

## General Economics

### Romanian Framework for Creative Industries and Virtual Incubators

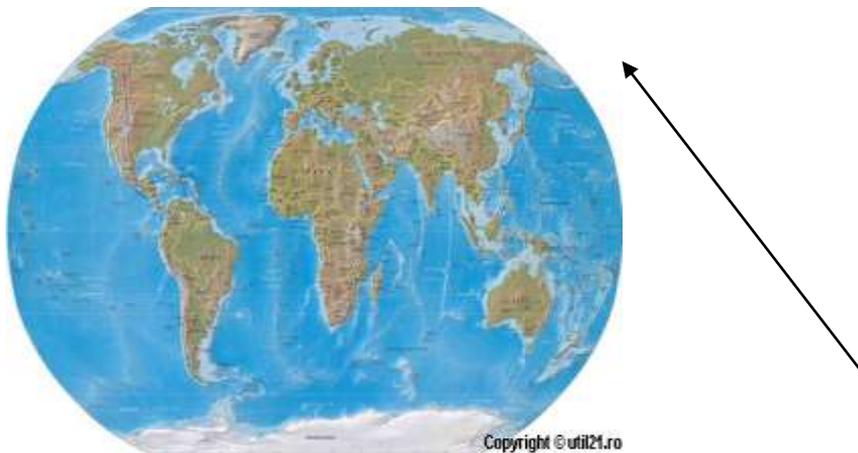
Romeo-Victor Ionescu  
*“Danubius” University of Galati*

**Abstract:** In order to promote creative industries in Romania, as partners of VIC, we propose an application project related to a personalized guide of South-East Region of Romania as a result of creative firms cooperation. This guide should be a demand of assistance and cooperation with the European partners and must be a signal that Romanian creative firms exist and want to growth up. On the other hand, we try to realize a new framework for virtual incubators in Romania. We have to realize this because there are only information technology incubators in Romania.

**Keywords:** virtual incubators, creative industries, national framework

**Jel Classification:** D6, D71

The term of creative industries was used for the first time in Australia. It was imported in U.K.



Nowadays the map of creative industries in Romania is:

- architecture and urban regeneration
- art and design

- performing arts
- film and video
- photography
- industrial inventics and artificial intelligence
- mass media (written on paper, audio or video)
- fashion and apparel design
- traditional crafts
- monuments and cultural tourism
- music
- advertising
- software and interactive video games
- printing and binding
- web design

The concept of creative industries has a lot of connections with: culture, history, traditions, economy, regional development, urban regeneration and policy.

The impact of creative industries in Romania means:

- To create a local and regional partnership in order to develop creative industries;
- To achieve a mapping study following a common methodology with other partners;
- Showcase success stories in creative industries in order to advocate cities as creative hubs;
- To raise awareness about the concept of creative industries and their role in regional development;
- To create a local network of creative industry: professionals, politicians, business community, public institutions and NGOs;
- To improve economic welfare, market economy and to develop private industries;
- To develop a friendship relation between people in Europe;

- To develop cultural and religious tourism;
- To understand and respect other cultures and nations.

We think that creative industries have more impact on the planet than internet had and did! On the other hand, we consider that the best motto for Romania is: creative industries = new development energies.

Romania has to succeed a lot of challenges about creative industries. Into a swot analysis, the specific matrix is:

-	+
weak promotion;	intelligence stock;
weak information about creative industries;	great interests in creative industries;
straitened circumstances;	new approach as member of E.U.
bushy legislation	the initiative of the British Council about U.K.-South-East Europe Forum

We find a successful story in our town Galati: PAUL BUTA (ROMANIA), who started from an unknown zone from the E.U. without big investment. He had only his work, passion and imagination.

The result of his work is a traditional household with popular Romanian masks which are known in Europe, U.S.A. and Australia.



**Traditional Romanian folk dances in Galati**



**Romanian traditional folk masks in Galati**



**Romanian traditional household and popular costumes in Galati**



**Romanian traditional oven in Galati**



**Romanian traditional clay pots made in Galati**



**Christian crucifix in Galati**

In order to promote creative industries in Romania, as partners of VIC, we propose an application project related to a personalized guide of South-East Region of

Romania as a result of creative firms cooperation. This guide should be a demand of assistance and cooperation with the European partners and must be a signal that Romanian creative firms exist and want to develop.

On the other hand, we try to realize a new framework for virtual incubators in Romania. We have to realize this because there are only information technology incubators in Romania.

One of the most important Romanian virtual incubators is NEST, created by The Advantage Software Company. Its applications consist in: wireless, software, Internet, Intranet, telecommunications and electronic trade. The only restriction is that the applicants have not involved another business. The web page of this incubator is: <http://www.nest.ro/>

A different virtual incubator is INTERNETGENESIS which offer a whole developing business. The web page of this incubator is: <http://www.internetgenesis.ro/>.

As a result, we try to create a theoretic framework in which the incubator is a physical space or offered facilities along incubation process.

The incubation process represents public or private social, economic and entrepreneurial development. Its main objective is to discover new business ideas or start-up and seed companies;

The incubation medium is the general economic framework of the companies' development.

The evolution of the business incubators can be divided into five generations:

- *first generation*: the same space and facilities;
- *second generation*: consulting, development of entrepreneurial abilities, networks creation;
- *third generation*: sector and sectorial incubators;
- *forth generation*: spin-off business with high add value, innovation facilities and technological transfer to the economy, regional, national and transnational networks;
- *fifth generation*: development and future integration of the incubators into innovative national policies

The development strategy of incubators in Romania faces with:

- high professional management of the incubator: development and promotion of the quality standards;
- understanding incubation like long time process which need money and human resources in order to create support networks;
- identification of weak points, financing of start-up companies, using resources from the academic medium, creating transnational networks;
- development of the instruments and support programs, adaptation to the national innovation policies;
- integration of the incubators and incubation process in the national and European culture;
- internationalization of the activities of the incubators and creation of the networks;
- a better promotion of the virtual incubators;

A Virtual Incubator Programme has some important objectives such as:

1. development of success business which goes out the incubator in a high financial stability at the end of the program;
2. a high number of jobs;
3. revitalization of the local communities;
4. development of new technologies trade;
5. development of inter-companies high add value connections;
6. a better local, regional and national economic environment.

We think that the development of virtual incubator programme is based on:

- management, marketing and development of specific habilitations in order to deserve clients' demands;
- common services, instruction, equipments and tehnologic support;
- clients selection and acceleration of the process of independent business in order to go out the incubator;
- technical assistance in order to obtain complementary financing for business development;

- a higher add value by using dedicated spaces at low prices.

The main elements of virtual incubator are:

- promotion of entrepreneurial culture and support of business forecasts;
- creation of new innovative business;
- consulting, training and help for business development;
- networks which ensure the access to the specialized consulting, to technological trade and money;
- physical facilities (buildings, offices and laboratories at low prices).

These are the main elements of our work in order to support the development of virtual incubators in Romania. We must say again that Romania has not big experience in virtual incubators for creative industries. So, we hope we can translate your experience into our national framework.

## The sequence operation in production flows

Associate Professor Cătălin Angelo Ioan, PhD  
*„Danubius” University of Galati*

**Abstract:** The sequence operation in production flows appears in the usual practice for the installations waiting time decreasing when a lot of pieces use the same technology line in the same direction.

**Keywords:** algorithm, permutation, iteration

**Jel Classification:** C7 , C02, C51 ,

Let two installations  $U_1$  and  $U_2$  who process  $n$  pieces  $P_1, \dots, P_n$  ( $n \geq 2$ ) in the same order (first  $U_1$  and after  $U_2$ ). We shall consider that  $U_1$  and  $U_2$  are available from the process beginning and the waiting time to come in execution for  $U_2$  does not implies other prices. In addition we shall suppose that the pieces do not have a finish ending date.

Let note with  $t_{ij}$  the processing time of the  $j$ -th piece on the  $i$ -th installation.

The problem consists in a determination of the pieces execution beginning order such that the waiting time of the installation  $U_2$  to be minimum.

Let the matrix  $T=(t_{ij}) \in M_{2n}(\mathbf{R})$  of the time processing. The classical algorithm consists in the following steps:

**Step 1** We choose the least element on the first row. This will give us the first piece who will come in execution.

**Step 2** We cut the previous column and we choose the least element on the second row. This will give us the last piece who will come in execution.

**Step 3** We cut the previous column and we go again at the first step. After this we will obtain the second piece who will come in execution, and after we go again at the second step and we find the penultimate piece and so on.

The algorithm will continue till we shall finish all the pieces.

**Example**

Let two installations  $U_1$  and  $U_2$  who process six pieces  $P_1, \dots, P_6$  in the same order (first  $U_1$  and after  $U_2$ ). We shall consider that  $U_1$  and  $U_2$  are available from the process beginning and the waiting time to come in execution for  $U_2$  does not implies other prices. In addition we shall suppose that the pieces do not have a finish ending date. We can see the execution times in the following table:

<b>Installation /Piece</b>	<b>P<sub>1</sub></b>	<b>P<sub>2</sub></b>	<b>P<sub>3</sub></b>	<b>P<sub>4</sub></b>	<b>P<sub>5</sub></b>	<b>P<sub>6</sub></b>
<b>U<sub>1</sub></b>	1 6	2 7	1 2	4	2 2	3 3
<b>U<sub>2</sub></b>	1 0	1 5	2	1 0	1 1	2 4

For the beginning we choose the piece  $P_4$  because the element 4 is the lowest from the first row.

After we cut the corresponding column, we obtain:

<b>Installation/Piece</b>	<b>P<sub>1</sub></b>	<b>P<sub>2</sub></b>	<b>P<sub>3</sub></b>	<b>P<sub>5</sub></b>	<b>P<sub>6</sub></b>
<b>U<sub>1</sub></b>	16	27	12	22	33
<b>U<sub>2</sub></b>	10	15	2	11	24

The least element in the second row is 2, therefore the last piece will be  $P_3$ .

In the first row of the table:

<b>Installation/Piece</b>	<b>P<sub>1</sub></b>	<b>P<sub>2</sub></b>	<b>P<sub>5</sub></b>	<b>P<sub>6</sub></b>
<b>U<sub>1</sub></b>	16	27	22	33
<b>U<sub>2</sub></b>	10	15	11	24

we find that the least element in the first row is 16, therefore the second piece is  $P_1$ .

In the second row of the table:

Installation/Piece	P <sub>2</sub>	P <sub>5</sub>	P <sub>6</sub>
U <sub>1</sub>	27	22	33
U <sub>2</sub>	15	11	24

we find that the least element in the second row is 11, therefore the fifth piece is P<sub>5</sub>.

In the first row of the remaining table:

Installation/Piece	P <sub>2</sub>	P <sub>6</sub>
U <sub>1</sub>	27	33
U <sub>2</sub>	15	24

we find that the least element in the first row is 27, therefore the third piece is P<sub>2</sub> and finally the fourth piece is the remaining P<sub>6</sub>.

The order of execution is therefore:

P<sub>4</sub>,P<sub>1</sub>,P<sub>2</sub>,P<sub>6</sub>,P<sub>5</sub>,P<sub>3</sub>

The Gantt diagram illustrates the execution order of all pieces:

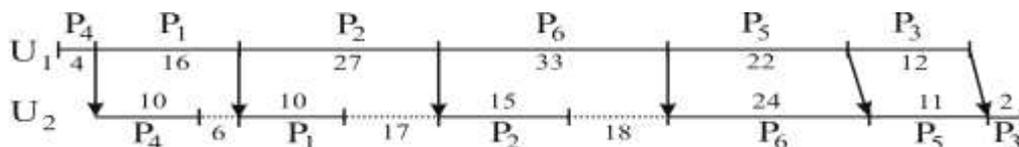


Fig. 1

The total waiting time for U<sub>2</sub> is the sum of the lower quantities in the figure 1 and is therefore: 6+17+18=41.

The total time of the process is 4+16+27+33+22+12+2=116.

If the process is cycling we can see that at the finish of execution, the piece P<sub>4</sub> will wait only 1 time unit till it will be process again on U<sub>2</sub>.

We shall try in what follows to find all solutions of this problem to see if the method presented above is optimal.

Let consider a permutation  $\sigma = \begin{pmatrix} 1 & 2 & \dots & n \\ i_1 & i_2 & \dots & i_n \end{pmatrix} \in S_n$  – the group of permutation of n

elements and an order of pieces indexed by  $\sigma$ : P<sub>i<sub>1</sub></sub>, P<sub>i<sub>2</sub></sub>, ..., P<sub>i<sub>n</sub></sub>.

Let the table of execution times:

Installation /Piece	$P_{i_1}$	$P_{i_2}$	...	$P_{i_k}$	...	$P_{i_n}$
$U_1$	$d_{i_1,1}$	$d_{i_2,1}$	...	$d_{i_k,1}$	...	$d_{i_n,1}$
$U_2$	$d_{i_1,2}$	$d_{i_2,2}$	...	$d_{i_k,2}$	...	$d_{i_n,2}$

We define  $g_1, g_2, \dots, g_n \geq 0$  - the pauses before entering in execution of  $P_{i_1}, P_{i_2}, \dots, P_{i_n}$  on the installation  $U_2$ . We have obviously:

- $g_1 = d_{i_1,1}$  (from the beginning of the process)
- $g_2 = \max(d_{i_1,1} + d_{i_2,1} - d_{i_2,2} - g_1, 0)$
- $g_3 = \max(d_{i_1,1} + d_{i_2,1} + d_{i_3,1} - d_{i_2,2} - d_{i_2,2} - g_1 - g_2, 0)$
- ...
- $g_k = \max(\sum_{p=1}^k d_{i_p,1} - \sum_{p=1}^{k-1} d_{i_p,2} - \sum_{p=1}^{k-1} g_p, 0)$
- ...
- $g_n = \max(\sum_{p=1}^n d_{i_p,1} - \sum_{p=1}^{n-1} d_{i_p,2} - \sum_{p=1}^{n-1} g_p, 0)$

If we note:  $B_{i_1 \dots i_k} = \sum_{p=1}^k d_{i_p,1} - \sum_{p=1}^{k-1} d_{i_p,2}$  we have:

- $g_1 = B_{i_1}$
- $g_2 = \max(B_{i_1 i_2} - g_1, 0)$
- $g_3 = \max(B_{i_1 i_2 i_3} - g_1 - g_2, 0)$
- ...
- $g_k = \max(B_{i_1 \dots i_k} - \sum_{p=1}^{k-1} g_p, 0)$
- $g_n = \max(B_{i_1 \dots i_n} - \sum_{p=1}^{n-1} g_p, 0)$

The objective function is  $z = \min \left( \sum_{k=2}^n g_k \right)$ .

The algorithm will compute for all permutations  $\sigma = \begin{pmatrix} 1 & 2 & \dots & n \\ i_1 & i_2 & \dots & i_n \end{pmatrix} \in S_n$  the quantities  $g_1, \dots, g_n$  and after the values of  $z$ .

For the example presented above we have the order:  $P_6, P_1, P_2, P_4, P_5, P_3$  and the Gantt diagram is the following:

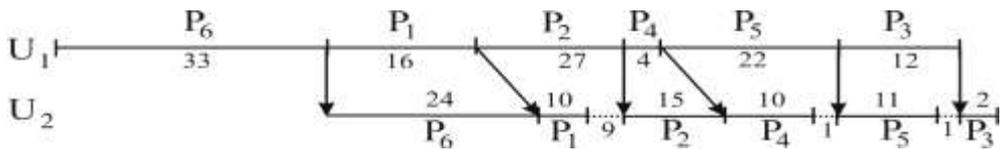


Fig. 2

The total waiting time for  $U_2$  is the sum of the lower quantities in the figure 1 and is therefore:  $9+1+1=11$ .

The total time of the process is  $33+16+27+4+22+12+2=116$  the same like in the previous method.

If the process is cycling we can see that at the finish of execution, the piece  $P_6$  will wait 31 time unit till it will be process again on  $U_2$ .

After this example we can see that if we analyse all the permutations the total time seems to remain constant, but the waiting time for the second installation decrease very much. If the process cycle the total time in the first case is lower then in the second case presented upper, but if we made all the permutations we can find also a better choice. Indeed, after all permutations, we find the following order:  $P_1, P_2, P_3, P_4, P_5, P_6$  and after the finish of the processhe piece  $P_1$  will not wait any moment. After the second iteration we shall find that the total waiting time is:  $17+11+22+16-24=42$  and in the first method 43.

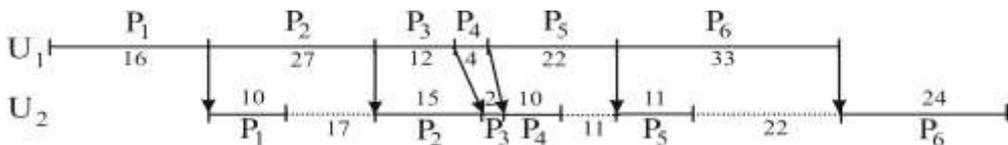


Fig. 3

## **Aspects Concerning the Opportunities of Career Development in the Human Resources Domain**

**Senior Lecturer. Maria Madela Abrudan, PhD**  
*University from Oradea*

**Assistant Professor. Bianca Forsigan, PhD in progress**  
*Agora University, Oradea*

**Senior Lecturer Horia Demian, PhD**  
*University from Oradea*

**Ec. Marius Forsigan**  
*Transylvania Bank, from Oradea*

**Abstract:** The function of human resources is an unusual matter concerning the evolution of other functions of the organization. The enriching and changing process of its status determined, at the same time, a movement of its instruments and activities as far as all the departments and activities are concerned, so that it can ensure a true partnership with the personnel and to be closer to reality. Our step can't situate itself outside the new context of the evolution of the human resources function.

**Keywords:** evolution, human resources, opportunities, human resources department

**Jel Classification:** O15, O21, M12

One of the important tasks of human resources department refers to predicting and supervising the employees' career of the business organization. In order to achieve the adequate objectives, in the best conditions, it must be taken into account, simultaneously, the business organization's requirements, the employees' determination to develop their career, but also their individual potential.

The department of personnel/human resources, as an essential function in the business organization, is divided into two domains, Human Resources Management (RUM) and Human Resource Development (HRD). Even though many companies do not distinguish as separate domains, human resources management and human

resources development, it is important to understand and to remember that they are two main human resources domains – they are actually, the two major options in human resources career.

## **1. Human Resource Management (RUM)**

Human Resource Management is the traditional direction of human resources activities that leads and supports the business organization staff, and it is assumed that every business organization has at least one person responsible for this domain.

Human resources management domain as the main activities include:

- The selection and the recruit
- The rewarding system
- Relations with the employees
- Health and safety.

The role of human resources management is to maintain human resources competent and also to be able to fructify them. Let's imagine what would happen if your business organization would stop paying salaries. The Human Resources Management has the responsibility to make the business organization to work well and the department of Human Resources Management has to intervene in order to discover what employees expect from their workplace. The Department of Human Resources Management is also responsible for the organization to function as a whole. These processes operation may cost a lot of money, and human resources management has the qualification to take decisions helping the company to save money and to ensure that the staff is well attended. In every important domain of human resources management process, there are prepared continuous assessments and also implement programs and new systems for better serving the business organization.

The following examples are relevant:

- The staff recruitment and strategy: recruitment management systems (RMS) or the applicants' identification system (AIS) are the one used in electronic management of managing the CVs flow during the recruitment busy times. The business organizations save money by accelerating the process of recruiting and involving a smaller number of personnel to manage employees' records.

- Working relationship with the employees: training the managers on topics like sexual harassment and rules at workplace which become increasingly common, in order to proactively reduce conflicts and pending lawsuits connected with the behaviour in the workplace.
- Work safety: while accidents are common in factories and on construction sites, specialists in human resources faced also a growing number of work accidents in the office. Many specialists in work safety proposed, for example, one approach to ergonomical office furniture. Although these sophisticated chairs and computer monitors for reducing the brightness are expensive, such investment could prevent future accidents and related costs.
- Rewards and Benefits: the outside benefits are a popular way to reduce the costs and the responsibilities for the business organization. Some of the departments that are responsible for the rewards and the benefits, contract outside companies that lead benefits programs, such as: a savings plan for employees. As soon as these specialized companies have the expertise and the necessary systems to run these programs, the companies are often saved from additional expenses.

Since online advertising based on jobs has become expensive, finding new ways of recruiting is an important solution to save money.

According to the studies on human resources management, an important part of the work consists in improving the way the employees are “attended”, so that in the past five years, one of the concerns was directed towards attend better “the customers”, the companies have achieved Intranet networks and the process of options and benefits, as all the personnel procedures and policies have become on-line without bureaucracy.

## **2. Human resource development (HRD)**

Human resource development represents the second domain (by some specialists, much more limited) of the human resources department. The department of human resources development from a business organization focuses those activities that help the employees to progress. Many organizations refer, in a simplistic way, to develop human resources in terms of training or learning, but in reality it is much more than that. The department of human resources development includes:

- Training and learning
- The Development Program of the Organization, which includes:
  - planning the succession/development of the organizational career.
  - coaching
  - performance management.

Human resource development is the domain of the human resources that is increasingly developing in the recent years, as organizations recognize the need to do much more than simply lead the workforce. While smaller organizations often have a generalist in human resources who assumes responsibility for training among other tasks, the big companies have a component dedicated to fully develop human resources in the organization.

The department of human resources development may be responsible for certain activities - for example, training the staff in the sales department - or it can also offer as an internal consultancy service for some projects - for example, relating to the restructuring of the departments or the restructuring succession plan for the entire division). Other responsibilities of this department may also include: assessing the employee's performance; training the new employees, and helping the company regarding the changes resulting from the new programs, technologies, mergers or acquisitions.

The Department of career development is expanding every year. Training and development are areas that in the years to come they will know a broad development. This is due not only that jobs become increasingly complex, but also because of the numerous changes of technology, which requires much more training and processing development programs of the personnel.

What does this means for human resources?

Although the human resources development is not the only one which develops, it should be taken into account the fact that it is differently structured from one business organization to another. Human resource development should be seen as viable part of career, and it is very important to integrate it in the company's strategy. Organizations that have focused only on the training activity may not consider human resources development that important, as those who have a specific function of organization development.

The responsibilities of a DRU include:

- Internal Trainer
- Consultant Executive
- Specialist on development organization
- Training designer (who designs the training)
- Training coordinator

Leadership’s development and training have become increasingly important for a company to attract and keep talented people. Many companies turn to external consultants to help the executive to solve the issues related to the performance assessment that can prevent the promotion of objective criteria. Currently, many consulting firms have created divisions on the human resources development, on the basis that shortly, the human resources development will gain a great importance in most business organizations. The external consultant may work directly with the head of the compartment or the vice-president, helping them to achieve an effective work.

In many organizations, managers, executive directors employ young professional trainers to assist in problems regarding the achievement performance or other specific areas of development. There are Professional Training Programs at the consultancy firm “Capital One”, that is known in the human resources domain for its innovation of bringing closer leadership to coaching. Capital One has centralized the process, saving money and insuring that the coaching is used for practical reasons

**Table no 1**

	Specific steps in the chain of coaching values	Specific activities
Who identifies the need for coaching and how?	The identification of executive directors training needs	<ul style="list-style-type: none"> <li>- Training needs for an executive director are often identified by the manager, by the executive or by the Human Resources consultant in discussions relating to management performance.</li> <li>-The executive Managers and the Training Program</li> </ul>

		<p>Department assesses each training application to ensure that it is closely linked to the objective or business needs.</p> <ul style="list-style-type: none"> <li>- Professional training is addressed to the executive at the director's level or at a higher level.</li> </ul>
<p>Who selects a trainer for specific needs? How?</p>	<p>Identifying the trainer with the executive director</p>	<ul style="list-style-type: none"> <li>- Use specialist trainers that collaborate with the organization depending on the level of applications.</li> <li>- The Department for the Executive Training Program identifies the specialist consultants, with the Executive Director, based on two criteria: the needs of executive development and consultants' preoccupation.</li> <li>-The leading council interviews two or three candidates as trainers, recommended by the Department of Executive Training Program, before making the final selection.</li> </ul>
<p>What are the parameters of the specialized coaching commitment?</p>	<p>Management commitment to coaching</p>	<p>One typical cycle of counselling takes six months, during which the director may benefit up to 30 hours of counselling. Each counselling commitment is justified by a contract, between the trainer, manager and the counselled, that specifies the measurable goals of development. Every two or three months, the counselled, the trainer and the</p>

		direct manager will have a separate meeting to analyze the progress.
How to analyze the impact of coaching?	Results analysis and the effectiveness of coaching.	<p>- After 6 months, the counselled, the trainer and the manager revise the progress and the effectiveness of consultants by comparing them with the goals specified in the contract.</p> <p>- The manager provides feedback on behavior changes that took place (or not) on the basis of their own comments and feedback on the team. - The manager, trainer and the counseled determine the future extension of the contract, and in some other cases it may mean to renew the commitment to yet another 6 months.</p>

An example of the Professional Training Program. *The source*<sup>1</sup>

Coaching is a phenomenon of modern management, which finds its place also on the Romanian market, especially on the multinational companies. Although the attempts to define its domain are numerous, the easiest way of seeing coaching is as a process that answers a need, namely, the need for performance management. The coaching relation often leads to unexpected good results for its beneficiaries. While many systems of personal and professional development have "legitimate parents," coaching does not have such a history. It appeared in the U.S. as a result of evolution that took a lot of techniques from different systems.

Management has as an essential dimension the leading idea: a person with authority that leads another person or a group in order to achieve a result. In coaching, it is emphasized the relation between two people as "equals". On the other hand, the specific coaching skills are absolutely necessary to managers. A good manager must

<sup>1</sup> www.homedepot.com

have the ability to treat their subordinates as equals at least at some moment of the activity in order to create team cohesion.

### 3. References

Cerdin J-L. (2000). *Gerer les carriers, Vade Mecum*, Caen: Editions EMS Management & Societe, Collection Pratiques d'Entreprises.

David A., De Cenzo, Stephen P. Robbins. (1994). *Human Resources Management: Concepts & Practices*, Printed by Englewood Cliffs, N. J.: Prentice Hall,

R. Mathis, P. Nica, C. Rusu coord. (1997). *Managementul resurselor umane*, București: Editura Economica.

\*\*\* The collection of "Ziarul financiar"

\*\*\* [www.vault.com](http://www.vault.com)

\*\*\* [www.homedepot.com](http://www.homedepot.com)

## **Business Administration**

### **The Role of Creativity in Romanian Companies**

**Assistant Professor Carmen Marin, PhD in progress**  
*“Constantin Brâncoveanu” University Pitesti*

**Abstract:** Creativity is a concept that we encounter every day. We do hear about creative people, admire original art objects or read original books. However, in spite of our capacity to admit, there is a high level of confusion pertaining to the meaning of creativity. The rapid growth of competition in business and industry is often used as a motivation of the desire to better understand the creative process. Thus, many organizations are forced to improve their old system and products. Managers in Romania must also find new methods and better problem solving ways. An even greater number of problems have little or no precedent, hence the conclusion that there are less tested methods of approach, in this way some positive results being anticipated. Therefore, having a creative ability is an essential skill of each leader. In other words, the creative leaders look for new problems and are successful especially in approaching new challenges.

**Keywords:**creativity, contemporary management, brainstorming

**Jel Classification:** M12

The term of *creativity* is originated in the Latin word “creare”, which means “to conceive”, “to build”, “to create”, “to born”. The very etymology of the word shows that this term defines a process, a dynamic act which is developing and perfecting itself and includes both the origin and the purpose. The generic term and concept were first introduced in 1937 by the American psychologist G.W. Allport, who felt the need to transform the adjective “creative”, by suffixing, in “creativity”, broadening the sphere of the word’s semantics and implementing it as a noun with full rights, as it appears later in the technical literature and dictionaries. In the 1970s the neologism taken from English was imposed in most international languages (“créativité” in French, “Kreativität” in German, “creativita” in Italian, etc.),

replacing the occasional terms used so far (according to the German the term of “das Schöpferische” was made use of = “creative force”).

By *creativity*, sociologists understand the disposition that is guiding the individuals and groups towards the production of some inventions, and the attempts to explain the creative mood are based on the opposing of originality to conformism (special norm) or of spontaneity to the artifice (convention). What distinguishes the sociological perspective from the psychological one is the concern in the creativity of societies or groups. The creativity of a certain culture, of a social class or some professional category is thus being discussed upon.

The following explanation is required: while the invention is simultaneously the creating act and the product of the creation, the psychological concept of creativity designates the innovative power or the creative capacity viewed from the angle of the view of efficiency. In this way there can be noticed individuals who can put on view their being more creative than their other colleagues in the activity field considered using tests of creativity.

Creativity is one of the most complex human activities. It is often conceived as being a structure exclusively related to intellectual skills, i.e. imagination, thinking, intelligence.

Creativity is conditioned by a degree of their development; a creative person looks at something and sees how it can be changed, in what it can be used or how to combine its components. But creativity is not a mere collection of intellectual abilities. It implies the presence of a certain attitude, a certain way of considering life and the surrounding world and of relating ourselves to it: motivation and interest, enthusiasm, optimism and positive attitude, tolerance against the change and its acceptance, the embracing of the elements of novelty, ambiguity, thinking flexibility, self - reliance and the courage to walk new-found paths and overcome prejudices and habits.

