



Munich Personal RePEc Archive

Business environment analysis of Romania

Stan, Darius

Research Institute of Agricultural Economics and Rural
Development - ASAS

20 November 2014

Online at <https://mpra.ub.uni-muenchen.de/61761/>
MPRA Paper No. 61761, posted 03 Feb 2015 09:07 UTC

BUSINESS ENVIRONMENT ANALYSIS OF ROMANIA

DARIUS STAN¹

Summary: *For much of human history, most people have been deprived of liberty without economic and investment opportunities being driven by poor living. Today, however, say that living in the most prosperous in history. In trying to remove poverty, disease, ignorance around the world, given the fact that in large part, the restriction on economic freedom is an important obstacle in trying to define an array in this analysis of the economic potential enlightening in the economic freedom in Romania. In 2014, the principles of economic freedom were again measured and collected in the Index of Economic Freedom, the source directories published by The Wall Street Journal and The Heritage Foundation. We also sought to highlight in an easy to use analysis, we can easily track progress in the development of Romania for economic openness, prosperity, opportunity. The paper will reveal the elementary analysis of the 10 freedoms - from property rights to entrepreneurship - in a report than 186 countries.*

Key words: *economic freedom indicators, opportunity, poverty, investment*

INTRODUCTION

What is economic freedom?

Freedom economy is the fundamental right of every human to control his own prosperity and development of the cumulative rights. In a society free of economic, individuals are free to pursue economic activities to produce, consume, and invest without restrictions.

In companies free economy, governments allow labor, capital and goods to move freely, refraining from coercion or constraint, to the extent necessary to protect and maintain liberty itself.

For analysis of 2014, most of the data were taken into account from the second half of 2012 and full year 2013 as far as possible, the information considered for each factor was current June 30, 2014 . Also noted that some factors are important in the historical information based on previous years.

For example Factor of a country's monetary policy is 3 years; the weighted average rate of inflation was calculated from 1 January 2010 to 31 December 2013.

MATERIAL AND METHOD

Evaluation of concrete realities of outdated stages throughout history helps us discover scientific truth. To conduct objective scientific approach we have chosen as an ally indisputable indicators, digital reporting. In this regard, information sources are generous, given the international classifications and directories of the report The Wall Street Journal, The Heritage Foundation holding information stringent the last 20 years indicators on it economic freedoms. The degree of development and proportion of investments made during the next in some states. Were taken in this way, data on economic development for 4 years and have done studies based on data collected to highlight changes in the business environment in Romania. The main method of investigation and data processing was the index method.

System performance has been carefully researched economic freedoms through benchmarking with other countries that have developed similar in the past but in recent times.

RESULTS AND DISCUSSION

Thus, economic freedom index in Romania in 2014 is 65.5, which indicates a change in the source economy better at 62.3 indexes. Calculation proves an improvement of 0.4 points this year due to low reliefs in the 10 economic freedom, including monetary freedom, eradicate corruption and freedom of trade.

¹ Dr. law sciences, economical; Research Institute of Agricultural Economics and Rural Development - ASAS; darius.stan@iceadr.ro

Romania ranked 29 of 43 countries in the European region, and its overall index is higher than the world average.

Over history of Romania's economic freedom rose by about 23 points. Should be mentioned here, relevant efforts and enormous progress in eliminating economically repressive policies. There were structural reforms to enhance regulatory efficiency and open market economy that have advanced from "moderately free". In the 2014 index, Romania scored a noted improved even the best ever held (Elevator 0.4).

Information. Economic Classifier Member - Romania

1. Respect for property rights

Table no. 1

Position	Country
76	Ghana
77	Malawi
78	Burkina Faso
79	Romania
80	Zambia
81	Vietnam

Source: The Wall Street Journal; The Heritage Foundation; Rank's score Economical

2. Gross domestic product indicator based on purchasing power parity as a percentage of world GDP by 0.36 answer

3. The rate intellectual property protection, including anti-counterfeiting measures in the country (1 f weak - 7 f strong) Romania ranks 84 before having the following countries (table no. 1)

Table no. 2

Position	Country	Value score
80	Guyana	3.1
81	Trinidad and Tobago	3.1
82	South Africa	3.1
83	Egypt	3.1
84	Romania	3.1
85	Tanzania	3.1
86	Peru	3.1
87	Cambodia	3.0
88	Azerbaijan	3.0

