



FOREWORD

After a year in which Romania achieved the fastest growing economy in the European Union, 2017 comes with a unique set of challenges.

In 2016, the economy was the main driver of consumption and economic analysts expect it to slow down, while prices will increase. The government estimated an increase of 5% for the Romanian economy in 2017, but the World Bank warns that this could be too optimistic and expects an advance of only 3.4% of the economy. However, growth remains above the EU average, which is why 2017 could be a year at least as good as 2016.

Romania gained a privileged status among the countries of Central and Eastern Europe. Many multinationals brought their operations in Romania, attracted by relaxing fiscal policies, cheap labour force and modern office spaces, which make an available comfort like abroad. Moreover, the office market has thrived even during the crisis, representing one of the pillars of strength.

The National Prognosis Commission estimates a rise in gross domestic product (GDP) from 758.5 billion lei to 807.4 billion lei, that given an average annual inflation of 1.9% compared to -1.6%, as it was in 2016. According to Mediafax, the GDP per capita will increase from 38,487 to 41,199 lei in 2017.

The exchange rate had large oscillations in 2016, except for two key moments: the vote of British to leave the European Union led the pound to a historic low and caused an abruptly rise of the Euro, while elections in USA determined a negative appreciation of the Dollar towards the end of 2016.

On this fond of changes are coming our articles referring to quite varied topics, from ethics, social responsibility and corruption as risk factors to electoral populism versus economic stability.

*Professor Ph.D. **Alexandru Gribincea** from the International University of Moldova addresses the article to the financial risk that characterises the variability of net profit, subject to the financial structure of the insurance. He stresses that the capital of the insurance company has two elements (the equity and the borrowed one) that differ fundamentally in the cost they generate. If the company uses loans, it will bear systematically the related financial expenses, too. Through its size and cost, indebtedness leads to the variation and changes the size of financial risk. Resorting to the debt is justified through the high remuneration of equity in relation to*



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borrowed capital, thus increasing the financial return. In conclusion, the author believes that making the decision to internationalize, without taking into consideration the risk involved, leads to the wrong designing and dimensioning of the business and the quality of the decision is improved if the country risk analysis is correlated with other aspects of the process of internationalization as well, so that the decision-makers would benefit of an as accurate and complete image as possible of the action environment.

With regard to the sovereign risk, it only deals with loans granted by banks to foreign governments, loans that make up the foreign debt of that country. This type of risk, meaning the sovereign risk, arises from the possibility that, at some point, the government of the debtor country cannot or does not want to repay the external debt.

*Professor Ph.D. **Petru Roșca** addresses the economic efficiency and the role of the state in market economy. Economic efficiency emerges after comparing the effects of some action with the efforts needed to produce it and has general applicability in decision-making in any country. It can be said that economic efficiency is closely related to the use of resources in the economy and its essential feature is the stress/effects of causal ratio.*

In the competitive system of the free market, the activity of the economic agents provides performance to the extent that it has a high efficiency. Any human activity is, at the same time, resources consuming and effects producing.

In the economic theory, the concept of efficiency characterizes the activity developed in various fields: economic, social, educational, health, sports, etc. More concretely, it reflects the physical, intellectual and moral (in the deontological sense) effort made to achieve a goal or the pre-established objective, respectively the relationship between two waves: the resources spent and the resulting effects, expressed in physical (pieces, kg, and meter) or value (lei) units of measurement.

*In his article, named **Internationalization of Economic Activity and Government Interference in the Market Economy**, professor Ph.D. **Nicolae Țău**, from the Academy of Economic Studies of Moldova says that expanding economic relations and creating an international business environment, international business and the internationalization of the commercial transactions across national borders have become a prerequisite for companies, regardless of the activity they carry. Thus, internationalization is seen as a set of strategic methods, techniques and tools necessary to the companies to function abroad. As the effects of – fiscal and monetary – policies on the global demand and supply are*



unpredictable in time and space, it appears the requirement to substantiate, develop and put into practice a stabilizing strategy.