Creativity stands for human mind system's peculiarity by means of which a person or a group of people may generate a product which should at the same time be original as well as adequate. This product might be a mere idea, an academic communication, an advertising article or any other form of creation. In general, a new product must be original and unforeseen. This must be different of what the author himself/herself or other people have obtained until that particular moment, in the field at issue. A brand – new solution cannot yet pass for creative unless it is adequate, i.e. it does comply with the different requirements of a problem. The

importance granted to these two criteria pertaining to the judgment in creativity, i.e. novelty and appropriateness, varies among different individuals and on the nature of the considered problems or tasks.

The main aspects referring to approaching creativity – oriented problems are:

- Knowing the human nature of the subjects – which assumes that the creative person has: assimilating capacity, information keeping capacity, the ability to substantiate judgments, and the imaginative capacity.
- Designing a methodology and a structure of the creative process, which should simultaneously observe the following conditions: be clear, be complete, be appropriate, and be effective.

Creativity involves taking into account several characteristic elements of the human nature:

- *Receptivity*: a good part of what is normally called imagination consists in being receptive to the possibilities ignored by most people. The people who are psychologically receptive have a special mental ability and do not allow the censoring of their ideas.
- *Acumen*: creative people do not tolerate ambiguity and disorder.
- *Judgment*: the inclination to build conceptual systems which allow them to see something extraordinary in common situations and create simple relationships with multiple connections, where others see only confused complexities.
- *Interdisciplinary competence*: these individuals possess a great deal of knowledge and concerns in many areas.
- *Independence*: creative people are independent in their own way of thinking, this attribute often generates conflicts.
- *Perfectionism*: creative people very often have precise standards in assessing certain situations
- *Fairness*: they can say “don’t know/you’re right/ I was wrong”, and when they set a target to focus their efforts on, they are almost certain to succeed through using their arguments.

*Creative thinking* includes two processes of thinking: convergent and divergent. A divergent thinking means to start a certain problem or idea and generate different

perspectives. The purpose of the divergent thinking is to ignore extant constraints and approach all possibilities.

*Convergent thinking* follows the divergent one and serves to restraining available options, in the purpose of obtaining a certain number of satisfying solutions for a problem or decision. Who thinks in convergent terms starts from a broad outlook of a particular problem and continues through focusing on particular issues.

Each step of the solving creative problem process contains a set of divergent and convergent activities. It means there is an initial search for information, followed by a restriction of the information. During the convergence process, subjects are being searched for to be very close to the topic under consideration, or sufficiently close to ensure further attention.

Creativity is an important human reserve and organizations should try to use this resource by creating an environment where creative talents can flourish.

### **The Need for Creativity in Contemporary Management**

Today, in a world with broad democratic openness, recognition and promotion of creativity is not just a desideratum, yet a real and urgent necessity. Two decades ago, the psychologist Morris Stein announced this threshold of wonderful opening for creativity and creative spirits: "A society that stimulates creativity provides its citizens with four basic freedoms: freedom of study and training, freedom of exploration and investigation, freedom of expression and freedom to be themselves".

The period that we run through is dominated by mutations, which occur in our domains of interest:

- Accelerating the process of changing at micro and macroeconomic level;
- Increasing the role and value of the information;
- Emphasizing the creative side of decision-making process in which organization's problems are solved;
- Diversifying the set of methods and techniques used by the managers to solve problems. An increasing number of problems have a single or few precedents, hence there are less tested methods to anticipatively approach to obtain some positive results;
- Increasing the degree of flexibility in designing the useful structures.

All these processes can positively influence the activity of the organization, if managers understand the necessity to emphasize the creative side of management.

In other words, management functions must be exercised in a different manner, relying on the creative and entrepreneurial spirit.

Practicing a creative management, the manager must think in terms of the future management structures that ought to be introduced so as to ensure the organizational framework that is optimal to the development of present and future activities.

Managers in Romanian firms must realize that the most valuable asset of any company is the individual, with his/her creative potential, and be convinced that only the money, equipments or information cannot be turned to the best account in the absence of creativity.

The necessity to promote creativity in the Romanian companies is determined by the need for change and for adapting.

The adapting of Romanian companies to the market economy involves profound changes at the management's level. In such conditions, the variety, dynamism and efficiency must become basic characteristics of the Romanian management.

Therefore the market economy calls for the focus on predicting, dynamism and flexibility in the development of management processes, and managers with high creative potential able to coordinate the activity of the organization, to train the staff and to control the way in which objects have been achieved.

It is necessary, particularly in this period, to produce major changes in managers' way of thinking, understanding and acting in terms of considering socio – psychological aspects.

The necessity to innovate, to set up the “new element” in management implies that, at the level of each Romanian company, innovating strategies oriented towards promoting the new should be adopted. One of the main objectives of managers has got to be the discovery and assimilation of the brand new domains of activity in the company with approaching in an open spirit all change suggestions.

This calls for managers' high professionalism in identifying, understanding and acknowledging the necessity of change, on one hand, and their strive to implement it on the other.

Priorities which are having in view the implementing process of the change and adapting the management instrument in Romanian companies to transition conditions:

- Implementing a creative type management;
- Emphasizing the interdisciplinary character of management;
- Professionalizing the management;
- Enhancing the flexibility degree and receptivity of managers towards the mutations that occur in the internal and external environment;
- Passing from the empirical to the scientific management;
- Emphasizing the participative character of management;
- Developing a strategy and management policies with a pronounced creative feature;
- Increasing the flexibility degree of the organizational structure;
- Increasing the methods and techniques' contribution to stimulating creativity;
- Emphasizing the innovative feature of the plan of gathering, recording, processing and transmitting information

If these priorities are taken into account, the creative side of management can definitely be enhanced in this particular period. In other words, the implementation of a new type of management can be built.

### **Methods of Stimulating Creativity in Romanian Companies**

In order to stimulate creativity, there are used several methods and techniques to trigger the innovation skills of individuals and groups and to remove the psycho-social barriers that prevent, through inhibition, the manifestation of the existant skills. The methods of simulating creativity do observe a set of rules: considering the individual in his/her entirety; accepting statements' relativity; defeating the routine and prejudices; not barring the too daring opinions.

The technical literature has recorded over 50 methods capable of stimulating creativity. These methods were grouped in intuitive methods and analytical methods.

Intuitive methods use intuition, imagination and fantasy to stimulate creativity; as particular methods there can be used: the crushing, the play upon words and the analogy.

Crushing is the (mental) breaking of a whole in its component parts and recomposing it in a good manner.

The play upon words is mainly used in organizing the commercial activity, in establishing the name of the new products.

The analogy consists in transferring some characteristics of a known phenomenon to another phenomenon that is unknown, on the bases of the similarities between them.

The crushing, the play upon words, the analogy, the weighing against and other procedures can be used together in the some intuitive complex methods of stimulating creativity, such as: brainstorming, 6/6 discussion (Philips method), Delphi method, brain writing (or the 6/3/5/) method and the synectics.

- **Brainstorming:** is one of the most popular and appreciated methods of stimulating the creativity of a group, which consists of the group leader's logging brand – new ideas during the session. The group members are invited to expose their ideas about the problem. The purpose is obtaining as many ideas as possible. The ideas are never assessed during the generating process. Due to the fact that they can meet the ideas of others, the participants can find new combinations.

- Related with the brainstorming is the 6/6 **Conversation– Philips Method** – applied in stimulating the creativity of some larger groups. The method consists in dividing the large group in smaller units, each composed of 6 persons who are to discuss during 6 minutes a problem to which they are seeking solutions. Each group has a coordinator that animates the conversation and notes the proposals. After all the group members' conveying their ideas and opinions, the leader reads the recorded proposals and invites the group to rank them.

- **Delphi Method** – is an intuitive method that allows the capitalization of a larger volume of scientific and technical information held by a group of experts. A number of questions relating to a particular domain are fixed, a number of experts in the examined problem are chosen, and one or more coordinators must be appointed.

- **Synectics** – this method allows mixing the imagination and fantasy with the critic, rigorous thinking. It assumes putting a problem in a discussion, in which 5-7 persons are participating, and an animator of the discussion is picked, who takes care to avoid the partiality of some opinions or mocking others. Other two members of

the group have the role of producing ideas, and the others are participants in the synectics group. Group members must have a similar cultural level, but they have to come from different interest areas.

- **Delbecq** – it aims at obtaining a new idea, at solving some problems based on maximizing the participation of group members, and combines the individual creation within the group. The problem lies in the difference between the actual situation and the ideal situation imagined by these persons. Solving the problem is to reduce as much as possible this lag by the participants' expressing in written their ideas, associated with oral interventions within the gathering.

- **MESA** (Manager – Economist – Sociologist – Armenia) - involves the participation in a meeting of a group of maximum 15 persons, including: managers, economists, lawyers; two informal leaders and two experts in the management of human resources and sociology.

The analytical methods stimulate creativity based on the presentation and treatment of various data, pieces of information, ideas, and solutions in prescribed and logical form. The more frequently used analytical methods of stimulating creativity are questionnaire-based surveys of some specialists, the function analysis, the morphological function, the heuristic analysis.

### **Case Study**

To get an idea over creativity, I carried out a mini-study, using a questionnaire (annex no 1), I performed an investigation on 50 subjects.

The study aimed at companies in Braila of different sizes and domains of activity, and the subjects were mainly first line managers – first rate and middle rank managers.

In carrying out the questionnaire I carefully considered the status of the interviewed individuals – I selected the persons according to their age (31 – 40 years, 41 – 50 years, over 50 years), age of employment, occupied position within the company, the main area – clothing, following services and commerce activities.

The importance of creativity in the firm is differently viewed by the hierarchical levels, as follows:

- to first line managers 50%
- 38% - of middle managers

- 12% of the first line managers

Taking into account the element of age, the role of creativity can be interpreted as follows:

- there is a high degree of receptivity of the young managers, with the age between 30 – 41 years, compared with the views of the subordinates and collaborators. Also, the managers have great confidence in the skills, knowledge and abilities of the employees, than those covered in the other age groups
- the managers of 41 – 50 years and those over 50 years, are more reserved than the managers from the first group, in some cases they being too conservative.

The main objectives pursued by the questionnaire:

- using the creativity in different hierarchical levels, age categories and professions;
- improving the manager-subordinate relationship;
- the importance given by a manager to some elements that contribute to the effectiveness of their work;
- finding solutions to the emerging problems.

**Table no 1**

Do you have creative a potential?			
	YES	NO	I DO NOT KNOW
1. Is the job you have chosen the best suited for you?			
2. Do you consider that the work is an expression of your personality?			
3. Are you strongly concerned in bringing innovations in the domain that you work?			
4. Are your achievements well appreciated by the people around you?			
5. Do you intend make the best use?			

6. Is the quality of your work remarkable?			
7. Did you accumulate a very rich life experience?			
8. Do your colleagues often ask for your advice in solving some thorny problems?			
9. Are you a good professional?			
10. Do you have a good performance at work?			
11. In order to solve certain problems, do you usually analyse all the details?			
12. Are you capable of making sacrifices to achieve your goals?			
13. When you are facing with more problems, do you fix first the most important?			
14. Do you often find more solutions to a problem?			
15. From more solutions do you usually choose the best?			
16. When you have creative ideas do you know how to put them immediately into practice?			
17. Do you know how to mobilize the others to help at the implementation of your ideas?			
18. Do you have a strong will?			
19. Do you have special professional achievements?			
<i>Note with +1 the positive answers, with -1 the negative ones and with 0 the ones of which you are not sure. Calculate the sum of the points..</i>			

15 – 20 of points: You know very well to express your creative potential; you are a professionally achieved person. Others around you really appreciate you. You have a strong ambition which will help you to surpass all obstacles.

10 – 14 points: you are a creative person, in general. You have a good working capacity, but your profession is not ranked first among your activities. You are not a very ambitious individual but you know how to reach your goals. You know how to put many of your ideas into practice.

5 – 9 points: You consider your work a way that helps you to survive. You are not very interested in what you do. You take action only when you have strong motivations.

0 – 4 points: You are an hesitator. You have the tendency to go from one extreme to another. You act rather from obligation and inertia. It comes to you to abandon what you do. You have ideas, but you do not know how to put them into practice. You rarely find solutions at the problems you confront with.

Negative rating: You do not know how to express your creative potential and what exactly you want from your life. You do not trust in your own strength. You are not a self-assured person. You are the embodiment of negative thinking. It would be appropriate to see a psychologist or to follow personality – improvement course.

## References

- Androiceanu Armenia. (1998). *The Management of Changes*, Bucharest: All Publishing House.
- Proctor Tony. (2000). *Elements of Managerial Creativity*, Bucharest: Teora Publishing House.
- Puiu Alexandru. (2005). *Management*, Pitesti: The Economic Independence Publishing House.
- \*\*\* *Management – Marketing*, Nr. 87/2006
- \*\*\* *Career Collection 2006 – 2007*
- \*\*\* *Biz 2006 – 2007*

## Marketing Particularities in Tourism and Services

Associate Professor Anca Turtureanu, PhD  
*“Danubius” University of Galati*

**Abstract:** The marketing has as an essential objective the orientation of firms' activities based on the market needs. This presupposes, necessarily, the existence of an informational system very well established, that observes any rapid changing market environment: the consumer, distributor and competition. Marketing services is a marketing specialized domain, autonomous, clearly differentiated, in the process of consolidation and development. The services characteristics such as: immateriality, inseparability, variability, inability of storage, they normally lead to a discussion on whether the marketing of services is similar to or different from that of physical goods.

**Keywords:** marketing services, market environment, immateriality, inseparability

**Jell Classification:** M31, M37, L84

There are two schools of different thinking regarding the applicability of concepts and techniques of marketing products to marketing services. One school believes that services do not differ from physical assets and therefore the concepts and techniques used in marketing goods may be successfully transferred to marketing services. Most of the arguments suggested by the advocates of this view are focused on the following two points:

- So-called differences between goods and services are hyperbolized and they provide little understanding possibilities of either one of them. Classification of product/service is simplistic and inadequate.
- As consumers buy the value of satisfaction offered by goods and services and those not in itself shows that marketing strategy should have as a starting point the product concept.

The other school refers to a theory of marketing services, relatively autonomous, because the services present distinct features of physical assets and thus it should be tackled separately.

Marketing services is more complex than that of assets, as there are fundamental differences in the final products, and the production and consumption are simultaneous.

Marketing services present a series of elements that distinguishes it of marketing goods. This was highlighted by taking into consideration services as a whole, without taking into account the existent differences between categories of services. The diversity of services within the tertiary sector requires an appropriate analysis in terms of marketing. In this regard, it was observed the emergence of tourism, banking and financial marketing, transport, health services marketing, marketing of cultural services, education marketing and scientific research etc.

Development and modernization of services during the current period demanded for a thorough research in the field of marketing services.

Marketing research services in a wider scope than the market study, although this is their most comprehensive component.

The marketing field investigations expand on the one hand before the market, towards forming the demand, going on the human needs and behaviour, and on the other hand, by tracing the appreciation way of the product by the consumer.

The scope and content of marketing research involves:

- 1) Studying the consume needs:
  - in terms of mechanisms of their formation;
  - in terms of their materializing in demand.
- 2) Consumer behaviour research
  - the dimension of consumer's behaviour;
  - ways and means to shape behaviour.
- 3) Study the market

General market aspects:

- market dimension;
- market area;
- market structure;
- types of markets;

- market dynamics;
- the elasticity of the various influence factors;
- market situation.

The two components of the correlation: - Offer;

- Demand.

- each of them separately;
- correlated among themselves.

Special aspects of a market:

- market "niche";
- markets "target";
- market testing.

4) Researching the product:

- product research quality;
- studying the lifecycle of the product;
- product positioning;
- tracking product during consumption.

5) Studying the mechanism of prices:

- research into the dynamics of prices;
- studying the correlations between prices;
- determine the elasticity demand / supply price.

6) Survey the distribution mechanism:

- research distribution channels;
- studying the distribution mechanism.

7) Research communication mechanism:

- research the company' s communication mechanism;
- audition studying of various components of promotional activity;

8) Study of company resources and its capacity to adapt to market:

- research of human potential, material and financial company compared to competitors;
- testing the ability of the company adapting to market requirements.

### **Services Marketing Strategies**

Marketing strategy is the main direction in which a company mobilizes its human and financial potential in order to achieve and exceed the scheduled economic indicators. Any marketing strategy must have established a strategic marketing objective that has three elements:

- attribute (expressing the target);
- scale (indicator) to measure the attribute;
- purpose that represents the value on a proposed scale.

Marketing strategy adopted by a services firm is the result of an option of several possible strategic alternatives. In developing and selecting appropriate strategy there are taken into account two factors:

1. endogenous factors:

- human potential of the company;
- material potential of the company;
- financial potential of the company.

2. exogenous factors:

- characteristics of market segments to which the company provides services;
- expressing the demand;
- existing consumers;
- potential customers.

For the implementation of market strategy of the company it must be developed a strategic plan. Marketing strategies can group by three criteria:

1) firm attitude towards the dynamics of the overall market:

- strategy to increase market share where the company proposes a dynamic of its business turnover, higher average market dynamics so that it will improve market share;
  - strategy to maintain market share where the rate will remain equal;
  - the strategy of restricting the market share.
- 2) attitude towards the company's market structure:
- undifferentiated strategy in which the activity is addressed to a global market, the products are the same for all categories of customers;
  - differentiated strategy in which the market activity is facing directly towards two or more distinct customer segments;
  - focused strategy where the activity is oriented exclusively to one segment of consumers.
- 3) the position that the company adopts towards the market changes:
- active strategy in which the activity is oriented towards the renewal and upgrading the supply in order to outrun the competitors;
  - adaptive strategy that keeps up with the market changes;
  - passive strategy of waiting the market reactions to the actions of competitors.

Strategic Plan

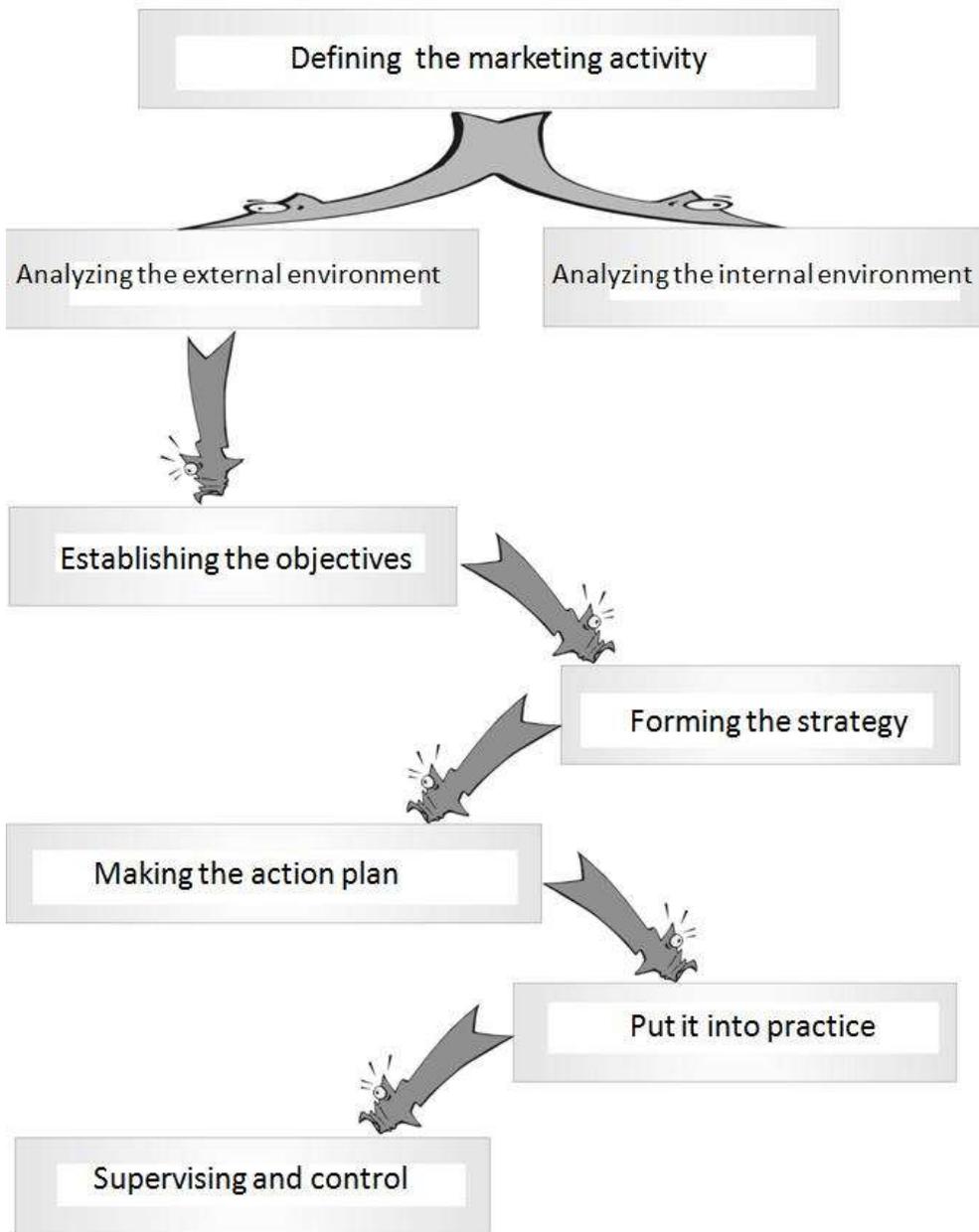


Fig.4 Source: Dubois, P. L. - *Theory and practice*, Editura Economica, 1994

Adopting strategies is a complex process, which seeks permanent synchronization of resources with the environment in which they operate.

Substantiate strategies Services Company have as starting point, on the one hand, their potential, and on the other hand, the environment to which their conduct represents the condition of success in business.

In this context, developing strategies must take simultaneously into account the following factors: undertaking, whose already obtained position and resources indicate certain evolution, competition, market, technological chain and logistic specific to each benefits, policy credits promoted by banks and financial bodies and human resources that may be used.

**Table 1****Strategic Options of Services Company**

<b>The position of the company towards:</b>				
<b>Market</b>	<b>Competition</b>	<b>Technological chain of distribution</b>	<b>Banks and financial bodies</b>	<b>Workforce</b>
a) activity expansion; b) activity specialty c) diversification of activities	a) offensive b) defensive c) differentiation d) tolerance	a) the functional specialization b) vertical integration	a) financing by bank loans b) funding from own resources c) a finance through cooperative	a) preparing their own system b) training in specialized units

### **MIX Marketing Services**

The concept of **mix marketing** designates targeting company's marketing activity, depending on internal resources and market conditions by combining a coherent whole, under the form of programs, of elements of product strategies, pricing, distribution and promotion in order to achieve objectives set for the time period, with minimum effort.

The company trains its material, financial and human resources in different combinations, so that its contact with the market would achieve maximum efficiency.

Not every combination of four elements (product, price, promotion and distribution) acquires the status of mix marketing, but only the one which consciously consists in specialists that aim at maximizing economic efficiency of the company.

Mix marketing puts into action in a given period will not necessarily include all four components, but according to precise conditions, the company might consider fewer components, and each component will have a complex structure representing "sub-mix marketing".

Regardless the number of components engaged in the mix marketing, between them there should be a close relationship and mutual conditioning, and each part and the whole mix must be reported at market strategy firm.

Mix marketing represents the effective solution to achieve strategic objectives, valid only for the stage that was drawn up and it is not a permanent solution to a given strategy.

Achieving the strategic objectives of the company, implicitly a mix of marketing depends on exogenous factors.

Practice has shown that the classic mix marketing is not sufficient to solve problems related to the features of services. Thus, it was a review of the marketing mix for services on introducing additional specific elements.

Mix Marketing for service contains seven items, divided as follows:

- 1) service:
  - a) range;
  - b) quality;

- c) level;
  - d) brand names;
  - e) line of service;
  - f) guarantee;
  - g) after sales services.
- 2) price:
- a) level;
  - b) discounts;
  - c) commissions;
  - d) terms of payment;
  - e) customer perceived value;
  - f) quality / price;
  - g) differentiation.
- 3) distribution
- a) location;
  - b) accessibility;
  - c) distribution channels;
  - d) cover distribution.
- 4) Communication:
- a) advertising;
  - b) publicity;
  - c) promoting sales;
  - d) public relations;
  - e) personal selling.
- 5) human involvement:
- a) staff:

- i) training;
- ii) discretion;
- iii) dedication;
- iv) motivation;
- v) presentation;
- vi) interpersonal behavior;
- vii) attitude.
- b) other customers:
  - i) behavior;
  - ii) the degree of involvement;
  - iii) contacts between customers.
- 6) physical evidence:
  - a) Environment:
    - i) mobile
    - ii) color;
    - iii) disposal;
    - iv) noise;
    - v) goods helper;
    - vi) tangible items.
- 7) process:
  - a) policy;
  - b) procedures;
  - c) mechanization;
  - d) the employee's discretion;
  - e) customer involvement;
  - f) guiding the client;
  - g) the flow of activities.

### **Marketing service quality**

The quality of service must be on the basis of marketing decisions, as it influences the demand for services and the structure of the customer; at the same time it is an important element for positioning in relation to competition.

Assessment of service quality is a difficult problem because in most cases of dimensioning services it intervenes the subjective evaluation side of customers.

Quality of service can assess according to the elements: body image (the global image and attractiveness of company's services), technical quality (essential attributes of services, adequate to the needs), and the functional quality (the delivery of services).

Quality of service is defined as the difference between customer expectations on service and perception of service quality after its use. Quality makes sense only if this difference is negative, so when the results exceed customer expectations. They are influenced by oral advertising, personal needs, previous experience and promotional efforts of the company.

Service quality perception is influenced by:

- tangibility (physical support of the service);
- reliability (ability to achieve proper service from the beginning);
- speed (achieving service time limits acceptable to the client);
- competence (the features and training staff serving meet the required implementation services);
- courtesy (politeness and respect for the customer on the behalf of contact personnel);
- credibility (honesty of services' company);
- safety (no hazards and risks when using the service);
- accessibility (ease with which the service can be used when desired);
- communication (informing the customer and responsiveness from the company);
- customer awareness (understanding the business needs and customer behaviour)

Non-quality factors of a serving process are most often related to four major deficiencies:

- ignoring the expectations of customers;
- lack of characterizing norms of a service;
- the disparity between the offered service and standards;
- failure promises.

A very important element for assessing the quality of services is providing a system and compliance of a guaranties system. It may attract customers and ensure good services. Also, the security can be an advantage over other companies and a sign of seriousness of market outlets.

Contracts of guarantee must contain the rights and obligations of customers and company.

### **Marketing Research**

The main objective of **marketing** is the orientation of a company's activity based on market needs. This work involves an information system very well established, that would observe any rapid change of the market environment: consumer, retailer competition.

In market economy conditions, sustainability and prosperity of a company lies in the speed of adjustment to market requirements.

The market study represents the main orientation of the marketing researchers, but it should be noted that not all reduces to this analysis. Thus, marketing field investigations is extended on one hand to the "upstream" market towards the origin of the request, going on human needs and behaviour, on the other hand, the "downstream" market by pursuing the way of assessment the product by the consumer.

The structure of marketing research in tourism from the point of view of research object, has five types:

- 1) **Exploratory Research** whose role is to identify the coordinates of the market phenomena and to define the correct variables that characterize them.

*Example: It was a pilot survey, regarding the youth request from a city tour, it will find out what do young people understand by spare time and which are the destinations that they prefer.*

- 2) **Instrumental Survey** aimed to verify and confirm whether the techniques and instruments that the researcher intends to use are the best suited for the purpose.

*Example: It is verified if the concepts of "spare time", "tourist", and "excursionist" were well defined and have the same meaning for all participants in research.*

- 3) **Descriptive Research** is used to clarify "how" carriers of information operate and seek to describe and evaluate the information market phenomenon.

*Example: It can be determined the market share of X company travel for youth in the total tourism market. It can be learnt in this way which is the socio-demographic feature, occupation, age, gender, environment of origin.*

- 4) **The causal research** which comes to enrich the area of information marketing aspects of a motivation, to explain the causal factors of the evolution of a particular phenomenon of the market and to measure their intensity.

*Example: You find the main reasons why young tourism organized or unorganized practice. Also, examine how the public reacts to a particular advertising message.*

- 5) **Predictive Research** aimed at predicting a market phenomenon in the short, medium or long term.

*Example: The X Company of tourism for youth may lead through such research that will be the evolution of its market share, by the next year in all the tourist market, and the specific of services that it provides in developing their own faithful clientele.*

They may be divided in terms of frequency of conducting surveys:

- Permanent
- Researches: - Periodical
- Occasional

On the nature of information sources there are:

- Office Research (yearbooks, breviary, studies);
- Field Research (through direct access to the market).

