrial infrastructure consistent with the needs of the new economy? In which measure the economy takes part to the know-how flows? These questions can be answered through a comparative analysis, in which the term of comparison is the best result achieved (best practice).

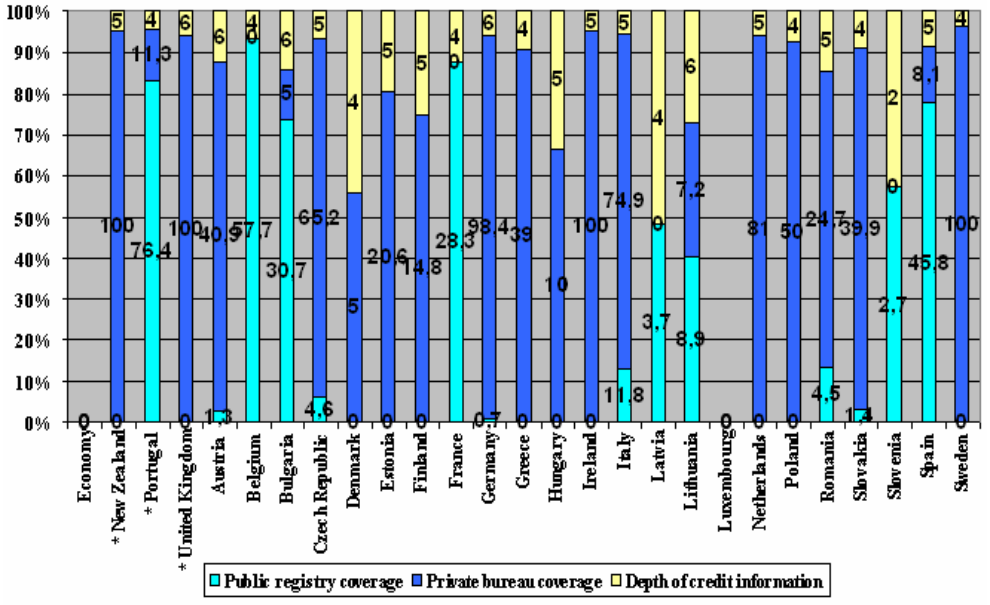


Figure no.7. Getting a credit T the European Union level

Source: realized by the author based on the dates from the Doing Business Report, 2009

There are a variety of indicators used by authorized institutions which have dedicated assessment of competitiveness, such as the International Institute for Management in Switzerland, World Bank, the World Economic Forum, etc. But these indicators differ from one institution to another, whereas many factors taken into account are subjective. However, if we are to compete in the global market, we must take account of these indicators and to take appropriate decisions.

Following we will present only a part of them.

The World Economic Forum in its report on global competitiveness (Global Competitiveness Report), using the index called the Global Competitiveness Index.

Global competitiveness index is a composite of 12 sub-indicators. Some of them are obtained through survey among managers; some are produced by processing of statistical data.

Through this indicator, on international level, the most competitive economies in the world are USA, Switzerland and Denmark. The recent financial crisis in the U.S. and the Denmark entrance into recession raises major problems even for the most competitive economies in the world.

As regards Romania:

- According to the index of global competitiveness, Romania was ranked 68 of 131 countries in a slow growth from the site occupied by a 74 year ago. After the score obtained on a scale from 1 (worst) to 7 (best), Romania recorded 4.1 points, 4.0 points from last year. But Romania remains the EU country penultimate in terms of competitiveness, only outrunning Bulgaria (which was ranked 76).

- For the first time since Romania is in this report (from 2001), the biggest problem for business in Romania is policy instability. A year ago the instability of public of public policies was mentioned only 7 ranks among the obstacles to the business environment. In 2008, the barriers are: the level of taxation (12.8%), the complexity of tax regulations (11.2%), government bureaucracy (10.8%), and inadequate infrastructure (9.7%).