Besides the indexes showing the evolution of the demand and supply, the market can offer economic agents other analysis and decision parameters as well, such as: economic and financial instruments for influencing the behaviour of the business environment. Obviously, the results depend also on how the authorities (legislative and executive, central and local) work for a friendly business environment. There are two mechanisms that can be used for this purpose: fiscal policy (measures to enhance or reduce taxes, dues and public spending) initiated by the Government and approved by Parliament; monetary policy (setting the interest rate and the money supply, respectively of the money stock for a specified period of time) emitted and monitored (supervised) by the National Bank.

*Another interesting article is that of Professor Ph.D. **Ilie Mihai** who says that it is well-known that in election years, political parties compete in measures and promises that are more or less extravagant, designed to attract votes from voters. The situation is understandable to a certain extent, this practice being common in other countries as well, important being not to “jump the horse” as unfortunately happens in Romania, where in four years the politicians, in their desire to obtain a mandate in local or parliamentary elections, replete with all kinds of promises, without regard to the impact that their application might have on the stability of the overall economy. As the electoral legislation has become more stringent, attracting voters by giving them attentions and gifts (buckets, packages of food with sugar, oil, etc., or gourmet) was forbidden and election promises have climbed the first rung of the strategy of attracting voters. On the other hand, the old local and central political structures at the end of their mandate try, for the last hundred meters, to adopt populist measures, hoping both to renew mandates and to solve personal interests relating to special pensions bonuses and all sorts of pecuniary advantages, according to the principle “after us the deluge”.*

Saying that starting from the premise that sustainable development is an overall objective of EU Member States, another two young researchers from Bucharest University of Economic Studies highlight an important point in our country strategy of development. The sustainable development can be achieved through international cooperation that aims at economic growth, social development and environmental protection. The European Commission analysed the socio-economic and investment context of the member states, identified risks and opportunities and made some recommendations. This paper presents the best practices of the European funding system to improve the accountability of business



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or institutional operators accessing European funds and the measures taken by some member states for good governance. The authors emphasize the need to know the socio-economic and investment context by all stakeholders and initiate concrete measures of action to ensure real and sustainable economic growth by identifying feasible and lasting solutions, such as: what is the role of business or institutional operators at local and regional level and how it could ensure good governance at local and regional level by applying for grants.

***Ionela Mădălina Gheța**, from the same institution of higher education, wrote an article about the influence of culture upon the style of leadership which is really interesting and currently used in the economic field. She says that the level of development of a country is defined based on indicators such as population size, GDP and country area. Although it's easy to identify countries like the USA, France and Spain that are part of developed countries and countries such as Senegal, Gabon, Greece or China ranked as emerging countries, where there is no universally accepted the definition of developing countries. The "emerging countries" are often listed in terms of their differentiation from the developed countries; a common problem is that some organizations don't take into consideration all the variables, a country located on a higher position in terms of GDP is possible to not have the same position at the social development or quality of life. For the last 25 years, China has known continuous economic expansion, it's forecasted that in the next 20 years it will become one of the world's superpower. China encountered a relatively fast development after the deployment of the "cultural revolution". In China, the long standing cultural tradition influences till today the economic area, more than other countries encounter from this category. The youth's mentality is to learn and to work very well with the solely interest to serve the country completely. This desire of the Chinese people is positively influenced by the state – the Chinese Communist Party encourages the state to raise the development of education and the level of life.*

As we have seen, all the articles are interesting and deserve to be appropriated by those who are interested in understanding the specific issues of the economy.

If you liked our articles please visit our website. If you want to write an article in our journal, we are waiting for you to expose your ideas in the new studies published by us.

Finally, hoping that you found interesting the Issue 1/2017, I strongly invite you to address your comments and suggestions at office_analeserieconomie@spiruharet.ro and, of course, to submit your own paper via the online submission system.



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Let's build together a better world!

***Associate Professor Elena GURGU, Ph.D.
Deputy Chief Editor***

ACADEMIC PAPERS