The marketing research process comprises five stages:

Identify the problem

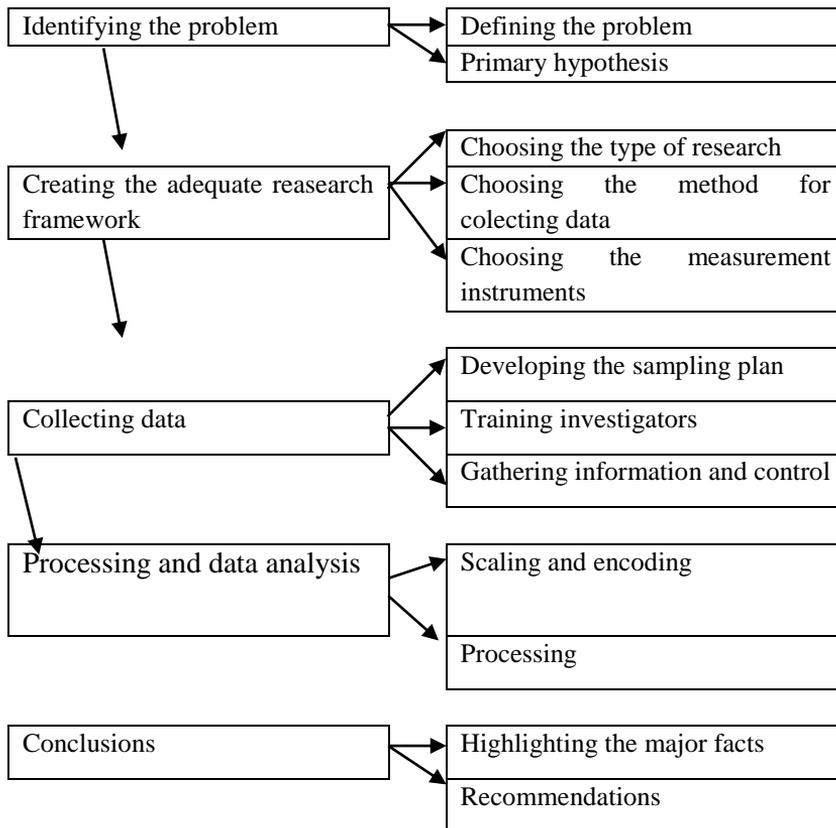


Fig. 5

Source: Dubois, P.L., *Marketing - Theory and Practice*, Editura Economica, 1994

### Strategic Marketing in Tourism

Marketing strategy is the main direction in which a company mobilizes its human, financial and material potential in order to achieve and exceed the scheduled

economic indicators. Any marketing strategy must have an established target. The strategic marketing objective has three elements:

- attribute (expressing the objective – for example market share);
- a scale (indicator which measures the attribute);
- a purpose (representing the value on the proposed scale as target)

For the implementing market strategy of the company it is developed a strategic plan.

### Strategic Plan

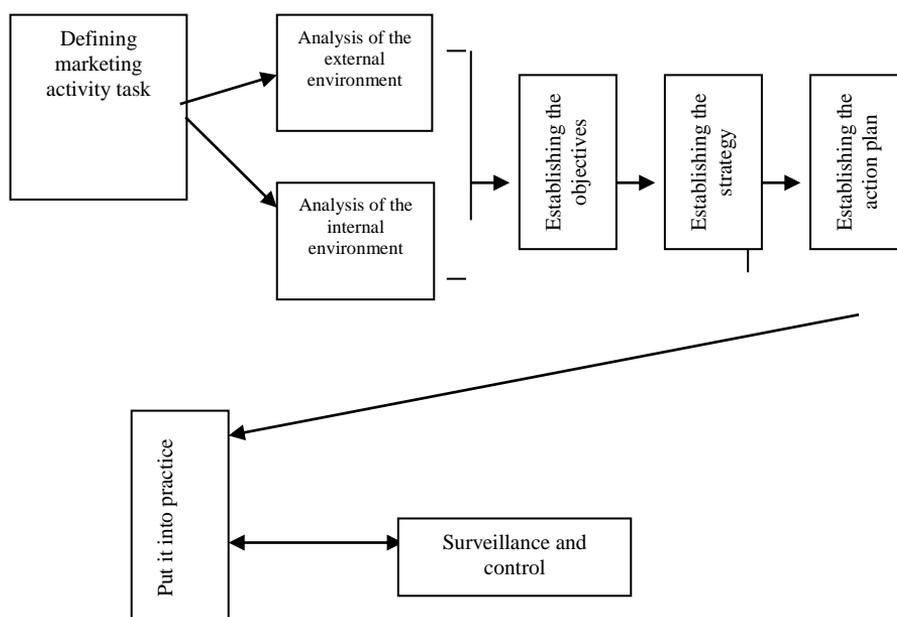


Fig. 6

Source: Dubois, P.L., *Marketing - Theory and Practice*, Editura Economica, 1994

Marketing strategies can group by three criteria:

- 1) attitude towards the company's overall dynamics of the market:
  - increasing market share;
  - maintaining market share;

- diminishing market share.
- 2) company's attitude towards the market structure:
- undifferentiated strategy (in which work is addressed to a global markets, the products are the same for all categories of customers);
  - differentiated strategy (where the market is facing directly towards two or more distinct segments of customers);
  - Concentrated strategy (in which the activity is oriented exclusively to one segment of consumers)
- 3) the position that the company towards the changes on the market:
- active strategy (in which the activity is oriented towards the renewal and upgrading the supply to be before competitors);
  - adaptive strategy (which aims at aligning to changes of the market);
  - passive strategy (which are expected market reactions to the actions of competitors, for adopting their own strategy)

### **The Strategy of Touristic Product**

The touristic product is a concept different from the classical concept applied to trade in physical assets. It means those services, facilities or products offered in a specific environment created by the natural factors and the touristic technical-material basis in a certain region.

The tour includes (with different weights in the product's structure):

- transport from the residence to the destination and return;
- Transport inside the area of destination;
- tourist accommodation and catering;
- additional services

To determine the strategy of the product in marketing concept it is necessary to choose first the nature of the product to be launched.

In choosing a product, several aspects must be taken into account. Thus, it must be identified the product that has more demand. Also, those products must be identified, the existing ones, for which the application has grown among potential

customers. One last aspect is the one to clarify the needs and preferences for touristic products, of touristic consumers on a given market.

To adapt the touristic product to consume demands, the marketing techniques offer two directions:

### **1) Product Planning**

Product planning takes into consideration the introduction of the export classification of tourism products, with the withdrawal of those touristic products that no longer meet the requirements of consumers.

### **2) Product Development**

Product development refers to the improvement of tourism products already offered to keep them on the requirements expressed by consumers or at the competition level.

A variant of this strategy presents an imitation of the competition product (checked product on the market through a supported sale). This is a convenient strategy that reduces risks, but on the other hand it presents the disadvantage of delayed emergence on the market of the touristic product.

In practice, there are used simultaneously in both directions, meaning that the continuous improvement of existing products introduce new products as a result of studying the demands of consumer, retreating from the distribution those products for which the demand has decreased.

The touristic product must be designed and dimensioned to correspond to consumer's demand from the qualitative and quantitative point of view, but it is necessary as the product is opened to make the adjustments resulting from practice: resizing and quality improvements.

The concept of "product mix" requires the recombining the elements of attractiveness with services in a formula appropriate to the way of customizing the application. A reduction of the elements of attraction in extra season must correspond to the extension of services. On this basis, the main way of recovering the "resources-benefits-application" balance is to diversify the range of touristic products offered in the extra season market. It is facilitated by combining the unlimited practical possibilities that the items offer in the structure of touristic offer. A list of all these possibilities is virtually impossible. Operating but with groups of constituents of the touristic product, can highlight the most important ways of

action, which customizes according to the nature and elements of attractiveness the form of practiced tourism.

In the presented context, the main tourism product strategies in extra season are:

- Combining elements of attractiveness with different degrees of the season, in the area, easily accessible by their geographical location. On this basis, it increases the strength of the attractiveness of each zone separately, and the product as a whole. The offer of touristic product can be presented either as a combination of two holidays, or as a combination including a visit and a trip on a given circuit. Under the conditions of our country, such products may be formed by combining different variants of elements specific to certain areas: mountains, delta, season, etc.
- Combining the multiple choices of offered services, the variable element being usually the meal. The most commonly used combinations are the type “accommodation only”, “accommodation + breakfast”, “accommodation + half pension” and “accommodation+ full pension”. In this way, the tourism product offered in various forms, becomes more accessible to some segments of consumers - especially those with low incomes (elderly people, families with children) - which attract, in the off season, one of the expansion ways of the enterprising tourism market.
- Diversification of entertainment services, by providing daily various possibility of choosing how to spend the rest of the spare time for resting. The selection of the entertainment services and their combination is performed by the consumer; the provided possibility for such combinations is for increasing the attractiveness of the overall tourism product. Entertainment diversification can be achieved through a range of extremely high means. The most important areas in this respect are: sports, hunting, fishing, excursions and trips, organization of competitions, music, dance, mechanical games, movies, theatres, cultural events, folk.
- Providing variable stays as size, is a means of increasing the number of tourists in off season. Variable dimensions of touristic product (*the size of sold stays*) represent the element that becomes accessible to a larger number of consumers. The form which provides a residence consisting of a fixed part (3-5 days) and another variable, tourists may choose, at the time of purchase, for a given variant.

- Deployment, in the supply of products which, by their nature, they do not present high season feature. One such product is, for example, short trips, in which the touristic motivation is the historical elements, the winter sports, some sports, cultural and folk events, etc.
- Diversifying services for population in the area of company's activity is another way to increase revenues. Services are in particular those of mass entertainment. Diversify food production, offering entertainment programs in public administration units, organization of events, etc., contribute to the "occupation" in the larger proportion spaces of production and services during periods of high season.

### **Pricing strategy**

The way of touristic price formation depends on their quality, the degree of originality, when they appear on the market, season, categories of consumers, the country of their origin.

Differentiation strategy of price has in mind several criteria:

Temporal criterion (*the season period, during days of the week, weekends*) is the most used in tourism, taking into account the intensity of demand.

Another important criterion is the categories of tourists according to their age and social structure. Thus, there will be prices with discount for families with children, students, pensioners.

Sales volume is an important factor which may lead to discounts for longer stays or in the situation of group tourism.

One factor that may lead to a prices rise is the number of travel agents in the intermediary between the initial contact of a tourist and effective provider of tourism services. Thus, the number of successive commissions can substantially increase the price of a holiday tour.

An effective strategy for tourism market prices are characterized by certain traits that relate to the accessibility of markets, diversity and their sustainability over time. Thus, we can distinguish three main strategies:

- 1) **High Pricing Strategy** is used for short periods of time, in those markets where the elasticity of demand for touristic product is low. A low elasticity of demand in comparison to prices is caused by several factors.

Firstly, high income of special services consumers (*such as luxury*) contributes to a small change in demand. A high demand compared to supply (*particularly in areas sought by tourists - such as coastal areas in summer season*) can maintain a high level of prices. A final factor is the limited nature of the offer in the conditions of a very high competition (*thus lowering the price will not cause a significant migration to the services offered by the unit*) or very small (the decrease in rates is not justified; the unit does not have to encounter an actual market competition). High pricing strategy applied in a situation where the offered touristic product has no chance of sustainability (*e.g. tourism events on the occasion of shows, exhibitions, fairs, etc.*), or there is the situation where it tends to penetrate the competition that can not affect the scarcity of the supply.

- 2) **Low Price Strategy** is used in different cases. Thus, it can be used to launch a new product (tactical input), in order to impose the product or in the purpose of increasing its market share to the detriment of competing products or to increase the efficiency of using the capacity of accommodation, transport, etc. The advantages of this strategy are seen as soon as they are put into practice, being observed in general increasing sales. This favourable reaction to lower prices from consumers with medium or low income oppose to tourists' reaction with high or very high income, to which a decrease of the prices does not present a particular attraction or it suggests a poor quality of the product.
- 3) **Overhead Price Strategy** its purpose is the sale of more complex touristic products that contain a minimum number of components, at a global price set in advance for the entire product. Under this pricing strategy, the tourist purchases in addition to what is offered other additional products and services to the extent of his financial resources. This type of strategy addresses also to people with low or medium income, who are interested in the total amount for the stay that cannot cope with price fluctuations. In terms of tourism services provider, offering overhead price strategy, it guarantees the sale of a minimum package of touristic services.

### **Promotion and Distribution Strategy**

In company's touristic marketing, a particular importance has the promotion and distribution policy.

Unlike other economic sectors, the promotion and distribution is performed in the absence of touristic product, the buyer did not have the option of verifying purchased product before buying it. For this reason, the promotion and distribution activities are intertwined closely with the promotional mix.

The season and the population segment require different techniques for touristic product promotion and distribution. Thus, in periods of off season campaign promotion should have a much higher share than during the season, it has significant economic effects to the employment capacity of accommodation.

**Promotion Activity** lies in the ways of informing the touristic customers that is urged to purchase a certain touristic product.

The components of the promotion activity are: sales promotion, public relations and advertising. Their conscious combination form what is called the promotional mix.

Promotional activity is strongly influenced by the season, the touristic segment to which it is addressed and the offered nature touristic product. Thus, high season, the advertising in tourism domain should be more supported in the sense of intensifying and broadening its geographical area in which it applies. Promoting sales in any period, but with greater amplitude in high season, it can be achieved through measures to help the tourism of purchasing the touristic product (*payment in instalments*) or discount rates, either global (*in high season*) or addressed to some population segments with low income (pensioners, students etc.).

Other facilities may be granted to tourists and can be essential elements of promoting activity and it represented the crossing conditions of national borders. Thus, the group tours can simplify to obtain documents or visas, simplifying border control, reduction of fees to be paid in the destination country.

Another type of facility involving discounts is that of "gratuities" offered by the providers of touristic services. Thus, they may appear to increase the duration of stay (*involving supplementation with a number of days or weeks*) as an essential element of attractiveness. The service provider has the opportunity to have a better tourist capacity, but also through the offered additional services and to increase profits.

Another type of “gratuities” may be encountered in cultural events (visiting exhibitions, museums, etc.).

Families with children are generally the most concerned of the given gratuities. Thus, children can be exempted from paying the accommodation, transport or meals, depending on the existing concrete situation.

Advertising acts on potential customers by advertising messages; its content is capable to determine a certain purchasing behaviour. Their transmission and reception acquires great care for appropriate advertising media. Maximum efficiency is obtained when they are chosen from among those that are the target consumer segment. The variety of these segments, the stretched geographical area where they are located and a different location for services require the development of action at national level, to the place of sale and the place of stay. National advertising and the sale aims to provide complete information and to highlight product features. It should also be considered revealing the advantages that the tourists will benefit from buying the touristic product in question. During their stay the advertising will create a favourable image of the "consumed" touristic product in order to convince the tourist of the equitableness of its choice. It will be supported, primarily through the quality of services provided in tourist establishments.

You can highlight some key features of advertising:

- Advertising is an important strategic and tactical instrument whereas the publicity actions aimed for differentiated purposes, it is addressed to some identified sectors of the market, and they are prepared on the basis of a rigorous analysis of the market which is achieved using a variety of means of communication and advertising, a control of obtained results. It may not be an improvisation as, by its effects, it may determine the obtained results by the firm;
- Advertising is a means of mass communication because its messages are transmitted to a group of people, and the relationship between tourism and business consumers is not direct, but it is established through a mass communication channel;
- Advertising helps to stimulate the demand as it represents one of the means by which the request is converted into the actual purchasing activity;

- Advertising provides an efficient link between product and consumers, it educates tourists influencing the volume and structure of consumption and purchasing habits.

Advertising policy goal is to achieve effective communication that leads to the modification of attitudes and behaviour of the potential tourist, so as to generate a immediate or future sale.

Achieving this goal is possible through the following objectives:

- familiarizing tourists with the tourist company, with tourist destinations so that they support the selling process;
- attracting a new segment of tourists;
- entering on a new market;
- introducing a new touristic product;
- increasing sales of touristic product by reducing the degree of the season;
- creating a favourable image of a welcoming country, a resort, touristic companies for tourists.

The distribution activity consists of a variety of activities that lead to the sale of touristic product. It requires a series of requirements that lead to increase its effectiveness. Thus, the distance between the potential buyers is proportional to the level of sales. Also, an important factor is the intermediaries in the distribution. If within the unorganized tourism, the tourist addresses to the service provider at the moment of organizing their stay or possibly it require a seat reservation, meal, direct transportation, while within the organized framework, the tourist uses specialized agencies. These can be directly intermediate service with the provider, either through interposed specialized agency (e.g. transport). One of the factors that may significantly increase the number of intermediaries (and therefore implicitly the costs), it is the distance to the place of tourism destination (e.g. international tourism).

In the touristic distribution a key element is forming the reservation of accommodation and transport. This can be organized in three ways:

1) *The Manual System*, which in various graphical forms there are records of received applications due to a permanent connection with the service provider performing the bookkeeping of sales.

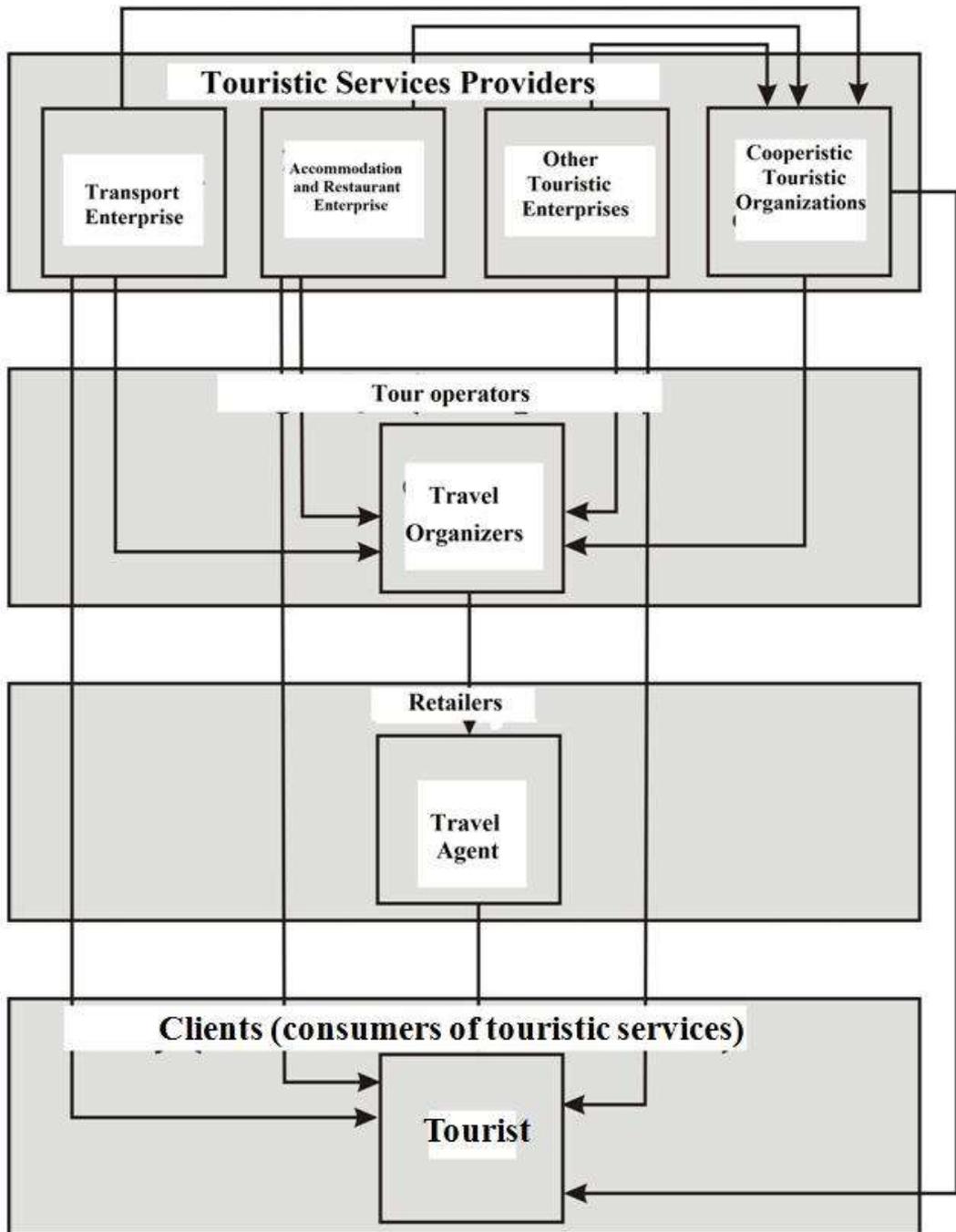
2) ***Partially Computerized System*** that records are kept using computer, the links between provider and agents on the telephone.

3) ***Fully Computerized System*** that records and links are made through interconnected computers. The system provides an instantly to the possibility of choosing the accommodation according to preferences and removing it from the circuit after purchasing the offered place.

Within the distributional act, it must be taken into account the correlation between demand-supply matching. Thus, when the offer is greater than the demand, the service provider being continuously in contact with the distributor may take to establish new sale points, whether mobile or fixed in companies through the use of “commercial traveler”. If the offer is less than the demand there may be reciprocal relationships with other providers of touristic travel services for redirecting tourists as not to lose any potential consumer.

In the distribution activity, an important role has the tour operators in the sense of orienting the demand to certain countries by providing facilities such as gratuities.

**Schematic presentation of possible distribution channels**



## **Marketing Strategies and Seasonal Objectives**

Conducting marketing activities in high-efficiency implies the adoption of objectives and strategies both general and partial, for a variable period of time, constituting a coherent whole.

Regardless the reference period and the level to which they adopt, some objectives are common to all service and forms providers of tourism, while others are peculiar.

One objective of maximum generality is increasing the revenue from tourism during high season having as main effect diminishing the negative effects of tourism seasonal activity.

Regarding the touristic activity components this objective can be achieved in the area of increasing the capacity of accommodation by increasing the number of tourists and by extending the average length of stay in the area, meals services by adding tables with regional profile and in the entertainment field by introducing new attractions.

Seasonal implications are found both during the season and high season the first case may be when the source exceeded supply by the tourism movement and in the second case when the application has lower supply. Therefore, the objective of increasing demand during the season may be correlated with the period of the season. Choosing one of the possible variants combinations of these objectives depends on the report which is between the supply and demand at the level of considered organization.

In internal tourism, for example, the most appropriate is to increase the degree of demand in high season and reducing the demand during season.

For the international tourism there are different features: increasing tourism demand both in the season and high season.

In the process of correlating the seasonal objectives with the two forms of tourism, it is obvious the priority of the international tourism. Not accomplishing the objective lead to reformulating the objective of the internal tourism, out of the need to use to the entire capacity of the premises during the season.

Specific objectives derived from the general ones, customize also within the main forms of tourism. In the coast line, tourism will observe the increase of revenue towards the end of the season. Limitation period is imposed by the total absence of the elements of attraction in off season, an absence that may not be replaced, in principle, to the size of coast line offer. The objective of mountain tourism is the

increase the occupation degree and the revenue in the winter season and in the extension of the two characteristic seasons. It is imposed by the low occupancy in the winter season compared to the summer and of the higher possibilities offered by the attraction elements; its quality is lower in offseason and it can be replaced by other elements of the offer. Finally, with the objective of health tourism, it will increase the occupation of offers over the year. Obviously, setting a goal is also encouraged by the elements of attraction, allowing the development of many activities regardless the season.

Achieving the targets require the use of appropriate strategies. Seasonal Strategies is a component of overall enterprise strategies which seek to ensure consistency of supply and demand in general.

## References

- Gafencu A. (1998). *Introducere în marketingul serviciilor*, Bucuresti: Editura Univ. Al. I. Cuza.
- Ghibuțiu A. (2000). *Serviciile și dezvoltarea – De la prejudecăți la noi orizonturi*, Bucuresti: Editura Expert.
- Grigorescu C. (1992). *Dezvoltarea și specializarea serviciilor*, București: Editura Academia Română.
- Henche B.G. (2004). *Marketing în turismul rural*, București: Editura Irecson.
- Jivan Al. (1998). *Managementul serviciilor*, Timișoara: Editura De Vest.
- Jivan Al. (1998). *Principii de marketing în servicii*, Timișoara: Editura Brumar,
- Kotler Ph. & colab. (1999). *Principiile marketingului, ediția europeană*, București: Editura Teora.

## The Health of Romanian Population in European Context

**Senior Lecturer Silviu Niculcea, PhD**

*“Constantin Brâncoveanu” University of Pitesti*

**Senior Lecturer Tudose Geanina, PhD**

*“Constantin Brâncoveanu” University of Pitesti*

**Abstract:** La santé de la population représente un domaine de portée fondamentale du développement socio – économique aspect évident vu les liaisons complexes entre l'état de santé et le développement humain durable. Les pays de l'Union ont enregistré, au fil du temps, des progrès remarquables en ce que concerne la santé des gens, mais, à présent, se confrontent à de nouveaux problèmes majeurs issus des modifications générées par les changements du milieu vital et de travail, par le comportement de consommation, etc. Aujourd'hui, la Roumanie se confronte à des problèmes sérieux concernant l'état de santé de la population et, notamment, sa préservation. C'est pour cette raison que la connaissance des coordonnées fondamentales de l'état de santé des Roumains devient essentielle, parallèlement à celles des citoyens de l'Union Européenne.

**Keywords:** human health, healthy life expectancy, demographic transition

**Jel Classification:** Q56, I11, R23

The Health of the population is an area of fundamental importance for economic and social development, because of the complex links between health and sustainable human development. Based on the concept that health is a fundamental right of every human being, it is interesting to see the major differences as regards the health of the population in Romania, compared with other population of the European Union countries. The countries of the union have made remarkable progress along the time as regards human health, but now they are facing new problems, as a result of the changes of living and working conditions, changes in consumer's behaviour, etc. Romania is facing today major health problems of people and especially health care. That is why the details become essential, details such as knowledge of the basic health of the Romanians, in parallel with those of citizens of other union's countries.

Revealing major differences that appear between the health of the population in Romania as compared with other European countries should lead to measures that would reduce these inequalities over time.

In order to have an overview of these cases we use several indicators of health that are relevant to characterize health, namely:

- life duration or longevity;
- overall mortality, in some medical cases and various age groups;
- morbidity on main medical cases and risk factors;
- health care costs that are allocated.

Each of these indicators has a special significance for characterizing health state and for substantiating health policies, while still allowing them a good coverage, that in its turn it will facilitate international comparisons. It should be noted however that certain limitations obliges us to be cautious in interpreting the results, but it manages to highlight the size of the existing gaps between EU member countries. Currently, efforts are being made at the level of WHO, EUROSAT, the OECD for establishing some comparable indicators estimated on the basis of harmonized methodologies because the currently used indicators in this area have partial coverage, which varies from one country to another.

For this paper we used data sources: WHO, Eurosat, INS and Ms Maria Poenaru's paper on population's health in Romania, in the context of adhering to the European Union. The analysis was focused on the conventional indicators already mentioned plus the two estimated indicators of the WHO can define levels and gaps in public health for all members of the organization:

- Healthy life expectancy - HALE
- Disability-adjusted life-years - DALYs

Demographic profile of the EU today has reached the final stage of demographic transition, which is characterized by low fertility and by a rise of the aging process now and especially in the future, according to UN projections and Eurosat. This leads to a need to ensure the health of an aging populations and the structure of age pyramid shows that groups of young people are becoming smaller compared to groups of older people.

In this context, Romania, which had 21.7 million inhabitants in 2003 (occupying the 7th rank between EU countries, with a population share of 4.6% of total EU

population), has features in common with most of EU countries, but also certain peculiarities of great importance in assessing state of health and care needs.

The similarities with Western are related to increasing the share of older population and decreasing the younger population, with a drop of fertility rate, this situation has a tendency to increase in the near future.

The differences in the demographic profile appear when it can be noticed a decrease in the total population of Romania from 23.2 million inhabitants on 01.07.1999 to 21.7 million in 2003. This tendency of decreasing the total population was recorded in most countries in “transition”. It must be mentioned that the Romania’s particularity on a large share of rural population of 45.5% in 2003, which places us in second rank in this area after Slovenia, which has a share of the rural population of 48.2%. Next, a third represented element, namely the ethnic structure, where we have the gypsies’ ethny, which had at the 2002 census 535,000 members (2.5%), which had private social and demographic issues. It should also be noted the migration phenomenon after 1990, that has trained, in particular, the population capable of working relatively of young age, when a significant number of Romanian citizens were gone to work in EU countries, mainly in Spain and Italy.

Economically speaking, Romania faces, for a longer time, several issues that affect directly and indirectly the health of the population; they are resulted primarily from the level of economic development as follows:

- the gap of development reflected in the level of GDP per capita (in 2001 the amount was \$ 5900 PPS over \$ 2320 PPS in the EU) and it continues to increase, meaning that Romania faces major constraints on resources that can be allocated through development (here including the improvement of living conditions and health care of the population);
- concerning the structure of employment it can be noticed a difference between Romania and the European Union countries, by the fact that unlike the EU countries, a large share of the population works in agriculture
- about 35% (dominated by practicing a subsidizing agriculture, out of which the population gets low income) compared with 5-10% in the Western countries;
- it is important to note also the massive loss of jobs in the industrial sectors (mining and construction machinery etc.) after 1990, which lead to a

decrease in revenue and worsening living conditions for many segments of the population.