- Romania ranks 76 to macroeconomic stability - rising eight places outrunning Portugal. However, a number of indicators have deteriorated, such as savings rate - the 104 place, down three places, the budget deficit - the 98 place, down 16 places, the rate of inflation - instead of 89, falling 26 places.

- Romania ranks 105 to infrastructure - down five positions, being the last place among countries in the EU. To the chapter of quality of roads, Romania is ranked 126 of 131 countries. How is nevertheless difficult to argue that Romania is ranked after countries as Zimbabwe (88 place) and Burkina Faso (place 104), more relevant comparison is the comparison with other European countries. Germany and France are on the first two places, Hungary on 57, Bulgaria on 95, and Poland on 96.

- Romania is ranked 124 in the transparency of public policies, 113 in favoritism in government decisions, and 111 to waste of public money - which confirms that the way in which policies are made public is the biggest competitive disadvantage of Romania today.

- Romania has made progress in technological indicators, particularly as the number of internet users (instead of 23, rising 28 places) and mobile (place 50), and some progress in private spending on research (instead of 74, up 15 places) and the intensity of local competition (instead of 82, up 4 places).

- Romania has made significant regression in the labor market indicators, especially with regard to wage flexibility policy (instead of 81, down 44 places), redundancy costs (instead of 14, falling 9 seats) and the link between wages and productivity (instead 72, down 13 places).

The level of economic development explains significant and positive the effectiveness of competition systems, but lost as its relevance as countries have experienced greater competition law. In other words, the institutional learning curve supreme long before the GDP per capita. This may explain the ranking of Romanian competition effectiveness after many less developed countries, except Indonesia (first law of competition is in 1999), Jordan (2000), Morocco (2000) or Barbados (2003). Intuitively, it seems reasonable the conclusion that the perceived level of corruption is higher; the effectiveness of competition law implementation is lower. But some tests show otherwise. Interpretation of the two results becomes

interesting. On the one hand, interest groups are those which can support the introduction of competition legislation. On the other hand, effective implementation can be impietate by other interest groups. A possible explanation is, therefore, the idea that competition law is subordinate to the specific interests of some groups, politicians or firms, and operates as a mechanism to promote real competition in a market. The fact is that the competition is not a remedy against corruption, as sometimes suggested literature, but the legal reform and, in our case, the proper functioning of the National Integrity Agency. The main risk remains that the greatest competition law to be captured by certain interest groups, as opposed to the fundamental principle of defending competition and not competitors.

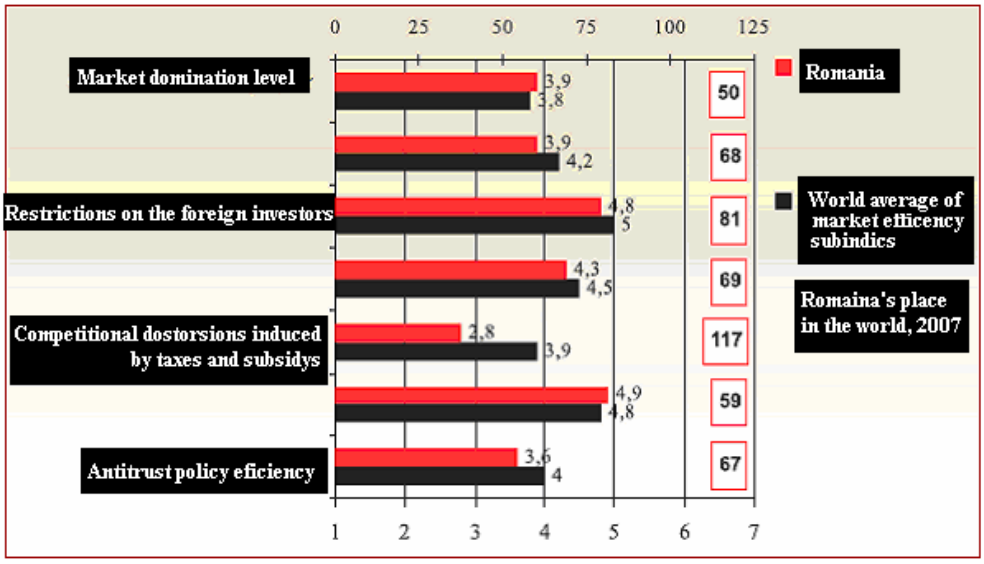


Figure no.8. Romanian relative positioning to the average of market efficiency sub indices, 2007

Source: realized using statistical dates of World Economic Forum: Global Competitiveness Report, 2007.