Source: The Wall Street Journal; The Heritage Foundation; Rank's score Economical

4. In this report we look at evaluating more public confidence in the ethical standards of politicians in the country where it is ranked 57 of Romania before it with more confidence as member

Table no. 3

Position	Country	Value score
53	Kuwait	4.5
54	Gambia	4.5
55	Malaysia	4.5
56	Macedonia	4.4
57	Romania	4.4
58	Montenegro	4.3
59	Malawi	4.2
60	Hungary	4.2

Source: The Wall Street Journal; The Heritage Foundation; Rank's score Economical

5. To the question: To what extent is the judiciary in your country independent from influences of members of government? Romania ranks 81 Join in the personal influence:

Table no. 4

Position	Country	Value score
77	Tanzania	3.5
78	Columbia	3.5

79	Morocco	3.5
80	Nigeria	3.5
81	Romania	3.5
82	Turkey	3.4
83	Uganda	3.4
84	Bangladesh	3.4

Source: The Wall Street Journal; The Heritage Foundation; Rank's score Economical

6. And the favoritism of government officials that places the company projects are well ranked 110 and having before states:

Table no. 5

Position	Country	Value score
109	Madagascar	2.5
110	Romania	2.5
111	Chad	2.5
112	Uganda	2.5

Source: The Wall Street Journal; The Heritage Foundation; Rank's score Economical

7. Then analyze how burdensome it is for entrepreneurs in your country to comply with governmental administrative requirements. And this is before we find out how Guyana - 3.0; Lesotho - 3.0; Moldova - 3.0; Côte d'Ivoire - 3.0; Bangladesh - Romania is in position 115 2.9 - 2.9, followed by Burundi - 2.9 and Latvia - 2.9.

8. However, how effective is the legal framework in your country for private businesses are in position 137 out of 139 possible. before us are:

Table no. 6

Position	Country	Value score
134	Burundi	3.3
135	Libya	3.0
136	Venezuela	3.0
137	Romania	2.9
138	Chad	2.8
139	Bosnia and Herzegovina	2.7

Source: The Wall Street Journal; The Heritage Foundation; Rank's score Economical

When asked indicator measuring organized crime: the extent of organized crime (mafia-oriented racketeering, extortion) impose additional costs on businesses in your country?

9. We learn that Romania spent on average as the UK - 6.0, Cyprus - 6.0 Netherlands - 6.0 hovering in position 43 by about 5.9 of the global share.

10. Confidence in the police and state authorities to enforce law and order in the country we have before us 70 Ghana.4.2, Zambia 71 4.2, 72 Romania ..4.2

11. In terms of quality of port infrastructure ranked us 122 Romania having before us states like Lesotho 3.1, 3.0 Tanzania, Burundi 3.0, Nigeria 3.0.

Then the annual percentage change in the risk index of consumer prices for the products we ranked 98.

Table no. 7

Position	Country	Value score
95	Ecuador	5.1
96	Mexico	5.3
97	Honduras	5.5
98	Romania	5.6
99	Algeria	5.7
100	Bangladesh	6.1

Source: The Wall Street Journal; The Heritage Foundation; Rank's score Economical

12. And health are in a weaker position. For example the calculation of the number of cases of tuberculosis that are calculated per 100,000 population, respond in position 95 fewer cases were recorded in:

Table no. 8

Position	Country	Value score
92	Guyana	112.5
93	Morocco	116.3
94	Peru	119.1
95	Romania	133.8
96	Thailand	136.7
97	Bolivia	143.9

Source: The Wall Street Journal; The Heritage Foundation; Rank's score Economical

13. And infant mortality (death rate is calculated per 1,000 live births) are presented in 55th place with 11.6, 11.7 with Uruguay, Vietnam 11.8.

14. Life expectancy of people in Romania recorded a dramatic drop us standing next to Venezuela 73.5, 73.5 Armenia, Peru 73.3, 73.1 Nicaragua.

15. We arrived then and education where primary qualitative measures which are accompanied by better quality states Indonesia 4.1 4.1 Rwanda, Botswana 4.1 Albania 4.1 4.0 Romania, Kenya 4.0.