Life expectancy (at birth or at certain ages) is a social synthetic indicator, which provides the image of the existing differences between citizens of countries from the point of view of living standards; it expresses the effects of economic development on longevity and quality of life. It increased for all citizens of European countries over the past 40 years; throughout the western countries it has increased from 67.4 years to 75.5 years (8 years) for men and from 72.9 years to 81.6 years (9 years) for women. In Romania, for the same period, the growth is lower, with only four years in men's case and about seven years for women. If you look back we see that this gap has increased because the difference in minus at 1960 was 3 years for men and five years for women.

In the year 2005 for Romanian citizens, life expectancy at birth was 68 years for men and 76 years for women (according to WHO) putting us on the whole EU on last place in women and a four (the result of classification), while the EU it is between 65 and 78 years for men and between 75 and 83 years for women.

Life expectancy in good health (healthy life expectancy - HALE) is a synthetic method for health assessment that combines information on mortality and the implications of illness that do not lead to death, offering more opportunities for comparative analysis of the populations' state in several countries, referring to the main causes of disease, that is to the risks that determine illnesses.

**Table 1**

**Indicators of health in the EU countries for 2002 <sup>1</sup>**

	Both sexes		Masculine		Feminine		DALYs	
	LEX	HALE	LEX	HALE	LEX	HALE	Masc.	Fem.
<b>Austria</b>	79.4	74.4	76.4	69.3	82.2	73.5	7.1	8.6
<b>Belgium</b>	78.4	71.1	75.2	68.9	81.5	73.3	6.3	8.2
<b>Denmark</b>	77.2	69.8	74.8	68.6	79.5	71.1	6.3	8.4
<b>Finland</b>	78.2	71.1	74.8	6.7	81.5	75.5	6.1	8.0
<b>France</b>	79.8	72.0	76.0	69.3	83.6	74.7	6.7	8.8
<b>Germany</b>	78.7	71.8	75.6	69.6	81.6	74.0	5.9	7.6
<b>Greece</b>	78.4	71.0	75.8	69.1	81.1	72.9	6.7	8.9

<sup>1</sup> *World Health Report 2004*, p 113 –119 and 132 – 135.

<b>Ireland</b>	77.1	69.8	74.4	68.1	79.8	71.5	6.3	8.2
<b>Italy</b>	79.7	72.7	76.8	70.7	82.5	74.7	6.0	7.8
<b>Luxembu rg</b>	78.8	71.5	75.7	69.3	81.7	73.7	6.4	8.0
<b>Holland</b>	78.6	71.2	76.0	69.7	81.1	72.6	6.3	8.5
<b>Portugal</b>	77.1	69.2	73.6	66.7	80.5	71.7	6.9	8.8
<b>Spain</b>	79.6	72.6	76.1	69.9	83.0	75.3	6.2	7.7
<b>Sweden</b>	80.4	73.3	78.0	71.9	82.6	74.8	6.2	7.9
<b>UK</b>	78.2	70.6	75.8	69.1	80.5	72.1	6.7	8.4
<b>Czech Republic</b>	75.8	68.4	72.4	65.9	79.0	70.9	6.6	8.1
<b>Cyprus</b>	77.3	67.6	75.5	66.7	79.1	68.5	8.8	10.6
<b>Estonia</b>	71.1	64.1	65.1	59.2	77.1	69.0	6.0	8.1
<b>Latvia</b>	70.3	62.8	64.6	58.0	75.8	67.5	6.6	8.3
<b>Lithuani a</b>	71.9	63.3	66.2	58.9	76.6	67.7	7.2	9.0
<b>Malta</b>	78.7	71.4	76.1	69.9	81.2	72.9	6.2	8.3
<b>Poland</b>	74.7	65.8	70.6	63.1	78.7	68.5	7.5	10.2
<b>Slovakia</b>	74.0	66.2	69.8	63.0	78.3	69.4	6.7	8.9
<b>Slovenia</b>	76.7	69.5	72.8	66.6	80.5	72.3	6.1	8.2
<b>Hungary</b>	72.6	64.9	68.4	61.5	76.8	68.2	6.8	8.6
<b>Bulgaria</b>	72.2	64.8	68.8	62.6	75.6	67.1	6.2	8.5
<b>Romania</b>	71.4	63.1	68.0	61.0	75.0	65.2	7.0	9.7
<b>Turkey</b>	70.0	62.0	67.9	61.2	72.2	62.8	6.7	9.3

Note: *LEX* = life expectancy at birth (standard);

*HALE* = life expectancy at birth in good health;

*DALYs* = years of life estimated to be lived in a poor state of health (*HALLE*  
+ *DALYs* = *LEX*)

From the above table we may notice that the life expectancy at birth in Romania is approximately equal or even less than HALE estimated for western countries, both for men and women.

**Mortality.** This indicator is one of the best starting points in order to understand the differences and disparities in the domain of citizens' state of health. It is emphasized in the following table.

These aggregate indicators show that the male is more vulnerable everywhere and the deaths among children in Romania have remained an important problem to solve, comparing with the good results obtained by most countries in the region. Thus, we have some of the highest rates on general mortality, infant mortality (considered to be overly large), mortality among adults, mortality rates among older people; this makes us among the countries with the worst situation in the region (together with Bulgaria, the Baltic Countries and Turkey).

**Table 2****The most important indicators related to mortality, depending on the country<sup>1</sup>**

	Mortality rate per 100000 overall	Children's mortality rate, at 100 children born alive		Adults' rate of mortality 15 – 59 years old at 1000		The mortality rate for people over 65 at 100000	
		Under 1 years old (2000)	0 – 4 years old (2003)	Masculine	Feminine	Year	Rate
<b>Austria</b>	969	4.8	6	115	59	2001	4089
<b>Belgium</b>	1000	4.8	5	125	66	1996	4696
<b>Denmark</b>	1073	5.3	5	121	73	1999	5042
<b>Finland</b>	932	3.8	4	134	57	2001	4360
<b>France</b>	834	4.6	5	132	59	1999	3872
<b>Germany</b>	989	4.4	5	115	59	1999	4495
<b>Greece</b>	1039	6.1	6	118	48	1999	4428
<b>Ireland</b>	799	5.9	6	100	60	2000	5297
<b>Italy</b>	995	4.5	5	93	47	1999	4100
<b>Luxemburg</b>	762	5.1	4	115	63	2001	4294
<b>Holland</b>	967	5.1	6	93	66	2000	4666
<b>Portugal</b>	938	5.5	6	150	63	2000	5469

<sup>1</sup> World Health Organization, *Atlas of health in Europe, 2004*, p 31.

<b>Spain</b>	968	3.9	5	116	46	1998	4276
<b>Sweden</b>	1027	3.4	4	79	50	1999	4243
<b>UK</b>	1015	5.6	6	103	64	2000	4580
<b>Czech Republic</b>	1008	4.1	5	166	74	2001	5677
<b>Cyprus</b>	941	7.1	5	99	47	...	...
<b>Estonia</b>	1315	8.8	8	319	114	2001	9514
<b>Latvia</b>	1436	11.6	13	306	120	2001	6067
<b>Lithuania</b>	1118	8.6	9	302	106	2001	5589
<b>Malta</b>	754	5.8	6	84	49	2001	4762
<b>Poland</b>	911	8.0	8	202	81	2000	5640
<b>Slovakia</b>	923	8.5	8	204	77	2000	6070
<b>Slovenia</b>	916	5.0	5	165	69	2001	4850
<b>Hungary</b>	1231	9.4	9	257	111	2001	5906
<b>Bulgaria</b>	1340	13.6	15	216	91	2001	6810
<b>Romania</b>	1240	18.6	20	239	107	2001	6883
<b>Turkey</b>	621	36.0	39	176	111	...	...

The main causes of death in the EU are generated, mainly by the five major groups of medical causes. They are presented in Table 3.

There is maximum share held by Romania (93.9%) and Czech Republic (93.3%) compared with the minimum share of Portugal (68%). For our country, but also for the rest of European countries, the circulatory diseases and cancer are responsible for over three quarters of all deaths. High rates of death caused by diseases of the circulatory, digestive and respiratory system are the consequences of the living conditions and health care of the old regime which unfortunately continued in the 1990. This pattern of mortality places us closer to the model of mortality specific to poor countries. To these cases we also add some medical cases specific to the modern age, namely cancer (see Table 4).

Table 3

**Mortality rates standardized on  
the first five groups of medical causes in the EU (2001)<sup>1</sup>**

Country	Mortality rate, number of deaths per 100,000						% total share					
	Total causes	Diseases for circulatory system	Cancer	Diseases for respiratory system	Accidents, poisonings	Diseases for digestive system	Diseases for circulatory system	Cancer	Diseases for respiratory system	Accidents, poisonings	Diseases for digestive system	Total A - E
Austria	633	298	16	31	45	32	47.1	26.7	4.9	7.1	5.1	90.8
Belgium	720	246	207	69	54	33	34.2	28.8	9.6	7.5	4.6	84.6
Denmark	788	266	245	72	52	41	33.8	31.1	9.1	6.6	5.2	85.8
Finland	677	276	150	50	71	30	40.8	22.2	7.4	10.5	4.4	85.2
France	314	167	187	36	56	29	27.2	30.5	5.9	9.1	4.7	77.4
Germany	658	286	177	36	34	36	43.5	26.9	5.5	5.2	5.5	86.5
Greece	640	303	162	41	37	16	47.3	25.3	6.4	5.8	2.5	87.3
Ireland	750	290	199	106	42	27	38.7	26.5	11.1	5.6	3.6	88.5
Italy	576	222	178	38	34	27	38.5	30.9	6.6	5.9	4.7	86.6
Luxemburg	667	249	176	49	60	38	37.3	26.4	7.3	9.0	5.7	85.8
Holland	692	234	198	67	29	26	33.8	28.6	9.7	4.2	3.8	80.1
Portugal	828	264	162	59	44	34	31.9	19.6	7.1	5.3	4.1	68.0
Spain	611	191	171	56	34	32	33.1	28.0	9.2	5.6	5.2	79.2
Sweden	605	249	158	35	41	20	41.2	26.1	5.8	6.8	3.3	83.1
UK	691	257	191	78	28	33	37.2	27.6	11.3	4.1	4.8	84.9
Czech Republic	884	460	234	38	61	37	52.0	26.5	4.3	6.9	4.2	93.9
Malta	669	288	162	68	32	21	43.0	24.2	10.2	4.8	3.1	85.4
Poland	941	432	216	39	63	37	45.9	23.0	4.1	6.7	3.9	83.6
Slovakia	990	539	222	52	56	50	54.4	22.4	5.3	5.7	5.1	92.8
Slovenia	799	298	205	55	71	56	37.3	25.7	6.9	8.9	7.0	85.7
Hungary	1036	503	266	34	81	82	48.6	25.7	3.3	7.8	7.9	93.2
Bulgaria	1106	710	152	39	50	30	64.2	13.7	3.5	4.5	2.7	88.7
Romania	1098	663	175	63	63	67	60.4	15.9	5.7	5.7	6.1	93.9

<sup>1</sup> MS / CSSDM, *Anuarul de statistica sanitară 2003*, p. 314 –319.

Table 4

Deaths in Romania in 2002 (caused by the first 10 diseases)<sup>1</sup>

Total causes	258675	100.0
1. Ischemic diseases of the heart	60718	23.5
2. Cerebral-vascular diseases	52272	20.2
3. Hypertension	16858	6.5
4. Cirrhosis of the liver	10996	4.3
5. Cancer to trachea, bronchia and lungs	8904	3.4
6. Infections of the inferior respiratory system	6367	2.5
7. Pulmonary obstructive diseases	5743	2.2
8. Cancer to colon and rectum	4612	1.8
9. Stomach Cancer	4394	1.7
10. Brest cancer	3392	1.3

It may be noticed the unwanted “performance” of Romania in the wide spread of contagious diseases specific to poverty such as tuberculosis, hepatitis B, HIV / AIDS, which ranks first in the case of tuberculosis and syphilis; in the case of hepatitis B it ranks 3ed place on all the EU countries.

**Risk factors that may be prevented** - in accordance with information provided by the WHO for the European Region there are seven risk factors: blood pressure, smoking, alcohol consumption, high cholesterol, high body weight, low consumption of fruit and vegetables and a lack of physical activity. These risk factors are part of the kind that can be prevented through education of the population carried out both at the level of the individual and (especially) at the level of the entire population by encouraging healthy behaviour on smoking, alcohol consumption, diet food, unprotected sex. There are sequential actions necessary to ensure a healthy lifestyle through empowerment the decisional factors, at a local and national level. Note that the range of risk factors that affects the health of EU countries is the same for all.

**Expenditure on health.** The size of resources allocated to health system and the effectiveness with which they are spent, determines the level of health of the population. In most countries the financing of health insurance is done on two ways:

<sup>1</sup> MS / CSSDM, *Anuarul de statistica sanitară 2003*, p 314 –319.

public and private sources of funding, with differences from one country to another (the differences come from the degree of involvement more or less of the financing private resources). For Romania, the total public and private expenditure in the year 2002 was estimated at \$ 469 PPP (purchasing power parity) = \$ 85 at the exchange. At this level we rank the 27<sup>th</sup> place of 28 countries for reference, being on the top Germany, France, Holland, Belgium etc., countries that have a level 5-6 times higher. This may be motivated by:

- percentage of GDP allocated to health;
- level of development (Romania having the lowest level of GDP of all EU countries, except Bulgaria and Turkey, most of the other countries having a level 3-4 times higher).

The volume of public health expenditure is in accordance with WHO estimations of 70-85% of total health expenditure for most European countries. For Romania, and that when the private costs are made directly from the personal pocket and not as in western countries where the private costs are made by the institutions of private health insurance, this percentage is 66%, for 2002 only \$ 309 PPP = \$ 56 to exchange rate, representing a share of GDP /habitant of 4.1% (about seven times lower than in Germany). The fact that Romania allocates to health such low level of resources explains the precarious health of the population in Romania compared with citizens of other countries (see Table. 5). Private spending on health is composed of the sum of the following: private health insurance, companies offering medical or pharmaceutical services, non-profit insurance schemes, health expenditure covered by companies, non-profit institutions serving households; payments “from personal pocket” made of households.

Table 5

Expenditure on health in EU countries in 2002<sup>1</sup>

Country	GDP per capita (PPP dollars)	Total Public health expenditure		Public health expenditure		Total Share of health expenditure:	
		per capita (PPP dollars)	% in GDP	per capita (PPP dollars)	% in PIB	Public Expenditure %	Private expenditure %
Austria	28843	2220	7.7	1551	5.4	69.9	30.1
Belgium	27752	2515	9.1	1790	6.5	71.2	28.8
Denmark	29227	2583	8.8	2142	7.3	82.9	17.1
Finland	26614	1943	7.3	1470	5.5	75.7	24.3
France	28094	2736	9.7	2080	7.4	76.0	24.0
Germany	25842	2817	10.9	2212	8.6	78.5	21.5
Greece	19041	1814	9.5	960	5.0	52.9	47.1
Ireland	32570	2367	7.3	1779	5.5	75.2	24.8
Italy	25569	2166	8.5	1639	6.4	75.6	24.4
Luxemburg	49228	3066	6.2	2620	5.3	85.4	14.6
Holland	28983	2564	8.8	1683	5.8	65.6	34.4
Portugal	18376	1702	9.3	1201	6.5	70.5	29.3
Spain	21253	1640	7.6	1170	5.4	71.3	28.7
Sweden	27271	2512	9.2	2144	7.9	85.3	14.7
UK	27959	2160	7.7	1801	6.4	83.4	16.6
Czech Republic	16020	1118	7.0	1022	6.4	91.4	8.6
Estonia	12692	883	7.0	364	2.9	41.3	58.7
Latvia	11836	604	5.1	461	3.9	76.3	23.7
Lithuania	9277	477	5.1	306	3.3	64.1	35.9
Estonia	9228	549	5.9	399	5.3	72.6	27.4
Malta	9984	962	9.6	691	6.9	71.7	28.3
Poland	10862	657	6.1	476	4.4	72.4	27.6
Slovakia	12257	723	5.9	646	5.3	89.4	10.6
Slovenia	18687	1547	8.3	1158	6.2	74.9	25.1
Hungary	13891	1078	7.8	757	5.4	70.2	29.8
Bulgaria	6738	499	7.4	267	4.0	53.4	46.6
Romania	7468	469	6.3	309	4.1	65.9	31.4
Turkey	6448	420	6.5	276	4.3	65.8	34.2

<sup>1</sup> WHOSIS, *Country Health Indicators*, 2004

**References**

- MS / CSSDM, *Anuarul de statistica sanitara 2003*, p. 314 –319.  
*World Health Report 2004*, p 113 –119 and 132 – 135.  
*World Health Organization, Atlas of health in Europe, 2004*, p 31.  
WHOSIS, *Country Health Indicators, 2004*

## Why Are We Negotiating Businesses and When?

Senior Lecturer Liliana Nicodim  
*“Ovidius” University of Constanta*

**Abstract:** Negotiation represents making a decision on negotiations basis, this element determining the differences by comparing with all other forms of decisions making. We are doing transactions with goods that are cheaper for us but that are appreciated by the other negotiator for other different elements. The task of negotiators of both involved parties is that of leading the negotiation process over all obstacles and along all barriers in order to reach to a transaction. Negotiation can be defined as a main form of communication, a complex of activities residing in contracts, meetings, and consultations, transactions carried out between two or more partners in order to achieve an agreement.

**Keywords:** negotiation, competing economy, social phenomenon

**Jel Classification:** D70, D79

In business, the success depends to a great extent on the manner the negotiations are carried out especially under the terms of a competing economy when these are focused on “the efforts of diversifying the directions and fields of the performed activities, playing the role of giving answers to complex problems”.

In a market economy, a dynamic economy with more or less difficult problems - almost everything is negotiated - and the diversity of businesses - of any kind - makes that the negotiation to be one of the most exigent attributes of the contemporary life.

In fact we all confront with the topics involved by negotiations but a few are content with their results.

Meantime the successful conclusion of a business, coordination of a group - large or not - to a considerable extent depends on the knowledge and observance of some constant rules and included in the value system of a company or a group. Such rules regarding preparation, organization and performance of the negotiations firstly have to be known by those who carry out independent activities involving discussions, exploring, compromising, in one word - negotiations - but also by the managers of the institutions, public persons.

Practice demonstrated that success in negotiation firstly depends on the skill and care with which the negotiation plan is prepared. Preparation done by negotiators before the effective meeting with the partners is the most important determinant of expected performances. Everything that was or was not done by negotiators before reaching the negotiations table, certainly it will be reflected in what they do when they are there. Therefore preparation of successful negotiations starts long time before parties sit at negotiation table.

It is easy to recognize that a negotiator not prepared or superficially prepared is not able to lead his partners to the followed target as he does not have an action plan and as he does not know where he has to reach and how he will not action with clarity and more than this he will react to the events around him.

A weak trained negotiator demonstrates – sooner or later - that he does not know what he is talking about. This aspect will be recognized by his partner whose own trust will increase and consequently he will considerably strengthen his commitment towards his demands.

Art of negotiation resides in defining correctly the demands that have to be satisfied and decide the manner they will be satisfied. Considering this point of view the constructive preparation is essential.

All negotiators either they are interested in purchasing or selling have to consider preparation of negotiations as a continuous activity and not only something that has to be done one day before the proper negotiation. First, negotiators have to know very well their own business and what they do expect on short term as well as on long term. Meanwhile they have to know why they want what they want. They also have to collect more information regarding the aspirations of the partner and the circumstances he is in. An organizational buyer has to be permanently well informed about his organization, suppliers, competitors of his suppliers and competitors of his organization. Additionally negotiators have to determine - long time before the debut of the negotiations - which are the available alternatives for their organization if negotiations do not have success as better the alternatives are stronger their negotiations position will be. It is not less important the negotiators to do presumptions as correct as possible regarding potential alternatives for agreement and available for their partners as their negotiation position will partly depend on options available for them if agreement will not be achieved.

Another aspect to be considered before starting negotiations is referring to the limits of negotiation or more exactly to what the negotiator is willing to offer in order to

obtain what he wants. Sometimes this is easily settled. In case of a purchase of a common item it is easy to decide which is the correct price. But some other times, even these apparently routine transactions become more complex when it is about price negotiation. Many variables may become important and consequently they can influence the price level the negotiator wants to pay. If negotiators did not consider all these in due time it is possible that when they are at negotiations table to manifest an inflexible behavior, this would be to their detriment. Specific circumstances may push them - in a certain moment - to grant concessions in their trials to reach an agreement and if such concession was not thoroughly prepared in due time there is a high probability to reach to an unfavorable agreement for them.

Business negotiations have three stages:

- Stage of preliminary negotiations or “diagnosis” stage
- Stage of definition of ‘adequate’ formula
- Stage of details.

Negotiations have to follow carefully the realities presented by the approached matter, to know certain contexts and specific perceptions of the parties in dispute and the manner they perceive their interests.

In order the reached solution not to launch other problems, negotiators have the obligation to know the most frequently used techniques, but the most useful too.

The most desired negotiation method is that according to which both negotiators win (gain-gain), the others being those: “I win, you lose”, “I win, you lose“, “We both lose”.

The result gain-gain offers to the two parties an impulse in order to achieve the agreement and conclude the contract. Based on their experience they will be willing to do business in future to convey to the others the good mutual opinion. This form is based on the gained trust between negotiators. This occurs when negotiators proved their seriousness, know each other for long time, did good investments, mutually helped each other, they did not take advantage one from the other. A person gains the trust of a partner by her own qualities and deeds. Mutual trust allow to the negotiators to enlarge the relationship and business spectrum and find easier solutions for difficult problems. The most unwanted negotiations way is that according to which both partners lose, consequences being hardly tolerated.

The other form according to which one gains and the other loses involves the most strategies: some of them more lent, others - calmer or more rapid or tougher.

Irrespective of the obtained results by the above mentioned methods are achieved by communication. Generally people communicate in three ways:

- 70% by the language of the body;
- 23% by the tone of the voice;
- 7% by words.

In case of the analysis of the data of the negotiated problem people negatively react to what they perceive as written insults, impoliteness, hardness and menace. In order to be easier during performance of negotiations, it is recommendable for those who have fright to use telephone, fax, computer (internet) in order to reaffirm their positions.

If the other communication form - the gestures - point something different in comparison with words it is possible that credibility problems to occur. Also menaces, promises and commitments have a minor effect if they cannot be communicated.

Therefore take care of the manner you do communicate, the gestures, tone and words as they are the most important. As regards the motive, the goal of the negotiations is that we negotiate in order to find acceptable solutions to the occurred problems. In the beginning there are settled the objectives – better prepared they are (considering the number of the approached aspects) – more sure the negotiators will be in negotiations approach.

Maxim efficiency obtained with a minim price is also an aim targeted by negotiators. It is important who gains more.

As we mentioned problems settlement involves trust between parties and safety regarding everyone's motivations. Unilateral trials for settlement occurred in case of a dispute will expose you to the strategic interaction exercised by the other negotiators, if these continue to use a competitive style.

The goals are to obtain gains for both parties, focusing on mutual interests and not on disputes, adoption of a position in which confrontation and 'a priori' judgment are eliminated, appliance of the standards of "correctitude", "common sense" and "rationalism".

It is considered that the other negotiators can be motivated to replace the selfishness with their own moderate interest.

Further these achievements negotiators improve their negotiations capacities.

This is the main aim that is reached, the others being derivatives. Higher the negotiator qualification is, more registered successes are. Irrespective of the manner the negotiations concept is defined there are some features that are generally applied:

1. The negotiation process is a social phenomenon that involves communication between people this bearing the distinct mark of the human behavior. Thus the human behavior represents the main element on which the negotiations theory is based and that determines the result of the negotiations.
2. Negotiation is an organized process in which it is desired the avoidance of the confrontations and that involves a certain competition. In any case negotiation parties have to observe certain demands of procedural and ethical type established in time.
3. Negotiation is a process with precise affinity that involves harmonization of interests. It has as task the achievement of a will agreement and not necessarily a victory; both partners (and not opponents) have to end the negotiation process with the feeling that they achieved maxim of what they proposed.
4. Negotiation involves presentation of his own position as well knowledge of the other's position, presentation of arguments and attentive listening to the counter arguments, achievement of an impartial judgment and finally reach an acceptable solution for all those involved in the negotiation process.

Practice of negotiation points has the main difficulty and deadlock in reaching the goal resides; in fact most of the time negotiators start from the idea that the interests of the two parties have to be turned into mutual aims. This is leading to the conclusion that negotiators must find a mutually agreed solution. More than this the negotiation theory has a "law", a rule that states that there has not to be pushed to achieve a special process but built up on a conjuncture weakness of the partner especially when negotiators know each other and do business directly.

5. By excellence negotiation is a competitive process that claims some efforts aiming avoidance of confrontation and reach mutual benefit solutions. On its turn the competition will allow to face out the individual competences in proposed target achievement.
6. Negotiation involves repeated and mutual concessions till the equilibrium is reached this one being appreciated according to their own needs and possessed information.

Negotiation appeals the rhetoric, logics and argumentation theory items, doesn't matter where it is taking place and which are the involved parts. Sometimes are used performant manipulation and communication techniques, like transactional analysis, euro-linguistic planning. Notions such as offer, demand, position claims, objections, compromise, concession, argument, transaction, non-verbal argumentation, proof, etc., could frequently be involved in the negotiation process. At the same time, the non-verbal elements, like physiognomy, mimicry, gestures, position, clothes, general appearance have a great importance. The partners' culture and the parts negotiation power are elements to be taking into account.

The strategy and tactics elements, the rhetoric tricks and snaps as well as the perception psychological knowledge could have a crucial role in obtaining great advantages versus small granting.

## References

- Pistol Gh. (2002). *Tehnica si strategia negocierilor*, Bucuresti: Editura Universitara.
- Plaias I. (2003). *Negocierea afacerilor*, Cluj Napoca: Risoprint.
- Mecu Gh., Mecu. D. (2004). *Negocierea afacerilor in economia de piata functionala*, Bucuresti: Editura Irecson.
- Tran V., Stangiugelu I. (2001). *Teoria comunicarii*, Bucuresti: Editura SNSPA.

## Fundamentals of Business Incubator Development

Senior Lecturer Gabriela Marchis, PhD in Progress  
“Danubius” University of Galați

**Abstract:** The pattern of the European Union, including Romania as a member state, determines the reconfiguration of Romanian way of acting in order to develop new business. Learning from others with much more experience in the field of regional economic development may be the key to accomplish the goal of economic and social cohesion. The gap between Romania and EU-27 average in economic development terms may be reduced only by promoting small businesses to enhance. Creating jobs and building wealth is the only solution available to the current problems of Romanian economy. The paper intends to respond to basic questions of creating a business incubator. Also, it may be a tool to local and regional promoters that want to give rise, in a proper manner, to a Business Incubator.

**Keywords:** business incubator, economic development strategies, revenue

**Jel Classification:** R10, R11, R12

**Business Incubators’ Role in Local and Regional Economic Development** consists in creating jobs and building wealth by fostering the formation of new businesses.

Predominant used Economic Development Strategies are:

- a) Business attraction that includes: *financial incentives* (e.g. tax breaks, grants, loans), *non-financial incentives* (e.g. customized training, site preparation, research and development capacity) and *quality of life incentives* (e.g. climate, schools, recreational activities);
- b) Business retention and expansion that strives to keep the businesses that a community or region already has and to encourage them to expend their operations.
- c) Entrepreneurship assistances that involves encouraging entrepreneurial activity in a community or a region, by helping entrepreneurs to overcome

obstacles and to access the essential resources in order to create growth and to sustain new companies. This strategy includes the following tactics:

- *Increasing access to capital*, including micro-loan programs, revolving loan funds administrated by an economic development organization, bank loans, angel capital and venture capital;
- *The “one-stop” approach*, that is very popular and consists in acting as a single source of information and referrals for entrepreneurs;
- *Technical/business management training*, through classroom instruction, workshops, on-site coaching;
- *Contract procurement assistance*, in order to help the small firms to get their share in the government contracts;
- *Creating networking opportunities*, in order to share ideas and information and to connect the entrepreneurs to the sources of capital;
- *Export assistance*, in order to help new companies to access the international markets (e.g. trade fairs, export license procedure, counselling on international marketing, etc.);
- *Technology transfer assistance*, in order to ensure that these technologies reach markets as quickly is possible.

*The most successful incubators do not provide these services on their own; they collaborate with many of the other economic, development and entrepreneurship assistance organisation in the region.*

**The First Business Incubator:** was founded in 1959 by Joseph L. Mancuso of Bavaria, New York and it was called America’s Original Business Incubator.