Heritage Foundation publishes annual report on economic freedom index (essentially, a comparative assessment of the degree of liberalization in all national economies) since 1995.

2009 edition of the publication Economic Freedom Index and evaluate savings from aggregate regional level, throughout the five geographical areas.

At European level, the regional index of economic freedom is 66.3% and Romania ranks 29 (31 in 2007) in all the 41 countries assessed.

Table no.2.

Economic Freedom Index for Romania and Europe, 2005 - 2008 - % -

Area	Romania				Europe
	2005	2006	2007	2008	2008
Total medium index	50,8	58,9	61,3	63,2	66,3
Business environment	30,0	74,5	70,9	74,9	76,2
Trade regime	65,4	63,4	74,0	85,8	83,4
Tax policy	80,1	91,7	91,7	87,0	70,2
Budgetary expenses	74,8	74,2	74,9	70,0	47,1
Monetary policy	62,6	66,6	69,7	75,0	77,9
Investments	30,0	50,0	50,0	60,0	64,7
Financial-banking system	50,0	50,0	60,0	50,0	65,1
Property right	30,0	30,0	30,0	35,0	61,3
Corruption	28,0	29,0	30,0	37,0	56,6
Labor force	57,0	59,8	61,4	57,1	60,9

Source: Economic Freedom Index, 2009.

Thus, the overall freedom to lead a business (free business environment) is estimated at 74.9 points (above the world average 64.3 points) and is well protected by regulations in Romania. Also, Romania's trade policies are similar to other EU Member States so that free trade of our country is estimated at 85.8 points (as the world average is 73.2 points) and the financial system is in accordance with international standards and has been reinforced by a recent reform and privatizations (assessment for fiscal freedom is 70.2 points, and financial freedom is 50 points, slightly above the world average of 49.1 points).

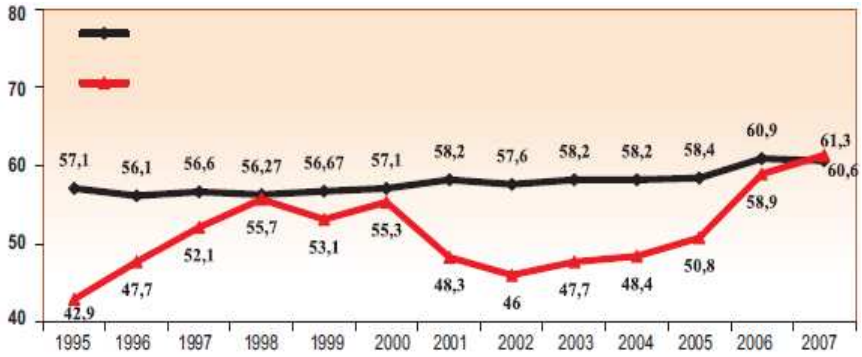


Figure no. 9. The evolution of Economic Freedom Index according to Heritage Foundation forecasting, 1995 - 2007

Source; realized using Heritage Foundations reports, Index of Economic Freedom, 1995 - 2007.

Heritage Foundation economic freedom distributed globally on a scale from 1 to 100, the following assessment groups:

- 0-49, 9: economic repression;
- 50-59, 9: economic environment largely restricted;
- 60 - 69.9: moderate economic freedom;
- 70 - 79.9: economic environment largely free;
- 80 - 100: free economic environment.

Comparability in the long term is so vitiated by the increase in the number of countries included in the sample and the inclusion since 2007 of the 10th sub indice work of freedom. During 1995 - 2006 were weighted only 9 sub indices of economic freedom.