Finally, passing over other indicators have reached the benchmark to measure the state's interest in keeping and attracting talented people - Brain drain or brain drain indicator where we are in unfavorable position 116 139posibile, by a factor of only 2.4. Before us were countries such as Tajikistan 2.6 Ecuador 2.5 Lebanon 2.5 Egypt 2.5 Ukraine 2.5 and 2.4 followed by Cameron, Syria 2.4 Paraguay 2.4 2.4 Mali, Zimbabwe 2.4.

CONCLUSIONS

Economic freedoms system performance

In light of 2015 we will analyze indicators during the last quarter of 2014 the state recommend attractiveness. Romania obtained outstanding marks under "Ease of Doing Business in Romania" are:

- Eastern Europe & Central Asia Region
- Income Category Upper - Middle Income
- Population 18482395
- Income per capita (U.S. \$) 8330.00
- Doing Business 2015 - negative growth in position 56-54 (-2)
- Starting a Business in 2015 - negative growth from 44 to 41 (-3)
- Dealing with Construction Permits in 2015 - an improvement from 84 to 93 (so a plus 9)
- Registering Property 92 (no change)
- Getting Credit in 2015 - an increase from 15 to 14 negative (-1)
- Protecting Investors (investor protection) 2015 - negative growth of 44 to 41 (ie -3)
- Paying Taxes 2015 - negative growth at 151-147 (-4)
- Trading Across Borders in 2015 - negative growth 47 48 (1)
- Enforcing Contracts (performance contracts) 2015 - negative growth from 54 to 53 (-1)
- Closing a Business (business closed) 2015 - negative growth from 102 to 92 (so a - 10)

On 2 June 2014 the European Commission recommended on the National Reform Programme 2014 of Romania, Romania's consistency program aimed primarily Chapters 11, 12 and 13:

- developing a national strategy plan on the efficient use of resources, especially human capital asset;
- development of a national plan on Labor Market Development.

In this report, the focus is primarily on recommendation taken to complete lack of structural reforms. The report states that in Romania the labor market is burdened with various institutional and legal constraints that hinder the effective use of human skills and at the same time, reduce the speed of response of the economy to growth opportunities.

Also specify that, as observed in the statistics, and contrary to the competitive demands of the market economy, the state is the main employer, the ratio of state employees to the private sector is 1.3 to 1.

The average salary in the public sector has come to rival - and sometimes rightly so - with the average private sector wage.

Currently, out of a total population of 22 million people, 11 million are assisted in various forms of state.

This cannot be called "social protection" but dependent state - the classic trap of underdevelopment. In these circumstances, the very social cohesion can be reached unable manifestation, once we recognize that economic and social cohesion policies are among the most important EU policies on strengthening economic growth, competitiveness and employment.

Need to ensure well trained human resources and competitive European labor market arises from the understanding that the competitive advantages that underpin economic growth can not ensure long-term sustainability, given the increased pressures of globalization and the continuing introduction of new technologies. We believe that only a flexible workforce and highly qualified will be able to build permanent changes in the labor market.

Today in Romania economic priority is to protect jobs and encourage private initiative viable, creating new jobs for Romanian. Extending unemployment crisis means in addition, that poverty and social costs for all. You must be aware that after the economic crisis, coming across Romania a wave of social problems. Unemployment, poverty, lack of perspective. Well-paid jobs are the result of the accumulation of capital and an institutional environment conducive to economic freedom.

This means low taxes, non-tariff barriers minimum, low inflation and a competitive business environment.

Inefficient companies should be allowed to disappear, as other companies, more efficient, to appear. The costs of this process in the short term are offset by growth in the medium and long term prosperity.

In other words, economic freedom is valuable as an end in itself. But equally important is the fact that the 10 of freedoms interact with and complement each economic freedom is also on a multidimensional process of achieving economic progress.

REFERENCES

1. Friedrich A. Hayek (1944) - The Road to Serfdom (Chicago, Ill .: University of Chicago Press)
2. *** http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_ro.htm
3. *** The Wall Street Journal - Annual report
4. *** The Heritage Foundation - Annual report
5. *** Rank's score Economical - Annual report