**Fishing for Clients:** In order to attract companies to the incubator there are some rules that should be followed:

- allowing enough resources;
- finding out what worked for others in like circumstances (networking with other incubator professionals and to National Business Incubation Association in order to exchange ideas, approaches, and best practices);
- paying attention to the present;
- knowing your incubator;

- visiting successful incubators;
- participating together with the consultants to the market studies.

**Feasibility Studies:** should generally examine the following core elements:

- *Market*, including the composition of the community's or region's entrepreneurial pool, the needs of prospective clients, and whether the community can meet those needs;
- *Stakeholder buy-in*, which focuses on garnering program champions and community support;
- *Financial feasibility of the project*, both short term and long term;
- *Availability of real estate* suitable for a business incubation program.

The time to perform a feasibility study is when there already exists a degree of local interest in business incubation as an economic strategy.

### **A Checklist for Planning an Incubator Facility**

- a) *Zoning* in order to be attractive for the current and future types of business;
- b) *Building codes* that cover everything from electrical service to parking spaces;
- c) *Location* in order to facilitate the access for clients, visitors and suppliers, taking into account the transportation links, considering the proximity to the airport, highways, restaurants and other services that clients may need;
- d) *Traffic and parking* in order not to disturb traffic and to ensure the adequate and secure parking;
- e) *Leas able space* in order to be suitable with the client's needs;
- f) *Security* systems for the buildings and parking area such video systems or code or card access systems that offer the ability to track who entered the building and when.
- g) *Insurance* of the building or clients contests.
- h) *Access to shared facilities* as docks, restrooms, etc.;

- i) *Material flow* in order to enable the movement of materials around, such as: multi-storey structure that provide vertical and horizontal flow, spacious hallways, elevators, etc.;
- j) *Hazards* such as underground storage tanks or asbestos;
- k) *Staging areas*
- l) *Floor loads*
- m) *Telecommunications* such as: data lines, servers, hubs, routers, etc;
- n) *Heating, ventilation and air conditioning*
- o) *Electrical service*
- p) *Plumbing*

### **Ten Keys to Incubation Success:**

1. Effective business incubators are based on 2 essential documents: feasibility study and business plan;
2. Business incubators are service programs, not buildings.
3. Top incubators are well managed, which means that provide appropriate salaries and benefits to individuals who have the skills to help companies grow and to transform their communities.
4. Incubator staff must be entrepreneurial and non bureaucratic, they should be flexible and committed to service industry.
5. Business incubators managers should be proactive in the provision of services in order to screen clients, analyze their strengths and weaknesses, help set benchmarks for growth and bring in mentors and business service providers to provide customized assistance.
6. Regular evaluation of all aspects of the program ensures that the incubator meets its goals, evolves with the market and incorporates new tools and technologies to better serve its clients.
7. Business incubator programs are the nexus of significant angel equity investing networks, publicly, sponsored seed funds, technology infrastructure developments and commercialization programs, entrepreneurial campuses or youth entrepreneurship programs.

8. Top incubators adhere to the best-practise standards.
9. Top incubator managers engage in professional development activities, ongoing learning and networking to improve their skills.
10. Incubator managers are committed, idealistic and hard-headedly realistic at the same time.

### **Nuts and Bolts of Preliminary Planning**

Preliminary planning is the first phase of the incubator development the process that also includes: initiation and start-up, fine-tuning operations and growing client firms. There is a serious of steps that should be followed in order to accomplish preliminary planning phase, as follows:

- *Identify potential stakeholders* – the successful entrepreneurs, politicians, and administrators, community activists, who are tied to economic development and who have any interests in common with incubator. Stakeholder’s goals and objectives must fit within the timeframe of the incubator development. Once established that, the next step refers to the commitment of the resources: human capital, money, infrastructure, etc.
- *Conduct needs assessment* – that consists in identifying the local entrepreneurial base and gaps in the existing business and financial services for entrepreneurs in the community.
- *Choose the right real estate* – in order to respond to the needs of entrepreneurs. This step consists in assessing the scale and the terms upon market’s real estate are provided.
- *Examine organizational issues* – stakeholders’ objectives, available resources and the capabilities of all the players, potential sources of financing.
- *Plan services and crunch numbers* – refers to the programs that are necessary to add value to clients firms and consists in determining the composition, organisation, prices and legal structure of shared services, management assistance, consulting and business financial programs.
- *Construct a team and a business plan* – Incubator professionals comes from a variety of backgrounds: established companies, economic development organization, banking, university, but there are certain common qualities:

flexibility, creativity, steadiness under stress, etc. The business plan must be constructed based on preliminary drawings and clients outreach recruitment plans.

### **How to Create an Effective Mission Statement**

A mission statement should be clear and concise in order to serve two purposes:

- Guiding an incubation program's activities and development;
- Serving as an elevator pitch for the program, enabling prospective stakeholders, clients and employees to understand quickly what the incubator stands for and to decide whether they want to get involved.

A mission statement ought to reflect a program's specific purpose and its unique strengths.

A mission statement states the fundamental reasons for incubator existence, establishes the range of the incubator's activities, provides an overall direction for the incubator and acts as a foundation for developing goals and objectives.

The main characteristics of a good mission statement are:

1. looks to the future, not to the present or past;
2. reflects the incubator's unique strengths
3. offers a clear and concise message.

### **Crafting Good Incubators Documents**

Common incubator documents:

- *Leases or licenses*: A lease agreements grants a client an exclusive right to space in an incubator for a specified period in exchange for rent. A license agreement outlines services a client will receive, including use of space, in exchange for fees.
- *Service agreements*: contracts that delineate the services an incubator will provide and clients' obligations to make use of those services.
- *Applications and entrance requirements*: written questions and guidelines that an incubator uses to assess potential clients suitability for the program

and those potential applicants consider determining their eligibility in a particular incubator program.

- *Client handbooks or manuals*: can explain admission, graduation, parking, smoking and other policies; support services the incubator provides and their cost; client responsibilities; how to operate the photocopy machine or sign up to use a conference room; and any other information that clients need to know.
- *Conflict of interest policies*: guidelines for revealing and solving financial, ethical and other conflicts that incubator representatives might have between their personal interests and their official duties.
- *Nondisclosure agreements*: confidentiality agreements that allow incubator staff to exchange necessary information with incubator applicants and clients, and provide applicants and clients reassurance that incubator staff will not inappropriately disclose that information.
- *Graduation policies*: criteria used to determine when a client will leave an incubator program.

An incubator can't afford to operate without the following documents:

- Business plan
- A documented client intake process, including entrance criteria
- A documented graduation process and criteria, as well as a post graduation tracking process
- A lease or licence agreement that is competitive with other regional incubators, attractive to the best candidates and fair in its terms.

### **Security Grant Funding for Your Incubator**

There are several types of grant markers such as:

- *Community foundation*: non-profit organization that make grants in a specific region or a community;
- *Corporate foundation*: that derives their assets primarily from a for-profit business. They have their own endowments.
- *Government*

- *Family foundations*: independent private foundation that derive their funds from a single family.
- *Operating foundations*: private, non-profit foundations whose primary purpose is to conduct research, social welfare or other programs.

**Developing a Network of Incubators** may include the following activities: expanding the service reach of an incubation program, providing more space when a first site overflows, diversifying the types of clients a program can serve, or create an industry cluster.

### **How to maximize Operating Revenues in the Early Years**

During the first year, you typically acquire, with proper marches, federal and state moneys to build or renovate a facility. One way to help control operating costs is to plan a design that allows you to market and accept clients while the renovation is under way, thus generating cash flow from rentals as early in the program as possible. Also, you should focus on how you hire and pay management staff.

In the second year, you need to identify other sources of funding. You will need to look at city and state governments, local foundation, and private industry as sources of funding, as well as donations of labour, material and equipment to defray your operating expenses.

**Growing Life Sciences Companies** is depending on the community, if it can support life science companies or not. The keys to life science industry success are:

- *Cutting-edge research* that produces innovations around which entrepreneurs can build technology companies.
- *Access to capital* including seed and venture funds that support life sciences companies at all stages of development.
- *Effective technology commercialization* the process of getting university and other public research from the laboratory to the marketplace.
- *Skilled workforce* can become an issue as companies expand and move out the incubator. Specialised companies may have to recruit nationwide.
- *Access to transportation* such as having nearby hubs for business activities including shipping products and bringing in venture capitalists.

- *Industry infrastructure* that includes access to professional services, such as patent and clinical trial firms.
- *Entrepreneurial culture* with people willing to take on the risk of starting and working for a company at a stage when there's a lot of risk and no money, and people with business acumen to work with them.
- *Quality of life* Cultural attractions, sunny beaches and other amenities can make a difference when recruits are in high demand.

### **For-Profit Business Incubator Strategies:**

- *Learn to take care of yourself:* For-profit incubators must be self-sustaining in a way that nonprofits are. Whether through rents, service fee, taking equity in clients, or other means, non-profit incubators may be able to adapt for-profit strategies for bringing in revenue to their own models.
- *Define your mission clearly:* Many aspects of an incubator's operations derive from its mission that if an incubator mission is murky and unfocused; its operations may be also. For-profit incubators are required to explain how they plan to gain returns for investors and other stakeholders.
- *Educate your principals about incubation:* In the for-profit world, incubation must be justified to a corporate board or potential investors as a viable profit-making business. While challenging going through the process of justifying an incubator's model, it can result in better educated staff, board members, sponsors and investors.

### **Focusing on Synergy in Incubators**

The following 9 factors influencing the development of relationships in an incubator, are affected by each other and, to various degrees; they are managed by the incubator manager: types of businesses and the presence of clustering; the personal characteristics of the entrepreneurs; stages of development among firms; critical mass; layout of space; the incubator manager; norms and attitudes; forums and time.

By working with these factors, the incubator manager can create **an opportunity structure** in which resources, competencies and the emotional support are available.

There are 3 types of benefits resulting from networking and relationships: instrumental, psychological and moral support and developmental.

### **Critical Factors for Success**

- *Conduct an effective feasibility study*: long before the first client moves into incubator, developers need to take a hard look at their plans for the program, including its facilities, finances and focus. Otherwise incubator sponsors could be taken by surprise when the doors open and clients fail to materialize.
- *Select an appropriate facility*: the size of the building, its location and its configuration.
- *Be smart about staffing*: business incubator managers must be committed to helping client companies succeed. Business incubation programs need highly committed managers who also have the hard and fast business program management and coaching skills that are necessary to help clients succeed.
- *Work toward self sustainability*: creating a program that is not reliant on any one source of outside funding should be a long term goal of incubators programs.
- *Partner with other organizations*: it's important for an incubation program to interact with other business and community organizations, to address all, the need of growing companies.
- *Nurture healthy board relations*: Strong leadership, effective communication and a visionary outlook can help program managers' reign in rouge board members whose personal agendas threaten to derail the incubator's focus on helping entrepreneurs. These traits may also counteract the strain of members who want to micromanage daily operation.
- *Educate the community*: about the incubator goals and accomplishments and about the good use of incubator funds, in order to be accepted and supported by the community.
- *Invest in professional development*: money spent on professional development opportunities is an investment in the incubator program itself.

### **References**

- Bearse Peter (1993). *The evaluation of Business Incubation Projects*, National Business Incubator Association.
- Meredith Erlewine, Ellen Gerl (2004). *A Comprehensive Guide to Business Incubation*, Completely Revised 2<sup>nd</sup> Edition, National Business Incubation Association, Athens, Ohio.
- [www.nbia.org](http://www.nbia.org)
- [www.bic.es](http://www.bic.es)

## **Finance and Banking**

### **The Macroeconomic Context - A Favourable Factor to Continuous Change and Extending Banking Risks**

**Economist Elena Chirulescu-Ciucașu, PhD in progress**  
*BCR, Braila County Branch*

**Abstract:** Globalization, as a contemporary source of the capabilities and risks, is a reflecting theme for every domain of environment and research. In the new economy, financial globalization, which already has an appreciable record of manifestations, is a phenomenon with deep consequences on the mechanism of the world economical activities. A hierarchical order of rules and responsibilities together with the profound manifestations are the coordinates of our contemporary existence and they represent the base of systemic risks. Hence, the implementation of Basel standards is controversy; it may represent a competitive advantage including Romanian banks as Romania is now a European country.

**Keywords:** financial globalization, banking risk.

**Jel Classification:** D81, G21

#### **1. Globalization - the source of the contemporary capabilities and risks**

Wealth and power were a priority, during the evolution of mankind, according to which they have developed strategies and development objectives. The means of acquiring them were different; they were specific to each historical stage. Their manifestation was also different: migration, colonization and nowadays globalization.

Nowadays, under the sway of speed and of information, the concept of globalization has become a major concern on the agenda of the Heads of State, managers, scientists and even ordinary people, rich or poor.

As any phenomenon, globalization has been the object of study, research, analysis, prediction for the economic, political, technical, cultural, social, humanitarian environment and many more, so that there is no involved or unaffected specialization, by this exclusive opportunity.

The concept of "globalization" appeared for the first time in a dictionary in 1961; by the 1989 came in terms such as markets, tendencies, events, communications, risks and others such as global warming.

Over time, as a controversial phenomenon and much discussed in the press, the globalization, under different expressions, becomes for many authors of different specializations, the subject of numerous works. The appraisals were also appreciative when it was about increasing the wealth, but it was also criticized, when the globalization was causing a global crisis.

There are interesting opinions of researchers able to detach the inertia of routine of experiences and feelings when prophesying the future of mankind. John Naisbitt and Alvin Toffler are the most popular futurologists with prospective researches on globalization.

John Naisbitt<sup>1</sup> launches the idea the mankind's future shaped by mega tendencies and Alvin Toffler, in his "War and anti-war"<sup>2</sup> and "Power Shift"<sup>3</sup>, he puts the new system of wealth creation and information revolution on the forces that induce "the future shock".

Globalization is therefore an objective process as a result of the third wave of development of humankind evolution resulted from the digital revolution and information management which "made available to consumers and economic operators a whole range of new capabilities"<sup>4</sup> such as:

a) for consumers:

- purchasing power being substantially greater;

---

<sup>1</sup> Naisbitt, J., *Megatendințe, zece noi direcții care ne transformă viața*, Colecția Idei Contemporane, Editura Politică, București, 1989.

<sup>2</sup> Toffler, A. și H., *Război și antirăzboi. Supraviețuirea în zorii secolului XXI*, Editura Antet, 1995.

<sup>3</sup> Toffler, A., *Powershift, Puterea în mișcare*, Editura Antet 1995.

<sup>4</sup> Kotler, P., *Managementul marketingului*, Ediția a IV-a, Editura Teora SRL, București, 2005, p. 1.

- greater variety of available goods and services;
- a large amount of information;
- many opportunities to facilitate interaction and the approach of launching or receiving orders;
- the possibility to exchange opinions about products and services;

b) companies:

- the possibility of exploiting a new and redoubtable information and sales channel, with a increased range to communicate and promote their activities and products;
- more and diverse information about various markets, customers, potential customers and competitors;
- facilitating and accelerating internal communication between their own employees;
- two-way communications with customers and potential customers and more efficient transactions;
- the possibility to send ads, coupons, samples and information only to customers that have requested or consented to receive such things;
- adapting the offers services to individual customer requirements;
- improving the supply, recruitment, staff training and internal and external communications;
- reducing costs by improving logistics and operations.

The phenomenon generates new convergence in the national and international economic life due to structural transformation, quantitative and qualitative products in human thinking and behaviour in the mechanisms of organizational and functional structures of the economy, in the scientific research and technology, in the politics and in the environment.

Globalization is a factor of progress and economic growth.

Today globalization has developed a new stage of its evolution, becoming a complex, irreversible and inevitable phenomenon, which requires a new people's way of living and thinking about themselves and humanity through time and space.

The two elements, namely time and space resources are sustainable for the present and future wealth.

Time as a resource of wealth, knows also new development possibilities under the action of the new capabilities generated by the information era. Adapting speed is the key for improving the time resource! "Il est temps de passer à la vitesse supérieure"<sup>1</sup>.... The speed is responsible for the present future! Moreover, as Philip Kotler, said "The future is before us. The future has already happened."<sup>2</sup>

## **2. The effects of globalization in the financial - banking. Domination of financial risks**

In the new economy, the financial and banking environment are among the first and most exposed to shocks caused by the propagation speed of information, financial globalization is a phenomenon with profound consequences on the mechanism of operation of overall economic activity.

Financial globalization is already a considerable record of events during its evolution.

Opening the national financial markets, their deregulation, the development of new financial instruments, the expansion of banks and other international financial institutions, the involvement of foreign financial institutions on national markets and domestic financial institutions on foreign financial markets have facilitated the intensification of international flows of capital, thus creating a functional global financial system.

During its evolution, the financial globalization has known manifestations specific to the development level of each historical period, identified as: early modern era, Classical Period of Gold Standard, Bretton Woods phase and the contemporary era.

Developing communications and the private international financial system have determined that after 1960's, the Bretton Woods System pillars could no longer be

---

<sup>1</sup> COMMISSION EUROPÉENNE, Theme: *Statistiques générales et régionales*, Luxembourg, Office des publications officielles des Communautés européennes, 2006.

<sup>2</sup> Kotler, P., *op. cit.*, p. 1.

supported and it appeared the premises of creating the new global financial space, known as “cybernetic space of computer banking”<sup>1</sup>.

The internationalization of the industrial production, developing the global markets for goods and services has naturally and irreversibly led to globalization of the monetary markets.

Money becomes more than ever, "a modern means of communication between the main actors of economic life, separated in time and space"<sup>2</sup> and a barometer of the changes which occur in the economic world.

These prerogatives, along with the possibilities of superior valuing through specific operations, required the separation of the financial capital from the productive capital, between themselves, however, it was maintained a system of relations. With the increasing influence of the global financial market over the conditions on the business environment, the relationship between financial capital and productive capital has adopted other nuances.

However, by handling the instruments' characteristics - interest rates, exchange rates, and prices - the international financial capital has become a decisive role in the life of each country. Therefore, the financial analysts considered the international finance capital responsible for the emergence of "global capitalist system"<sup>3</sup> which, in turn, has favoured the financial capital's freedom to move where is better rewarded, that is in a global financial area represented by the financial market.

The expansion of the global financial market is linked to the exit of the currency under national laws and the regulations issued by central banks; in the 1960s, the market of euro-dollar, that is the market euro currency made pressure on the U.S. dollar and led to the collapse of Bretton Woods System (the 15<sup>th</sup> August 1971, President Nixon announced that the dollar was no longer freely convertible into gold, thus portend the end of fixed exchange rates and the Bretton Woods system).

Global financial flows and networks have encountered a spectacular intensity and expansion after the crash of Bretton Woods System and especially since 1973 when the Organization of Petroleum Exporting Countries has increased four times the oil

---

<sup>1</sup> Scholte, Ian Aart, *Global Capitalism and the State*, in *International Affairs*, no. 3, July, 1997, p. 427-452.

<sup>2</sup> Popescu, Ion A., Bondrea, Aurelian A., Constantinescu, Mădălina I., *Globalizarea: mit și realitate*, Ed. Economică, București, 2004, p. 133.

<sup>3</sup> Soros, George, *Criza capitalismului global: Societatea deschisă în primejdie*, Ed. Polirom ARC, Iași – Chișinău, 1999, p. 105.

price. Increasing intensity and expansion of global financial flows and networks has been achieved on the effects of deregulation of the financial markets and the contemporary technological revolution.

The financial services providers - banks, insurance companies, stock exchanges, etc. - began to engage in international operations, the credit and the insurance knew an expansion related to foreign trade. If at the end of the XIX<sup>th</sup> century and early XX<sup>th</sup> century, the international network of banks was limited; between 1960 and 1970 there was an unprecedented expansion of the multinational banks, particularly the American ones. After 1975 the Japanese banks have become the stars, they occupied the top positions in the specialty rankings.

The competition for extending the portfolio of financial services to a national and global scale has led to increasing the degree of focusing and centralization of the financial activities. Except for some domains of the extraction area, the highest degree of globalization in the financial services domain is the phenomenon with the most broad and complex manifestation. Thus, in the financial services sector the focus has led to the emergence of true financial supermarkets, which, on the principle of scale economies, cover a wide range of financial operations and investment and a wide range of consultancy services, insurance, intermediate and even tourism.

International financial centres are focused on London - New York - Tokyo.

The centre of the international financial markets with the fastest response to changes of world business cycle is New York, however, according to the number of the carried out transactions, London holds the supremacy, having the advantage of their geographic position and tradition.

Financial operators tend to get closer to customers, especially to international corporations, which has led to the focusing on the banking system in these centres, but also in major cities of the world where it connects most of the world transactions such as Frankfurt am Mein, Amsterdam, Dusseldorf, Hamburg, Zurich, Milan, Sao Paulo, Hong Kong, Singapore, Sydney, Chicago, Toronto etc.

Financial flows have accompanied for a while foreign trade activity, subsequently forming a unique market, far from the traditional trade, with banking players and multinational corporations.

The feature of this market is linked to the high degree of international capital mobility and the response speed of the structural changes occurs in the global

economy. Any non-synchronization in economic and monetary policies of the States with the tendencies that manifest globally, would attract penalties from the market, sometimes the consequences are dramatic, by triggering crisis with global effects. Most recent examples are supported by the crash of Wall Street since 1987 or the Asian crisis in 1997, which highlighted the threats of ignoring the mechanisms of international financial market by governments.

Because of the propagation and contamination speed of other components of the global market and the consequences of the recession nature, it is obvious the financial dominance in the face of the industrial powers.

At the same time, it is indisputable that this rule is different, as are patterns of contact in international developed financial markets. Distinctions are marked in particular by tradition and guidelines and claims on government investment.

The gearing in the global financial system is about factors that have national specific pattern. For example:

- London remained the centre of international finance because of its central role in Euro-currency market, of the conservative government policies of repealing controls on exchange and opening towards financial liberalization within the European Union.
- France through social measures, on the will to promote Paris as a centre of international finance, abolished the controls on the capital, while promoting a policy of financial liberalization, which led to a considerable increase in transactions with other financial instruments and establishment of futures stock market in 1986, at four years, after London.
- In Germany, faced with the pressure exerted on the trade flows of funds to the interior, the controls on capital have been used as tools of resistance to these threats until 1981 when it switched to the capital liberalization, but with the monetary reserves regarding the derived products which remained low in development.
- Under the pressure of the current account deficits that followed the 1973 oil crisis, Japan has seen unprecedented financial openness that has determined since 1998 the movement to the appliance of a new liberalization implementation of the financial sector and to give up at the latest controls over capital flows.

- Active attempts of involvement in foreign affairs showed in Sweden; since 1970 has liberalized capital flows, controls removed to the late 1980s and opened in 1989, after the French financial future exchanges.
- In the U.S.A, since 1974 there have been removed the controls on the capitals, the dollar remained the main international currency and the New York central system of the majority of the global financial activities.

The financial system through the two components - financial markets and banks - plays a fundamental role in the functioning of modern economy, in the process of economic growth, in the efficient granting resources in society.

The financial practices of developed countries, where competition has led to innovation and diversification, have created alternative financial systems. Preferences of actors involved in financial transactions ranges between market-based and bank-based<sup>1</sup>. There is already a competition that positions first, in some countries (e.g. USA, England), the capital market before the banking system due to the benefits of increasing wealth, protection of shareholders, reducing corruption, appropriate legislation, reduced inflation and so on. In other countries such as Germany the successful practices balance inclines towards the banking system.

The modern economies have identified innovating solutions for conciliation in the interference area of the two components; the banks add to their concerns also the activities of financial markets.

Along with the development of global financial activity, since 1970 the banking activity took an unprecedented proportion.

The development of multinational American, Japanese and German banks has triggered true global competition, the UK banks being put into difficulty during 1970-1980. With the liberalization of capital markets the banks in France and Sweden became more active. If within a period of time (1970-1980) German and Japanese banks were more focused towards their internal activity, leaving the initiative to the American banks; in modern times the penetration of markets, mergers and partnerships are common actions covered by multinational banks.

The capitals mobility, financial innovation deregulation are the challenges and concerns of most governments and central banks in the civilized countries in establishing macroeconomic and monetary policies, in the administration of

---

<sup>1</sup> Teodora Vâșcu (Barbu), Bogdan Moinescu, *Sisteme bancare comparate – Note de curs*, Academia de Studii Economice, Catedra de monedă, București, 2003 , [www.msbank.ro](http://www.msbank.ro).

decision-making tools such as exchange rates or interest rates as an inflation targeting, adjusting the current account deficit and temporizing/tempering risks, as known that the proportion and the dimensions of the global financial system attract specific effects of the globalization.

### **3. Systemic risk - the effect of entrainment risk deregulation**

The structural effects of systemic risk, especially in the contemporary era when modern financial systems were operating with packages of products and implicitly there were risks formed in packages.

When it is a question of involving the banks, the systemic risk can be amplified, especially in the case of derivative transactions that offer to the participant agents the opportunity for adopting speculative strategies.

An illustrative case would be the Berings Bank of 1995 and Thai currency collapse that triggered the East Asian financial crisis in 1997.

"Power without hierarchies, authority without rules, and decisions without responsibilities"<sup>1</sup> are attributes of the international financial system and the vectors of the global crisis were amplified by the inclination to risk, towards speculative business and towards uncertainty of the transnational financial institutions, endangering the financial discipline worldwide. Such risks are generated, in particular, by the regulatory issues.

Internet communications make financial difficulties to propagate instantaneously, determining the contamination phenomenon to spread very fast, so the financial difficulties encountered by one or more banks have consequences for the others too.

The systemic risk attempts also to the structural changes in the power balance between governments and markets, or between the public and private authority in the global financial system.

The regulation and identification of more effective tools to control systemic risks, especially after the East Asian financial crisis in 1997 are, since 1998, a priority for OECD governments or institutions such as the IMF or World Bank. Therefore, deregulation, dependence on oil, global and national economic and financial

---

<sup>1</sup> Manolescu, Gh., *Globalizarea și polarizarea în rețea a piețelor financiare internaționale*, Revista Finanțe, Banci, Asigurări Nr. 2/februarie 2007.

imbalances are among others the daily concerns of the world contemporary leaders because of the risk of being out of control which could not be corrected and its effects on the global level.

In the absence of responsible international bodies, each government or regulatory national authority must make decisions at their national level, according to the basic principles applicable to all, including:

- Adopting appropriate budgetary policy;
- Promoting the rules of good service labour markets and goods;
- The implementation of effective networks of social security;
- Establishment of policies that allows the development of an efficient and solid financial system;
- Adopting monetary policy that is focused on a low, stable and predictable rate of inflation;
- Accession of all countries to a new international monetary order and engaging them to follow all rules of the game.

Basel Committee on Banking Supervision has assumed this risk.

#### **4. The History and Necessity of Basel Agreements in Banking Activity**

The globalization of financial services, internationalization of capitals and raising money to the rank of modern means of communication have changed the ratio of forces in the global economy in favour of modern financial activities which, holding the nervous centre, controls the functions of the system.

Crises such as the crash on Wall Street, the collapse of the Thai currency or the case of Berings Bank have demonstrated the role and the proportions of a loose financial phenomenon. Systemic risks can be propagated with velocities determined by the synergy of forces and magnitude of the phenomenon “boule de neige”.

The void of authority, due to lack of international bodies responsible for the global economy, led to alternative solutions and international initiatives of analysis and, if possible, counter the risks. Basel Committee on Banking Supervision, established in

1974, with a role of achieving global stability of the banking system was an attempt in this direction.

The Basel Committee is an international body composed of representatives of the supervisory bodies and central banks of major industrialized countries: Belgium, Canada, Switzerland, France, Germany, Italy, Japan, Luxembourg, Great Britain, Holland, Sweden and the United States. Usually, they have periodic meetings (every 3 months) at the headquarters of the Bank of International Settlements (BIS), where a permanent Secretariat is located.

The fall of Bretton Woods system and the disappearance of "good conduct" in the money domain regarding the currency fluctuations and the changes in interest rates, caused severe disturbances in international financial markets that Basel Committee on Banking Supervision, established in 1974, introduced in 1988 the Agreement on the Capital of Covering Risk.

If by the beginning of the 80's the financial banking community saw the issue of risks only in terms of credit, in the context of globalization of monetary banking and capital markets, the business banking, practices of risk management, the approaches of supervision bodies on financial markets have had significant changes which imposed new rules for banking supervision and up-grading the Basel Agreement, through a project known as the Basel II Agreement.

The Basle Agreement addresses to active banks worldwide. Initially, the agreement of 1988 known as Basel I, set a minimum capital limit only through the credit risk (the most important risk for banks), even if it was assumed that the full allocated capital (minimum 8%) covers other types of risks, by including them in the credit risk.

Starting with 1996, by amending the Basel I Amendment, the risk market has been tackled separately, and to cover it, it was allocated a certain amount of capital.

Subsequent events, such as losses of the European bank environment for over USD 12 billion accumulated since 1992, because of bad managing risks at the level of banking institution, were a concern that the Basel Committee has developed, in 2001-2003, that is the Basel II.