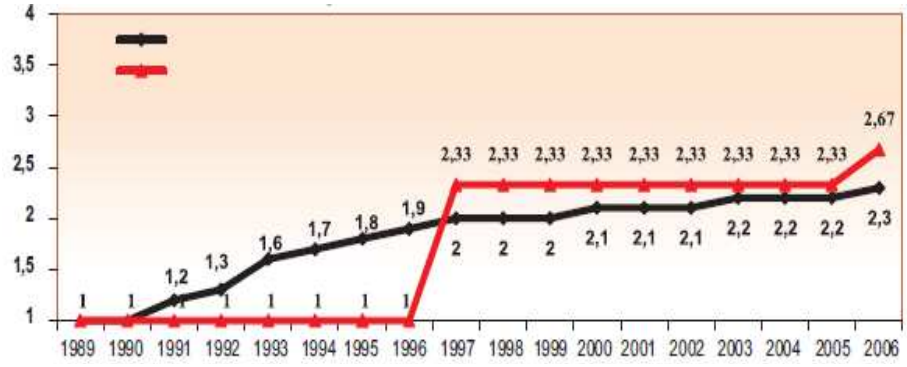


Figure no. 10. The evolution of competition policy index, according to EBRD forecasting 1989 – 2006

Source: realized using EBRD, Transition Reports, 1995 - 2007.

In terms of freedom of investment, Romania has a score of 60 points, above the world average of 48.8 points.

Romania stands but not too good with budgetary expenses (47.1 points) and especially to the three chapters on freedom of work (where Romania has a score of 57.1 points below the average of 61.3 points), the enforcement of property and corruption (it is mentioned in particular corruption in justice and administration).

Moreover, in conjunction with analysis of all these last chapters, Heritage Foundation experts stress that the judiciary in Romania remains vulnerable to corruption and inefficiency.

Romanian business environment ranks 47 in the world. Compared with last year, has not advanced any position, but has not decreased, shown in the Doing Business report in 2009, developed by the World Bank. This is not surprising if we consider that the reforms were a little off after EU accession.

Anticrisis measures for the Romanian business environment

In the specialists' opinion, the crisis, which was the beginning of a financial nature, then became one of "liquidity and confidence." Because of the lack of liquidity has increased more system caution and led to a drastic reduction of credit. Hence, a strong reduction of the work and, ultimately, a major reduction in consumption, with all consequences on the entire economic system, and reducing demand, production, closure of economic activity and social instability associated

We grouped these measures into two categories: economic and social measures.

The economic measures include:

- use of state aid to the maximum possible in accordance with the measures taken by the EU to be implemented urgently and in Romania;
- establish road routes for infrastructure works to be carried out in 2009 and which have secured financing and expropriation within 30 days of land for these works;
- cancellation of tax on gains and reinvested dividends;
- immediate pay of the debt that the state has to the business;
- free issue free for a year, of all notices required productive investments;
- support the two state banks - Eximbank and CEC Bank - to play an important role in boosting economic activity;
- also, in conjunction with this measure: establish the counter-guarantee loans to SMEs fund, and the ERC, the funding, not only the counter-guarantee for SMEs.
- WATT payment to be made on receipt of invoices and not the date of issue;
- ensure a reasonable interest rate for mortgage loan application and a system whereby, in the event of payment incapacity, the beneficiary to pay rent for that space, following that the credit payment to resume when the financial position will allow;
- purchase of consumer goods for the state only from Romanian producers;

The social measures include:

- non-taxation of allowances paid by the employer that sent employees on technically unemployed for a cumulative period of three months;
- maintain the 2% social security contributions mandatory funds transferred to the privately managed pension;
- 75% of fees and taxes paid by employers for new jobs to be created to remain one or two years to the local administrations dispositions, in a fund designated exclusively for carrying out works of public interest, required by the business;
- providing once an amount of 1.000-1.500 euros, for the acceptance of a job in an area lacking;
- providing a cash compensation of persons who accept a job at a distance of 300 miles of place of residence and are committed for minimum one year;
- financial support of Euro 1000 after a year of activity;