Comparing the two rules in our research, we identified the following differentiations:

Basel I	Basel II
It focuses on only one way of measuring risk	It stresses on the role of banks' internal methodologies, supervisory reports and market discipline
It presents a unique dimension	Flexibility, the list of approaches, incentives for an improved risk management
It has a structure-based on an overall approach	Greater sensitivity to risk

With the new Basel II Agreement, the Committee initiated a model with the level of required capital for various types of operational risks (e.g. losses risk for interrupting/damaging the computer network, insufficient documentation or fraud). Most leading banks allocated more than 20% of their operational risk capital.

The analysis of operational risk is growing continuously, existing three different ways of treating them:

1. the base indicator - it involves using a single indicator that reflects the operational risk for the entire activity of the bank;
2. the standard indicator - the standard indicator presupposes establishing a different coefficient for different types of activities;
3. methods of internal assessment - requiring banks to use internal rules for determining the minimum capital requirement.

Risk banking management is the attribute of risk management aimed at optimizing the performance of banking companies through:

- ensuring further development of the bank;
- extending the internal control of performance on profit centres, customers and products;
- knowing the price of decision on new operations by determining risk;

- rebalancing portfolios on activities and operations.

For the banks in Romania, adopting the principles of the New Basel II Agreement regarding the capital adequacy is a competitive advantage.

The relating rule enables better the risk management, it will reduce the cost of capital and it will free resources for lending, increasing the expectations of potentiating the financial intermediation of corporate and retail sector in our country.

Although, globally, many banks have made progress to implement Basel II standards, the recent events, resulting in massive losses at international financial markets, drew doubts about the performance of the new regulation.

In addition, their responses are expected query relating to issues such as:

- Adopting investment vehicles. The development investment vehicles generate an exposure to risks associated not only to credit but also to packages and / or different lines of business as shown by recent investments from the U.S. market, with high real estate risk.
- the settlement of some demands of differential cost. Thus, there were requirements for lower costs for associated risks of some active packages than for the risks associated with individual assets.
- Determining exposure to risks. Exposure to associated risks should be quantified exponentially and not linearly, according to the principle that the risks are made of.

## References

- Naisbitt J. (1989). *Megatendințe, zece noi direcții care ne transformă viața*, Colecția Idei Contemporane, București: Editura Politică.
- Toffler A., Toffler H. (1995). *Război și antirăzboi. Supraviețuirea în zorii secolului XXI*, București: Editura Antet.
- Toffler A. (1995). *Powershift, Puterea în mișcare*, București: Editura Antet.
- Kotler P. (2005). *Managementul marketingului*, Ediția a IV-a, București: Editura Teora SRL. p. 1.
- COMMISSION EUROPÉENNE, Theme: *Statistiques générales et régionales*, Luxembourg, Office des publications officielles des Communautés européennes, 2006.
- Scholte Ian Aart, *Global Capitalism and the State*, in International Affairs, no. 3, July, 1997, p. 427-452.
- Popescu Ion A., Bondrea Aurelian A., Constantinescu Mădălina I. (2004). *Globalizarea: mit și realitate*, București: Ed. Economică, p. 133.
- Soros George. (1999). *Criza capitalismului global: Societatea deschisă în primejdie*, Iași – Chișinău: Ed. Polirom ARC. p. 105.

Teodora Vâșcu (Barbu), Bogdan Moinescu. (2003). *Sisteme bancare comparate – Note de curs*, București: Academia de Studii Economice, Catedra de monedă, [www.msbank](http://www.msbank).

Manolescu, Gh., *Globalizarea și polarizarea în rețea a piețelor financiare internaționale*, Revista Finanțe, Banci, Asigurari Nr. 2/februarie 2007.

## The Impact of the Protectionist Politics over the Increase of Foreign Commerce

Senior Lecturer Chiru Gheorghe, PhD  
*“Danubius” University of Galati*

**Abstract:** This article presents the evolution of foreign commerce between 1865 up to First World War. After 1863 until the first World War, the foreign trade of Romania increases its volume permanently (between 1863-1913 - 6,5 times, from a 72,1 million gold lei import and 120,9 million export, to an import of 590 million and an export of 670,7 million gold lei). Romania reduced already the gap between prices, but its predominant agrarian economy, its poor industrial development exposed it still to the effects of uneven exchange with stronger partners better economically developed.

**Keywords:** foreign trade, agrarian economy, customs duties

**Jel Classification:** B3, N7, N9

The social division of the labour that took place after the year 1877 has been concretized in developing new industrial branches and extension of the existent ones, in differentiating the peasantry and specialization of different areas in certain agricultural products, in a broad usage of the paid work. Therefore, during 1865-1914 the total population of the old Romania increased with 88 %, while the urban population increased with 115, 8 %, from 648, 6 thousands inhabitants up to almost 1.400 thousand inhabitants. This fact, along with the formation of several industries, especially in towns, strongly stimulated the goods exchange between town and village. Almost within the same interval, the number of traders increased approximately 5 times (see table 2, 3). The domestic market has been stimulated also by the creation and extension of the industrial chain, especially banks, credit instruments/facilities (cambia, check, mandate), of the national currency, of introducing the decimal measuring and weighing devices etc. A huge role in developing the domestic market was played by the externalization of the transport network. As it expanded on certain areas, thus the volume of transported goods on railway also increased. Crossing the country from one corner to another, connecting different regions of the country, as well as the most important centres to Bucharest, with main shipyard and Constanta maritime shipyard, railway traffic permitted a

faster and cheaper means of transportation than the existent one. This phenomenon leads to the development of production, as well as the intensification of the goods flow. After 1863 until towards the first World War, the foreign trade of Romania increases its volume permanently (between 1863-1913-6,5 times, from a 72,1 million gold lei import and 120,9 million export, to an import of 590 million and an export of 670,7 million gold lei).

**Table no 1**

Romanian foreign trade –million gold lei - (Corneliu Olaru, History of economy, București, 1998, page118)

<b>YEAR</b>	<b>IMPORT</b>	<b>EXPORT</b>
1863	72	121
1877	336	141
1900	217	280
1913	590	671

**Table no 2**

*Brasov traders' evolution*

Nationality	No of traders over years		
	1870	1884	1895
Romanians	110	179	200
Germans	82	127	128
Jewish	10	24	47
Hungarians	28	56	71
Greeks	14	5	6
Other nationalities	2	5	6
Total	246	396	458

*Source: N. N. Constantinescu, De l'origine jusqu'a la deuxième guerre mondiale/ From the origins until the Second World War page 218*

Table no 3

*Evolution of the traders within Sibiu*

Nationality	No of traders over years		
	1870	1884	1895
Romanians	6	12	30
Germans	76	142	192
Jewish	7	19	26
Hungarians	7	14	19
Greeks	-	-	-
Other nationalities	1	6	2
Total	97	193	269

Source: N. N. Constantinescu, *De l'origine jusqu'a la deuxième guerre mondiale*, page. 218

During 1897-1906 it may be observed a restriction of the volume, but this doesn't affect the general tendency. The commercial balance shows a surplus during 1863-1876, a deficit during 1877-1899, than a highly excess within 1900-1913. By means of the new tariff within 1904-1906, the customs duties were situated at a 10-25 % average versus the goods value. The customs duties for the machines, devices, semi products and raw materials, which were hard to procure (or were not produced) within the country, were much reduced (or they were exempted). On the contrary, the goods manufactured within the country or have the premises of being manufactured in the country, were taxed increasingly than the anterior tariff. This made clear distinction between the countries with whom Romania had concluded commercial conventions and with those with whom it didn't: the firsts were given huge advantages, the others, limited compensations. Although it has been highly criticized, some of the critics being extremely grounded, the customs protectionism as well as the industrial one, were objectively proved –under the epoch conditions – the Romanian economy solitary modalities of promotion and defence.

The total volume of the foreign commerce (calculate as sum of the export and import), versus the annual average of the period 1872-1876 (=100), increased up to 225 % during 1901 and up to 439 % in 1913. As compared to the same base period

in 1913, the export value increases up to 399, 6 %, and of import up to 494, 3 %. In other words, while the export increased 4 times, the import increased almost 5 times<sup>1</sup>.

As far as the commercial balance is concerned, up to 1877 that presented a surplus, during 1877-1899 it shown a deficit. Within 1900 – 1913, except 1904, 1908, the commercial balance showed again a surplus. The causes that provoked the deficit of the commercial balance during 1877 – 1899 were numerous. Among them we name: the negative consequences of the customs convention with Austro – Hungary, the customs war that followed and unfavourable economic reports with a number of high powers. The agrarian crisis from the last quarter of XIX century, considerably reduced the prices of grains, our main exported product, with the difference between the prices of the exported products and price of the imported items. During 1880-1913 Romania reduced already the gap between prices, but its predominant agrarian economy, its poor industrial development exposed it still to the effects of uneven exchange with stronger partners better economically developed.

Over the last decades of the XIX<sup>th</sup> century, especially at the beginning of the XX<sup>th</sup> century, the foreign trade within Romania experiences an impetuous development, reflecting the rhythm of the evolution of the Romanian economy during these decades. To have a closer analysis, even a concise one of the volume and structure of the foreign trade, it is necessary to consider the following steps: now the demand of the agrarian products on the foreign market enlarges, determining an increase of prices with 15-25 %; the quality of the Romanian wheat is one of the best; creating the transport technical base imposed the necessity of importing equipments, shipyard devices, transportation means, etc; the economical growth also imposed the capital import invested in industry, commerce and banks.

---

<sup>1</sup> Vasile Bozga, Ilie Puia, Radu Vasile, Eduard Ribczuc, *Istoria economiei naționale/ History of the national economy*, București, 1993

Table no 4

The increase of the foreign commerce volume is reflected in the following table:<sup>1</sup>

Years (total of 5 years)	Export		Import		Sold of the commercial balance	
	Amount (mil. lei)	%	amount (mil. lei)	%	(+)	(-)
1862-1866	611,6	100	355,1	100	265,5	-
1872-1876	838,9	137	596,7	168	242,2	-
1892-1896	1.539,2	251	1.875,5	528	-	336,4
1897-1901	1.290,3	218	1.588,5	447	-	298
1902-1906	1.940,3	317	1.624,3	471	326,4	-
1907-1911	2.706,7	442	2.192,4	620	514,4	-

Accepting the idea according to which only a „correlation with the payment balance of the country, by knowing all the debits and credit accounts – which, under the conditions when the values were passed over the border without any obligation of declaring them is quite impossible – could reconstitute and reevaluate in real terms Romanian commercial balance,<sup>2</sup> we could however observe that the increase of the foreign trade volume, the transformations occurred in the structure of the imported-exported goods, within the group of commercial partners components suggests sufficient dates for proving the dynamic and underlying the dimension of the Romanian economy evolution during this period.

As far as the structure of the export is concerned, it is observed within the period – pronounced in the last part – an increase of the oil industry preponderance; of the forest industry as reported with the agrarian one (the percentage decreases from 84% to 77%). The petroleum quantity exported shall continuously increase until the banging of the World War First: 77.756 tonnes in 1900; 214.345 tonnes in 1905;

<sup>1</sup> Platon Gh., Russu V., Iacob Gh., Cristian V., Agrigoroaiei I., *Cum s-a înfăptuit România modernă. O perspectivă asupra dezvoltării*, Ed. Universității “Al. I. Cuza”, Iași, 1993, pag. 142

<sup>2</sup> Axenciuc V., Tiberian I., *Premisele economice ale făuririi statului național unitar român*, Ed. Academiei, București, 1979, pag. 257

586.151 in 1910; 1.036.446 tonnes in 1913.<sup>1</sup>

As referred to import, the share is allotted to equipments (the percentage is doubled from the end of the XIX century up to the World War First). The development of certain branches of the national industry – textile, leather, glass, paper, etc. – leads to the reduction of the percentage – not of the absolute quantity – imports of large consumption goods from 82, 4% to 57 % within the period.<sup>2</sup>

The partner countries within the import– export relations as well as their share in the Romanian foreign trade are reflected in the table below:<sup>3</sup>

**Table no 5**

<b>Country</b>	<b>Import (in thousand tonnes)</b>	<b>Export (in thousand tonnes)</b>
England	50.837	31.488
Austro-Hungarian	96.098	41.055
Belgium	7.498	146.864
Switzerland	6.236	35
France	16.748	18.551
Germany	91.473	34.675
Greece	1.654	2.411
Italy	14.524	47.193
Russia	8.937	3.867
Lower countries	5.121	83.400
Other countries	22.113	26.839
<b>TOTAL</b>	<b>337.558</b>	<b>457.101</b>

Up to World War First, the biggest export share continues to develop with Germany and Austro-Hungary. As far as the export is concerned the structure over the years is the following: Austro-Hungary 30 %, Germany 11 %, Belgium 14 %, France and Italy 17 %. The share of the Austro-Hungarians in the Romanian foreign trade is based on traditional relations between Romanian Principalities Moldavia, Muntenia

<sup>1</sup> Axenciuc V., *Evoluția economică a României, Cercetări statistico-istorice 1859-1947*, vol. III, Monedă-Credit-Comerț, Finanțe Publice, Ed. Academiei Române, București, 2000, pag. 608-609.

<sup>2</sup> Axenciuc V., Tiberian I., *Premisele economice ale făuririi statului național unitar român*, Ed. Academiei, București, 1979, pag. 257

<sup>3</sup> Arhivele Statului București, *Fond Președinția Consiliului de Miniștri*, dosar nr. 42/1908, f.30 și *Fond Casa Regală*, dosar 6/1893, f.1 și 2

and Transilvania - which was ruled by the Austro Hungarian Empire; is confirmed by the fact that the limitation of those economical relations during „the customs war” determined an economical crisis both in the Kingdom as well as in the Romanian Principality, Transilvania.

Under a last evaluation, suggesting extremely well the dynamic and the dimensions of the foreign trade, in 1912, the value of the Romanian foreign trade was higher than the sum of the registered values of the Bulgarian, Greek and Serbian foreign trade.

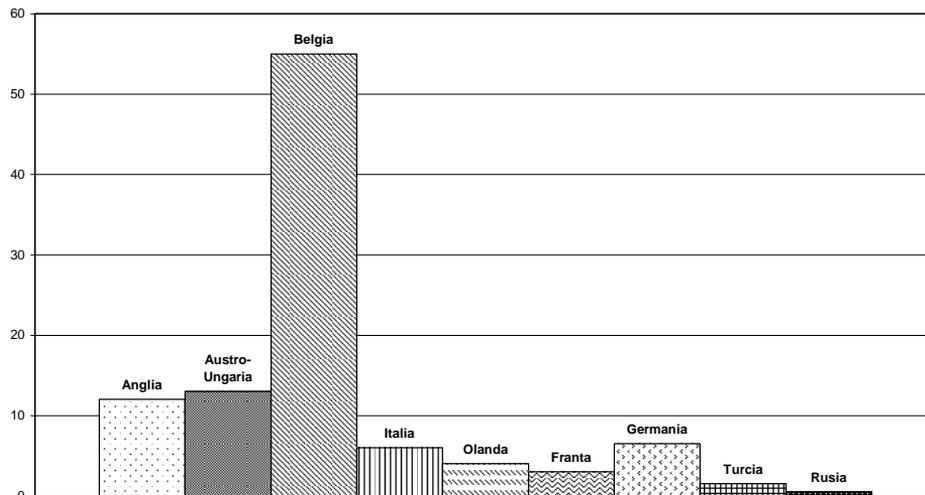
Over this geographic orientation of the foreign trade, there have been registered modifications of the place occupied by the capitalist countries in Romanian import and export. During 1900-1914, as reported to the last quarter of the XIX century, it is underlined the fact that the number of the countries with which Romania had commercial exchanges have not increased very much. These exchanges reflect also the struggle of the main European capitalist countries so as to monopolize the Romanian market, both for placing their domestic industrial products as well as for industrial and agrarian raw mater supply which they needed. Both for export, as well as import, the biggest part of these exchanges has been concentrated under the hands of an extremely reduced number of countries. The Romanian export and import structure (in % from the total), is detailed in graphics 1, 2, 3, 4 and 5.

The capitalization of the petroleum had rebalanced the Romanian export potential, maintaining the positive trends and masking the negative features.

Around the First World War, Romania represented one of the most important components of the international market, being one of the main grain exporters (place 4), being also a massive importer (especially of industrial products with a high degree of processing). Judged over the foreign commerce volume over one inhabitant, Romania occupies place 8 in the world (after Argentina, Holland, Belgium, England, France, Germany and USA. For certain products (grain) Romanian prices orient the international prices.

**Graphic 1 Geographic orientation of the Romanian export in 1902**

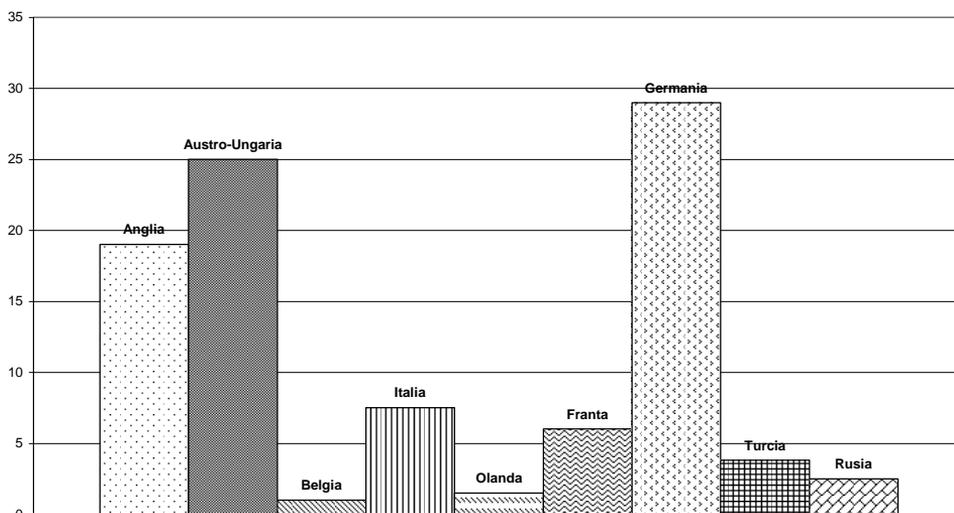
Orientarea geografica a exportului Romaniei in 1902



Source: *Sută Nicolae, Dragan Gabriela, Mureşan Maria, Sută Sultana, Istoria comerţului exterior românesc, Editura Eficient, Bucureşti, 1996, pag. 142*

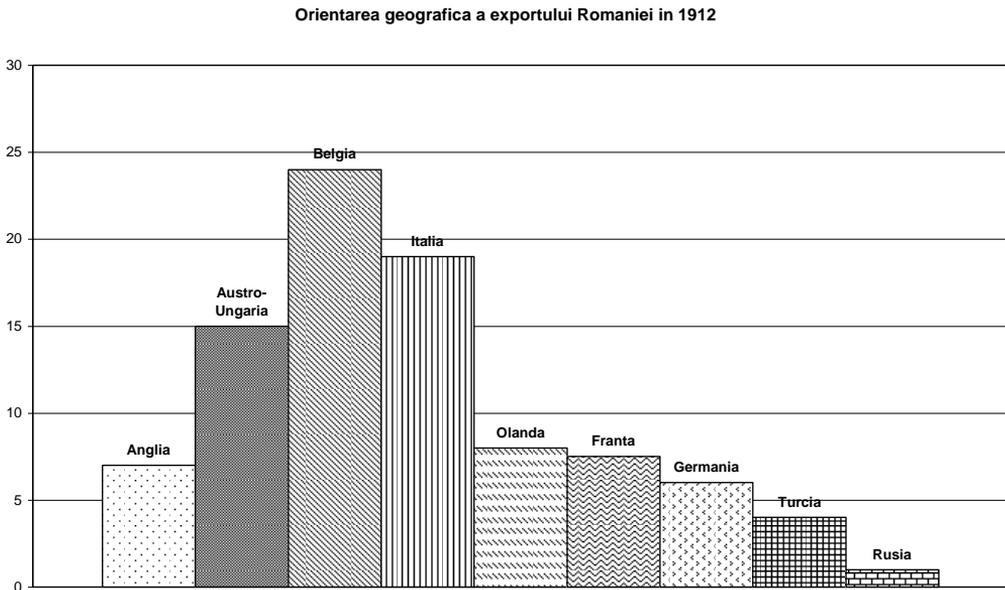
**Graphic 2 Geographic orientation of the Romanian import in 1902**

Orientarea geografica a importului Romaniei in 1902



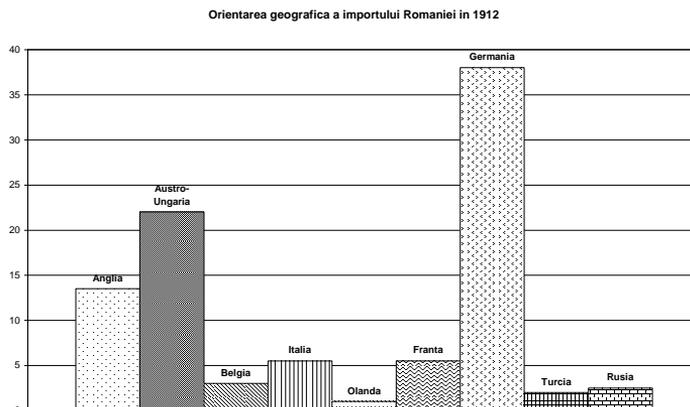
Source: *Sută Nicolae, Dragan Gabriela, Mureşan Maria, Sută Sultana, Istoria comerţului exterior românesc, Editura Eficient, Bucureşti, 1996, pag. 142*

**Graphic 3 Geographic orientation of the Romanian export in 1912**



*Source: Cazan Gheorghe Nicolae, Rădulescu-Zoner Serban, România și Tripla Alianță/ "Romania and the Triple Alliance", Editura științifică și Enciclopedică/ Scientific and Encyclopaedic Publishing House, București, 1979, page 306*

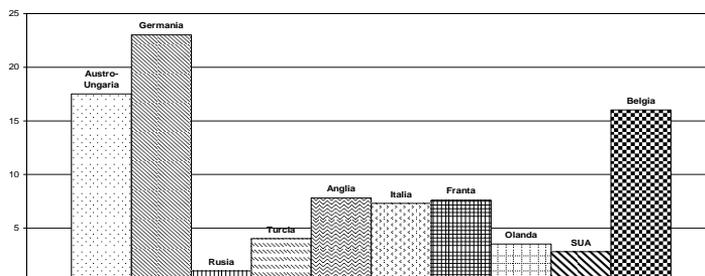
**Graphic 4 Geographic orientation of the Romanian import in 1912**



*Source: Cazan Gheorghe Nicolae, Rădulescu-Zoner șerban, România și Tripla Alianță/ Romania and the Triple Alliance; Editura științifică și Enciclopedică/ Scientific and Encyclopaedic Publishing House; București, 1979, page 30*

### Graphic 5 Geographic orientation of the Romanian foreign trade during 1913-1915

Orientarea geografică a comerțului exterior al României în anii 1913 - 1915



Source: *Sută Nicolae, Dragan Gabriela, Mureșan Maria, Sută Sultana, Istoria comerțului exterior românesc, Editura Eficient, București, 1996, page 145*

### References

- Cojocaru, I., *Documente privitoare la economia Țării Românești/ Documents referring to the economy of Tara Romaneasca* (1958). vol. I, București.
- Fotino, G., *Discursurile lui I. I. C. Brătianu/ Discourses of I. I. C. Brătianu*, Vol. I (1933) (12 noiembrie/November 1895 – 9 decembrie/December 1903), București.
- Gheorghe Nicolae, Rădulescu-Zoner Serban, România și Tripla Alianță/ Romania and the Triple Alliance*, (1979). București: Științifică și Enciclopedică.
- Gorincu, Ghe, Gorincu, F., *Brăila 625, în date cronologice (1368-1993)/ Braila 625 in chronologic data*, (1993). Brăila: Danubius.
- Guboglu, M., *Catalogul documentelor turcești / The catalogue of the Turkish documents*. (1960).
- Hamangiu, C., *Codul General al României/ Romanian general code* vol. II, (1900). București.
- Sută Nicolae, Dragan Gabriela, Mureșan Maria, Sută Sultana, Istoria comerțului exterior românesc/ The history of the Romanian foreign trade*, (1996). București: Efficient Publishing House.
- Theodorescu Angelo, *Cod Comercial Maritim și Navigațiune/ Commercial, Maritime and Navigation Code, Brăila, Intâia tipo-litografie/ the first typo-lithography* P.M. Pestemalgioglu.
- \*\*\**Analele Brăilei/ Braila Annals - Brăila*, an/year IV, 1932, an/ year X, no 1 din/ from 1939, an/year IV, nr.2-3, 1932, an/year XI, Nr. 1, Ianuarie/January – Aprilie/ April 1939, year X, Nr. 1, Ianurie/January – Martie/ March 1938, an/year XII, Nr. 1-2, Ianuarie/ January – Iunie/June 1940, an XI, nr. 1. Ianuarie/ January – Aprilie/ April, 1939, an I, nr. 1, 1993, an/year III, nr. 3, 1999
- \*\*\*Arhivele Statului/ State Archives, București.
- \*\*\**Economical annals*, 1, Trim./quarter III-IV Brăila, 1860
- \*\*\**Enciclopedia României, Legislația comercială/ Trade legislation*, Vol 4, București, 1943
- \*\*\**Relațiile internaționale ale României în documente (1368-1900. Culegere selectivă de tratate, acorduri, convenții și alte acte cu caracter internațional)/ Romanian international relations*.
- \*\*\**Selective booklet of treaties agreements, conventions and other papers with international character*, (1971). București: Editura Politică.

## **Monetary Integration – Factor of Economic Cohesion and Solidarity among EU Member States**

**Tatiana Adina Coman**  
*“Dunărea de Jos” University, Galați*

**Abstract:** The success of the EU is based on the convergence of the monetary policies of the Member States, and a genuine Single Market includes the monetary union. The monetary integration represents a factor of the economic cohesion and of the solidarity among the Member States. In order to have a united Europe, this is an advantage in the relationships with other states of the world. The major objectives of the monetary union are: a) The finalization of the Single Market through the elimination of uncertainty and of the inherent costs of the exchange system, but also of the costs for the protection against the risks of the currency fluctuations, and through the insurance of the total comparability of costs and prices inside the EU. The Single Market will stimulate the intra-communitarian trade by helping the citizens and by supporting the business environment; b) Economic growth; c) Europe's monetary stability and the increase of its financial power.

**Keywords:** economic cohesion, monetary union, economic integration

**Jel Classification:** F36, F5 , F15

European Union's success is based on the convergence of Member States' monetary policies, and in the same order of ideas and full understanding of terms, an Internal Market includes the monetary union. The monetary integration is a factor of economic cohesion and solidarity among the Member States. For a united Europe, this it is an asset in the relations with the rest of the world.

**The major objectives of the monetary union are:**

- completion of construction of the unique market by removing the sensation of uncertainty and of the inherent costs of currency exchange, but also of the costs of protection against the risk of the currency fluctuations, and by ensuring the

full comparability of costs and prices within the Union. By facilitating the business unrolling and coming in the support of the citizens, this must stimulate the intra-community commerce;

- increasing the economic activity;
- consolidating monetary stability in Europe and increasing its financial power by:
  - eliminating, by definition, of any possibility of speculation involving the community currencies;
  - ensuring, through the economic and financial dimension of the monetary union thus formed, of a certain invulnerability of the new currency to the speculations at an international level;
  - creation of possibilities for the euro to become a major reserve currency and a payment currency

The stages of E.M.U creation were designed to ensure the transition to the unique currency, so it should have a solid base, particularly due to the prior achievement of a full convergence of the economic and monetary policies. The third stage of the Economic and Monetary Union (E.M.U) started on 1 January 1999. This date marks the beginning of some important changes for the Member States, even for those that are not yet making part of the euro area<sup>1</sup>.

In the economic sphere, the most important thing is the coordination of the national policies (through the national programs of convergence, the guidelines for the economic domain, multilateral surveillance and the excessive deficit procedure). All the states will have to respect the Stability and Growth Pact, to prevent the direct financing of the budget deficit by the Central Bank, to prohibit the privileged access of the public authorities to the financial institutions and to ensure the free movement of the capital. While the accession implies acceptance of the EMU objectives, performing the convergence criteria is not a precondition. However, since these indicators are indices of some stability – generating macroeconomic policy, all Member states will after all have to carry them out. According to the EC Treaty and excluding the “opt-out” statute, a Member State either has adopted the euro, or it benefits by a waver. A member state to which a waver is applied is, in accordance with the Article 122 of the Treaty, excluded from the rights and obligations of the European System of Central Banks (ESCB).

---

<sup>1</sup> Constantin Popescu, *Rationality and Hope. Paradigm of the Living Whole*, Bucharest, 2006

On January 1<sup>st</sup> 1999, the unique European currency has become an accomplished fact, marking the most important moment of the century, after the establishment of the Monetary System of Bretton Woods. The process of monetary unification has been a difficult one, sprinkled with impeding episodes, with failed projects and with some uncertainties related to its success.