- exemption from social contributions and income tax for a period of 4 months, employers employing unemployed;
- providing free transport for people in rural areas working in cities located at a distance greater than 20 kilometers from the place of residence;
- organizing training courses in trades in poor rural areas, financed by the state;
- reorganization of vocational education - the arts and trades, for the qualification of workers, the craftsmen and technicians;
- stimulate the involvement of the business environment in the training of pupils and students and their preparation for employment during school studies, university and postgraduate, in order to increase integration in the labor market on completion of studies.

Conclusions

At the current level of development of the Romanian economy, the urgent need for urgent structural reforms tend to need to shadow subtle, but equally important to innovation. While the EU is concerned about social cohesion, for job creation and prioritization of research and development, these measures seem less applicable to Romania, where restructuring (including eliminating jobs), limiting salary expenditure, controlling inflation and improving primary business environment (including the aggregate of payments) are a priority. While integration in the single market without a functioning market economy is not possible, failure to focus sufficient preparation capacity to manage competitive pressures may harm the country's position. On long-term, decisive measures in research-development-innovation (RDI) may be the key to reconciling the two sets of objectives.

Competitiveness is in a large measure a matter of attitude, of mentality.

REFERENCES

1. ANDREU R., BAIGET J., CANALS A. – "*Firm-specific knowledge and competitive advantage: evidence and KM practices*", Knowledge and Process Management Volume 15, Issue 2, April 2008.
2. CONNOR T. - „A consideration of strategic assets and the organizational sources of competitiveness", Strategic Change, Volume 16, Issue 3, Date: May 2007.
3. CORNESCU V., DRUICĂ E. – „Romanian companies: competitiveness challenge", Economic Tribune, v. 15, nr. 24, 2004.

4. BANDYOPADHYAY S., WALL J.H. – "Policy evaluation in the presence of outsourcing: global competitiveness versus political feasibility", Economics & Politics, Volume 19, Issue 2, July 2007.
5. HONTOU V., DIAKOULAKI D., PAPAGIANNAKIS L. – „*A multicriterion classification approach for assessing the impact of environmental policies on the competitiveness of firms*", Corporate Social Responsibility and Environmental Management, Volume 14, Issue 1, Date: February 2007.
6. KALOTAY K. - „New Members in the European Union and foreign direct investment", Thunderbird International Business Review, Volume 48, Issue 4, Date: July/August 2006.
7. KAMIN S., KLAU M. – "A multi-country comparison of the linkages between inflation and exchange rate competitiveness", International Journal of Finance & Economics, Volume 8, Issue 2, April 2003.
8. KEANE J., BARBE K., MUNIVE-HERNANDEZ R. – "*Towards a learning organization: the application of process-based knowledge maps to asset management (a case study)*", Knowledge and Process Management, Volume 14, Issue 2, April 2007.
9. PLATIS M. – „Economic interest> actual manifestations", Economic Tribune, v. 16, nr. 33, 2005.
10. VASS A., - „Competition places Romania in international reports after many low developed states", Profile Competition, No.3, 2007.
11. TRIEBSWETTER U., WACKERBAUER J. – „*Integrated environmental product innovation and impacts on company competitiveness*", European Environment, Volume 18, Issue 1, Date: January/February 2008.
12. *** - Raportul Băncii Mondiale „Doing Business 2009", http://www.doingbusiness.org/documents/fullreport/2009/DB09_Full_Report.pdf
13. *** - Forumul Economic Mondial, „Global Competitiveness Report", 2008, http://www.weforum.org/documents/GCR0809/index.html
14. *** - Fundația Heritage Raport privind „Index of Economic Freedom, 1995-2008. http://www.heritage.org/Index/Country/Romania
15. http://www.competition.ro/
16. http://www.eurostat.ec.europa.eu
17. http://www.worldbank.org/
18. www.bnro.ro
19. www.insse.ro
20. www.cnp.ro