Half a century since the beginning of the economic integration in the Western Europe, they are trying to find answers to some questions such as: the process of monetary unification is mainly influenced by the economic or political factors? Which are the costs and benefits of the monetary union and which are the conditions for the benefits to have priority? What are the steps necessary to achieve the monetary union? What lessons can new member states learn from the experience of the 12 countries that currently form the euro area? The two components of this stage, respectively the economic union on one hand and monetary union on the other, cannot be separated, even if a thorough analysis for each can definitely be completed. In the case of the EU, the monetary union precedes the politic union but needs the economic union, being in front of a unique process, totally different from other historical experiences.

In the domain of structural reforms, in the recent year the countries from the euro area have become increasingly aware of the necessity to face the challenges of the increasing of global competition, the aging of the population and the intensification of the technological progress. Consequently, some of those have made efforts to create jobs. As a result of these reforms and of tempering the wage increases in some countries, the euro area has recorded in the last period a considerable acceleration of the growth rhythm of the occupied population. Noting that in the euro zone there were created around 12 million jobs during the eight years which have past since the entry into the third stage of the Economic and Monetary Union (EMU), compared with just over 2 million of new work places created in the same group of countries in the eight years preceding 1999. However, the Governing Council notes the persistence of some major structural impediments which explains the rates still unacceptably high of the unemployment and the still low level of participation on the labour market, according to the international standards. Considering the fact that on an international scale other states act to increase their own markets' competitiveness, it is important that in each country from the euro zone should minimize the failures at the level of the generated markets by the specific regulations and that the whole euro area to also remove the very last barriers in the path of markets' integration. An important element that must be taken into

account is the accession of the UK at EMU, because the impact of its accession may be higher than in the case of the last new 12 members of the EU. This is because, among the member states, Great Britain has the most correlated economy with the euro area. Moreover, The GDP of the UK is about 17% from the GDP of the European Union, compared to 5% percent that represents the GDP of those 12.

Great Britain, the second largest economy in Europe, announced (October 1997) by the voice of Chancellor Gordon Brown that in order to decide if and when it were in its interest to adhere at the economic and monetary union, it would take into account five economic tests, namely:

- whether there is a sustainable convergence between the economies of Great Britain and those from the euro area (are the business cycles and the economic structures compatible?);
- if there is sufficient flexibility of the Great Britain's economy to cope with the economic changes that might occur;
- if the accession at the EMU would create better conditions for firms to make long term decisions to invest in the UK;
- what would be the impact of accessioning at EMU on the competitive position of the financial industry services of the Great Britain;
- whether the accession at EMU will generate a higher growth, stability and a lasting increase of jobs in the UK.

Despite the Chancellor's statements, these criteria are subjective rather than objective. A review concerning the satisfaction of these criteria carried out by the UK Treasury<sup>1</sup> (2003) showed that it is not yet the high time for Great Britain to adopt the euro currency and the perspective of a referendum on the unique currency appears also faraway. The result of a referendum is of a fundamental importance for the business environment in UK whereas, on long term, the economic environment of this country will be governed by the decision made in a unique currency.

The question to ask is whether this accession will bring a new era of economic prosperity as a result of deleting the final barrier towards a single unique European complete market or that Great Britain will be locked into a system that does not allow economic decisions necessary to satisfy the position of the UK, and which could lead to a catastrophic situation.

---

<sup>1</sup> <http://www.ec.europa.eu> – European Commission

The British specialists who have in turn reviewed the five criteria have found that:

- 1) Linked to the first criterion – so called cyclical convergence test – a recent report, prepared by the National Institute of Economic and Social Research in Great Britain, shows that there is not a greater convergence between the UK and the euro area than that found in 1997. The proof is that the interest rates are now very close and the UK has the lowest inflation rate in Europe. It is recognized as a negative fact that the household market in the Great Britain is significantly different from the rest of Europe.
- 2) The answer at the second test: it is necessary to have the labour mobility or the wage flexibility, or both, so that the costs of labour should be adjusted so as to face economic changes.

Some analysts might argue that Great Britain and the EU have moved simultaneously but it is rather the attribute of the UK economy which becomes less flexible as a result of the increased bureaucracy than that of the EU which becomes increasingly flexible (and the model evolves towards the USA).

- 3) Could the decisions concerning the long-term investments be backed by the accession to euro? Although the exchange rate safety could be guaranteed for the businesses that Great Britain makes with Europe, this security will not work for the business that are made with other parts of the world. Therefore it is not right to say that the safety will be improved for all the business decisions. In addition, if the membership at the euro area would have an adverse impact on the economy of Great Britain then the decisions concerning the long-term investments could by no means be supported.
- 4) Could be the accession compatible with maintaining the competitive position of the financial industry services in Great Britain? The opinion is that the affiliation to the euro area could provide even greater opportunities for the UK to maintain its ascendancy.
- 5) Will the accession to the euro area generate a higher growth, stability and a lasting increase of jobs? The supporters of the changeover to the euro could argue that the removal of the final barriers in the trade's path would ensure an increased economic prosperity. The adversaries of passing to euro could argue that the UK's economy operated better from the introducing of the euro currency and that this shows that could be beneficial the UK to remain outside of the euro area.

Of course it will be a difficult judgment for the Treasury to consider whether the economic criteria are properly observed. This decision will have a direct impact on the calendar probably of a referendum, and the latter's result will decide the long-term economic framework of Great Britain's business milieu.

Given the significance of this issue, it is even more imperative that the voice of the business environment should be heard in the political debate over the accession of Great Britain to euro. Specialists reckon that the government are not to launch a referendum only if is having the certainty that will win an will launch a referendum unless there is a positive answer at each of the five tests.

Therefore the probably scenario, given that the current indications show that it is not possible for the government to win the referendum, is a political compromise –“the UK's economy has closed significantly since 1997 pertaining to the satisfying of economic tests, yet there are further steps to be done and a subsequent period with another evaluation is necessary before a final decision can be made. So the best probability is that the referendum is to be postponed until after the next elections.

### **The Constitutional Treaty and the EU Cohesion**

The European Constitution is an important step in the European construction. It is designed to meet the challenges of a changing world, ones encountered by a Union crossing the largest expansion and, nonetheless, of a united Europe of over 450 million inhabitants. The European Constitution must create the framework for democracy, freedom and transparency, for an powerful Europe which works closer by each citizen.

The European Constitution replaces the existing treaties with a unique text, blends with the national constitutions and with the institutions of the European countries and does not replace them by any means. The Constitution ensures the legal continuity of the Communities, simplifying the legal instruments and adapting the decisional process to the current challenges.

The European Constitution is divided in four parts. The first part defines the European Union, delineates its values, objectives, powers, decisional procedures and institutions. The second part contains the Charter of Fundamental Rights. The third part describes the policies and the way of functioning of the European Union. The fourth part contains the final provisions, including the procedures of reviewing and adopting the Constitution.

### **The founding Principles of the Union**

- The Union values and objectives are formally established by the Community law as well as the European citizen rights, due to the inclusion of the Charter of Fundamental Rights in the Constitution.
- The Union acquires legal personality by fusion of the European Union with the European Community.
- Powers (exclusive, shared and of coordination) and their distribution between member states and the Union are unambiguously defined.
- For the first time member states can leave the Union due to the introducing of the volunteer withdrawal clause.<sup>1</sup>
- The legal action instruments of the Union are simplified, their number being reduced from 15 to 6. It also happens with the terminology, by the introduction of the European law and of the framework European law.

### **Union's Institutions**

- European Parliament seats are downward and proportionally distributed. Starting with the next mandate, meaning from 2009 on, the Constitution provides minimum 6 parliamentary seats for the member states. The maximum number of parliamentary seats that a member state can have is 96
- The text provides as a decision on the composition of the European Parliament for the 2009 – 2014 mandate should be taken by the European Council at the proposal of the Parliament by unanimous vote. The number of parliamentary is not to exceed 750.
- The European Council, which will be chaired by a President elected for two and a half years, is formally recognized as a European Institution. The six-month Presidency of the European Council is being renounced at.
- The member states will have a commissioner until 2014, the date on which the number of commissioners is reduced, being equal to two thirds of the member states number. In addition, the commissioners will carry out the function by

---

<sup>1</sup> Gabriela Drăgan, *The European Union between Federalism and Intergovernmentalism. EU Common Policies*, ASE Publishing House, 2005

rotation. The Commission President will be elected by the European Parliament based on a proposal from the European Council.

- The function of Minister of External Affairs is created, which takes over the duties of the commissioner for External Relations and of the High Representative for the External Policy, being subordinate to the Council. The Minister of External Affairs is presiding and the Council of Ministers are reunited in the structure which deals with the problems of external policy.

### **The Decisional Process**

- It was convened upon a new system of qualified majority: 55% of the member states representing 65% of the population;
- The qualified majority in the Council of Ministers is applied for other 20 extant domains and another 20 created;
- Adoption in common of the laws and the European framework laws by the European Parliament and the Council becomes a norm a normative settlement (an ordinary legislative procedure);
- There are created some passageway clauses to facilitate the further expansion of the applying of qualified majority voting and passing to an ordinary legislative procedure;
- From now on, both the Parliament and the Council of Ministers are obliged to hold public meetings when they analyze and adopt a legislative proposal (procedures' transparency).

### **EU policies**

- The coordination of the economic policies of the countries that are part of the euro area must be improved, and the informal role of the Euro Group must be recognized;
- "Pillars" are abrogated by including the second pillar (External Policy and Commune Security) and the third pillar (Justice and Internal Affairs) within

the community. These domains were previously regulated by the intergovernmental method;<sup>1</sup>

- The external and commune security policy is strengthened by the creation of the European Minister of External Affairs function and the progressive definition of a commune policy of defence, for example by establishing a European Agency for the Defence and the authorization of consolidated cooperation in this domain;
- There is also brought up the creation of an area of freedom, security and justice by planned implementation of the commune policies pertaining to the asylum, immigration, control of the external border, of police and judicial cooperation, by extension the actions of Europol and Eurojust and creating a European Prosecutor's Office.

### **What Does the Constitution Provide to the citizens?**

- For the first time the democratic fundamentals of the Union are defined, including the participative democracy. It is introduced the right to civic initiative for citizens (at the request of at least one million citizens from a certain number of member states, The Commission may be determined to submit a legislative proposal according to the signatories wishes.
- The Constitution strengthens the enforcement of the principles of subsidiarity and proportionality: from now on, each national parliament will have the possibility to analyze the Commission's proposals from the viewpoint of subsidiarity principle, the conclusions may lead to the revision of the original proposal made by the Commission;
- The Constitution strengthens the regional policy of the Union, a policy based on solidarity and proximity to citizens. The regional policy promotes the "cohesion and economic, social and territorial solidarity between the member states". From now on, the solidarity and cohesion are the main objectives of the European Union. This means that the EU solidarity, more specifically, the financial assistance, is now benefited by all the disadvantaged regions or the regions in difficulty;

---

<sup>1</sup> <http://www.infoeuropa.ro> –Representation of European Commission in Romania

- The European Constitution contains additional provisions relating to the environmental protection. The principle of sustainable development occupies a central place in the European project.

### **Ratification of the Constitution**

In 29 October 2004, the Head of States and Governments of the 25 member states and 3 candidate countries signed the Treaty establishing a Constitution for Europe adopted unanimously by them on the 18<sup>th</sup> of June of the same year. The treaty enters into force only when it is adopted by each of the signatory countries in accordance with their constitutional procedures, the member states having two years to ratify the text of the Constitution.

### **Recent evolutions**

The Constitutional Treaty was subject to ratification of the 25 member states. As it is known, the EU Constitution was rejected by referendum in France and Netherlands. As a result, the European Council reunited in Brussels on June this year, in one of the most important summits of the last years, in order to reach a new agreement on the contents of a new treaty which will replace the European Constitution. “I am satisfied with what we got at the last European Council – a new base for the European Union”, said the German chancellor Angela Merkel, referring to the agreement of the 27 members concerning a new Reform Treaty.”<sup>1</sup>

European leaders have managed to reach an agreement on the project of the treaty which will replace the European Constitution from 2004, at the end of nearly 36 hours of intense negotiations concentrated around the Polish pressure to prevent the finding of a solution to allow the reforming of European institutions’ operation. The main points of agreement are:

- 1) The EU leaders will elect a president of the European Council reunions for a two – year and a half renewable mandate, instead of the current half-year presidency, exerted in turn by the member states. The Treaty will establish a powerful function of the new head of the European diplomacy, which should provide the community block with a greater share at the international scale. This - who will not be called “EU external minister”, following the UK’s objections -

---

<sup>1</sup> Gabriela Drăgan, *Tendencies and Evolutions at the Level of the EU Cohesion Policy*

will be responsible to national governments, and will manage the huge external aid budget of the European Commission. The member states will benefit by a mutual clause of defence, after the NATO model, in the case in which one of them is under attack.

- 2) The voting system will continue to be based on the current procedures stipulated in the Treaty of Nisa until 2014. After this date, the vote will be based on the “double majority”, system, which requires the agreement of 55 percent of the member states, representing 65% of the EU population, for adopting a decision. However between 2014 and 2017, any member state could ask all alone for the re-application of old rules from the Nisa Treaty in any decision voted for in this period. Great Britain won, in its turn, the right to choose which issues from the domain of justice and internal affairs will be conceded for their coordination by the EU.
- 3) The agreement confers a coercive character to the current Charter of Fundamental Rights, except for Great Britain, which demanded and obtained an exemption from this rule.
- 4) According to the new provisions required by Holland, national parliaments will be able to reject the legislative proposals of the European Commission which are contrary to the national competencies.
- 5) Compared to the project of constitutional Treaty, the new treaty removes the references to a EU Constitution and the symbols such as the European flag or anthem.

### **The Cohesion Quality and the Strength of the European Union**

The cohesion policy has proven to have a real effect in supporting the developing of the European Union regions, but it will encounter face new challenges in the years to come. These are the current findings in the most recent report of the European Commission concerning the economic and social cohesion (30 May 2007).<sup>1</sup>

According to the dispositions of the article 159 from the consolidated version of the Treaty of establishing the European Community, every three years, the Commission hands over to the European Parliament, Council, Economic and Social Committee and Committee of Regions a report concerning the recorded progresses in carrying

---

<sup>1</sup> <http://www.ec.europa.eu> – European Commission

out the economic and social cohesion and the way in which the various means provided in this article contributed to this progress. This fourth report, presents, for the first time, the economic, social and territorial situation from the 27 member states of the European Union after the expansion, as well as an analysis from the 268 regions of them. The report contains a detailed analysis of the regions' situation in terms of GDP, productivity and employment. This identifies a number of challenges which the member states will encounter and the regions over the next years and provides a first assessment of the impact of the European cohesion policy during the 2000 – 2006 programming period, as well as of the preparations for a new programming period, i.e. 2007 -2013. The report contains 10 questions designed to initiate, both at the level of the European institutions and outside them, discussions on the future prospects of this important area of policy.

In the presentation of the report, Dănuza Hübner, the Regional Policy Commissary, declared: “the Cohesion Policy has proven its ability of adaptation to different situations. Through the cohesion policy there were supported the necessary investments in infrastructure, human resources as well as in upgrading and diversifying economies at the regional level. It was facilitated the orientation of the policies of public investments in different member states in the sense of the established priorities at the level of the European Union. After that, Mrs. Hübner declared: “the Cohesion Policy assumes granting opportunities to each citizen throughout the European Union’s territory, by reducing the differences between regions, by using the unused potential and concentrating the resources in investments designed to contribute to development. The European Union will confront with many challenges in the near future: the demographic decline that will start to manifest around the year 2020 and the phenomenon of reducing the population, already present in many regions, the growing economic pressure exerted by the global competition, increasing energy prices, climate change and social polarization. Europe must respond to these challenges. For this purpose, all regions and the entire population should contribute to the ensuring of welfare, to creating jobs and stimulating the development.”

Divided in four chapters **the fourth cohesion report** presents:

- 1) *The situation of and the economic, social and territorial tendencies in the Member States and in the EU-27 regions:* There can be noticed a diminishing during the last ten years in the differences concerning the incomes and employment on the European Union territory. Yet it is still

necessary to make long term efforts to reduce the existent differences between the most disadvantaged areas.

- 2) *The cohesion policy impact:* The European Cohesion Programs supported directly the promotion of regional convergence and employment. For example, during 2000 – 2006 the convergence policy has contributed to the GDP growth with 2.8% in Greece and respective 2.0% in Portugal; the preliminary estimations predict that in 2007 – 2013, the cohesion policy will contribute to the increase of GDP by about 8.5% in Lithuania, Leetonia and Czech Republic, with approximately 5.5% in Poland and with about 3.5% in Greece, The cohesion policy also brought a contribution to the reducing of the phenomenon of poverty and social exclusion: it is ensured annually the co-financing of the professional training courses for 9 million persons, of whom more than half are women – courses that contribute to obtaining some better work conditions, as well as and higher revenue; during 2000 – 2005 there were created over 450,000 jobs in six countries, using in this purpose 2/3 of the funds provided by the 2<sup>nd</sup> Objective.
- 3) *National Policies and cohesion:* Public investments have fallen in the recent years because budgets are facing the effects caused by population's aging (pensions reform, more expensive education and health systems), as well as and by the economic reform what has as result the strengthening of public finances. In 1993, public investments were about 2.9% of GDP. Twelve years later, those had decreased to 2.4% of GDP. In the same time, we witness the occurrence of a process within which the decisions and management of the public investments are slow, yet are gradually decentralised towards the regional and local levels.
- 4) *Community policies and cohesion:* The different Community policies – those relating to research, development and innovation, agriculture, competition and state aids – will enhance the effectiveness of the cohesion policy, for example by particularly considering the economic, social and territorial circumstances. The reports show that these circumstances are increasingly observed, but that the necessary synergies are not at work thus far for their turning to the best account.<sup>1</sup>

---

<sup>1</sup> <http://www.eukn.org> – European Urban Knowledge Network

## References

- Arhivele Statului București, *Fond Președinția Consiliului de Miniștri*, dosar nr. 42/1908, f.30 și *Fond Casa Regală*, dosar 6/1893, f.1 și 2.
- Axenciuc V. (2000). *Evoluția economică a României, Cercetări statistico-istorice 1859-1947*, vol. III, *Monedă-Credit-Comerț, Finanțe Publice*, București: Ed. Academiei Române, p. 608-609.
- Axenciuc V., Tiberian I., (1979). *Premisele economice ale făuririi statului național unitar român*, București: Ed. Academiei, p. 257.
- Commission européenne, Theme: *Statistiques générales et régionales*, Luxembourg, Office des publications officielles des Communautés européennes, 2006.
- Constantin Popescu. (2006). *Rationality and Hope. Paradigm of the Living Whole*, Bucharest.
- Gabriela Drăgan, *Tendencies and Evolutions at the Level of the EU Cohesion Policy*.
- Gabriela Drăgan. (2005). *The European Union between Federalism and Intergovernmentalism. EU Common Policies*, Bucuresti: ASE Publishing House.
- Kotler, P. (2005). *Managementul marketingului*, Ediția a IV-a, București: Editura Teora SRL, p. 1.
- Manolescu Gh. *Globalizarea și polarizarea în rețea a piețelor financiare internaționale*, Revista Finanțe, Banci, Asigurari Nr. 2/februarie 2007.
- Naisbitt, J. (1989). *Megatendințe, zece noi direcții care ne transformă viața*, Colecția Idei Contemporane, București: Editura Politică.
- Platon Gh., Russu V., Iacob Gh., Cristian V., Agrigoroaiei I. (1993). *Cum s-a înfăptuit România modernă. O perspectivă asupra dezvoltării*, Iași: Ed. Universității "Al. I. Cuza", p. 142.
- Popescu Ion A., Bondrea Aurelian A., Constantinescu Mădălina I. (2004). *Globalizarea: mit și realitate*, București: Ed. Economică, p. 133.
- Scholte Ian Aart, *Global Capitalism and the State*, in *International Affairs*, no. 3, July, 1997, p. 427-452.
- Soros George. (1999). *Criza capitalismului global: Societatea deschisă în primejdie*, Iași – Chișinău: Ed. Polirom ARC, p. 105.
- Teodora Vășcu (Barbu), Bogdan Moinescu (2003). *Sisteme bancare comparate – Note de curs*, București: Academia de Studii Economice, Catedra de monedă, [www.msbank](http://www.msbank).
- Toffler A. și H. (1995). *Război și antirăzboi. Supraviețuirea în zorii secolului XXI*, Bucuresti: Editura Antet.
- Toffler A. (1995). *Powershift, Puterea în mișcare*, Bucuresti: Editura Antet.
- Vasile Bozga, Ilie Puia, Radu Vasile, Eduard Ribczuc, *Istoria economiei naționale/ History of the national economy*, București, 1993

### Online sources:

[www.homedepot.com](http://www.homedepot.com)

<http://www.ec.europa.eu> – European Commission

<http://www.infoeuropa.ro> – Representation of European Commission in Romania

<http://www.ec.europa.eu> – European Commission

<http://www.eukn.org> – European Urban Knowledge Network

## The Cost of Bank Credit Financing

Assistant Professor Mihaela Cosmina Petre (Niță), PhD in progress  
*“Constantin Brâncoveanu” University Pitești*

**Abstract:** Although the credit is a conventional financing method used by any company, this tool is by far a very significant issue. The range of credits, that a bank provides, and the current policy customize this tool in order to meet the typical financing needs of the enterprises that demands it. Considering the risks, the bank takes the charge of by placing credits, the “eligibility” terms of enterprises that can get such financing being very strict. Restrictions concerning the accepted degree of liability, the accomplished level of performance or available warranties may represent real “barriers” for many companies. Of all “barriers”, the high cost of some financing tools is a good case in point. In order to have a clearer picture of what this financing source is for an enterprise, I have carried out a cost analysis of these financing tools, the medium and long term credit cost and the short term credit cost.

**Keywords:** conventional financing method, financing tools, long term credit

**Jel Classification:** E51, E62

### The Costs of Medium and Long Term Credits

The bank loan on medium and long terms is a loan obtained from a bank or another financial institution and it has to be repaid for a period exceeding one year. This loan is usually negotiated directly between the one who requests the loan and the bank (or another financial institution – insurance company or other creditors). The period for granting this type of loan varies.

The medium and long term loan is an important source of financing companies. It is preferable to the short-term loan because it ensures a greater degree of safety to the borrower. Rather than having the care of the short-term credit renewal, the borrower may receive a structured credit on medium or long term, so that its deadline or payback term should coincide with the economic life of the asset that will be financed. Thus, the cash flows that will be generated by the financed asset can be used to refund the loan rates.

At engaging a medium or long term loan, the company must take into account three factors: (1) the cost with interest, (2) the guarantees required by the lender and (3) the way and the terms of repayment.

The main cost of a credit is the interest which the applicant must pay over the period for which the credit has been obtained. The typical way of expressing this cost is the interest rate that the banks show for each type of credit separately. This varies depending on the type of requested credit, as well as on the period for which it is granted. For certain types of credits, banks also calculate the credit risk margin that increases the cost of the credit for the enterprises characterized by a lower degree of profitability, respective a weaker debt service.

The interest that the banks show for credits that can be contracted do not include the commissions that the credit applicants have to pay in addition. The banks also show the annual interest rate, and as result, the interest payment calculation must take into account the period in which payments are made to the bank. In these circumstances, it is necessary to estimate the proportional interest rate pertaining to the period for which the credit is granted ( $rdT$ ) having as reference the number of days (360) corresponding to the banking year.

$$rdT = rd \text{ an } \times T/360$$

where:  $T$  = the period for which the interest calculation is made, expressed in days.

As a result, the interest payment for a loan is determined taking into account the interest rate at which the loan was contracted, the remaining unrepaid amount and the period for which it was granted. Its size varies depending on the chosen method of repayment. The most common loan repayment way is one that requires constant payments to the bank (annuity) during the duration of the loan. There can be found, however, other methods of reimbursement, such as loan repayment in constant rates or the fixed reimbursement.

To demonstrate the three types of refunds and the calculation of the interest payment, let us consider the following example. The "X" company contracts a loan to purchase a car. The loan is worth 10,000 euros, for a period of 5 years, and the interest rate at which it was contracted is 11.5%. To simplify the calculations it is assumed that the payment is made annually by the bank.

In the case in which the loan repayment is made at the end of the lending (finally) the total interest payment that a company has to pay amounts to 5,700 euros.

**Example of a final repayment loan**

**Table 1**

Period	Unrepaid credit balance	Interest	Main repayment	Annuity
1	10,000	1,150	0	1,150
2	10,000	1,150	0	1,150
3	10,000	1,150	0	1,150
4	10,000	1,150	0	1,150
5	10,000	1,150	10,000	11,150
Total	-	5,750	10,000	15,750

Where: Interest= interest rate x unrepaid loan balance x period

Annuity= Interest + Principal repayment

In the case in which the loan repayment is made in equal rates, the total interest repayment that a company has to pay amounts to 3,450 euros.

**Sample of repayment in constant rates of a loan**

**Table 2**

Period	Unrepaid credit balance	Interest	Main repayment	Annuity
1	10,000	1,150	2,000	3,150
2	8,000	920	2,000	2,920
3	6,000	690	2,000	2,690
4	4,000	460	2,000	2,460
5	2,000	230	2,000	2,230
Total	-	3,450	10,000	13,450

If the loan repayment is made by carrying out constant payments (annuities) to the bank, the total interest payment that a company has to pay amounts to 3,666.1 euros.

### Example of repayment in constant annuities of a loan

**Table 3**

Period	Unrepaid credit balance	Interest	Main repayment	Annuity
1	10,000.0	1,150	1,589.8	2,739.8
2	8,410.2	967.2	1,772.6	2,739.8
3	6,637.5	763.3	1,976.5	2,739.8
4	4,661.0	536.0	2,203.8	2,739.8
5	2,457.2	282.6	2,457.2	2,739.8
Total	-	3,699.1	10,000.0	13,699.1

$$A = Cx i / (1 - (1+i)^{-n})$$

Where: A – annuity payment; C- credit size; I – annual interest rate, n – number of repayment years.

Main repayment = annuity – interest

From the analysis of the three methods of reimbursement, the most expensive for the enterprise seems to be the finally reimbursement, a case in which the total interest payment over the 5 years of life of the loan is of 5,750. But if it is taken into account the value of the money in time, it may be noticed that the cost loan size is the same regardless of its method of repayment and is equal to the contractual rate interest. The cost of the loan is its internal rate of profitableness. Thus the value of the loan is equal to the present value of the annuities of payment, estimated by that actualization with the loan cost. As a result, the loan cost may be revealed from one of the three calculation relations presented below:

$$10.000 = \frac{1,150}{(1 + kd)} + \frac{1,150}{(1 + kd)^2} + \frac{1,150}{(1 + kd)^3} + \frac{1,150}{(1 + kd)^4} + \frac{11,150}{(1 + kd)^5}$$

$$10.000 = \frac{3,150}{(1 + kd)} + \frac{2,920}{(1 + kd)^2} + \frac{2,690}{(1 + kd)^3} + \frac{2,460}{(1 + kd)^4} + \frac{2,230}{(1 + kd)^5}$$

$$10.000 = \frac{2,739.8}{(1 + kd)} + \frac{2,739.8}{(1 + kd)^2} + \frac{2,739.8}{(1 + kd)^3} + \frac{2,739.8}{(1 + kd)^4} + \frac{2,739.8}{(1 + kd)^5}$$

With the help of the IRR function in EXCEL, the equations' solution may be established, i.e. 0.115 respectively of 11.5%. So the cost of the loan, when the supplementary commissions that must be paid to the bank are not taken into account, is equal to the fix interest rate, for which payment interests were calculated. The way of repayment does not affect its cost.

### The Impact of Contribution Economies on the Credit Cost

“In the calculation relations of the loan cost, the annuities of repayment by the enterprise have been replaced with the effective annuities “backed” by it. By reducing the state tax payment, a portion of the interest payments are “supported” by the state. Thus, in the effective annuities calculations “supported” by the enterprise, the rate of payment from the loan and the tax saving net interest are taken into account.”<sup>1</sup>

$$10,000 = \frac{1,150 \times (1 - 16\%)}{(1 + k'd)} + \frac{1,150 \times (1 - 16\%)}{(1 + k'd)^2} + \frac{1,150 \times (1 - 16\%)}{(1 + k'd)^3} + \frac{1,150 \times (1 - 16\%)}{(1 + k'd)^4} + \frac{10,000 + 1,150 \times (1 - 16\%)}{(1 + k'd)^5}$$

Where k'd is the net loan cost of the tax saving achieved by the enterprise by deducting expenses with the interests from taxable incomes.

In my opinion a reduction of the loan cost may occur if there are taken into account the savings of contribution that the enterprise can obtain them from the expenditure deductibility with the interests. Thus, on the exemplified case, the loan cost is reduced from 11.5% to 9.66% if it is considered the profit tax of 16%.

---

<sup>1</sup> Victor Dragotă , *Practical Approach of the Company's Finances*, Irecson Publishing House, Bucharest, 2006, p. 198;

### **The Cost of the Credit Adjusted with the Payable Commissions**

Another cost element of a loan from the bank is indicated by the commissions. Thus, at granting a loan, its transaction commission is calculated, representing 1 – 3% of the credit value and it must be paid at the moment in which the loan is granted. Another commission calculated by the banks is that of the credit count administration that is calculated at its balance account. In the conditions in which the company repays in advance the loaned amount, it will pay a credit non-using commission representing 1-2% of the earlier repaid amount.

In the case of the credits granted by the current account, the commissions' range is larger. In this case it is in addition to the commission for the credit that the company must pay the immobilization commission, the commission for the highest debit balance, the commission for the most overrun, the offset commission. Only by taking into account all these fees, the actual cost of the loan granted by the bank can be estimated.

Subsequently I am to present the calculation of the equivalent interest rate in the case of loan repayment in constant annuities:

$$10,000 - 10,000 \times 2\% = \frac{2,739.8}{(1+k''d)} + \frac{2,739.8}{(1+k''d)^2} + \frac{2,739.8}{(1+k''d)^3} + \frac{2,739.8}{(1+k''d)^4} + \frac{2,739.8}{(1+k''d)^5}$$

$k''d$  = = annual rate of equivalent interest

This calculation assumes, in fact, the determination of the equivalent interest rate which the firm pays for the received credit. On the case of the previous exemplified loan, considering a transition commission of the credit of 2% calculated for the granted sum, there is an increase of the loan coast from 11.5% to 12.31%.

### **The Cost of the Loans Guaranteed by Setting up a Collateral Deposit**

“The common method used to guarantee a credit received from a bank inheres in setting up a collateral deposit having a size equal to that of one or more rates that the firm has to pay. The capitalized interest for that deposit is very small and, as a result, the company has additional costs by tying its money in that deposit.”<sup>1</sup> To show on what grounds this type of credit cost is based, in the case of the previously exemplified loan, it is assumed that the company must constitute a collateral deposit

<sup>1</sup> Ileana Nişulescu , *Company Financing*, Infomega Publishing House, Bucharest, 2006, p.78.

of 5,000 euros which will be capitalized with an annual interest of 3%. The time length of the deposit creation is equal to that for which the credit is provided ( in this example, it is of five years), and the opportunity cost of the invested capital in the company is of 18%.

**Example of reimbursement in constant installments of a collateral deposit loan**

**Table 4**

Period	Unrepaid credit balance	Interest	Main repayment	Annuity	Interest collateral deposit	Total of payment
1	10,000	1,150	2,000	3,150	150	3,000
2	8,000	920	2,000	2,920	150	2,770
3	6,000	690	2,000	2,690	150	2,540
4	4,000	460	2,000	2,460	150	2,310
5	2,000	230	2,000	2,230	150	2,080
Total	-	3,450	10,000	13,450	750	12,700

In case in which we take into account the tax savings, the credit cost with collateral deposit can be estimated as:

$$\begin{aligned}
 10,000 = & \frac{(1,150-150)+2,000 + 5,000 \times (18 \% - 3 \%)}{(1 + kd)} + \\
 & + \frac{(920-150)+2,000 + 5,000 \times (18 \% - 3 \%)}{(1 + kd)^2} + \\
 & + \frac{(690-150)+2,000 + 5,000 \times (18 \% - 3 \%)}{(1 + kd)^3} + \\
 & + \frac{(460-150)+2,000 + 5,000 \times (18 \% - 3 \%)}{(1 + kd)^4} + \\
 & + \frac{(230-150)+2,000 + 5,000 \times (18 \% - 3 \%)}{(1 + kd)^5}
 \end{aligned}$$

Where: kd = the credit cost guaranteed with a collateral deposit

In my opinion, in order to estimate the cost of this type of credit, one must take account the loss that the company has by placing its capital (5,000 euros) at a rate interest of 3%, if the profitableness of its investing this money is of 18%.

### **The Cost of Short-Term Bank Loans**

When the firm's financing needs grow, the company demands from its bank to provide additional funds in accordance with these needs. The period of granting the banking loan for short-term financing is of up to one year.

The bank interest rates do vary significantly in time, depending on the general economic conditions and on the central bank policy. When the economy is in recession, the demand of credits is typically modest in the banking system. Consequently, the interest rates for all types of credits fall off. Conversely, when the economy is gaining momentum, the demand for loans is naturally strong, and the central bank restricts the money supply; the result is an increase in interest rates.

Because interest rates of bank loans may refer to a simple interest, a formerly calculated interest (calculated and paid at the granting of the loan) and the interest paid in rates, the cost of the bank credit is also different in each of these cases.

a) **The credit costs with simple interest.** The simple interest is applied for many banking credits and in the same time, it provides the comparison base for other types of credit rates. In the case of a credit with simple interest, the borrower receives the nominal value of the credit and repays at maturity this value and the afferent interest.

The cost of a credit with simple interest is calculated in two steps<sup>1</sup>:

- of all, the paid interest is calculated by using the formula:

Interest = amount of the borrower x annual rate of the interest x loan period

- the credit cost is calculated using the formula:

---

<sup>1</sup> Ion Stancu ,*Finance, Financial Markets and Portfolio Management, Real Investments and Their Financing, Analysis and Financial Management of the Company*, Economic Publishing House, Bucharest, 2002, p .122.

$$k = \left[ 1 + \text{cost in the absolute sum of funding/ financing net sum}^m - 1 \right]$$

Where “m” is the number of time periods included in a year

For example, we suppose that a firm incurs a bank loan of 100,000 RON on a period of 120 days, for which the bank charges an annual interest of 15%. The absolute amount of the interest is determined by the formula shown as:

$$D = 100,000 \times 0.15 \times 120/360 = 5,000 \text{ RON}$$

With the help of the formula we get the percentage cost with the loan interest:

$$K = \left[ 1 + 5,000/100,000^{360/120} \right] - 1 = 15.76\%$$

To note that for a simple interest credit granted for one year or longer, the nominal rate is equal to the effective rate. If the loan has a term of less than one year, the effective rate will be higher, due to the effect of compounding.

b) **The cost of the ante-calculated interest loan** refers to the cases in which the interest is determined and retained once the loan is committed. Therefore, the borrower receives less than the loan amount equal to the sum of the interest. In our case, the company that requested a loan of 100,000 RON will receive only 95,000 RON, and the percentage cost obtained according to the above formula is of 16.63%.

c) **The cost of the credit with repayment in equal monthly amounts** (including both part of the loan and part of the interest) involves finding the discount factor for annuities and then, from the tables, finding the monthly rate to be multiplied by 12 so as to determine the annual rate of the interest, which is the cost of the credit.

The effective annual interest rate for a repaid credit with the interest in equal monthly rates can be approximated with the formula:

$$\text{Approximate effective rate} = \text{interest} / (\text{loan amount} / 2)$$

d) **The cost of the credit with variable rate of the interest** is determined by using the previous formula, and in this case there must be calculated the total interest paid according to the different periods and the interest rates corresponding to them.

For example, I consider the credit of 100,000 RON for 120 days with variable interest according to the following table:

The ratio of interest	No of days	The cost with interest
15%	60	2,500
15.5%	40	1,722.222
16%	20	888.888
Total	120	5,111.110

Using the previous formula, we can find the credit cost, which in this case is of 16.13%.

e) **The cost of the credit line** is also determined by using the previous formula, and in this case it should be added to the cost with the interest and commission determined by the neutralization of the credit line entirely, thereby achieving the cost in absolute amount. To determine the net amount of funding, the net average sum of the financing is estimated, depending on the amount committed on different periods.

To illustrate it, we assume that the firm negotiates with its bank a credit line of 200,000 RON for a period of 120 days, with an entire line neutralization commission of 0.5% per year and an interest rate of 12% per year. For the first 100 days, the company retains 100,000 RON from the line, and for the other 20 days it still undertakes 30,000 RON. There turns up the problem of calculating the total cost of the credit line. The solution requires the completion of several stages:

- the absolute amount of the neutralization commission is calculated:
  - commission of neutralization = unused amount x neutralization commission x the corresponding period
  - the commission for the first 100 days =  $100,000 \times 0.005 \times 100/360 = 138.888$  lei
  - the commission for the next 20 days =  $70,000 \times 0.005 \times 20/360 = 19.444$  lei
- the interest is found
  - the interest for the first 100 days =  $100,000 \times 0.12 \times 100/360 = 3333.333$  lei

- the interest for the next 20 days =  $130,000 \times 0.12 \times 20/360 = 866.666$  lei
- the net average amount of funding is calculated
  - net average amount of funding =  $100,000 \times 100/120 + 130,000 \times 10/120 = 105,000$  lei

Based on the obtained data, applying the previous formula, we find the cost of the credit line that is of 12.97%.

**f) The cost of the discount credit**

The discount credit assumes the obtaining of resources from a bank or another financial institution on the grounds of trade effects held by the company. By discounting them, the company obtains resources for along the period that lasts until the maturity of the titles. Their size is equal to the value of the discounted titles for the remained period until maturity. The effective duration of the discount credit is equal to the period until the maturity of the discounted commercial effects, reduced with the number of discounted days (required for entering the money into the company account). Starting from these characteristics, the credit cost is estimated as follows:

Discount = the value of the commercial effects x the tax of the discount x duration of the credit

360

Size of the discount credit = the value of the discounted commercial effects – Discount

$$\frac{\text{The cost of the discount credit}}{\text{Size of the discount credit}} = \frac{\text{Discount}}{\text{Duration of the credit} - \text{Nr. Bank days}} \times 360$$

For example, in the conditions in which an enterprise discounts commercial effects in value of 10,000 RON having a remaining maturity period of 30 days, the discount tax charged by the bank is of 14% and the number of days of offset is 3, the cost of the received discount credit is of 15.73%.

In conclusion, to present a more relevant amount of information pertaining to the debt of a company resulted from long term loans, I think that in the moment of contracting the loan, there could be adopted the solution of calculating and recording the interest for all the credit duration, with taking into account the possible fluctuations of the interest rate. In these conditions, any user of accounting information would have a precise and in the same time real image on the level of average and long term debt of the enterprise having contracted a bank credit, the interest being a distinct element within the scope of liabilities.

## References

- Horia Cristea. (2003). *Financing the Company*, Bucharest: CECCAR Publishing House.
- Victor Dragotă. (2006). *Practical Approach of the Company's Finances*, Bucharest: Irecson Publishing House.
- Katona Levente. (2005). *Financing SMEs*, Bucharest: Expert Publishing House.
- Ileana Nişulescu. (2006). *Company Financing*, Bucharest: Infomega Publishing House.
- Ion Stancu. (2002). *Finance, Financial Markets and Portfolio Management, Real Investments and Their Financing, Analysis and Financial Management of the Company*, Bucharest: Economic Publishing House.

## Miscellaneous

### Integration of the Romanian Industry into the European One

Master Student Codruța Ligia Butucescu

*“Danubius” University of Galati*

**Abstract:** Romania’s integration into the European Union is an extremely complex process which has effects upon all sectors of the Romanian Economy. Among the main principles that are at the basis of the development of economy and the reform in the present stage, the most important position is held by the restructuring and modernization of the Romanian industry, its reorganization and privatization with a view to ensuring a durable economic progress. The industrial policy of Romania has in view to create a framework which can ensure the development of a competitive industry, in accordance with the industrial structures of the European Union, which will lead to the reduction of the gap between Romania and the other countries of the European Union. The industry, as an important branch of the Romanian Economy, produces approximately 27% of the national raw produce and contributes by 1, 2-1,5 rate to its growth annually. The Government of Romania has approved of the document of the Industrial Policy of Romania between 2005 and 2008, stating that it is essential for the three basic parts of the durable development: the economic, social and environmental one, to be interconnected and to progress harmoniously. The main goals of the industrial policy of Romania are: the growth of competition, the growth of the role of research, development and innovation, the promotion of a durable management of the resources and protection of environment; the improvement of the professional training and occupation of labour. The post-integration strategy in the industrial sector will have in view, among others, the ending of the process of privatization of the commercial companies of the industry, the presentation of the remaining industrial companies of the public property on the market, the promotion of the strategical cooperation of the holding type structures and of the economic groups with a view to connecting the Romanian industry to the process of globalization, the growth of the volume and efficiency of the export, encouraging the export of products with a high level of processing and high added value, turning into account the geographical position of Romania by directing the export to the neighbouring areas which can become outlets of maximum interest for the European Union. The most sensitive sector from the point of view of the post-integration situation is the one of the small and middle enterprises. Thus, after the integration many of them have reduced their activity or to put an end to their activity because they will not be able to cope with the competition from the European Union. A challenge for these enterprises will be the growth of productivity, under the circumstances that the average productivity of a small or medium enterprise is 19 times smaller

than the European average rate. Besides, these enterprises will feel the effect of Romania's integration over a year from Romania's integration in the European Union. The impact of Romania's integration in the European Union upon the local industry will be felt after two years from the moment of Romania's joining the Union. As a result of Romania's joining the European Union it is likely to have the following: higher wages, a relative diminishing of the population's purchasing power, which will determine a stagnation of the demand for industrial products. The effects of the improvement of the infrastructure will be felt in the long run (3-10 years). Following Romania's joining the European Union the sectors which have been mostly affected are: food industry, the industry of consumer goods and retail, the most favoured sectors are those which have a great export potential and which have low costs. Among these we mention the industry of generic medicines, the industry of oil, the industry of cars and their components, producers of raw materials.

**Keywords:** European Union, industrial policy, industrial product

**Jel Classification:** F15, F36

Romania's integration into the European Union is an extremely complex process which has effects upon all sectors of the Romanian Economy. Carrying out the Romanian reform and development according to market economy principles does point, among other things, at a large opening into the world economy.

The external economic relations of our country are mainly included in the European geopolitical space in which we stand. The integration is a complex process, which is based on the principles of compatibility and complementarily, and which consists of:

- adaptation of the economy and the social, military and political milieu to the realities in the already integrated countries, along with which it will develop later;
- developing cooperation relationships with the European institutions and the partners from within the member countries.

Through integration, the economies of participating countries become compatible and complementary, conditions absolutely necessary for their harmonious development.

The strategic objective of Romania is the convergence with the EU member states, in terms of individual welfare of their citizens and of the society in general. In macro-economics terms, the convergence with the European Union is ensuring a rhythm of economic growth higher than average for a sufficiently long time (a matter of decades).

Among the main advantages of Romania's integration into the European Union, we can mention:

- benefit of belonging to a larger family of nations;
- the security that this affiliation provides;
- the advantage of participating in the largest single market in the world;
- the opportunities related to the economic growth;
- creation of new jobs;
- access to the structural Funds destined for less prosperous regions of the European Union.

The citizen – concerned advantages of integration into the European Union are also significant:

- continuous improvement of life quality;
- high standards concerning the environmental protection;
- social protection and safety at work;
- the right to travel and settle in any member state;
- diplomatic and consular protection from another member state.

The major post-accession objectives of Romania are:

- strengthening the democratic system and of the democratic institutions;
- creating an economic and social climate that would give maximum of revenue;
- making more efficient the structures and mechanism of the market economy;
- strengthening the political, economic and cultural cooperation with the member states of European Union;
- strengthening the status of Romania on the European and international stage in terms of maximum security.

In accordance with its major objective, creating the conditions for integration into the European Union, established by Romania for the current stage of development, the fundamental principles underlying the economic development and carrying out the reform are: the restructuring of the Romanian society for the acknowledgment and pronouncement of moral and democratic values; settling the right of ownership

at the base of Romanian society; accelerating the institutional reform, starting with the Romanian Government, in order to create a modern state; restructuring and modernization of Romanian industry, in terms of its resizing and privatization, so as to ensure a sustainable economic growth; reorientation and development of the agriculture in the direction of market economy requests, by supporting the production and capitalization systems; the reform of the public finances system according to the principle of financing the economically viable objectives; equitable distribution of the transition costs in the support of social solidarities; helping Romania to rank with dignity among democracy – abiding developed European states.

The macroeconomic achievements in the recent years have made the carefully planned implementation of economic measures to significantly reduce the influence of all economic factors with disruptive potential, and establish a climate of relative macroeconomic stability. The macroeconomic projections on a medium term are positive, ensuring a solid economic growth and sustainable development.

Policies of restructuring the economy firstly advance steps to take so as to strengthen the mechanism of competition. The activity of the Competition Council will be encouraged to strengthen its ability to enforce the legislation of competition protection.

Out of all post-accession measures, the most important ones which are also in full implementing process are:

- achieving the national program of legislative harmonization, particularly aiming at the creation of an adequate framework of participating in the single market of the European Union;
- development of specific projects to capitalize the whole package of European assistance, in the restructuring and privatization domain, so as to complete the process of structural adjustment, social protection, of developing the infrastructure and building the civil society;
- developing the cooperation and concluding the free trade agreements with the countries associated to the European Union, as base of reviving their trade exchanges.

Romania considers that fulfilling the criteria established by the European Union implies a more powerful and accelerated economic recovery of the country by mobilizing the internal factors, potentiated by the closer cooperation with the

community countries, whose support, particularly financial and technical-economic, must be more substantial.

The objectives of the rapid integration into the European Union must drive Romanian authorities into seriously analysing the costs of this process in relation with the expected benefits, the proper deadline for the legislative harmonization and to what extent the process is benefited by the unfolding reform in our country.

One of the general objectives of the Romanian economic policy aims at strengthening competitiveness, which will be done mainly by: cultivating and consolidating a healthy and open business environment based on a stable and coherent legal framework, accelerating and deepening the structural adjustments; promoting the intangible investments (investments in human capital, research-development and innovation activities, quality issues, standardization, etc.) supporting the development of industrial cooperation and of SMEs, as well as through the services development.

In order to strengthen the business climate propitious to the market economy, the following objectives will be followed:

- developing a competitive economic environment in Romania, in accordance with the Community rules for the gradual alignment at the requirements for ensuring the free interchange of goods and services
- ensuring the conditions for an effective corporate management of firms;
- flexibility of the central administration and of the personnel involved in the international official relations of Romania, so the stimulation of foreign commerce and the synchronization of the internal business environment with the worldwide one should exist.

In the achieving of the post-accession programs, the business community represents a key factor for achieving the economic criteria and recording a certain progress. In turn, according to the assessments of the European Parliament, the Chambers of Commerce and Industry are the real intermediaries between the European Union and the national enterprises.

Economic agents must be able to evolve in a competitive environment, in which the state aid should be extremely restricted, and the competition rules entirely respected. According to the new regulations adopted by the Competition Council (which entered into force in January 2003), the state aid will be granted only with abiding by some strict criteria.

Along with assuming the commitment concerning the Code of Business Conduct, there will be introduced no fiscal steps to only be benefited by certain economic agents, they are compelled to evolve in a competitive environment, in which they are not to profit by discriminating fiscal easy terms.

An important aspect is to improve the investment climate in Romania, the current trade being to strengthen the economic growth through foreign direct investments. The preparations made by the Romanian Government in this domain particularly aims at taking the steps necessary to connect the Romanian economy to the requirements and standards of the EU Internal Market.

The relatively low production costs, the qualified and cheap labour, as well as geographic positioning of Romania are favourable premises for establishing new investments, with the possibility of export towards important markets of South-East Europe and the Russian Federation.

The transformation of Romanian economy and its orientation towards sustainable development in harmony with the national interests and the recent integration into the European Union points at a deeper involvement of industry, because, in order to achieve and maintain a fast of economic growth pace, the industry has a major contribution and will remain one of the main sectors of the national economy.

It can be avowed that the process of European integration will be a strong catalyst of the strategic readjustment course of the Romanian industry. Increasing the competitive pressures and the clarification of the legislative framework (for example, in what concerns the production and quality standards), along with the necessity of the Romanian producers to restructure their activities, will be the grounds of a future healthy growth.

Romania's industrial policy aims at creating a favourable environment for the development of a competitive industry harmonized with European Union structures, that should lead to the reduction of the existing gap between Romania and other EU countries. The concept of industrial policy has as purpose the improvement of competitiveness by encouraging the companies' functioning, focusing on the horizontal policies that affect all the industry sectors, namely: innovation, new technologies and processing facilities, professional abilities, education and professional training, the business management.

Romania's industrial policy presages the strategic targets, harmonized with the concepts of industrial development, adopted by the European Commission through the Lisbon Strategy. These concepts are focusing on the competitiveness of the

industrial products, as a determinant element of performance in the conditions of free competition.

The industry, as main branch of the Romanian economy, achieves, on average about 27% of gross domestic product of the country, contributing annually to 1.2 – 1.5 percent at its growth.

Within this branch, the manufacturing industry is the dominant component, covering about 80% of the volume of activity and comprising about 1.5 million people.

The purpose of industrial policy is to the market mechanisms to the best account, including trough the correction of extant failures. The concept of industrial policy usually covers the policies and associated instruments that affect firms and industries.

The European Commission has proposed a relevant definition, according to which the industrial policy relates at effective and coherent implementation of all policies liable to affect the structural adjustment of the industry, with the purpose of promoting competitiveness.

The Romanian Government approved the document for Romania's Industrial Policy for the period 2005 – 2008, indicating that it is essential that the three pillars of sustainable development, i.e. the economic, social and of environmental ones, should be correlated and evolve closely and harmoniously.

Romanian's industrial policy is based on the objectives and strategic directions of the Romania economy and industry, as well as and the fundamental elements of the European industrial policy. In conjunction with the other policies and strategies of the national economy, the industrial policy of Romania has as main objectives:

- increasing the competitiveness;
- enhancing the role of research, development and innovation;
- promoting a sustainable management of resources and environmental protection;
- improving the professional training and employment.

According to the Government's standpoint, together with the research, innovation and entrepreneurial activities, human capital ranks among the factors that affect competitiveness. Thus, the human resources and social cohesion policy aims at acquiring new skills, improvement and labour specialization.

The employment strategy and the increasing of the employment degree ensure the development of the human capital, creating jobs, promoting the adaptability of the workers and businesses to the economic changes.

A better flexibility of the workforce is also necessary and it is related to increasing its degree of mobility (re-qualification) and of perfection/specialization, so as to ensure a balancing of supply and demand in the labour market, as well as the development of the human resource management.

In the light of all changes that have occurred within the inner and regional relations pertaining to the European integration, the globalization process and liberalization of the movement of goods, services and labour, there turns up the tendency of industrialized countries to attract qualified staff, and consequently Romanian trade companies will have to cope with some increased demands of competitive products, in the conditions of confronting with an evolving industry environment.

Therefore the reconsideration of the strategy, organization and support of the indispensable training process of the working staff, on categories, specialties and domains, is an essential prerequisite.

In the industrial policy domain, a series of investments in the sectors that have medium and long term development possibilities on the European Union market are to be operated. The policy of restructuring will be implemented in a consistent manner in accordance with the *acquis* in the competition domain and the state aid, so as to create competitive and efficient companies.

The post-accession strategy in the industrial sector will be linked with the objectives of increasing the external competitiveness and internal productivity in relation to all factors of production. In this particular respect, the following steps will be aimed at:

- the enlargement of the process of remodelling the capacity and structure of the industrial production, including through development and stimulation of cooperation with partners from the European Union, on the background of strengthening market economy activities and of promoting a competitive environment, revitalizing the medium and large enterprises with a competitiveness potential;
- sequential arrangement of the economic agent selection and resizing within the restructuring process, aiming at ensuring the normal conditions for the development of the activity for satisfying the growing internal demand, and

for significantly increase the volume and efficiency of export of goods and services;

- finalization of the privatization process of trade companies in industry, exposure of the industrial units remained in public ownership at the market forces, in the conditions of strengthening the legislative discipline from the competition domain (including bankruptcy law);
- restructuring of energy and material intensive sectors; of those with overcapacities, in the sense of reducing the losses and of achieving substantial increases of productivity; stimulation of promoting the technologies that ensure the reduction of energy consumption;
- re-establishing an efficient capitalization of the national potential of research and technological development, including company research activities;
- increasing the competitive potential by promoting strategic alliances, a type of holding structures and of the economic groups of interest , in order to connect the Romanian industry to the globalization process, including the development of the complex exports;
- accelerated development, externalization and specialization of production – oriented services
- in high pace increasing in the volume and efficiency of export activities, encouraging the export of products with high degree of processing and high added value; the priority sustaining, in the permitted limits by the international framework of regulations , of the industrial sectors for which the world market is in expansion or which are bearer of technologies of high performance and which represents immature industries in Romania;
- capitalization of the geographic position of Romania, by targeting exports also towards neighbouring areas that may become outlets of maximum interest for the European Union

The Romanian industry is already operating in an open and competitive environment. This allows approaching the internal market as a first step by which the entrepreneurs can become more competitive and more “international”, in the common market of the European Union.

There are a number of measures that could facilitate the maintenance of competitiveness of Romanian companies to operate on the more competitive and increasingly important domestic market, although sometimes overlooked in an

unrealistic way. The Romanian enterprises must succeed on the internal market and at the same time, focus on international markets.

In the energetic sector, there is foreseen the constitution of the minimum stocks of oil and necessary oil products through budget and private sector financing, involving the economic agents in obtaining the new regenerative energetic resources, possibly via partnerships among public and private parties.

The restructuring of the energetic sector is in full progress, and is made through a legal separation of the activities of power generation, transmission and distribution.

In order to attract labour from non-viable mine areas, there will be developed alternative investments (technological parks, etc).

Implementing some policies of energetic efficiency which aims at the reduction of the energetic intensity of the Romania's economy, will attract significant investments, locally included. In the field of promoting renewable energies, there are now applied the recommendations of Strategy Study of RES use in Romania, prepared in collaboration with experts from the European Union countries and with Phare assistance.

In the electricity and natural gas sector, as a result of community *acquis* transposition, the opening markets occurs, with the condition of existing some licentiate suppliers and of some eligible consumers, defined by the regulatory authorities (ANRE, ANRGN). Restructuring of the steel industry (investment, financial, social), in terms of economic viability is a major priority for the Romanian economy.

In the telecommunications and information technology sector, there is foreseen a more active involvement of the companies in investments within this domain (the support of the Government through the technological parks) – possible niche for Romania to enter the European Union market.

In the regional policy development and in the structural instrument development, the carrying out of the business and development plans must take into account the perspective of realizing some regional policies, as well as and acquiring the know-how of developing viable projects for structural funds.

In the environmental protection, there is considered the re-technology and upgrading of facilities, which means the inclusion of a good part of environmental costs in the production costs. Also, there was proposed the establishment of public-private

partnerships in the environment domain (waste management, water protection, air, etc).

There will take place a drastic reduction of agricultural pollution, industrial, etc, by the economic agents, as well as and making some campaigns to convince the population to recycle wastes.

The implementation plans for the aquis in the field of environmental protection will also take into account the investments that are to be made for the environmental protection.

The most sensitive sector in terms of post-accession situation is that of SMEs. Thus, after accession, many SMEs must restrict their activity or self-dissolute because they cannot face the competition arrived from the European Union.

To become and remain competitive, Romanian SMEs need a coherent strategy in the business domain, a constant increase in their efficiency and an improvement in the quality and products image. This strategy should include investments in research and development, acquiring of new technologies, improving the managerial practices, development of creative and attractive projects and an efficient marketing.

A challenge for SMEs will be the increase of productivity, in the conditions in which the average productivity of a SMES is 19 times lower than the European average. Moreover, the SMEs will feel the effects of the accession in one year from the integration into the European Union.

In order of capitalizing the important economic growth – oriented and job – providing potential of the SME sector, the following steps will be taken:

- providing simulative easy-terms ( loan guarantees, interest subsidies, grants);
- organizing consultancy centres and training, entrepreneurial training, technologic parks and business incubators, assisted by the state to provide SMEs with free of charge or lower cost services;
- supporting of SMEs participation in projects based on public investments or accomplished with external finance
- Supporting SMEs has as an objective the strengthening of competitive Romanian presence on the internal market by:
- maintenance in applying the European standards and compliance with the community legislation with regard to the inner market;

- implementing the strategy concerning state aids for the purpose of supporting SMEs, respectively the innovation, the continuous professional training, the compliance with the environmental requests, and access to technology;
- creating an adequate infrastructure of business support and easy access at finance for SMEs;
- increasing the administrative-legislative transparency and efficiency

The impact of Romania's integration into the European Union on the local industry will be able to fell in two years from the accession moment.

As a result of the accession, it is possible to witness an increase in the wage costs, a relative decrease of the purchasing power of the population, which will lead to a stagnation of demand for the industrial products. The effects of improving the infrastructure will be felt on long term (from three up to ten years). After the adhering to the European Union the most affected sectors are the food industry, the goods of large consumption and retail, and the most advantaged sectors are those with high export potential and which benefit by low costs. Out of all these we mention the generic drug industry, the oil one and the refining, the auto domain and auto components.

## References

- Ionescu Romeo. (2005). *Treatise of European Economy*, Bucharest: Didactic and Pedagogical Publishing House.
- Bari I. (2002). *Economy's Globalization*, Bucharest: Economic Publishing House.
- Albu Al. (1995). *The International Economic Cooperation*, Bucharest: Expert Publishing House.
- D. Miron, Păun L., Duma A. (2001). *European Integration Economy*, Bucharest: ASE Publishing House.
- Bârsan M. (2000). *European Economic Integration*, Maramures: Foundation CDIMM Publishing House.
- Croitoru L., Rusu C. (2005). *Romania's Industrial Policy*, Tg. Mures: SOREC Publishing House.